



30 Years of Innovation
and Growth

Q3
2019

CORPORATE PROFILE

Algonquin Power & Utilities Corp. (“Algonquin”) is focused on providing clean, sustainable utility services to over 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 44.2% 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.



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 Quarterly 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 and nine months ended September 30, 2019. This Management Discussion & Analysis (“MD&A”) should be read in conjunction with APUC’s unaudited consolidated financial statements for the three and nine months ended September 30, 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 three and nine months ended September 30, 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 November 7, 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 Offering and the ATM Program (each as defined herein); ongoing and planned acquisitions, projects and initiatives, including expectations regarding costs, financing, results and completion dates; expectations regarding the anticipated closing of APUC’s acquisition of the Bermuda Electric Light Company; expectations regarding the Company’s corporate development activities and the results thereof; expectations regarding regulatory hearings, motions and approvals; 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; 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 November 6, 2019, the quarterly dividend is equivalent to C\$0.1858 per common share or C\$0.7432 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 44.2% 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 and Canada serving approximately 801,000 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. On October 1, 2019, with the acquisition of the Enbridge Gas New Brunswick Limited Partnership ("New Brunswick Gas" or the "New Brunswick Gas System"), the Liberty Utilities Group expanded its footprint into Canada and added an additional 12,000 connections. On November 1, 2019, with the acquisition of the St. Lawrence Gas Company Inc. ("St. Lawrence Gas" or the "St. Lawrence Gas System"), the Liberty Utilities Group also added an additional 17,000 connections in New York State.

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 167,000 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 September 30, 2019 had a production-weighted average remaining contract life of approximately 14 years.

APUC currently has a 44.2% 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.

Major Highlights

Corporate Highlights

Quarterly Operating Results

APUC's operating results relative to the same period last year are as follows.

(all dollar amounts in \$ millions except per share information)	Three Months Ended September 30		
	2019	2018	Change
Net earnings attributable to shareholders	\$ 115.8	\$ 57.9	100%
Adjusted Net Earnings ¹	\$ 69.2	\$ 49.7	39%
Adjusted EBITDA ¹	\$ 186.9	\$ 165.5	13%
Net earnings per common share	\$ 0.23	\$ 0.12	92%
Adjusted Net Earnings per common share ¹	\$ 0.14	\$ 0.10	40%

¹ See *Non-GAAP Financial Measures*.

Declaration of 2019 Fourth Quarter Dividend of \$0.1410 (C\$0.1858) per Common Share

APUC currently targets annual growth in dividends payable to shareholders underpinned by increases in earnings and cash flow. 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 November 7, 2019, APUC announced that the Board of APUC declared a fourth quarter 2019 dividend of \$0.1410 per common share payable on January 15, 2020 to shareholders of record on December 31, 2019. Based on the Bank of Canada exchange rate on the declaration date, the Canadian dollar equivalent for the fourth quarter 2019 dividend is set at C\$0.1858 per common share.

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

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Total
U.S. dollar dividend	\$0.1282	\$0.1410	\$0.1410	\$0.1410	\$0.5512
Canadian dollar equivalent	\$0.1685	\$0.1899	\$0.1878	\$0.1858	\$0.7320

Common Equity Financing

In October 2019, APUC sold approximately 26.3 million of its common shares at a price of \$13.50 by way of an underwritten marketed public offering (the "Offering") for total gross proceeds of approximately \$354.4 million. The Offering primarily targeted U.S. investors.

The proceeds of the Offering will be used to partially finance certain of the Company's previously announced acquisitions and to partially finance the Company's renewable development growth projects, and for general corporate purposes.

Liberty Utilities Group Highlights

Acquisition of New Brunswick Gas

On October 1, 2019, the Liberty Utilities Group completed the acquisition of the New Brunswick Gas System for approximately C\$339 million. New Brunswick Gas is a regulated utility that provides natural gas to approximately 12,000 customers in 12 communities across New Brunswick, and operates approximately 1,200 km of natural gas distribution pipeline.

Acquisition of St. Lawrence Gas

On November 1, 2019, the Liberty Utilities Group completed the acquisition of the St. Lawrence Gas System for approximately \$61.8 million. St. Lawrence Gas is a regulated utility that provides natural gas to approximately 17,000 customers in the state of New York and operates approximately 1,100 km of natural gas distribution pipeline.

Liberty Power Group Highlights

Maverick Creek Wind Project Joint Venture

On August 8, 2019, the Liberty Power Group agreed to jointly develop an approximately 490 MW Maverick Creek Wind Project located in Concho County, Texas (“Maverick Wind Project”) with Renewable Energy Systems Americas Inc. (“RES”). Construction of the project is expected to begin in November 2019, and the project is expected to achieve COD in the fourth quarter of 2020 (see *Corporate Development Activities*).

2019 Third Quarter Results From Operations

Key Financial Information

	Three Months Ended September 30	
(all dollar amounts in \$ millions except per share information)	2019	2018
Revenue	\$ 365.6	\$ 366.2
Net earnings attributable to shareholders	115.8	57.9
Cash provided by operating activities	188.1	131.5
Adjusted Net Earnings ¹	69.2	49.7
Adjusted EBITDA ¹	186.9	165.5
Adjusted Funds from Operations ¹	120.1	127.9
Dividends declared to common shareholders	70.4	61.0
Weighted average number of common shares outstanding	495,912,305	473,774,957
Per share		
Basic net earnings	\$ 0.23	\$ 0.12
Diluted net earnings	\$ 0.23	\$ 0.12
Adjusted Net Earnings ^{1,2}	\$ 0.14	\$ 0.10
Dividends declared to common shareholders	\$ 0.14	\$ 0.13

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 September 30, 2019, APUC experienced an average exchange rate of Canadian to U.S. dollars of approximately 0.7572 as compared to 0.7652 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 September 30, 2019, APUC reported total revenue of \$365.6 million as compared to \$366.2 million during the same period in 2018, a decrease of \$0.6 million. The major factors resulting in the decrease in APUC revenue in the three months ended September 30, 2019 as compared to the corresponding period in 2018 are set out as follows:

(all dollar amounts in \$ millions)	Three Months Ended September 30
Comparative Prior Period Revenue	\$ 366.2
LIBERTY UTILITIES GROUP	
Existing Facilities	
Electricity: Decrease is primarily due to lower pass-through commodity costs at the Granite State and Empire Electric Systems.	(1.4)
Gas: Increase is primarily due to higher pass through commodity costs at the EnergyNorth Gas System, partially offset by lower gas safety capital mechanism revenues at the New England Gas System.	1.3
Water: Increase is primarily due to higher revenues from organic growth in the Litchfield Water System and higher pass-through water costs at the Park Water System, partially offset by lower consumption at the Arkansas Water Systems.	2.1
Other	(0.6)
	1.4
Rate Reviews	
Electricity: Implementation of lower rates at the Empire and Granite State Electric Systems due to the Tax Cuts and Jobs Act ("U.S. Tax Reform").	(2.7)
Gas: Implementation of lower rates at the Empire Gas System due to U.S. Tax Reform, partially offset by new rates, net of U.S. Tax Reform impact, at the EnergyNorth Gas System.	(0.1)
	(2.8)
LIBERTY POWER GROUP	
Existing Facilities	
Hydro: Increase is primarily due to higher production.	0.5
Wind U.S.: Decrease is primarily due to unfavorable market pricing at the Senate Wind Facility during periods with low wind resources partially offset by higher production	(0.5)
Wind Canada: Increase is primarily due to higher production at the Morse Wind Facility as well as annual rate increases.	0.2
Solar U.S.: Increase is primarily due to higher production at Great Bay Solar Facility.	0.3
Thermal: Decrease is primarily due to lower production at the Sanger Thermal Facility.	(4.0)
Other	0.2
	(3.3)
New Facilities	
Wind Canada: The Amherst Island Wind Facility was previously accounted for as an equity investment prior to April 16, 2019 when the remaining 50% interest was purchased.	4.2
	4.2
Foreign Exchange	
	(0.1)
Current Period Revenue	\$ 365.6

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

For the three months ended September 30, 2019, net earnings attributable to shareholders totaled \$115.8 million as compared to \$57.9 million during the same period in 2018, an increase of \$57.9 million or 100.0%. The increase was due to a \$3.9 million increase in earnings from operating facilities, a \$54.4 million change in fair value of investments carried at fair value on the Company's balance sheet, a \$14.3 million increase in dividend, interest, equity and other income, a \$1.2 million increase in foreign exchange gains, and a \$16.1 million increase in gain from derivative instruments. These items were partially offset by a \$11.3 million increase in income tax expense (tax explanations are discussed in *APUC: Corporate and Other Expenses*), a \$3.7 million increase in pension and post-employment non-service costs, a \$2.3 million increase in depreciation and amortization expenses, a \$7.8 million increase in interest expense, a \$0.9 million increase in other losses, a \$3.4 million increase in administration charges, a \$1.9 million increase in acquisition related costs and a \$0.8 million decrease in net effect of non-controlling interests as compared to the same period in 2018.

During the three months ended September 30, 2019, cash provided by operating activities totaled \$188.1 million as compared to cash provided by operating activities of \$131.5 million during the same period in 2018. During the three months ended September 30, 2019, Adjusted Funds from Operations totaled \$120.1 million compared to Adjusted Funds from Operations of \$127.9 million during the same period in 2018 (see *Non-GAAP Financial Measures*).

During the three months ended September 30, 2019, Adjusted EBITDA totaled \$186.9 million as compared to \$165.5 million during the same period in 2018, an increase of \$21.4 million or 12.9%. 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 Year-To-Date Results From Operations

Key Financial Information

	Nine months ended September 30	
	2019	2018
<i>(all dollar amounts in \$ millions except per share information)</i>		
Revenue	\$ 1,186.4	\$ 1,226.6
Net earnings attributable to shareholders	358.8	141.0
Cash provided by operating activities	443.8	361.7
Adjusted Net Earnings ¹	217.7	241.6
Adjusted EBITDA ¹	608.3	605.3
Adjusted Funds from Operations ¹	422.1	421.6
Dividends declared to common shareholders	203.5	172.4
Weighted average number of common shares outstanding	493,192,919	456,551,230
Per share		
Basic net earnings	\$ 0.71	\$ 0.30
Diluted net earnings	\$ 0.71	\$ 0.29
Adjusted Net Earnings ^{1,2}	\$ 0.43	\$ 0.52
Dividends declared to common shareholders	\$ 0.41	\$ 0.37
	As at	
	September 30, 2019	December 31, 2018
Total assets	10,618.9	9,389.0
Long term debt ³	4,276.6	3,337.3

¹ See Non-GAAP Financial Measures.

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

³ Includes current and long-term portion of debt and convertible debentures per the financial statements.

For the nine months ended September 30, 2019, APUC experienced an average exchange rate of Canadian to U.S. dollars of approximately 0.7524 as compared to 0.7766 in the same period in 2018. As such, any year over year 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 nine months ended September 30, 2019, APUC reported total revenue of \$1,186.4 million as compared to \$1,226.6 million during the same period in 2018, a decrease of \$40.2 million or 3.3%. The major factors resulting in the decrease in APUC revenue for the nine months ended September 30, 2019 as compared to the corresponding period in 2018 are set out as follows:

(all dollar amounts in \$ millions)

Nine months ended
September 30

Comparative Prior Period Revenue	\$	1,226.6
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 pass through commodity costs at Granite State Electric System.		(22.2)
Gas: Decrease is primarily due to lower pass through commodity costs at the Midstates, EnergyNorth, New England and Empire Gas Systems, partially offset by higher pass through commodity costs at the Peach State Gas System.		(12.0)
Water: Increase is primarily due to higher revenues resulting from organic growth in the Litchfield Water System, partially offset by lower consumption at the Arkansas Water System.		0.8
Other		(0.4)
		(33.8)
Rate Reviews		
Electricity: Implementation of lower rates at Empire and Granite State Electric Systems due to U.S. Tax Reform.		(13.3)
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 Empire Gas System due to U.S. Tax Reform.		5.1
Water: Implementation of lower rates at the Park Water System due to U.S. Tax Reform, partially offset by new rates, net of U.S. Tax Reform impact, at the Arizona Water Systems.		(0.4)
		(8.6)
LIBERTY POWER GROUP		
Existing Facilities		
Hydro: Increase is primarily due to higher production.		1.2
Wind Canada: Increase is primarily due to annual rate increases.		1.0
Wind U.S.: Decrease is primarily due to unfavorable market pricing at the Senate Wind Facility during periods with low wind resources as well as lower Renewable Energy Credit ("REC") rates at the Minonk Wind Facility.		(1.5)
Solar Canada: Increase is primarily due to higher production.		0.2
Solar U.S.: Decrease is primarily due to lower production.		(0.2)
Thermal: Decrease is primarily due to lower production at the Sanger Thermal Facility.		(7.0)
Other		0.4
		(5.9)
New Facilities		
Wind Canada: Amherst Island Wind Facility achieved COD in June 2018.		8.2
Solar U.S.: Great Bay Solar Facility achieved full COD in March 2018.		1.6
		9.8
		(1.7)
Foreign Exchange		
Current Period Revenue	\$	1,186.4

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

For the nine months ended September 30, 2019, net earnings attributable to shareholders totaled \$358.8 million as compared to \$141.0 million during the same period in 2018, an increase of \$217.8 million or 154.5%. The increase was due to a \$271.9 million change in fair value of investments carried at fair value on the Company's balance sheet, a \$57.2 million increase in dividend, interest, equity and other income, a \$4.4 million decrease in acquisition costs, and a \$16.5 million increase in gain from derivative instruments. These items were partially offset by a \$2.1 million decrease in earnings from

operating facilities, a \$22.3 million increase in interest expense, an \$8.4 million increase in pension and post-employment non-service costs, a \$3.9 million increase in administration charges, a \$9.7 million increase in depreciation and amortization expenses, a \$0.9 million decrease in foreign exchange gains, an \$8.5 million increase in other losses, a \$7.0 million increase in income tax expense (tax explanations are discussed in *APUC: Corporate and Other Expenses*) and a \$69.4 million decrease in net effect of non-controlling interests as compared to the same period in 2018.

During the nine months ended September 30, 2019, cash provided by operating activities totaled \$443.8 million as compared to \$361.7 million during the same period in 2018. During the nine months ended September 30, 2019, Adjusted Funds from Operations totaled \$422.1 million as compared to Adjusted Funds from Operations of \$421.6 million during the same period in 2018, an increase of \$0.5 million (see *Non-GAAP Financial Measures*).

During the nine months ended September 30, 2019, Adjusted EBITDA totaled \$608.3 million as compared to \$605.3 million during the same period in 2018, an increase of \$3.0 million or 0.5%. A detailed analysis of this variance 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 September 30, 2019 totaled \$186.9 million as compared to \$165.5 million during the same period in 2018, an increase of \$21.4 million or 12.9%. Adjusted EBITDA for the nine months ended September 30, 2019 totaled \$608.3 million as compared to \$605.3 million during the same period in 2018, a decrease of \$3.0 million or 0.5%. 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 \$58.9 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 (all dollar amounts in \$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Liberty Utilities Group Operating Profit	\$ 135.3	\$ 134.6	\$ 406.1	\$ 416.6
Liberty Power Group Operating Profit	66.0	43.8	242.6	226.7
Administrative Expenses	(14.9)	(11.5)	(41.6)	(37.7)
Other Income & Expenses	0.5	(1.4)	1.2	(0.3)
Total Algonquin Power & Utilities Adjusted EBITDA	\$ 186.9	\$ 165.5	\$ 608.3	\$ 605.3
Change in Adjusted EBITDA (\$)	\$ 21.4		\$ 3.0	
Change in Adjusted EBITDA (%)	12.9%		0.5%	

Change in Adjusted EBITDA (all dollar amounts in \$ millions)	Three Months Ended September 30, 2019			
	Utilities	Power	Corporate	Total
Prior period balances	\$ 134.6	\$ 43.8	\$ (12.9)	\$ 165.5
Existing Facilities	3.5	7.2	1.9	12.6
New Facilities and Investments	—	15.2	—	15.2
Rate Reviews	(2.8)	—	—	(2.8)
Foreign Exchange Impact	—	(0.2)	—	(0.2)
Administrative Expenses	—	—	(3.4)	(3.4)
Total change during the period	\$ 0.7	\$ 22.2	\$ (1.5)	\$ 21.4
Current period balances	\$ 135.3	\$ 66.0	\$ (14.4)	\$ 186.9

Change in Adjusted EBITDA (all dollar amounts in \$ millions)	Nine months ended September 30, 2019			
	Utilities	Power	Corporate	Total
Prior period balances	\$ 416.6	\$ 226.7	\$ (38.0)	\$ 605.3
Existing Facilities	(1.9)	(51.6) ¹	1.5	(52.0)
New Facilities and Investments	—	68.9	—	68.9
Rate Reviews	(8.6)	—	—	(8.6)
Foreign Exchange Impact	—	(1.4)	—	(1.4)
Administration Expenses	—	—	(3.9)	(3.9)
Total change during the period	\$ (10.5)	\$ 15.9	\$ (2.4)	\$ 3.0
Current period balances	\$ 406.1	\$ 242.6	\$ (40.4)	\$ 608.3

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 801,000 connections in the natural gas, electric, and water and wastewater sectors which is an increase of 35,000 connections as compared to the prior year. On October 1, 2019, with the acquisition of the New Brunswick Gas System, the Liberty Utilities Group expanded its footprint into Canada and added an additional 12,000 connections. On November 1, 2019, with the acquisition of the St. Lawrence Gas System, the Liberty Utilities Group added an additional 17,000 connections in New York State. 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

(all dollar amounts in \$ millions)	As at September 30			
	2019		2018	
	Assets	Total Connections ¹	Assets	Total Connections ¹
Electricity	\$ 2,690.7	266,000	\$ 2,548.4	265,000
Natural Gas	1,153.7	339,000	1,030.8	338,000
Water and Wastewater	498.9	167,000	466.4	163,000
Total	\$ 4,343.3	772,000	\$ 4,045.6	766,000
Accumulated Deferred Income Taxes Liability	\$ 450.2		\$ 419.8	

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 167,000 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 Usage Results

Electric Distribution Systems

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Average Active Electric Connections For The Period				
Residential	227,200	225,200	226,900	224,900
Commercial and industrial	38,100	37,700	37,900	37,700
Total Average Active Electric Connections For The Period	265,300	262,900	264,800	262,600
Customer Usage (GW-hrs)				
Residential	659.7	649.2	1,888.4	1,923.9
Commercial and industrial	1,094.8	1,084.0	3,012.4	3,017.7
Total Customer Usage (GW-hrs)	1,754.5	1,733.2	4,900.8	4,941.6

For the three months ended September 30, 2019, the electric distribution systems' usage totaled 1,754.5 GW-hrs as compared to 1,733.2 GW-hrs for the same period in 2018, an increase of 21.3 GW-hrs or 1.2%.

For the nine months ended September 30, 2019, the electric distribution systems' usage totaled 4,900.8 GW-hrs as compared to 4,941.6 GW-hrs for the same period in 2018, a decrease of 40.8 GW-hrs or 0.8%.

Natural Gas Distribution Systems

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Average Active Natural Gas Connections For The Period				
Residential	285,800	285,000	289,900	288,600
Commercial and industrial	31,200	31,000	31,800	31,600
Total Average Active Natural Gas Connections For The Period	317,000	316,000	321,700	320,200
Customer Usage (MMBTU)				
Residential	1,092,000	1,105,000	13,872,000	13,879,000
Commercial and industrial	1,475,000	1,440,000	9,707,000	9,996,000
Total Customer Usage (MMBTU)	2,567,000	2,545,000	23,579,000	23,875,000

For the three months ended September 30, 2019, usage at the natural gas distribution systems totaled 2,567,000 MMBTU as compared to 2,545,000 MMBTU during the same period in 2018, an increase of 22,000 MMBTU, or 0.9%.

For the nine months ended September 30, 2019, usage at the natural gas distribution systems totaled 23,579,000 MMBTU as compared to 23,875,000 MMBTU during the same period in 2018, a decrease of 296,000 MMBTU or 1.2%.

Water and Wastewater Distribution Systems

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Average Active Connections For The Period				
Wastewater connections	44,200	42,200	43,700	42,000
Water distribution connections	115,900	112,800	115,200	112,600
Total Average Active Connections For The Period	160,100	155,000	158,900	154,600
Gallons Provided				
Wastewater treated (millions of gallons)	553	558	1,746	1,676
Water provided (millions of gallons)	5,100	5,141	11,336	12,168
Total Gallons Provided	5,653	5,699	13,082	13,844

During the three months ended September 30, 2019, the water and wastewater distribution systems provided approximately 5,100 million gallons of water to its customers and treated approximately 553 million gallons of wastewater as compared to 5,141 million gallons of water provided and 558 million gallons of wastewater treated during the same period in 2018.

During the nine months ended September 30, 2019, the water and wastewater distribution systems provided approximately 11,336 million gallons of water to its customers and treated approximately 1,746 million gallons of wastewater as compared to 12,168 million gallons of water and 1,676 million gallons of wastewater during the same period in 2018.

2019 Liberty Utilities Group Operating Results

(all dollar amounts in \$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Revenue				
Utility electricity sales and distribution	\$ 221.4	\$ 225.5	\$ 602.5	\$ 638.0
Less: cost of sales – electricity	(68.3)	(67.7)	(188.2)	(201.8)
Net Utility Sales - electricity ¹	153.1	157.8	414.3	436.2
Utility natural gas sales and distribution	42.1	41.0	271.3	279.0
Less: cost of sales – natural gas	(10.7)	(9.9)	(111.6)	(124.0)
Net Utility Sales - natural gas ¹	31.4	31.1	159.7	155.0
Utility water distribution & wastewater treatment sales and distribution	39.0	36.9	98.5	98.1
Less: cost of sales – water	(2.8)	(2.4)	(6.0)	(6.7)
Net Utility Sales - water distribution & wastewater treatment ¹	36.2	34.5	92.5	91.4
Gas transportation	5.2	5.0	23.8	23.0
Other revenue	2.5	2.8	6.7	6.8
Net Utility Sales¹	228.4	231.2	697.0	712.4
Operating expenses	(96.6)	(98.5)	(300.6)	(302.5)
Other income	2.0	1.3	5.2	4.1
HLBV ²	1.5	0.6	4.5	2.6
Divisional Operating Profit^{1,3}	\$ 135.3	\$ 134.6	\$ 406.1	\$ 416.6

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 Third Quarter Operating Results

For the three months ended September 30, 2019, the Liberty Utilities Group reported an operating profit (excluding corporate administration expenses) of \$135.3 million as compared to \$134.6 million for the comparable period in the prior year, an increase of \$0.7 million or 1%.

Highlights of the changes are summarized in the following table:

<i>(all dollar amounts in \$ millions)</i>	Three Months Ended September 30
Prior Period Operating Profit	\$ 134.6
Existing Facilities	
Electricity: Decrease is primarily due to fewer cooling degree days for the majority of the quarter compared to the prior year at the Empire Electric System and higher operating costs at the Calpeco Electric System.	(1.1)
Gas: Increase is primarily due to operating cost savings across the gas systems.	4.1
Water: Decrease is primarily due to slightly higher operating costs.	(0.1)
Other	0.6
	3.5
Rate Reviews	
Electricity: Implementation of lower rates at Empire Electric System due to U.S. Tax Reform, partially offset by new rates at Granite State Electric System.	(2.7)
Gas: Implementation of lower rates at the Empire Gas System due to U.S. Tax Reform, partially offset by new rates, net of U.S. Tax Reform impact, at the EnergyNorth Gas System.	(0.1)
	(2.8)
Current Period Divisional Operating Profit¹	\$ 135.3

¹ See *Non-GAAP Financial Measures*.

2019 Year-To-Date Operating Results

For the nine months ended September 30, 2019, the Liberty Utilities Group reported an operating profit (excluding corporate administration expenses) of \$406.1 million as compared to \$416.6 million for the comparable period in the prior year, a decrease of \$10.5 million or 3%, excluding corporate administration expenses.

Highlights of the changes are summarized in the following table:

<i>(all dollar amounts in \$ millions)</i>	Nine months ended September 30
Prior Period Operating Profit	\$ 416.6
Existing Facilities	
Electricity: Decrease is primarily due to less extreme weather conditions as compared to the prior year resulting in lower consumption at the Empire Electric System as well as higher operating costs at the Empire and Calpeco Electric Systems, partially offset by operating cost savings at the Granite State Electric System.	(10.0)
Gas: Increase is primarily due to operating cost savings at the EnergyNorth, New England and Empire Gas Systems.	6.1
Water: Increase is primarily due to higher revenues at the Litchfield Park Water System and operating cost savings at the Park Water System, partially offset by higher operating costs at the Arizona and Arkansas Water Systems.	0.8
Other: Increase is primarily due to growth in fiber optics revenues.	1.2
	(1.9)
Rate Reviews	
Electricity: Implementation of lower rates at Empire and Granite State Electric Systems due to U.S. Tax Reform.	(13.3)
Gas: Implementation of new rates at the Midstates and EnergyNorth Gas Systems, partially offset by lower rates at Empire Gas System due to U.S. Tax Reform.	5.1
Water: Implementation of lower rates at the Park Water System due to U.S. Tax Reform, partially offset by new rates, net of U.S. Tax Reform impact, at the Arizona Water Systems.	(0.4)
	(8.6)
Current Period Divisional Operating Profit¹	\$ 406.1

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				
Empire Electric (Kansas System)	Kansas	GRC	\$2.5	On July 30, 2019, an Order was issued approving base rates to remain unchanged and a transmission delivery charge rider approving an annual increase of \$2.5 million. The Order became effective August 1, 2019.
Empire Electric (Oklahoma System)	Oklahoma	GRC	\$2.3	On October 9, 2019, an Order was issued approving an annual base rate increase of \$1.4 million effective October 1, 2019.
Pending Rate Reviews				
Empire Electric (Missouri System)	Missouri	GRC	\$26.5	On August 14, 2019, filed an application for an annual increase in the revenue requirement of approximately \$26.5 million.
Granite State	New Hampshire	GRC	\$8.0	On April 30, 2019, filed a rate review requesting increases of \$2.1 million for temporary rates effective July 1, 2019, \$5.7 million for permanent rates effective May 1, 2020, and a step increase of \$2.3 million effective May 1, 2020. On June 28, 2019, a temporary rate increase of \$2.1 million was approved by the New Hampshire Public Utilities Commission.
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).
Various	Various	Various	\$3.2	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 September 30		Long Term Average Resource	Nine months ended September 30	
		2019	2018		2019	2018
Hydro Facilities:						
Maritime Region	20.7	15.0	6.3	110.6	96.9	76.1
Quebec Region	62.3	51.5	47.7	200.7	198.1	190.1
Ontario Region	26.9	25.7	18.7	94.2	81.2	75.2
Western Region	23.8	24.3	18.9	52.4	52.2	48.6
	133.7	116.5	91.6	457.9	428.4	390.0
Wind Facilities:						
St. Damase	16.9	15.5	16.0	54.2	56.2	56.6
St. Leon	87.9	83.5	85.3	308.8	291.6	293.4
Red Lily ¹	20.4	17.3	17.7	64.4	58.4	61.3
Morse	22.6	21.8	19.8	78.3	70.5	70.6
Amherst ²	43.2	38.3	40.0	161.9	156.4	47.0
Sandy Ridge	29.9	20.0	21.6	114.7	94.6	108.4
Minonk	128.7	101.0	97.1	483.9	460.9	437.5
Senate	91.7	106.7	85.2	380.4	374.9	359.7
Shady Oaks	54.5	52.5	50.7	255.1	248.1	235.1
Odell	155.1	145.2	149.0	593.8	523.2	559.5
Deerfield	96.6	82.3	78.0	378.1	358.7	377.4
	747.5	684.1	660.4	2,873.6	2,693.5	2,606.5
Solar Facilities:						
Cornwall	4.8	5.5	5.4	12.5	13.2	12.7
Bakersfield	25.0	22.7	22.8	64.2	56.4	60.6
Great Bay ³	37.9	38.4	37.3	112.8	110.0	84.2
	67.7	66.6	65.5	189.5	179.6	157.5
Renewable Energy Performance	948.9	867.2	817.5	3,521.0	3,301.5	3,154.0
Thermal Facilities:						
Windsor Locks	N/A ⁴	29.2	36.5	N/A ⁴	87.3	108.6
Sanger	N/A ⁴	12.0	59.5	N/A ⁴	39.8	135.1
		41.2	96.0		127.1	243.7
Total Performance		908.4	913.5		3,428.6	3,397.7

¹ APUC owns a 75% equity interest in the Red Lily Wind Facility. The production figures represent full energy produced by the facility.

² APUC owns a majority interest in the Amherst Island Wind Facility (see *Note 6 (d)* in the interim unaudited consolidated financial statements). The production figures represent full energy produced by the facility. The Amherst Island 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 includes all energy produced during the year.

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 includes all energy produced during the year.

⁴ Natural gas fired co-generation facility.

2019 Third Quarter Liberty Power Group Performance

For the three months ended September 30, 2019, the Liberty Power Group generated and sold 908.4 GW-hrs of electricity as compared to 913.5 GW-hrs during the same period of 2018.

For the three months ended September 30, 2019, the hydro facilities generated 116.5 GW-hrs of electricity as compared to 91.6 GW-hrs produced in the same period in 2018, an increase of 27.2%. Electricity generated represented 87.1% of long-term average resources ("LTAR") as compared to 68.5% during the same period in 2018.

For the three months ended September 30, 2019, the wind facilities produced 684.1 GW-hrs of electricity as compared to 660.4 GW-hrs produced in the same period in 2018, an increase of 3.6%. During the three months ended September 30, 2019, the wind facilities generated electricity equal to 91.5% of LTAR as compared to 88.3% during the same period in 2018.

For the three months ended September 30, 2019, the solar facilities generated 66.6 GW-hrs of electricity as compared to 65.5 GW-hrs of electricity in the same period in 2018, an increase of 1.7%. The solar facilities production was 1.6% below its LTAR as compared to 3.2% below in the same period in 2018.

For the three months ended September 30, 2019, the thermal facilities generated 41.2 GW-hrs of electricity as compared to 96.0 GW-hrs of electricity during the same period in 2018. During the same period, the Windsor Locks Thermal Facility generated 104.2 billion lbs of steam as compared to 94.5 billion lbs of steam during the same period in 2018.

2019 Year-To-Date Liberty Power Group Performance

For the nine months ended September 30, 2019, the Liberty Power Group generated 3,428.6 GW-hrs of electricity as compared to 3,397.7 GW-hrs during the same period of 2018.

For the nine months ended September 30, 2019, the hydro facilities generated 428.4 GW-hrs of electricity as compared to 390.0 GW-hrs produced in the same period in 2018, an increase of 9.8%. Electricity generated represented 93.6% of long-term projected average resources as compared to 85.2% during the same period in 2018.

For the nine months ended September 30, 2019, the wind facilities produced 2,693.5 GW-hrs of electricity as compared to 2,606.5 GW-hrs produced in the same period in 2018, an increase of 3.3%. The increase in production is primarily due to the addition of the Amherst Island Wind Facility which achieved COD on June 15, 2018. During the nine months ended September 30, 2019, the wind facilities (excluding Amherst) generated electricity equal to 93.5% of LTAR as compared to 94.4% during the same period in 2018.

For the nine months ended September 30, 2019, the solar facilities generated 179.6 GW-hrs of electricity as compared to 157.5 GW-hrs of electricity produced in the same period in 2018, an increase of 14.0%. 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 Great Bay) production was 9.3% below its LTAR as compared to 4.4% below in the same period in 2018.

For the nine months ended September 30, 2019, the thermal facilities generated 127.1 GW-hrs of electricity as compared to 243.7 GW-hrs of electricity during the same period in 2018. During the same period, the Windsor Locks Thermal Facility generated 401.7 billion lbs of steam as compared to 421.2 billion lbs of steam during the same period in 2018.

2019 Liberty Power Group Operating Results

(all dollar amounts in \$ millions)	Three Months Ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Revenue ¹				
Hydro	\$ 8.9	\$ 8.5	\$ 31.3	\$ 30.9
Wind	28.5	24.6	103.9	95.8
Solar	6.6	6.4	15.9	14.4
Thermal	8.8	12.7	24.8	31.9
Total Revenue	\$ 52.8	\$ 52.2	\$ 175.9	\$ 173.0
Less:				
Cost of Sales - Energy ²	(1.3)	(1.8)	(3.4)	(4.1)
Cost of Sales - Thermal	(2.3)	(5.5)	(9.7)	(16.6)
Realized gain/(loss) on hedges ³	—	—	(0.2)	—
Net Energy Sales⁷	\$ 49.2	\$ 44.9	\$ 162.6	\$ 152.3
Renewable Energy Credits ⁴	2.7	2.7	7.2	8.4
Other Revenue	0.1	0.1	0.5	0.3
Total Net Revenue	\$ 52.0	\$ 47.7	\$ 170.3	\$ 161.0
Expenses & Other Income				
Operating expenses	(19.7)	(20.3)	(56.0)	(57.7)
Dividend, interest, equity and other income ⁵	23.2	11.5	83.8	29.2
HLBV income ⁸	10.5	4.9	44.5	94.2
Divisional Operating Profit^{6,7}	\$ 66.0	\$ 43.8	\$ 242.6	\$ 226.7

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 44.2% 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 and nine months ended September 30, 2019, the Liberty Power Group's eligible facilities generated 455.2 and 1,812.3 GW-hrs representing approximately \$10.9 million and \$43.5 million in PTCs earned as compared to 430.9 and 1,842.5 GW-hrs representing \$10.3 million and \$44.2 million in PTCs earned 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 Third Quarter Operating Results

For the three months ended September 30, 2019, the Liberty Power Group's facilities generated \$66.0 million of operating profit as compared to \$43.8 million during the same period in 2018, which represents an increase of \$22.2 million or 50.7%, excluding corporate administration expenses.

Highlights of the changes are summarized in the following table:

(all dollar amounts in \$ millions)	Three Months Ended September 30
Prior Period Operating Profit	\$ 43.8
Existing Facilities	
Hydro: Increase is primarily due to higher production as well as lower operating expenses.	1.0
Wind Canada: Increase is primarily due to higher production at the Morse Wind Facility.	0.2
Wind U.S.: Increase is primarily due to higher HLBV income from an increase in PTC rates as well as overall higher production.	2.5
Solar U.S.: Increase is primarily due to higher HLBV income at the Great Bay Solar Facility as all sites were placed in service for tax purposes.	2.2
Thermal: Decrease is primarily due to lower production, partially offset by lower cost of fuel.	(0.8)
Other: Increase is due to lower non-capitalized development spending.	2.1
	7.2
New Facilities and Investments	
Wind Canada: The Amherst Island Wind Facility was previously accounted for as an equity investment prior to April 16, 2019 when the remaining 50% interest was purchased.	1.9
Atlantica and AAGES: Dividends from Atlantica net of AAGES equity loss.	13.3
	15.2
Foreign Exchange	(0.2)
Current Period Divisional Operating Profit¹	\$ 66.0

¹ See *Non-GAAP Financial Measures*.

2019 Year-To-Date Operating Results

For the nine months ended September 30, 2019, the Liberty Power Group's facilities generated \$242.6 million of operating profit as compared to \$226.7 million during the same period in 2018, which represents an increase of \$15.9 million or 7.0%, excluding corporate administration expenses.

Highlights of the changes are summarized in the following table:

<i>(all dollar amounts in \$ millions)</i>	Nine months ended September 30
Prior Period Operating Profit	\$ 226.7
Existing Facilities	
Hydro: Increase is primarily due to higher production, partially offset by higher operating expenses.	1.0
Wind Canada: Increase is primarily due to annual rate increases, partially offset by higher operating expenses.	0.7
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, unfavorable market pricing at the Senate Wind Facility during periods with low wind resources and lower REC rates at the Minonk Wind Facility.	(56.6)
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 as well as lower production.	(1.7)
Thermal: Increase is primarily due to lower overall operating costs and lower cost of fuel, partially offset by lower production at the Sanger Thermal Facility.	0.3
Other: Increase is due to lower non-capitalized development spending.	4.7
	(51.6)
New Facilities and Investments	
Wind Canada: Amherst Island Wind Facility achieved COD in June 2018.	11.4
Solar U.S.: Great Bay Solar Facility achieved full COD in March 2018.	7.3
Atlantica and AAGES: Dividends from Atlantica net of AAGES equity loss.	50.2
	68.9
Foreign Exchange	(1.4)
Current Period Divisional Operating Profit¹	\$ 242.6

¹ See *Non-GAAP Financial Measures*.

APUC: CORPORATE AND OTHER EXPENSES

(all dollar amounts in \$ millions)	Three Months Ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Corporate and other expenses:				
Administrative expenses	\$ 14.9	\$ 11.5	\$ 41.6	\$ 37.7
Loss (gain) on foreign exchange	(0.9)	0.3	0.1	(0.8)
Interest expense	45.7	37.9	134.1	111.8
Depreciation and amortization	65.8	63.5	206.6	196.9
Change in value of investments carried at fair value	(64.4)	(10.0)	(180.0)	91.9
Dividend, interest, equity, and other (income) loss ¹	(0.4)	1.5	(1.3)	0.4
Pension and post-employment non-service costs	5.0	1.3	10.0	1.6
Other losses	2.9	2.0	8.9	0.4
Acquisition-related costs, net	2.8	0.9	5.2	9.6
Loss (gain) on derivative financial instruments	(15.3)	0.7	(15.6)	0.9
Income tax expense	22.0	10.7	57.6	50.6

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

2019 Third Quarter Corporate and Other Expenses

During the three months ended September 30, 2019, administrative expenses totaled \$14.9 million as compared to \$11.5 million in the same period in 2018. The increase is primarily due to the timing of expenses in 2018.

For the three months ended September 30, 2019, interest expense totaled \$45.7 million as compared to \$37.9 million in the same period in 2018. The increase is primarily due to the issuance of subordinated notes in October 2018 and May 2019 and higher average long term debt balances.

For the three months ended September 30, 2019, depreciation expense totaled \$65.8 million as compared to \$63.5 million in the same period in 2018 representing an increase of \$2.3 million, due to higher overall property, plant and equipment.

For the three months ended September 30, 2019, change in investments carried at fair value totaled a gain of \$64.4 million as compared to a gain of \$10.0 million in 2018. The Company records certain of its investments, including 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 September 30, 2019, pension and post-employment non-service costs totaled \$5.0 million as compared to \$1.3 million in 2018. The \$3.7 million increase primarily relates to a lower expected return on plan assets in 2019 as compared to 2018.

For the three months ended September 30, 2019, other losses totaled \$2.9 million as compared to \$2.0 million in the same period in 2018. The loss in 2019 is primarily related to condemnation costs for Liberty Utilities (Apple Valley Ranchos Water) Corp. as well as write-downs of regulatory assets at the Empire District Electric System.

For the three months ended September 30, 2019, acquisition-related costs totaled \$2.8 million as compared to \$0.9 million in 2018. The costs in 2018 and 2019 are primarily related to the investment in Atlantica.

For the three months ended September 30, 2019, gain on derivative financial instruments totaled \$15.3 million as compared to the loss of \$0.7 million in the same period in 2018. The gain in 2019 is primarily related to the discontinuation of hedge accounting on energy derivatives as a result of the Sugar Creek Wind Project sale to AAGES (see *Corporate Development Activities* section and *Note 20(b)(ii)* in the interim unaudited consolidated financial statements).

For the three months ended September 30, 2019, an income tax expense of \$22.0 million was recorded as compared to \$10.7 million during the same period in 2018. The increase in income tax expense is primarily due to the change in fair value associated with the investment in Atlantica.

2019 Year-To-Date Corporate and Other Expenses

During the nine months ended September 30, 2019, administrative expenses totaled \$41.6 million as compared to \$37.7 million in the same period in 2018.

For the nine months ended September 30, 2019, interest expense totaled \$134.1 million as compared to \$111.8 million in the same period in 2018. The increase is primarily due to the issuance of subordinated notes in October 2018 and May 2019 and higher average long-term debt balances.

For the nine months ended September 30, 2019, depreciation expense totaled \$206.6 million as compared to \$196.9 million in the same period in 2018 representing an increase of \$9.7 million, due to higher overall property, plant and equipment.

For the nine months ended September 30, 2019, change in investments carried at fair value totaled a gain of \$180.0 million as compared to a loss of \$91.9 million in the same period in 2018. The Company records certain of its investments, including 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 nine months ended September 30, 2019, pension and post-employment non-service costs totaled \$10.0 million as compared to \$1.6 million in 2018. The \$8.4 million increase primarily relates to a lower expected return on plan assets in 2019 as compared to 2018.

For the nine months ended September 30, 2019, other losses were \$8.9 million as compared to \$0.4 million in the same period in 2018. The losses in 2019 were primarily related to write-downs of regulatory assets at the Granite State and Empire District Electric Systems as well as condemnation costs for Liberty Utilities (Apple Valley Ranchos Water) Corp. The loss in the prior year was primarily related to settlement costs incurred on the acquisition of the Deerfield Wind Facility and the write off of rate review expenses partially offset by a gain on disposal of the Company's interest in Northeast Energy Center LLC Joint Venture.

For the nine months ended September 30, 2019, acquisition-related costs totaled \$5.2 million as compared to \$9.6 million in the same period in 2018. The costs in 2018 and 2019 are primarily related to the investment in Atlantica.

For the nine months ended September 30, 2019, the gain on derivative financial instruments totaled \$15.6 million as compared to a loss of \$0.9 million in the same period in 2018. The gain in 2019 is primarily related to the discontinuation of hedge accounting on energy derivatives as a result of the Sugar Creek Wind Project sale to AAGES (see *Corporate Development Activities* section and *Note 20(b)(iii)* in the interim unaudited consolidated financial statements).

An income tax expense of \$57.6 million was recorded in the nine months ended September 30, 2019 as compared to \$50.6 million during the same period in 2018. The increase in income tax expense is primarily due to the change in fair value associated with its investment in Atlantica offset by higher HLBV earnings in 2018 as a result of U.S. Tax Reform.

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.

(all dollar amounts in \$ millions)	Three Months Ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Net earnings attributable to shareholders	\$ 115.8	\$ 57.9	\$ 358.8	\$ 141.0
Add (deduct):				
Net earnings attributable to the non-controlling interest, exclusive of HLBV ¹	7.6	0.3	22.8	1.4
Income tax expense	22.0	10.7	57.6	50.6
Interest expense on long-term debt and others	45.7	37.9	134.1	111.8
Other losses	2.9	2.0	8.9	0.4
Acquisition-related costs	2.8	1.0	5.2	9.6
Pension and post-employment non-service costs	5.0	1.3	10.0	1.6
Change in value of investments carried at fair value	(64.4)	(10.1)	(180.0)	91.9
Loss (gain) on derivative financial instruments	(15.4)	0.7	(15.6)	0.9
Realized loss on energy derivative contracts	—	—	(0.2)	—
Loss (gain) on foreign exchange	(0.9)	0.3	0.1	(0.8)
Depreciation and amortization	\$ 65.8	\$ 63.5	\$ 206.6	\$ 196.9
Adjusted EBITDA	\$ 186.9	\$ 165.5	\$ 608.3	\$ 605.3

¹ 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 and nine months ended September 30, 2019 amounted to \$12.0 million and \$49.0 million as compared to \$5.5 million and \$96.8 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. Excluding the one-time acceleration of HLBV due to U.S. Tax Reform, Adjusted EBITDA increased by \$58.9 million year over year.

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 September 30		Nine months ended September 30	
	2019	2018	2019	2018
Net earnings attributable to shareholders	\$ 115.8	\$ 57.9	\$ 358.8	\$ 141.0
Add (deduct):				
Loss on derivative financial instruments ¹	0.5	0.7	0.2	0.9
Realized loss on derivative financial instruments	—	—	(0.2)	—
Loss (gain) on long-lived assets	3.1	0.3	9.0	(1.1)
Loss (gain) on foreign exchange	(0.9)	0.3	0.1	(0.8)
Acquisition-related costs	2.8	1.0	5.2	9.6
Change in value of investments carried at fair value	(64.4)	(10.1)	(180.0)	91.9
Adjustment for taxes related to above	12.3	(0.4)	24.6	0.1
Adjusted Net Earnings	\$ 69.2	\$ 49.7	\$ 217.7	\$ 241.6
Adjusted Net Earnings per share	\$ 0.14	\$ 0.10	\$ 0.43	\$ 0.52

¹ Excludes the gain related to the discontinuation of hedge accounting on an energy hedge put in place early in the development of the Sugar Creek Wind Project (see *Corporate Development Activities*).

For the three months ended September 30, 2019, Adjusted Net Earnings totaled \$69.2 million as compared to Adjusted Net Earnings of \$49.7 million for the same period in 2018, an increase of \$19.5 million. The increase in Adjusted Net Earnings for the three months ended September 30, 2019 is primarily due to increased dividend, interest, equity and other income as compared to 2018.

For the nine months ended September 30, 2019, Adjusted Net Earnings totaled \$217.7 million as compared to Adjusted Net Earnings of \$241.6 million for the same period in 2018, a decrease of \$23.9 million. The decrease in Adjusted Net Earnings for the nine months ended September 30, 2019 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.

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 September 30		Nine months ended September 30	
	2019	2018	2019	2018
Cash flows from operating activities	\$ 188.1	\$ 131.5	\$ 443.8	\$ 361.7
Add (deduct):				
Changes in non-cash operating items	(70.8)	(4.6)	(30.5)	35.4
Production based cash contributions from non-controlling interests	—	—	3.6	13.9
Acquisition-related costs	2.8	1.0	5.2	9.6
Reimbursement of operating expenses incurred on joint venture	—	—	—	1.0
Adjusted Funds from Operations	\$ 120.1	\$ 127.9	\$ 422.1	\$ 421.6

For the three months ended September 30, 2019, Adjusted Funds from Operations totaled \$120.1 million as compared to Adjusted Funds from Operations of \$127.9 million for the same period in 2018, a decrease of \$7.8 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 through 2023 consisting of potential investments in North American regulated renewable generation assets, North American unregulated renewable generation assets, regulated electric and gas transmission assets, and 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.

Sugar Creek Wind Project

The Sugar Creek Wind Project is a 202 MW wind power electric development project located in Logan County, Illinois. Construction of the project began in August 2019 and is progressing according to schedule. A long-term contract is in place with the Illinois Power Agency to provide renewable energy certificates from the project to utilities in the state. Energy from the project will be sold pursuant to a long-term financial hedge.

COD for the project is expected in the fourth quarter of 2020.

On September 30, 2019, the Sugar Creek Wind Project was sold to AAGES to continue and complete the development of the project. As a result, the Company now owns a 50% interest in the project through AAGES. The final ownership of the project will be determined post COD, with Algonquin retaining the option to reacquire the 50% stake.

As a result of the sale of the Sugar Creek Wind Project to AAGES, a gain related to the discontinuation of hedge accounting on energy derivatives put in place early in the development of the Sugar Creek Wind Project was recognized.

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. The plan consists of development of an approximately 300 MW wind project in southeastern Kansas, and two approximately 150 MW wind projects in southwestern Missouri.

On May 9, 2019, the Arkansas Public Service Commission issued its order allowing the commencement of construction of the projects. In the fourth quarter of 2018, Empire District Electric applied to the Missouri Public Service Commission for approval of certificates of convenience and necessity ("CC&N") for the projects. The Commission issued an order approving the CC&N application, effective June 29, 2019. On June 28, 2019, the Office of Public Counsel filed a motion for rehearing of the Commission's order, which was denied by the Commission. The CC&N order is now final.

Liberty Utilities Co. has acquired an interest in the entities that own the two Missouri projects and, in partnership with a third-party developer, will continue development and construction of the two Missouri projects. A second third party developer is developing the wind project in Kansas. Empire District Electric has entered into contracts to acquire the three wind projects upon completion.

Maverick Creek Wind Project Joint Venture

On August 8, 2019, the Liberty Power Group reached an agreement to jointly develop an approximately 490 MW Maverick Creek Wind Project located in Concho County, Texas with a third party developer. Agreements for turbine supply and maintenance, and construction services for the project were entered into in connection with the establishment of the joint venture. The project is expected to generate approximately 1,900 GW-hrs annually. Long-term offtake agreements for energy and renewable attributes from the project with an average life of 13.6 years have been signed for approximately 80% of project output. Construction of the project is expected to begin in November 2019, and the project is expected to achieve COD in the fourth quarter of 2020.

SUMMARY OF PROPERTY, PLANT, AND EQUIPMENT EXPENDITURES¹

(all dollar amounts in \$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Liberty Utilities Group:				
Rate Base Maintenance	\$ 47.1	\$ 46.7	\$ 142.6	\$ 136.2
Rate Base Acquisition	—	—	0.4	—
Rate Base Growth	81.9	50.0	188.4	97.9
	\$ 129.0	\$ 96.7	\$ 331.4	\$ 234.1
Liberty Power Group:				
Maintenance	\$ 16.4	\$ 6.7	\$ 24.8	\$ 14.8
Investment in Capital Projects ¹	168.5	29.5	472.9	89.6
International Investments ²	—	—	94.2	612.6
	\$ 184.9	\$ 36.2	\$ 591.9	\$ 717.0
Total Capital Expenditures	\$ 313.9	\$ 132.9	\$ 923.3	\$ 951.1

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 Third Quarter Property Plant and Equipment Expenditures

During the three months ended September 30, 2019, the Liberty Utilities Group invested \$129.0 million in capital expenditures as compared to \$96.7 million during the same period in 2018. The Liberty Utilities Group's investment in the third 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.

During the three months ended September 30, 2019, the Liberty Power Group incurred capital expenditures of \$184.9 million as compared to \$36.2 million during the same period in 2018. The Liberty Power Group's investment in the third quarter of 2019 was primarily related to development costs for the Maverick Creek and Sugar Creek Wind Projects, as well as the Great Bay II Solar Project and ongoing maintenance capital at existing operating sites.

2019 Year-To-Date Property Plant and Equipment Expenditures

During the nine months ended September 30, 2019, the Liberty Utilities Group incurred capital expenditures of \$331.4 million as compared to \$234.1 million during the same period in 2018. The Liberty Utilities Group's investment in 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 investments in the Wataynikaneyap Power Transmission and Turquoise Solar Projects.

During the nine months ended September 30, 2019, the Liberty Power Group incurred capital expenditures of \$591.9 million as compared to \$717.0 million during the same period in 2018. Excluding the investment in Atlantica, the Liberty Power Group's investment was \$497.7 million in 2019 and \$104.4 million in 2018. The Liberty Power Group's investment in 2019 was primarily related to: development costs for the Maverick Creek Wind, Sugar Creek Wind, Walker Ridge Wind, Broad Mountain Wind and the Great Bay II Solar Projects; additional investments in the Amherst Island Wind Projects and Atlantica; an equity investment into the Vista Ridge Water Pipeline Project; 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 - \$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		250.0 - 310.0
Utility Acquisitions		350.0 - 370.0
Total Liberty Utilities Group:	\$	780.0 - \$ 880.0
Liberty Power Group:		
Maintenance	\$	30.0 - \$ 40.0
Investment in Capital Projects		490.0 - 560.0
International Investments and AAGES		100.0 - 120.0
Total Liberty Power Group:	\$	620.0 - \$ 720.0
Total 2019 Capital Investments	\$	1,400.0 - \$ 1,600.0

Capital guidance for the quarter was revised to reflect the shift of the expected closing of the acquisition of the Bermuda Electric Light Company into early 2020 offset by additional capital spending resulting from the development of the Maverick Wind Project.

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 September 30, 2019:

(all dollar amounts in \$ millions)	As at September 30, 2019				As at
	Corporate	Liberty Utilities	Liberty Power	Total	Dec 31, 2018
Credit facilities	\$ 500.0	\$ 500.0	\$ 700.0 ¹	\$ 1,700.0	\$ 1,321.0
Funds drawn on facilities/ Commercial paper issued	(262.6)	(203.5)	(191.8)	(657.9)	(103.0)
Letters of credit issued	(142.0)	(8.3)	(118.5)	(268.8)	(171.1)
Liquidity available under the facilities	95.4	288.2	389.7	773.3	1,046.9
Cash on hand				114.5	46.8
Total Liquidity and Capital Reserves	\$ 95.4	\$ 288.2	\$ 389.7	\$ 887.8	\$ 1,093.7

¹ Includes a \$200 million uncommitted stand alone letter of credit facility

As at September 30, 2019, the Company's \$500.0 million senior unsecured revolving credit facility (the "Corporate Credit Facility") had drawn \$262.6 million and had \$142.0 million of outstanding letters of credit. The Corporate Credit Facility matures on July 12, 2024. Subsequent to quarter end, on October 24, 2019, the Company entered into a new \$75.0 million uncommitted bilateral letter of credit facility.

As at September 30, 2019, the Liberty Utilities Group's \$500.0 million senior unsecured syndicated revolving credit facility (the "Liberty Credit Facility") was undrawn and had \$8.3 million of outstanding letters of credit. The Liberty Credit Facility matures on February 23, 2023. On July 1, 2019, the Liberty Utilities Group established a commercial paper program which is backstopped by the Liberty Credit Facility. As at September 30, 2019, \$203.5 million of commercial paper was issued and outstanding.

As at September 30, 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 on January 31, 2021. As at September 30, 2019, the Liberty Power Credit Facility had drawn \$191.8 million, and had \$2.1 million in outstanding letters of credit. The Liberty Power LC Facility had \$116.5 million in outstanding letters of credit.

Contractual Obligations

Information concerning contractual obligations as of September 30, 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	\$ 4,274.9	\$ 577.6	\$ 533.4	\$ 911.9	\$ 2,252.0
Convertible debentures	0.4	—	—	—	0.4
Advances in aid of construction	60.9	1.2	—	—	59.7
Interest on long-term debt obligations ²	1,864.6	204.7	350.2	283.7	1,026.0
Purchase obligations	302.2	302.2	—	—	—
Environmental obligations	58.3	10.1	23.6	2.8	21.8
Derivative financial instruments:					
Cross currency swap	88.5	4.6	73.8	3.2	6.9
Energy derivative and commodity contracts	2.9	1.7	0.9	—	0.3
Power purchase	251.6	23.7	22.3	23.2	182.4
Gas supply and service agreements	224.2	67.4	66.1	48.9	41.8
Service agreements	523.0	48.1	80.5	90.6	303.8
Capital projects	411.6	294.7	116.9	—	—
Land easements	235.1	6.5	13.3	13.6	201.7
Other obligations	170.7	34.0	2.1	2.5	132.1
Total Obligations	\$ 8,468.9	\$ 1,576.5	\$ 1,283.1	\$ 1,380.4	\$ 4,228.9

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

² The subordinated notes have a maturity in 2078 and 2079, however management intends to repay in 2023 and 2029 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 September 30, 2019, APUC had 496,581,133 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 September 30, 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.

On October 16, 2019, APUC closed the sale of 23 million of its common shares for total gross proceeds of \$310.5 million, before deducting underwriting commissions and other offering expenses payable by APUC. APUC also granted the underwriters an option to purchase up to an additional 3.5 common shares of the Company for a period of 30 days. On October 21, 2019, APUC closed the sale of approximately 3.3 million of its common shares for total gross proceeds of \$43.9 million, before deducting underwriting commissions payable by APUC.

The proceeds of the Offering are being used to partially finance certain of the Company's previously announced acquisitions and to partially finance the Company's renewable development growth projects, and for general corporate purposes.

Dividend Reinvestment Plan

APUC has a shareholder dividend reinvestment plan (the "Reinvestment Plan") for registered holders of common shares of APUC. As at September 30, 2019, 127,482,329 common shares representing approximately 26% of total common shares outstanding had been registered with the Reinvestment Plan. During the quarter ended September 30, 2019, 1,523,821 common shares were issued under the Reinvestment Plan, and subsequent to quarter-end, on October 15, 2019, an additional 1,318,895 common shares were issued under the Reinvestment Plan.

At-The-Market Equity Program

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, will be determined at APUC's sole discretion. The net proceeds, will be used to fund acquisitions, general and administrative expenses, working capital needs, repayment of indebtedness, and/or other general corporate purposes.

As at November 7, 2019, the Company has issued 1,756,799 common shares under the ATM Program at an average price of \$12.54 per share for gross proceeds of approximately \$22.0 million (\$21.7 million net of commissions). Other related costs, primarily related to the establishment of the ATM program, were \$1.6 million.

SHARE-BASED COMPENSATION PLANS

For the nine months ended September 30, 2019, APUC recorded \$7.3 million in total share-based compensation expense as compared to \$6.0 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 September 30, 2019, total unrecognized compensation costs related to non-vested options and share unit awards were \$1.5 million and \$12.1 million, respectively, and are expected to be recognized over a period of 1.92 and 1.86 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 nine months ended September 30, 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 year, executives of the Company exercised 3,882,505 stock options at a weighted average exercise price of \$11.23 in exchange for 841,288 common shares issued from treasury and 3,041,217 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 September 30, 2019, a total of 3,523,912 options were 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 nine months ended September 30, 2019, the Company granted (including dividends and performance adjustments) 1,360,321 PSUs and RSUs to executives and employees of the Company. During the nine months ended September 30, 2019, 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 nine months ended September 30, 2019, a total of 75,490 PSUs were forfeited.

As at September 30, 2019, a total of 2,332,622 PSUs and RSUs were granted and outstanding under the PSU and RSU plans.

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 nine months ended September 30, 2019, the Company issued 61,282 DSUs (including DSUs in lieu of dividends) to the directors of the Company.

As at September 30, 2019, a total of 441,941 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 nine months ended September 30, 2019, 130,592 RSUs were issued (including RSUs in lieu of dividends) 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 nine months ended September 30, 2019, the Company issued 190,331 common shares to employees under the ESPP.

As at September 30, 2019, a total of 1,222,582 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 6 and 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, for the three and nine months ended September 30, 2019, the Company charged its equity-method investees \$5.3 million and \$18.2 million in 2019 as compared to \$5.0 million and \$6.9 million during the same period in 2018.

On September 30, 2019, the Company sold the Sugar Creek Wind Project to AAGES in exchange for a note receivable of \$21.1 million, subject to certain adjustments. No gain was recorded on deconsolidation of the Sugar Creek Wind Project net assets. However, an amount of \$15.8 million or \$11.4 million, net of tax was reclassified from AOCI into earnings as a result of the discontinuation of hedge accounting on energy derivatives put in place early in the development of the Sugar Creek Wind Project (see *Note 6(f)* in the interim unaudited consolidated financial statements).

During the year, the Company entered into an enhanced cooperation agreement with Atlantica to, among other things, provide a framework for evaluating mutually advantageous transactions. For a period of one year from the date of the agreement, Atlantica has an exclusive right of first offer for interests in certain Liberty Power Group assets.

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 September 30, 2019. The Company incurred non-controlling interest attributable to AAGES of \$7.0 million and \$20.9 million during the three and nine months ended September 30, 2019 as compared to \$nil and \$nil during the same period in 2018. The Company also recorded

distributions of \$3.8 million and \$14.7 million during the three and nine months ended September 30, 2019 as compared to \$nil and \$nil during the same period in 2018.

Non-controlling interests held by related party

Non-controlling interest held by related party represents interest in a consolidated subsidiary of the Company acquired by a subsidiary of Atlantica in May 2019 (see *Note 6(b)* in the interim unaudited consolidated financial statements). The Company incurred non-controlling interest calculated using the HLBV method of accounting of \$nil and \$nil as compared to \$nil and \$nil during the same period in 2018. The Company recorded distributions of \$2.7 million and \$20.5 million during the three and nine months ended September 30, 2019 as compared to \$nil and \$nil during the same period in 2018.

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 Committee of Sponsoring Organizations of the Treadway Commission ("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 September 30, 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 \$262.6 million outstanding as at September 30, 2019. As a result, a 100 basis point change in the variable rate charged would impact interest expense by \$2.6 million annually;

- The Liberty Credit Facility is subject to a variable interest rate and had no amounts outstanding as at September 30, 2019. As a result, a 100 basis point change in the variable rate charged would not impact interest expense;
- The Liberty Utilities Group's commercial paper program is subject to a variable interest rate and had \$203.5 million outstanding as at September 30, 2019. As a result, a 100 basis point change in the variable rate charged would impact interest expense by \$2.04 million annually;
- The Liberty Power Credit Facility is subject to a variable interest rate and had \$191.8 million outstanding as at September 30, 2019. As a result, a 100 basis point change in the variable rate charged would impact interest expense by \$1.9 million; and
- The corporate term facility is subject to a variable interest rate and had \$135.0 million outstanding as at September 30, 2019. A 100 basis point change in the variable rate charged would impact interest expense by \$1.4 million annually.

On September 6, 2019 the Company entered into a floating-to-fixed swap to hedge the floating rate component of interest from years 5 to 10 on the \$350.0 million fixed-to-floating subordinated notes that were issued on May 23, 2019 (the "May Notes"). This resulted in an effective interest rate to the Company for the May Notes of approximately 5.6% from years 5 to 10.

OPERATIONAL RISK MANAGEMENT

Succession Planning and Leadership Development

As previously disclosed, APUC continues to focus efforts on succession planning and leadership development with a view to ensuring a smooth transition to the appointment of APUC's next Chief Executive Officer. These actions are intended to support a seamless transition to the next generation of executive leadership so as to continue the Company's trajectory of growth and shareholder value creation.

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. APUC and the other respondents have delivered their responses to Gaia's notice of arbitration, and the parties are currently in the process of exchanging documentary productions. 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 September 30, 2019:

(all dollar amounts in \$ millions except per share information)	4th Quarter 2018	1st Quarter 2019	2nd Quarter 2019	3rd Quarter 2019
Revenue	\$ 419.9	\$ 477.2	\$ 343.6	\$ 365.6
Net earnings attributable to shareholders	44.0	86.4	156.6	115.8
Net earnings per share	0.09	0.17	0.31	0.23
Adjusted Net Earnings ¹	70.5	93.8	55.0	69.2
Adjusted Net Earnings per share ¹	0.14	0.19	0.11	0.14
Adjusted EBITDA ¹	196.9	231.5	189.8	186.9
Total assets	9,389.0	9,671.3	10,034.3	10,618.9
Long term debt ²	3,337.3	3,651.9	3,782.3	4,276.6
Dividend declared per common share	\$ 0.13	\$ 0.13	\$ 0.14	\$ 0.14
	4th Quarter 2017	1st Quarter 2018	2nd Quarter 2018	3rd Quarter 2018
Revenue	\$ 409.5	\$ 494.3	\$ 366.1	\$ 366.2
Net earnings attributable to shareholders	47.2	17.6	65.5	57.9
Net earnings per share	0.11	0.04	0.14	0.12
Adjusted Net Earnings ¹	67.0	141.0	50.9	49.7
Adjusted Net Earnings per share ¹	0.16	0.32	0.11	0.10
Adjusted EBITDA ¹	185.8	279.0	160.8	165.5
Total assets	8,395.6	8,941.8	8,920.7	9,389.0
Long term debt ²	3,080.5	3,832.7	3,448.1	3,337.3
Dividend declared per common share	\$ 0.12	\$ 0.12	\$ 0.13	\$ 0.13

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 \$343.6 million and \$494.3 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 \$156.6 million over the prior two year period. Earnings have been significantly impacted by non-cash factors such as deferred tax 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 September 30, 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 September 30, 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 the CFO, is responsible for establishing and maintaining internal control over financial reporting. Management, as at the end of the period covered by this interim filing, designed internal controls over financial reporting to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. The control framework management used to design the issuer's internal control over financial reporting is that established in Internal Control - Integrated Framework (2013) issued by the COSO.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

For the nine months ended September 30, 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 controls 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)

	September 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 114,459	\$ 46,819
Accounts receivable, net (note 4)	197,993	245,728
Fuel and natural gas in storage	36,406	43,063
Supplies and consumables inventory	58,814	52,537
Regulatory assets (note 5)	40,963	59,037
Prepaid expenses	29,311	27,283
Derivative instruments (note 20)	10,673	9,616
Other assets and long-term investments	7,910	3,561
	496,529	487,644
Property, plant and equipment, net	6,889,963	6,393,558
Intangible assets, net	47,757	54,994
Goodwill	955,230	954,282
Regulatory assets (note 5)	415,498	391,437
Long-term investments (note 6)		
Investments carried at fair value	1,161,229	814,530
Other long-term investments	214,540	134,371
Restricted cash (note 3(a))	274,606	18,954
Derivative instruments (note 20)	72,875	53,192
Deferred income taxes	62,305	72,415
Other assets	28,358	13,591
	\$ 10,618,890	\$ 9,388,968

Algonquin Power & Utilities Corp.

Unaudited Interim Consolidated Balance Sheets

(thousands of U.S. dollars)

	September 30, 2019	December 31, 2018
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 76,074	\$ 89,740
Accrued liabilities	226,119	235,586
Dividends payable	70,027	62,613
Regulatory liabilities (note 5)	38,575	39,005
Long-term debt (note 7)	210,565	13,048
Other long-term liabilities (note 9)	45,293	42,337
Derivative instruments (note 20)	6,359	14,339
Other liabilities	5,353	2,313
	678,365	498,981
Long-term debt (note 7)	4,065,649	3,323,747
Regulatory liabilities (note 5)	552,095	539,587
Deferred income taxes	473,807	444,145
Derivative instruments (note 20)	85,243	88,503
Pension and other post-employment benefits obligation	191,809	191,915
Other long-term liabilities (note 9)	268,358	263,582
	5,636,961	4,851,479
Redeemable non-controlling interests		
Redeemable non-controlling interests, held by related party (note 13)	313,863	307,622
Redeemable non-controlling interests	25,388	33,364
Equity:		
Preferred shares (note 10(b))	184,299	184,299
Common shares (note 10(a))	3,655,257	3,562,418
Additional paid-in-capital	47,056	45,553
Deficit	(462,867)	(595,259)
Accumulated other comprehensive loss (note 11)	(12,992)	(19,385)
Total equity attributable to shareholders of Algonquin Power & Utilities Corp.	3,410,753	3,177,626
Non-controlling interests		
Non-controlling interests	475,834	519,896
Non-controlling interests, held by related party (note 13)	77,726	—
	553,560	519,896
Total equity	3,964,313	3,697,522
Commitments and contingencies (note 18)		
Subsequent events (notes 3 and 10)		
	\$ 10,618,890	\$ 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 September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Revenue				
Regulated electricity distribution	\$ 221,396	\$ 225,520	\$ 602,452	\$ 637,988
Regulated gas distribution	47,588	46,330	296,184	303,104
Regulated water reclamation and distribution	39,004	36,945	98,487	98,059
Non-regulated energy sales	52,706	52,189	175,940	173,077
Other revenue	4,872	5,261	13,306	14,374
	365,566	366,245	1,186,369	1,226,602
Expenses				
Operating expenses	116,248	118,805	356,548	360,189
Regulated electricity purchased	68,281	67,742	188,223	201,768
Regulated gas purchased	10,670	9,922	111,564	123,994
Regulated water purchased	2,719	2,388	5,958	6,718
Non-regulated energy purchased	3,531	7,247	13,110	20,701
Administrative expenses	14,929	11,542	41,571	37,689
Depreciation and amortization	65,782	63,495	206,642	196,925
Loss (gain) on foreign exchange	(859)	274	75	(797)
	281,301	281,415	923,691	947,187
Operating income	84,265	84,830	262,678	279,415
Interest expense	45,668	37,905	134,129	111,834
Change in value of investments carried at fair value (note 6)	(64,394)	(10,022)	(179,970)	91,949
Dividend, interest, equity and other income (note 6)	(25,661)	(11,428)	(90,219)	(32,981)
Pension and other post-employment non-service costs (note 8)	4,994	1,263	10,034	1,591
Other losses	2,897	2,006	8,875	392
Acquisition-related costs, net (note 3)	2,786	925	5,175	9,569
Loss (gain) on derivative financial instruments (note 20(b)(iv))	(15,379)	748	(15,592)	920
	(49,089)	21,397	(127,568)	183,274
Earnings before income taxes	133,354	63,433	390,246	96,141
Income tax expense (note 15)				
Current	5,041	3,218	14,990	8,602
Deferred	16,927	7,516	42,614	42,014
	21,968	10,734	57,604	50,616
Net earnings	111,386	52,699	332,642	45,525
Net effect of non-controlling interests (note 14)				
Net effect of non-controlling interests	11,377	5,231	47,066	95,465
Net effect of non-controlling interests held by related party	(7,009)	—	(20,923)	—
Net earnings attributable to shareholders of Algonquin Power & Utilities Corp.	\$ 115,754	\$ 57,930	\$ 358,785	\$ 140,990
Series A and D Preferred shares dividend (note 12)	2,137	1,989	6,352	6,059
Net earnings attributable to common shareholders of Algonquin Power & Utilities Corp.	\$ 113,617	\$ 55,941	\$ 352,433	\$ 134,931
Basic net earnings per share (note 16)	\$ 0.23	\$ 0.12	\$ 0.71	\$ 0.30
Diluted net earnings per share (note 16)	\$ 0.23	\$ 0.12	\$ 0.71	\$ 0.29

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 September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Net earnings	\$ 111,386	\$ 52,699	\$ 332,642	\$ 45,525
Other comprehensive income (loss):				
Foreign currency translation adjustment, net of tax recovery of \$493 and \$606 (2018 - \$2,668 and \$3,546), respectively (notes 20(b)(iii) and 20(b)(iv))	(11,910)	8,962	45	(3,854)
Change in fair value of cash flow hedges, net of tax recovery of \$2,198 and tax expense of \$2,902 (2018 - tax expense of \$734 and \$1,040), respectively (note 20(b)(ii))	(5,775)	2,011	7,855	2,814
Change in pension and other post-employment benefits, net of tax recovery of \$132 and \$82 (2018 - \$71 and \$127), respectively (note 8)	(185)	(76)	(230)	(358)
Other comprehensive income (loss), net of tax	(17,870)	10,897	7,670	(1,398)
Comprehensive income	93,516	63,596	340,312	44,127
Comprehensive loss attributable to the non-controlling interests	(5,610)	(5,553)	(24,680)	(95,800)
Comprehensive income attributable to shareholders of Algonquin Power & Utilities Corp.	\$ 99,126	\$ 69,149	\$ 364,992	\$ 139,927

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 months ended September 30, 2019

Algonquin Power & Utilities Corp. Shareholders							
	Common shares	Preferred shares	Additional paid-in capital	Accumulated deficit	Accumulated OCI	Non-controlling interests	Total
Balance, June 30, 2019	\$ 3,614,020	\$ 184,299	\$ 45,414	\$ (499,344)	\$ 3,636	\$ 569,145	\$ 3,917,170
Net earnings (loss)	—	—	—	115,754	—	(4,368)	111,386
Redeemable non-controlling interests not included in equity (note 14)	—	—	—	—	—	(4,744)	(4,744)
Other comprehensive loss	—	—	—	—	(16,628)	(1,242)	(17,870)
Dividends declared and distributions to non-controlling interests	—	—	—	(54,530)	—	(5,231)	(59,761)
Dividends and issuance of shares under dividend reinvestment plan	18,000	—	—	(18,000)	—	—	—
Common shares issued pursuant to public offering, net of costs (note 10(a))	15,609	—	—	—	—	—	15,609
Common shares issued pursuant to share-based awards (note 10(c))	7,628	—	(1,414)	(6,747)	—	—	(533)
Share-based compensation (note 10(c))	—	—	3,056	—	—	—	3,056
Balance, September 30, 2019	\$ 3,655,257	\$ 184,299	\$ 47,056	\$ (462,867)	\$ (12,992)	\$ 553,560	\$ 3,964,313

(thousands of U.S. dollars)

For the three months ended September 30, 2018

Algonquin Power & Utilities Corp. Shareholders							
	Common shares	Preferred shares	Additional paid-in capital	Accumulated deficit	Accumulated OCI	Non-controlling interests	Total
Balance, June 30, 2018	\$ 3,397,106	\$ 184,299	\$ 41,148	\$ (566,758)	\$ (5,116)	\$ 526,882	\$ 3,577,561
Net earnings (loss)	—	—	—	57,930	—	(5,231)	52,699
Redeemable non-controlling interests not included in equity (note 14)	—	—	—	—	—	1,681	1,681
Other comprehensive income (loss)	—	—	—	—	11,219	(322)	10,897
Dividends declared and distributions to non-controlling interests	—	—	—	(48,152)	—	(1,945)	(50,097)
Dividends and issuance of shares under dividend reinvestment plan	14,857	—	—	(14,857)	—	—	—
Common shares issued upon conversion of convertible debentures	128	—	—	—	—	—	128
Common shares issued pursuant to share-based awards	175	—	—	—	—	—	175
Share-based compensation	—	—	2,474	—	—	—	2,474
Balance, September 30, 2018	\$ 3,412,266	\$ 184,299	\$ 43,622	\$ (571,837)	\$ 6,103	\$ 521,065	\$ 3,595,518

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

(thousands of U.S. dollars)
For the nine months ended September 30, 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)	—	—	—	358,785	—	(26,143)	332,642
Redeemable non-controlling interests not included in equity (note 14)	—	—	—	—	—	(14,011)	(14,011)
Other comprehensive income	—	—	—	—	6,207	1,463	7,670
Contributions received from non-controlling interests, net of costs	—	—	—	—	—	100,318	100,318
Dividends declared and distributions to non-controlling interests	—	—	—	(158,447)	—	(27,963)	(186,410)
Dividends and issuance of shares under dividend reinvestment plan	51,447	—	—	(51,447)	—	—	—
Common shares issued pursuant to public offering, net of costs (note 10(a))	20,702	—	—	—	—	—	20,702
Common shares issued upon conversion of convertible debentures	90	—	—	—	—	—	90
Common shares issued pursuant to share-based awards (note 10(c))	20,600	—	(7,861)	(16,313)	—	—	(3,574)
Share-based compensation (note 10(c))	—	—	9,364	—	—	—	9,364
Balance, September 30, 2019	\$ 3,655,257	\$ 184,299	\$ 47,056	\$ (462,867)	\$ (12,992)	\$ 553,560	\$ 3,964,313

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

(thousands of U.S. dollars)
For the nine months ended September 30, 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	—	—	—	(9,958)	9,958	—	—
Net earnings (loss)	—	—	—	140,990	—	(95,465)	45,525
Redeemable non-controlling interests not included in equity (note 14)	—	—	—	—	—	6,696	6,696
Other comprehensive loss	—	—	—	—	(1,063)	(335)	(1,398)
Dividends declared and distributions to non-controlling interests	—	—	—	(138,849)	—	(6,323)	(145,172)
Dividends and issuance of shares under dividend reinvestment plan	39,589	—	—	(39,589)	—	—	—
Common shares issued pursuant to public offering, net of costs	345,723	—	—	—	—	—	345,723
Common shares issued upon conversion of convertible debentures	430	—	—	—	—	—	430
Common shares issued pursuant to share-based awards	4,825	—	(2,671)	(1,980)	—	—	174
Share-based compensation	—	—	7,724	—	—	—	7,724
Contributions received from non-controlling interests, net of costs	—	—	—	—	—	13,856	13,856
Balance, September 30, 2018	\$ 3,412,266	\$ 184,299	\$ 43,622	\$ (571,837)	\$ 6,103	\$ 521,065	\$ 3,595,518

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 September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Cash provided by (used in):				
Operating Activities				
Net earnings	\$ 111,386	\$ 52,699	\$ 332,642	\$ 45,525
Adjustments and items not affecting cash:				
Depreciation and amortization	65,782	63,495	206,642	196,925
Deferred taxes	16,927	7,516	42,614	42,014
Change in value of investments carried at fair value	(64,394)	(10,022)	(178,410)	91,949
Unrealized loss (gain) on derivative financial instruments	(25,643)	1,732	(15,968)	(451)
Share-based compensation expense	2,681	2,209	7,896	5,824
Cost of equity funds used for construction purposes	(1,428)	(691)	(2,588)	(2,068)
Pension and post-employment contributions in excess of expense	276	527	3,507	3,865
Distributions received from equity-method investees in excess of income	1,762	2,572	6,455	3,838
Other	9,974	6,816	10,475	9,688
Changes in non-cash operating items (note 19)	70,764	4,619	30,535	(35,372)
	188,087	131,472	443,800	361,737
Financing Activities				
Increase in long-term debt	734,260	289,081	2,845,045	1,292,285
Decrease in long-term debt	(229,591)	(188,656)	(1,918,815)	(791,389)
Issuance of common shares, net of costs	15,856	(104)	22,223	347,181
Cash dividends on common shares	(51,559)	(45,652)	(143,773)	(121,714)
Dividends on preferred shares	(4,246)	(2,073)	(6,352)	(4,129)
Contributions from non-controlling interests, related party (note 6(b))	—	—	96,752	—
Contributions from non-controlling interests	—	—	475	—
Production-based cash contributions from non-controlling interest	—	—	3,565	13,856
Distributions to non-controlling interests	(24,014)	(2,462)	(40,401)	(6,814)
Settlement of derivatives	—	—	(8,732)	—
Shares surrendered to fund withholding taxes on exercised share options	(1,341)	—	(5,282)	(1,557)
Increase in other long-term liabilities	3,436	2,320	7,488	9,587
Decrease in other long-term liabilities	(1,413)	(2,701)	(15,192)	(14,785)
	441,388	49,753	837,001	722,521
Investing Activities				
Additions to property, plant and equipment and intangible assets	(190,247)	(101,254)	(403,297)	(342,524)
Increase in long-term investments	(130,616)	(30,069)	(546,303)	(698,378)
Acquisitions of operating entities	—	—	(1,350)	—
Decrease (increase) in other assets	(903)	92	(13,914)	1,101
Receipt of principal on development loans receivable	—	—	10,601	—
Proceeds from sale of long-lived assets	—	—	—	3,004
	(321,766)	(131,231)	(954,263)	(1,036,797)
Effect of exchange rate differences on cash and restricted cash	(412)	230	313	(262)
Increase in cash, cash equivalents and restricted cash	307,297	50,224	326,851	47,199
Cash, cash equivalents and restricted cash, beginning of period	85,327	56,398	65,773	59,423
Cash, cash equivalents and restricted cash, end of period	\$ 392,624	\$ 106,622	\$ 392,624	\$ 106,622

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

Supplemental disclosure of cash flow information: (thousands of U.S. dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Cash paid during the period for interest expense	\$ 40,677	\$ 36,657	\$ 124,001	\$ 114,300
Cash paid during the period for income taxes	3,421	1,868	12,959	6,404
Non-cash financing and investing activities:				
Property, plant and equipment acquisitions in accruals	\$ 29,671	\$ 33,150	\$ 29,671	\$ 33,150
Issuance of common shares under dividend reinvestment plan and share-based compensation plans	24,877	14,878	70,070	42,745
Issuance of common shares upon conversion of convertible debentures	—	133	94	450
Sale of property, plant and equipment, intangible assets and accrued liabilities in exchange of note receivable	\$ 21,107	\$ (1,686)	\$ 21,107	\$ 12,971

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

September 30, 2019 and 2018

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

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 utility assets. APUC also owns a 44.2% 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 unaudited interim 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 unaudited interim consolidated 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.

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

September 30, 2019 and 2018

(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 5.80 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 as of September 30, 2019 for operating lease assets and liabilities was 4.38% and the weighted-average remaining lease term is 14.59 years. Lease costs incurred and cash paid for financing and operating leases during the three and nine months ended September 30, 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 are as follows:

Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter	Total
\$ 1,710	\$ 1,067	\$ 586	\$ 504	\$ 494	\$ 4,690	\$ 9,051

The lease payments for the Company's financing leases are expected to be approximately \$537 annually for the next five years, and \$430 thereafter.

2. Recently issued accounting pronouncements

(a) Recently adopted accounting pronouncements

The FASB issued accounting standards update ("ASU") 2018-15, *Intangibles — Goodwill and Other Internal-Use Software (Subtopic 350-40): Customers Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract* to provide additional guidance to address diversity in practice. This update aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The Company has adopted this update prospectively as at the beginning of the third quarter. There were no significant impacts to the unaudited interim consolidated financial statements as a result of the adoption of this update.

The FASB issued 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.

2. Recently issued accounting pronouncements (continued)

(a) Recently adopted accounting pronouncements (continued)

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.

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 that 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).

2. Recently issued accounting pronouncements (continued)

(b) Recently issued accounting guidance not yet adopted

The FASB issued ASU 2019-05, *Financial Instruments — Credit Losses (Topic 326): Targeted Transition Relief* to provide entities that have certain instruments measured at amortized cost within the scope of Subtopic 326-20, with an option to irrevocably elect the fair value option in Subtopic 825-10 to be applied on an instrument-by-instrument basis. This election is not available for held-to-maturity debt securities. The amendments are effective the same date as update 2016-13, which is January 1, 2020. The Company is currently in the process of evaluating the impact of this update on its consolidated financial statements.

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 consolidated financial statements as a result of the adoption of these updates.

3. Business acquisitions and development projects

(a) Acquisition of Enbridge Gas New Brunswick Limited Partnership

Subsequent to quarter end, on October 1, 2019, the Company completed the acquisition of Enbridge Gas New Brunswick Limited Partnership ("New Brunswick Gas"). New Brunswick Gas is a regulated utility that provides natural gas to customers.

The purchase price of approximately \$256,011 (C\$339,036) for the acquisition of New Brunswick Gas was funded through the Company's existing credit facility. As of September 30, 2019, this amount was transferred to a paying agent for purposes of this acquisition and presented as restricted cash in the unaudited interim consolidated financial statements. The costs related to the acquisition have been expensed through the unaudited interim consolidated financial statements.

Due to the timing of the acquisition, the Company has not completed the fair value measurements necessary for the allocation of the purchase price to the assets acquired and liabilities assumed.

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

Subsequent to quarter end, on November 1, 2019, the Company completed the acquisition of 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 \$61,820, less total third-party debt of SLG outstanding at closing, and subject to certain closing adjustments.

(c) Agreement to acquire Mid-West Wind Development Project

The Empire District Electric Company ("Empire Electric System"), a wholly owned subsidiary of the Company, entered into purchase agreements to acquire, once completed, three wind farms generating up to 600 MW of wind energy located in Barton, Dade, Lawrence, and Jasper Counties in Missouri and in Neosho County, Kansas ("Mid-West Wind Development Project"). The agreements contain development milestones and termination provisions that primarily apply prior to the commencement of construction. Total costs are estimated at \$1,100,000 and the acquisitions are anticipated to close following completion of the respective projects. These assets, net of third party tax equity investment, are expected to be included in the rate base of the Empire Electric System.

Subsequent to quarter end, Liberty Utilities Co, a wholly owned subsidiary of the Company, acquired an interest in the entities that own the two Missouri projects and, in partnership with a third-party developer, will continue development and construction of such projects until they are acquired by Empire District Electric following completion. As part of the investment in the joint ventures, Liberty Utilities entered into a guarantee agreement for obligations under one of the wind turbine supply agreements. The fair value of the guarantee obligation is approximately \$290.

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

September 30, 2019 and 2018

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

3. Business acquisitions and development projects (continued)

(d) Agreement to acquire Bermuda Electric Light Company

On June 3, 2019, the Company entered into an agreement to acquire the Ascendant Group Limited ("Ascendant"), parent company of Bermuda Electric Light Company. Bermuda Electric Light Company is the sole electric utility providing regulated electrical generation, transmission and distribution services to Bermuda's residents and businesses. The total purchase price for the transaction is approximately \$365,000. Closing of the transaction remains subject to shareholder and regulatory approvals and is expected in early 2020.

(e) Approval to acquire the Perris Water Distribution System

On August 10, 2017, the Company's Board of Directors (the "Board") 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 2020.

4. Accounts receivable

Accounts receivable as of September 30, 2019 include unbilled revenue of \$56,038 (December 31, 2018 - \$79,742) from the Company's regulated utilities. Accounts receivable as of September 30, 2019 are presented net of allowance for doubtful accounts of \$5,581 (December 31, 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 ASC 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 unaudited interim 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 proceedings were recently completed:

Utility	State	Regulatory proceeding type	Annual revenue increase	Effective date
Peach State Gas System	Georgia	GRAM	\$2,367	February 1, 2019
Woodmark/Tall Timbers	Texas	GRC	\$484	August 1, 2019
Empire Electric (Kansas System)	Kansas	GRC	\$2,449	August 1, 2019
Empire Electric (Oklahoma System)	Oklahoma	GRC	\$1,400	October 1, 2019

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

September 30, 2019 and 2018

*(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:

	September 30, 2019	December 31, 2018
Regulatory assets		
Environmental remediation	\$ 85,597	\$ 82,295
Pension and post-employment benefits	135,523	125,959
Debt premium	43,824	48,847
Fuel and commodity costs adjustments	17,389	26,310
Rate adjustment mechanism	35,557	37,202
Clean energy and other customer programs	26,878	24,095
Deferred construction costs	13,718	13,986
Asset retirement	23,185	21,048
Income taxes	35,036	34,822
Rate review costs	7,154	6,164
Other	32,600	29,746
Total regulatory assets	\$ 456,461	\$ 450,474
Less: current regulatory assets	(40,963)	(59,037)
Non-current regulatory assets	\$ 415,498	\$ 391,437
Regulatory liabilities		
Income taxes	\$ 322,130	\$ 323,384
Cost of removal	195,824	193,564
Rate base offset	9,217	10,900
Fuel and commodity costs adjustments	15,978	21,352
Deferred compensation received in relation to lost production	4,096	6,003
Deferred construction costs - fuel related	7,137	7,258
Pension and post-employment benefits	19,183	2,170
Other	17,105	13,961
Total regulatory liabilities	\$ 590,670	\$ 578,592
Less: current regulatory liabilities	(38,575)	(39,005)
Non-current regulatory liabilities	\$ 552,095	\$ 539,587

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

September 30, 2019 and 2018

*(in thousands of U.S. dollars, except as noted and per share amounts)***6. Long-term investments**

Long-term investments consist of the following:

	September 30, 2019	December 31, 2018
Long-term investments carried at fair value		
Atlantica (a)	\$ 1,079,814	\$ 814,530
AYES Canada (b)	81,415	—
	\$ 1,161,229	\$ 814,530
Other long-term investments		
Equity-method investees		
Maverick Creek Wind Project (c)	4,776	—
Amherst Island Wind Project (d)	—	7,655
San Antonio Water System (e)	18,230	—
Red Lily I Wind Facility	15,925	15,705
AAGES (f)	1,534	2,622
Other (g)	15,032	4,510
	\$ 55,497	\$ 30,492
Development loans receivable from equity-method investees (h)	158,210	101,416
Other	2,180	3,870
Total other long-term investments	\$ 215,887	\$ 135,778
Less: current portion	(1,347)	(1,407)
	\$ 214,540	\$ 134,371

For the three and nine months ended September 30, 2019, dividend income of \$20,706 and \$71,895 (2018 - \$8,677 and \$25,887), interest income of \$543 and \$10,619 (2018 - \$2,969 and \$4,700) and equity loss of \$515 and \$5,250 (2018 - equity loss of \$1,284 and \$812), respectively, are included in dividend, interest, equity and other income on the unaudited interim consolidated statements of operations.

(a) Investment in Atlantica

During the second quarter of 2019, APUC purchased an additional 3,384,402 ordinary shares of Atlantica, which increased the Company's ownership of Atlantica to approximately 44.2% (December 31, 2018 - 41.5%). APUC has the flexibility, subject to certain conditions, to increase its ownership of Atlantica to up to 48.5%. Of the 3,384,402 shares received, 1,384,402 shares were purchased for cash consideration of \$30,000 and 2,000,000 shares were received pursuant to a prepayment of \$53,750. In the fourth quarter of 2019, the Company will settle any additional amount owed under the prepayment purchase agreement in cash or ordinary shares of Atlantica. For the three and nine months ended September 30, 2019, APUC recorded dividend income of \$17,977 and \$50,881 (2018 - \$8,518 and \$24,303) and a fair value gain of \$60,939 and \$191,930 (2018 - gain of \$10,022 and loss of \$91,949) on its investment in Atlantica.

6. Long-term investments (continued)

(b) Investment in AYES Canada

On May 24, 2019, APUC and Atlantica formed Atlantica Yield Energy Solutions Canada Inc. ("AYES Canada"), a vehicle to channel co-investment opportunities in which Atlantica holds the majority of voting rights. The first investment was Windlectric Inc. APUC invested \$91,919 (C\$123,603) and Atlantica invested \$4,834 (C\$6,500) in AYES Canada, which in turn invested those funds in Amherst Island Partnership ("AIP"), the holding company of Windlectric.

APUC continues to control and consolidate AIP and Windlectric. The investment of \$96,752 (C\$130,103) by AYES Canada in AIP is presented as a non-controlling interest held by a related party (note 13). The partnership agreement has liquidation rights and priorities to each equity holder that are different from the underlying percentage ownership interests. As such, the share of earnings attributable to the non-controlling interest holder is calculated using the Hypothetical Liquidation at Book Value ("HLBV") method of accounting. The Company incurred non-controlling interest calculated using the HLBV method of accounting of \$nil and \$nil (2018 - \$nil and \$nil) and recorded distributions of \$2,715 and \$20,517 (2018 - \$nil and \$nil) during the three and nine months ended September 30, 2019, respectively.

AYES Canada is considered to be a variable interest entity ("VIE") based on the disproportionate voting and economic interests of the shareholders. Atlantica is considered to be the primary beneficiary of AYES Canada. Accordingly, APUC's investment in AYES Canada is considered an equity method investment. Under the AYES Canada shareholders agreement, starting in May 2020, APUC has the option to exchange approximately 3,500,000 shares of AYES Canada into ordinary shares of Atlantica on a one-for-one basis, subject to certain conditions. Consistent with the treatment of the Atlantica shares, the Company has elected the fair value option under ASC 825, *Financial Instruments* to account for its investment in AYES Canada, with changes in fair value reflected in the consolidated statements of operations. A level 3 discounted cash flow approach combined with a Black-Scholes option-pricing calculation were used to estimate the fair value of the investment. For the three and nine months ended September 30, 2019, APUC recorded dividend income of \$2,753 and \$20,219 (2018 - \$nil and \$nil) and a fair value gain of \$3,455 and loss of \$11,960 (2018 - \$nil and \$nil), respectively, on its investment in AYES Canada.

(c) Maverick Creek Wind Project

In August 2019, the Liberty Power Group and a third party developer each contributed \$1,000 to the capital of Maverick Creek Wind SponsorCo ("Maverick SponsorCo") to jointly develop an approximately 490 MW Maverick Creek Wind Project located in Concho County, Texas. The purchase price of \$70,567 was invested in a loan receivable from Maverick SponsorCo (note 6(h)). The project is expected to achieve commercial operation in the fourth quarter of 2020. The Company holds an option to acquire the remaining 50% interest in Maverick SponsorCo at a pre-agreed price. The interest capitalized to the equity investment during the three and nine months ended September 30, 2019 while the Maverick Creek Wind Project is under construction amounts to \$934.

Maverick SponsorCo is considered a VIE namely due to the low level of equity at risk and the disproportionate voting and economic interests of the shareholders. The Company is not considered the primary beneficiary of Maverick SponsorCo as the two shareholders have joint control and all decisions must be unanimous. As such, the Company is accounting for its investment in the joint venture under the equity method.

(d) Amherst Island Wind Project

Up to April 16, 2019, APUC had 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.

On April 16, 2019, the Company acquired the remaining 50% interest in Windlectric for \$6,362 (C\$8,500) and as a result, obtained control of the facility. Given substantially all of the fair value of the gross assets acquired is concentrated in the wind equipment, the facility is not considered a business. The acquisition was treated as an asset acquisition, which requires that the fair value of assets acquired and liabilities assumed in the subsidiary be recognized on the consolidated balance sheets as of the acquisition date. It further requires that pre-existing relationships such as the existing development loan between the two parties of \$316,786 (note 6(h)) and prior investments achieved in stages also be remeasured at fair value. An income approach was used to value these items.

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*(in thousands of U.S. dollars, except as noted and per share amounts)***6. Long-term investments (continued)****(d) Amherst Island Wind Project (continued)**

The following table summarizes the allocation of the assets acquired and liabilities assumed at the acquisition date:

Working capital	\$ 14,280
Property, plant and equipment	311,175
Deferred tax asset	3,479
Asset retirement obligation	(1,600)
Net assets acquired	\$ 327,334
Cash	\$ 16,751
Net assets acquired, net of cash	\$ 310,583

(e) San Antonio Water System

On May 1, 2019, APUC invested \$17,000 by way of a secured loan into AWUSA VR Holding LLC ("AWUSA"), a wholly owned subsidiary of Abengoa S.A. ("Abengoa"). An additional amount of \$5,000 is payable at a later date, subject to certain conditions. The loan is secured by AWUSA's investment in the Vista Ridge water pipeline project. The Vista Ridge water pipeline project is a 140 mile water pipeline from Burleson County, Texas to San Antonio, Texas. Since APUC has the power to direct the activities of AWUSA and benefits from the economics of this entity, the Company consolidates AWUSA and its 20% interest in Vista Ridge. The investment in Vista Ridge is accounted for using the equity method. Commercial operations are expected in 2020.

(f) Investment in AAGES entities

APUC has a 50% interest in Abengoa-Algonquin Global Energy Solutions B.V. ("AAGES B.V."), AAGES Development Canada Inc., AAGES Development Spain S.A, and AAGES Sugar Creek LLC ("AAGES Sugar Creek") (collectively, the "AAGES entities"), which identify, develop, and construct clean energy and water infrastructure assets with a global focus for which it expects to earn development fees from successful projects.

The Company owned 100% of the interests in Sugar Creek Wind One LLC ("Sugar Creek"), which owns a 202 MW wind power electric development project ("Sugar Creek Wind Project") in Logan County, Illinois. On September 30, 2019, APUC and Abengoa created AAGES Sugar Creek to continue development and begin construction on the Sugar Creek Wind Project. Concurrently, the Sugar Creek Wind Project was sold to AAGES Sugar Creek in exchange for a note receivable of \$21,107, subject to certain adjustments. As a result, Algonquin now owns a 50% interest in the project through AAGES Sugar Creek. The Company holds an option exercisable at any time to acquire Abengoa's interests in AAGES Sugar Creek at a pre-agreed price. The Company no longer controls the project and on the transaction date, the Company deconsolidated the assets and liabilities of Sugar Creek. No gain was recorded on deconsolidation of the Sugar Creek net assets. However, an amount of \$15,765 or \$11,412, net of tax was reclassified from AOCI into earnings as a result of the discontinuation of hedge accounting on energy derivatives put in place early in the development of Sugar Creek (note 20(b)(ii)).

AAGES Development Canada Inc., AAGES Development Spain, S.A., and AAGES Sugar Creek are considered VIEs due to the level of equity at risk and the disproportionate voting and economic interests of the shareholders. The Company is not considered the primary beneficiary of these 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. In 2019, APUC and Abengoa each contributed additional capital of \$2,262 (December 31, 2018 - \$5,000) to the AAGES entities to fund ongoing operations until such time as they earn development fees from successful projects. The Company's share of the development costs resulted in an equity loss of \$782 and \$4,228 (2018 - \$2,040 and \$2,492) to the Company's unaudited interim consolidated financial results for the three and nine months ended September 30, 2019, respectively.

6. Long-term investments (continued)

(g) Wataynikaneyap Power Transmission Project

During the first 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.

(h) Development loans

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' projects.

As of September 30, 2019, the Company has a loan and credit support facility with Maverick SponsorCo of \$127,782 (December 31, 2018 - \$nil). The loan to Maverick SponsorCo bears interest at an annual rate of 7% on outstanding principal amount and matures on the tenth anniversary of the commercial operation date. The letters of credit and guarantees are charged an annual fee of 2% on their stated amount. As of September 30, 2019, the following credit support was outstanding on behalf of Maverick SponsorCo: letters of credit and guarantees of obligations under the wind turbine supply agreement, engineering, procurement, and construction management agreements, and the energy purchase agreement. The value of the guarantee obligations is recognized under other long-term liabilities and as of September 30, 2019 is valued at \$2,734 using a probability weighted discounted cash flow (level 3).

As of September 30, 2019, the Company has total notes receivable from the AAGES entities of \$30,429 (December 31, 2018 - \$4,940). As of September 30, 2019, the Company had issued letters of credit and guarantees of obligations under a security of performance for a development opportunity, wind turbine supply agreement, purchase and sale agreement, interconnection agreement, and renewable energy credit agreements. The value of the guarantee obligations is recognized under other long-term liabilities and as at September 30, 2019 is valued at \$950 using a probability weighted discounted cash flow (level 3).

Following acquisition of control of Windlectric (note 6(d)), amounts advanced to Windlectric are eliminated on consolidation.

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*(in thousands of U.S. dollars, except as noted and per share amounts)***7. Long-term debt**

Long-term debt consists of the following:

Borrowing type	Weighted average coupon	Maturity	Par value	September 30, 2019	December 31, 2018
Senior unsecured revolving credit facilities (a)	—	2023-2024	N/A	\$ 452,927	\$ 97,000
Senior unsecured bank credit facilities (b)	—	2020	N/A	135,000	321,807
Commercial paper (c)	—	2020	N/A	203,500	6,000
Senior U.S. dollar borrowings					
Senior unsecured notes	4.09%	2020-2047	\$ 1,225,000	1,219,337	1,218,680
Senior unsecured utility notes	6.0%	2020-2035	\$ 217,000	234,058	240,161
Senior secured utility bonds	4.75%	2020-2044	\$ 662,500	673,427	676,697
Senior Canadian dollar borrowings					
Senior unsecured notes (e)	4.48%	2020-2029	C\$ 950,669	714,557	474,764
Senior secured project notes	10.23%	2020-2027	C\$ 29,239	22,079	22,915
				\$ 3,654,885	\$ 3,058,024
Subordinated U.S. dollar borrowings					
Subordinated unsecured notes (d)	6.5%	2078-2079	\$ 637,500	621,329	278,771
				\$ 4,276,214	\$ 3,336,795
Less: current portion				(210,565)	(13,048)
				\$ 4,065,649	\$ 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 \$367,005 that are expected to be refinanced using the long-term credit facilities are presented as long-term debt.

Recent financing activities:

(a) Senior unsecured revolving credit facilities

On July 12, 2019, the Company entered into a new \$500,000 senior unsecured revolving bank credit facility that matures July 12, 2024. The interest rate is equal to the bankers' acceptance or LIBOR plus a credit spread. The existing C\$165,000 credit facility was canceled.

Subsequent to quarter end, on October 24, 2019, the Company entered into a new \$75,000 uncommitted bilateral letter of credit facility.

(b) Senior unsecured bank credit facilities

On May 23, 2019, the Company fully repaid the remaining outstanding balance of \$186,807 on its corporate term facility. On June 27, 2019, the Liberty Utilities Group extended the maturity of its \$135,000 term loan to July 6, 2020.

(c) Commercial paper

On July 1, 2019, the Liberty Utilities Group established a new \$500,000 commercial paper program. This program is backstopped by the Liberty Utilities Group's bank credit facility.

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

7. Long-term debt (continued)

(d) Subordinated unsecured notes

On May 23, 2019, the Company issued \$350,000 unsecured, 6.20% fixed-to-floating subordinated notes ("subordinated notes") maturing on July 1, 2079. Concurrent with the offering, the Company entered into a cross currency swap to convert the U.S. dollar denominated coupon and principal payments from the offering into Canadian dollars.

Beginning on July 1, 2024, and on every quarter thereafter that the subordinated notes are outstanding (the "interest reset date") until July 1, 2029, the subordinated notes will be reset at an interest rate of the three-month LIBOR plus 4.01%, payable in arrears. In September 2019, the Company entered into forward starting interest rate swaps to convert its variable interest rate to fixed for the period of July 1, 2024 to July 1, 2029 (note 20(b)(ii)). Beginning on July 1, 2029, and on every interest reset date until July 1, 2049, the subordinated notes will be reset at an interest rate of the three-month LIBOR plus 4.26%, payable in arrears. Beginning on July 1, 2049, and on every interest reset date until July 1, 2079, the subordinated notes will be reset at an interest rate of the three-month LIBOR plus 5.01%, payable in arrears.

The Company may elect, at its sole option, to defer the interest payable on the subordinated notes on one or more occasions for up to five consecutive years. Deferred interest will accrue, compounding on each subsequent interest payment date, until paid. Additionally, on or after July 1, 2024, the Company may, at its option, redeem the subordinated notes, at a redemption price equal to 100% of the principal amount, together with accrued and unpaid interest.

(e) Canadian dollar senior unsecured notes

During the first 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)).

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*(in thousands of U.S. dollars, except as noted and per share amounts)***8. Pension and other post-employment benefits**

The following table lists the components of net benefit costs for the pension plans and other post-employment benefits ("OPEB") in the unaudited interim consolidated statements of operations.

	Pension benefits			
	Three Months Ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Service cost	\$ 3,226	\$ 3,779	\$ 9,286	\$ 11,006
Non-service costs				
Interest cost	6,854	4,356	15,283	12,746
Expected return on plan assets	(5,106)	(6,995)	(15,317)	(21,006)
Amortization of net actuarial loss	872	89	2,616	311
Amortization of prior service credits	(196)	(156)	(586)	(467)
Amortization of regulatory assets/ liability	2,292	4,535	6,563	9,693
	4,716	1,829	8,559	1,277
Net benefit cost	\$ 7,942	\$ 5,608	\$ 17,845	\$ 12,283

	OPEB			
	Three Months Ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Service cost	\$ 1,201	\$ 1,464	\$ 3,603	\$ 4,438
Non-service costs				
Interest cost	1,809	1,626	5,427	4,877
Expected return on plan assets	(1,650)	(1,849)	(4,951)	(5,546)
Amortization of net actuarial gain	(238)	(36)	(714)	(113)
Amortization of prior service credits	(52)	(65)	(157)	(196)
Amortization of regulatory assets/ liability	409	(242)	1,870	1,292
	278	(566)	1,475	314
Net benefit cost	\$ 1,479	\$ 898	\$ 5,078	\$ 4,752

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

Algonquin Power & Utilities Corp.

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*(in thousands of U.S. dollars, except as noted and per share amounts)***9. Other long-term liabilities**

Other long-term liabilities consist of the following:

	September 30, 2019	December 31, 2018
Advances in aid of construction	\$ 60,833	\$ 63,703
Environmental remediation obligation	59,553	55,621
Asset retirement obligations	45,731	43,291
Customer deposits	30,425	29,974
Unamortized investment tax credits	17,992	17,491
Deferred credits	35,292	42,711
Preferred shares, Series C	13,613	13,418
Lease liabilities (note 1(c))	9,773	3,436
Other	40,439	36,274
	313,651	305,919
Less: current portion	(45,293)	(42,337)
	\$ 268,358	\$ 263,582

10. Shareholders' equity

(a) Common shares

Number of common shares:

	Nine Months Ended September 30	
	2019	2018
Common shares, beginning of period	488,851,433	431,765,935
Public offering	1,756,799	37,505,274
Dividend reinvestment plan	4,749,570	4,161,755
Exercise of share-based awards (c)	1,211,448	412,906
Conversion of convertible debentures	11,883	54,645
Common shares, end of period	496,581,133	473,900,515

On February 28, 2019, APUC established an at-the-market equity program ("ATM program") that allows the Company to issue up to \$250,000 of common shares from treasury to the public from time to time, at the Company's discretion, at the prevailing market price when issued on the TSX, the NYSE, or any other existing trading market for the common shares of the Company in Canada or the United States. During the nine months ended September 30, 2019, the Company issued 1,756,799 common shares under the ATM program at an average price of \$12.54 per common share for gross proceeds of \$22,034 (\$21,704 net of commissions). Other related costs, primarily related to the establishment of the ATM program, were \$1,624.

Public offering

In October 2019, subsequent to quarter end, APUC issued 26,252,542 common shares at \$13.50 per share pursuant to a public offering for proceeds of \$354,409 before issuance costs of \$13,822.

(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.

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*(in thousands of U.S. dollars, except as noted and per share amounts)***10. Shareholders' capital (continued)**

(c) Share-based compensation

During the nine months ended September 30, 2019, 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. In July 2019, 385,967 PSUs were granted to employees of the Company. The PSUs vest on January 1, 2022.

During the first quarter of 2019, 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 second quarter of 2019, 125,001 bonus deferral restricted share units ("RSUs") were granted to employees of the Company. The RSUs are 100% vested.

In September 2019, executives of the Company exercised 1,286,148 stock options at a weighted average exercise price of C\$12.82 in exchange for 267,313 common shares issued from treasury, and 1,018,835 options settled at their cash value as payment for the exercise price and tax withholdings related to the exercise of the options.

During the nine months ended September 30, 2019, 61,282 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 and nine months ended September 30, 2019, APUC recorded \$2,814 and \$7,287 (2018 - \$2,351 and \$5,996) 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 September 30, 2019, total unrecognized compensation costs related to non-vested options and PSUs were \$1,529 and \$12,126, respectively, and are expected to be recognized over a period of 1.92 and 1.86 years, respectively.

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*(in thousands of U.S. dollars, except as noted and per share amounts)***11. Accumulated other comprehensive income (loss)**

AOCI attributable to the shareholders of APUC 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 adjustments related to adoption of ASU 2018-02 on tax effects in AOCI	—	11,657	(1,032)	10,625
Other comprehensive income (loss)	(27,969)	1,567	2,046	(24,356)
Amounts reclassified from AOCI to the statements of operations	—	(4,257)	(86)	(4,343)
Net current period OCI	(27,969)	(2,690)	1,960	(28,699)
OCI attributable to the non-controlling interests	1,481	—	—	1,481
Net current period OCI attributable to shareholders of APUC	(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 tax effects in AOCI (note 2(a))	—	186	—	186
Other comprehensive income	45	19,137	—	19,182
Amounts reclassified from AOCI to the statements of operations	—	(11,282)	(230)	(11,512)
Net current period OCI	\$ 45	\$ 7,855	\$ (230)	\$ 7,670
OCI attributable to the non-controlling interests	(1,463)	—	—	(1,463)
Net current period OCI attributable to shareholders of APUC	(1,418)	7,855	(230)	6,207
Balance, September 30, 2019	\$ (75,607)	\$ 72,374	\$ (9,759)	\$ (12,992)

Amounts reclassified from AOCI for pension and post-employment actuarial changes affect pension and post-employment non-service costs. Amounts reclassified for cash flow hedges affect revenue from non-regulated energy sales and interest expense with the exception of an amount of \$15,765 or \$11,412, net of tax which was reclassified from AOCI into earnings in the third quarter as the hedge relationship for the energy derivative was discontinued (note 20(b)(ii)).

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*(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 September 30			
	2019		2018	
	Dividend	Dividend per share	Dividend	Dividend per share
Common shares	\$ 70,392	\$ 0.1410	\$ 61,020	\$ 0.1282
Series A preferred shares	C\$ 1,548	C\$ 0.3226	C\$ 1,350	C\$ 0.2813
Series D preferred shares	C\$ 1,273	C\$ 0.3182	C\$ 1,250	C\$ 0.3125

	Nine months ended September 30			
	2019		2018	
	Dividend	Dividend per share	Dividend	Dividend per share
Common shares	\$ 203,542	\$ 0.4102	\$ 172,379	\$ 0.3729
Series A preferred shares	C\$ 4,646	C\$ 0.9678	C\$ 4,050	C\$ 0.8439
Series D preferred shares	C\$ 3,796	C\$ 0.9489	C\$ 3,750	C\$ 0.9375

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 \$5,350 and \$18,203 (2018 - \$4,952 and \$6,888) during the three and nine months ended September 30, 2019, respectively.

On September 30, 2019, the Company sold the Sugar Creek Wind Project to AAGES Sugar Creek in exchange for a note receivable of \$21,107, subject to certain adjustments. No gain was recorded on deconsolidation of the Sugar Creek net assets. However, an amount of \$15,765 or \$11,412, net of tax was reclassified from AOCI into earnings as a result of the discontinuation of hedge accounting on energy derivatives put in place early in the development of Sugar Creek (note 6(f)).

During the year, the Company entered into an enhanced cooperation agreement with Atlantica to, among other things, provide a framework for evaluating mutually advantageous transactions. For a period of one year from the date of the agreement, Atlantica has an exclusive right of first offer for interests in certain Liberty Power assets.

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 September 30, 2019. The Company incurred non-controlling interest attributable to AAGES B.V. of \$7,009 and \$20,923 (2018 - \$nil and \$nil) and recorded distributions of \$3,815 and \$14,682 (2018 - \$nil and \$nil) during the three and nine months ended September 30, 2019, respectively.

Non-controlling interests held by related party

Non-controlling interest held by related party represents interest in a consolidated subsidiary of the Company acquired by AYES Canada in May 2019 (note 6(b)). The Company incurred non-controlling interest calculated using the HLBV method of accounting of \$nil and \$nil (2018 - \$nil and \$nil) and recorded distributions of \$2,715 and \$20,517 (2018 - \$nil and \$nil) during the three and nine months ended September 30, 2019, respectively.

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*(in thousands of U.S. dollars, except as noted and per share amounts)***13. Related party transactions (continued)***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.

14. Non-controlling interests

Net loss attributable to non-controlling interests for the three and nine months ended September 30, 2019 and 2018 consists of the following:

	Three Months Ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
HLBV and other adjustments attributable to:				
Non-controlling interests - partnership units	\$ (9,674)	\$ (3,849)	\$ (42,009)	\$ (90,194)
Non-controlling interests - redeemable partnership units	(2,267)	(1,681)	(6,912)	(6,696)
Other net earnings attributable to:				
Non-controlling interests	564	299	1,855	1,425
	\$ (11,377)	\$ (5,231)	\$ (47,066)	\$ (95,465)
Redeemable non-controlling interests, held by related party	7,009	—	20,923	—
Net effect of non-controlling interests	\$ (4,368)	\$ (5,231)	\$ (26,143)	\$ (95,465)

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 HLBV method of accounting. The reduced U.S. federal corporate tax rate of 21% and other certain measures included in 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 by \$55,900.

15. Income taxes

For the nine months ended September 30, 2019, the Company's tax rate varied from the statutory rate of 26.5% due primarily to the favorable tax impact on the income associated with its investment in Atlantica, and the impact of differences in effective tax rates on transactions in foreign jurisdictions.

For the nine months ended September 30, 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.

16. Basic and diluted net earnings per share

Basic and diluted net 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.

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*(in thousands of U.S. dollars, except as noted and per share amounts)***16. Basic and diluted net earnings per share (continued)**

The reconciliation 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 September 30		Nine months ended September 30	
	2019	2018	2019	2018
Net earnings attributable to shareholders of APUC	\$ 115,754	\$ 57,930	\$ 358,785	\$ 140,990
Series A Preferred shares dividend	1,173	1,033	3,496	3,146
Series D Preferred shares dividend	964	956	2,856	2,913
Net earnings attributable to common shareholders of APUC from continuing operations – Basic and Diluted	\$ 113,617	\$ 55,941	\$ 352,433	\$ 134,931
Weighted average number of shares				
Basic	495,912,305	473,774,957	493,192,919	456,551,230
Effect of dilutive securities	5,144,344	4,450,388	4,798,345	4,147,770
Diluted	501,056,649	478,225,345	497,991,264	460,699,000

The shares potentially issuable for the three and nine months ended September 30, 2019, as a result of nil and 1,113,775 share options (2018 - 3,380,184 and 3,057,918), respectively, are excluded from this calculation as they are anti-dilutive.

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 and Canada; 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. Equity income from the San Antonio Water System and Wataynikaneyap Power Transmission Project (note 6) are included in the operations of the Liberty Utilities Group. Dividend income from Atlantica and AYES Canada as well as equity income from the AAGES entities (note 6) are included in the operations of the Liberty Power Group. The change in value of investments 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.

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*(in thousands of U.S. dollars, except as noted and per share amounts)***17. Segmented information (continued)**

The results of operations and assets for these segments are reflected in the tables below.

	Three Months Ended September 30, 2019			
	Liberty Utilities Group	Liberty Power Group	Corporate	Total
Revenue ⁽¹⁾⁽²⁾	\$ 310,106	\$ 55,460	\$ —	\$ 365,566
Fuel, power and water purchased	81,670	3,531	—	85,201
Net revenue	228,436	51,929	—	280,365
Operating expenses	96,562	19,686	—	116,248
Administrative expenses	7,038	7,543	348	14,929
Depreciation and amortization	47,100	18,435	247	65,782
Gain on foreign exchange	—	—	(859)	(859)
Operating income	77,736	6,265	264	84,265
Interest expense	23,713	14,486	7,469	45,668
Change in value of investments carried at fair value	—	—	(64,394)	(64,394)
Dividend, interest, equity and other income	(2,041)	(23,253)	(367)	(25,661)
Other	7,831	(15,302)	2,769	(4,702)
Earnings before income taxes	\$ 48,233	\$ 30,334	\$ 54,787	\$ 133,354
Capital expenditures	\$ 130,619	\$ 59,628	\$ —	\$ 190,247

⁽¹⁾ Revenues include \$2,071 related to hedging gains from energy derivative contracts for the three months ended September 30, 2019 that do not represent revenues recognized from contracts with customers.

⁽²⁾ Liberty Utilities Group revenues include \$3,805 related to alternative revenue programs for the three months ended September 30, 2019 that do not represent revenues recognized from contracts with customers.

	Three Months Ended September 30, 2018			
	Liberty Utilities Group	Liberty Power Group	Corporate	Total
Revenue ⁽¹⁾⁽²⁾	\$ 311,269	\$ 54,976	\$ —	\$ 366,245
Fuel, power and water purchased	80,052	7,247	—	87,299
Net revenue	231,217	47,729	—	278,946
Operating expenses	98,467	20,338	—	118,805
Administrative expenses	10,239	1,253	50	11,542
Depreciation and amortization	46,703	16,544	248	63,495
Loss on foreign exchange	—	—	274	274
Operating income (loss)	75,808	9,594	(572)	84,830
Interest expense	24,336	12,975	594	37,905
Change in value of investment carried at fair value	—	—	(10,022)	(10,022)
Dividend, interest, equity and other loss (income)	(1,343)	(11,563)	1,478	(11,428)
Other	1,985	2,032	925	4,942
Earnings before income taxes	\$ 50,830	\$ 6,150	\$ 6,453	\$ 63,433
Capital expenditures	\$ 94,001	\$ 7,253	\$ —	\$ 101,254

⁽¹⁾ Revenues include \$2,479 related to hedging gains from energy derivative contracts for the three months ended September 30, 2018 that do not represent revenues recognized from contracts with customers.

⁽²⁾ Liberty Utilities Group revenues include \$3,956 related to alternative revenue programs for the three months ended September 30, 2018 that do not represent revenues recognized from contracts with customers.

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*(in thousands of U.S. dollars, except as noted and per share amounts)***17. Segmented information (continued)****Nine months ended September 30, 2019**

	Liberty Utilities Group	Liberty Power Group	Corporate	Total
Revenue ⁽¹⁾⁽²⁾	\$ 1,002,737	\$ 183,632	\$ —	\$ 1,186,369
Fuel, power and water purchased	305,745	13,110	—	318,855
Net revenue	696,992	170,522	—	867,514
Operating expenses	300,558	55,990	—	356,548
Administrative expenses	19,017	22,432	122	41,571
Depreciation and amortization	142,551	63,356	735	206,642
Loss on foreign exchange	—	—	75	75
Operating income (loss)	234,866	28,744	(932)	262,678
Interest expense	74,862	46,930	12,337	134,129
Change in value of investments carried at fair value	—	—	(179,970)	(179,970)
Dividend, interest, equity and other income	(5,152)	(83,800)	(1,267)	(90,219)
Other	18,587	(15,229)	5,134	8,492
Earnings before income taxes	\$ 146,569	\$ 80,843	\$ 162,834	\$ 390,246
Capital expenditures	\$ 332,792	\$ 70,505	\$ —	\$ 403,297
Property, plant and equipment	\$ 4,407,476	\$ 2,450,491	\$ 31,996	\$ 6,889,963
Investments carried at fair value	—	1,161,229	—	1,161,229
Equity-method investees	28,848	26,381	268	55,497
Total assets	\$ 6,485,886	\$ 4,020,664	\$ 112,340	\$ 10,618,890

⁽¹⁾ Revenues include \$13,711 related to hedging gains for the nine months ended September 30, 2019 that do not represent revenues recognized from contracts with customers.

⁽²⁾ Liberty Utilities Group revenues include \$244 related to alternative revenue programs for the nine months ended September 30, 2019 that do not represent revenues recognized from contracts with customers.

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Notes to the Unaudited Interim Consolidated Financial Statements

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*(in thousands of U.S. dollars, except as noted and per share amounts)***17. Segmented information (continued)**

	Nine months ended September 30, 2018			
	Liberty Utilities Group	Liberty Power Group	Corporate	Total
Revenue ⁽¹⁾⁽²⁾	\$ 1,044,857	\$ 181,745	\$ —	\$ 1,226,602
Fuel and power purchased	332,480	20,701	—	353,181
Net revenue	712,377	161,044	—	873,421
Operating expenses	302,455	57,734	—	360,189
Administrative expenses	28,296	8,998	395	37,689
Depreciation and amortization	136,187	59,977	761	196,925
Gain on foreign exchange	—	—	(797)	(797)
Operating income (loss)	245,439	34,335	(359)	279,415
Interest expense	74,307	35,842	1,685	111,834
Change in value of investment carried at fair value	—	—	91,949	91,949
Dividend, interest and other income	(4,103)	(29,239)	361	(32,981)
Other	911	1,992	9,569	12,472
Earnings (loss) before income taxes	\$ 174,324	\$ 25,740	\$ (103,923)	\$ 96,141
Capital expenditures	\$ 262,734	\$ 79,790	—	\$ 342,524
	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⁾ Revenues include \$10,787 related to hedging gains from energy derivative contracts for the nine months ended September 30, 2018 that do not represent revenues recognized from contracts with customers.

⁽²⁾ Liberty Utilities Group revenues include \$9,341 related to alternative revenue programs for the nine months ended September 30, 2018 that do not represent revenues 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 September 30		Nine months ended September 30	
	2019	2018	2019	2018
Revenue				
Canada	\$ 20,104	\$ 15,005	\$ 60,268	\$ 51,909
United States	345,462	351,240	1,126,101	1,174,693
	\$ 365,566	\$ 366,245	\$ 1,186,369	\$ 1,226,602

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

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*(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 September 30, 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)	\$ 23,698	\$ 11,059	\$ 11,281	\$ 11,509	\$ 11,738	\$ 182,400	\$ 251,685
Gas supply and service agreements (ii)	67,414	37,188	28,933	27,414	21,518	41,849	224,316
Service agreements	48,106	40,200	40,265	44,409	46,226	303,817	523,023
Capital projects	294,701	116,851	—	—	—	—	411,552
Land easements (note 1(c))	6,513	6,625	6,695	6,780	6,867	201,708	235,188
Total	\$440,432	\$211,923	\$ 87,174	\$ 90,112	\$ 86,349	\$ 729,774	\$ 1,645,764

(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 September 30, 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.

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*(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 September 30		Nine months ended September 30	
	2019	2018	2019	2018
Accounts receivable	\$ 19,317	\$ (12,296)	\$ 31,038	\$ 17,488
Fuel and natural gas in storage	(3,404)	(9,348)	6,657	(13)
Supplies and consumable inventory	(1,144)	(1,993)	(6,065)	(7,337)
Income taxes recoverable	(11,072)	(3,064)	(4,271)	(5,138)
Prepaid expenses	(3,086)	(1,609)	(8,554)	2,425
Accounts payable	(13,153)	7,608	(23,261)	(42,870)
Accrued liabilities	77,898	32,888	22,187	3,538
Current income tax liability	15,108	3,779	15,802	6,568
Asset retirements and environmental obligations	(746)	(1,497)	(2,168)	(7,222)
Net regulatory assets and liabilities	(8,954)	(9,849)	(830)	(2,811)
	\$ 70,764	\$ 4,619	\$ 30,535	\$ (35,372)

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

(a) Fair value of financial instruments

September 30, 2019	Carrying amount	Fair value	Level 1	Level 2	Level 3
Long-term investments carried at fair value	\$ 1,161,229	\$1,161,229	\$ —	\$1,079,814	\$ 81,415
Development loans and other receivables	\$ 160,390	\$ 163,424	\$ —	\$ 163,424	\$ —
Derivative instruments ⁽¹⁾ :					
Energy contracts designated as a cash flow hedge	82,314	82,314	—	—	82,314
Currency forward contract not designated as a hedge	28	28	—	28	—
Commodity contracts for regulated operations	32	32	—	32	—
Cross currency swap designated as a net investment hedge	1,095	1,095	—	1,095	—
Total derivative instruments	83,469	83,469	—	1,155	82,314
Total financial assets	\$ 1,405,088	\$1,408,122	\$ —	\$1,244,393	\$163,729
Long-term debt	\$ 4,276,214	\$4,636,910	\$1,466,540	\$3,170,371	\$ —
Convertible debentures	393	707	707	—	—
Preferred shares, Series C	13,613	14,549	—	14,549	—
Derivative instruments:					
Energy contracts designated as a cash flow hedge	276	276	—	—	276
Cross-currency swap designated as a net investment hedge	88,661	88,661	—	88,661	—
Commodity contracts for regulated operations	2,665	2,665	—	2,665	—
Total derivative instruments	91,602	91,602	—	91,326	276
Total financial liabilities	\$ 4,381,822	\$4,743,768	\$1,467,247	\$3,276,246	\$ 276

⁽¹⁾ Balance of \$79 associated with certain weather derivatives has been excluded, as they are accounted for based on intrinsic value rather than fair value.

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Notes to the Unaudited Interim Consolidated Financial Statements

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*(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
Long-term investment carried at fair value	\$ 814,530	\$ 814,530	\$ 814,530	\$ —	\$ —
Development loans and other receivables	\$ 103,696	\$ 110,019	\$ —	\$ 110,019	\$ —
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

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(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 has determined that the carrying value of its short-term financial assets and liabilities approximates fair value as of September 30, 2019 and 2018 due to the short-term maturity of these instruments.

The fair value of development loans and other receivables (level 2) has 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 2) is measured at the closing price on the NASDAQ stock exchange adjusted for the impact of the expected settlement under the purchase agreement pursuant to the prepayment of \$53,750 (note 6(a)).

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 converted basis.

The Company's level 2 fair value derivative instruments primarily consist of swaps, options, rights and forward physical 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 and the fair value of the Company's investment in AYES Canada. The significant unobservable inputs used in the fair value measurement of energy contracts are the internally developed forward market prices ranging from \$12.48 to \$178.32 with a weighted average of \$22.97 as of September 30, 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. The change in the fair value of the energy contracts is detailed in notes 20(b)(ii) and 20(b)(iv). The significant unobservable inputs used in the fair value measurement of the Company's AYES Canada investment are the expected cash flows and the discount rates applied to these cash flows ranging from 9.1% to 9.6% with a weighted average of 9.51% as of September 30, 2019. Significant decreases (increases) in expected cash flows or increases (decreases) in discount rate in isolation would have resulted in a significantly lower (higher) fair value measurement.

(b) Derivative instruments

Derivative instruments are recognized on the unaudited interim 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	3,717,902
Options	225,000
Forward contracts	3,500,000
	7,442,902

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*(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 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 unaudited interim 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 cost 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.

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

	September 30, 2019	December 31, 2018
Regulatory assets:		
Swap contracts	\$ 4	\$ 66
Option contracts	54	—
Forward contracts	\$ 2,069	\$ —
Regulatory liabilities:		
Swap contracts	\$ 1,087	\$ 218
Option contracts	—	134
Forward contracts	\$ —	\$ 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 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)
789,104	December 2028	35.65	PJM Western HUB
2,592,592	December 2024	27.44	NI HUB
2,764,509	December 2027	36.46	ERCORT North HUB

In January 2019, the Company entered into a long-term energy derivative contract to reduce the price risk on the expected future sale of power generation at Sugar Creek. On September 30, 2019, the Company sold the derivative contract together with 100% of its ownership interest in Sugar Creek to AAGES Sugar Creek (note 6(f)). The novation and transfer of the derivative contract is subject to counterparty approval, which is expected in the fourth quarter of 2019. As a result, the hedge relationship for the Sugar Creek energy derivative was discontinued. Amounts in AOCI of \$15,765 and related tax were reclassified from AOCI into earnings (note 20(b)(iv)).

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 first 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(b)).

20. Financial instruments (continued)

(b) Derivative instruments (continued)

(ii) Cash flow hedges (continued)

On May 23, 2019, the Company entered into a cross currency swap, coterminous with the subordinated unsecured notes (note 7(d)), to effectively convert the \$350,000 U.S. dollar denominated offering into Canadian dollars. The change in the carrying amount of the notes due to changes in spot exchange rates is recognized each period in the unaudited interim consolidated statements of operations as loss (gain) on foreign exchange. The Company designated the entire notional amount of the cross currency fixed-for-fixed interest rate swap as a hedge of the foreign currency exposure related to cash flows for the interest and principal repayments on the notes. The gain or loss related to the fair value changes of the swap is first reported in OCI and a portion of the change is then reclassified from AOCI into earnings at each reporting date to offset the foreign exchange transaction gain or loss on the notes.

On June 6, 2019, the Company entered into a \$55,800 foreign exchange forward contract to reduce the currency risk related to changes in the functional currency equivalent cash flows on a foreign currency denominated intercompany loan of \$111,618. The remeasurement of the loan each period is recorded in OCI as it represents a long-term investment in a foreign subsidiary and the gain or loss related to fair value changes of the forward contract is also reported in OCI. During the quarter, the intercompany loan was repaid and the forward contract was settled, resulting in a realized gain in OCI of \$227.

In September 2019, the Company entered into interest rate swaps in order to reduce the interest rate risk related to the quarterly interest payments between July 1, 2024 and July 1, 2029 on the subordinated unsecured notes (note 7(d)). The Company designated the entire notional amount of the three pay-variable and receive-fixed interest rate swaps as a hedge of the future quarterly variable-rate interest payments associated with the subordinated unsecured notes.

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

	Three Months Ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Effective portion of cash flow hedge	\$ 9,050	\$ 2,198	\$ 19,137	\$ 5,962
Amortization of cash flow hedge	(8)	(9)	(24)	(25)
Amount reclassified from AOCI	(14,817)	(178)	(11,258)	(3,123)
OCI attributable to shareholders of APUC	\$ (5,775)	\$ 2,011	\$ 7,855	\$ 2,814

The Company expects \$7,594 and \$2,191 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.

(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 loss of \$6,891 and gain of \$17,116 for the three and nine months ended September 30, 2019 (2018 - loss of \$11,568 and \$151), respectively, was recorded in OCI.

20. Financial instruments (continued)

(b) Derivative instruments (continued)

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

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, and are effective 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 and nine months ended September 30, 2019, a loss of \$13,029 and gain of \$7,176 (2018 - gain of \$9,862 and loss of \$8,079), respectively, 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 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. These currency forward contracts are not accounted for as a hedge.

For derivatives that are not designated as hedges, the changes in the fair value are immediately recognized in earnings.

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

September 30, 2019 and 2018

*(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 unaudited interim consolidated statements of operations of derivative financial instruments not designated as hedges consist of the following:

	Three Months Ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Change in unrealized loss (gain) on derivative financial instruments:				
Energy derivative contracts	\$ 398	\$ (104)	\$ —	\$ 78
Currency forward contract	459	850	876	(213)
Total change in unrealized loss (gain) on derivative financial instruments	\$ 857	\$ 746	\$ 876	\$ (135)
Realized loss (gain) on derivative financial instruments:				
Energy derivative contracts	—	(37)	207	(24)
Currency forward contract	373	(717)	(200)	142
Total realized loss (gain) on derivative financial instruments	\$ 373	\$ (754)	\$ 7	\$ 118
Loss (gain) on derivative financial instruments not accounted for as hedges	1,230	(8)	883	(17)
Discontinued hedge accounting (note 20(b)(ii)) and other	(15,777)	889	(15,799)	866
	\$ (14,547)	\$ 881	\$ (14,916)	\$ 849
Amounts recognized in the consolidated statements of operations consist of:				
Loss (gain) on derivative financial instruments	(15,379)	748	(15,592)	920
Loss (gain) on foreign exchange	832	133	676	(71)
	\$ (14,547)	\$ 881	\$ (14,916)	\$ 849

(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.

21. Comparative figures

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

Notes

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 Pasioka – Chief Transformation Officer

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