Q2 2020

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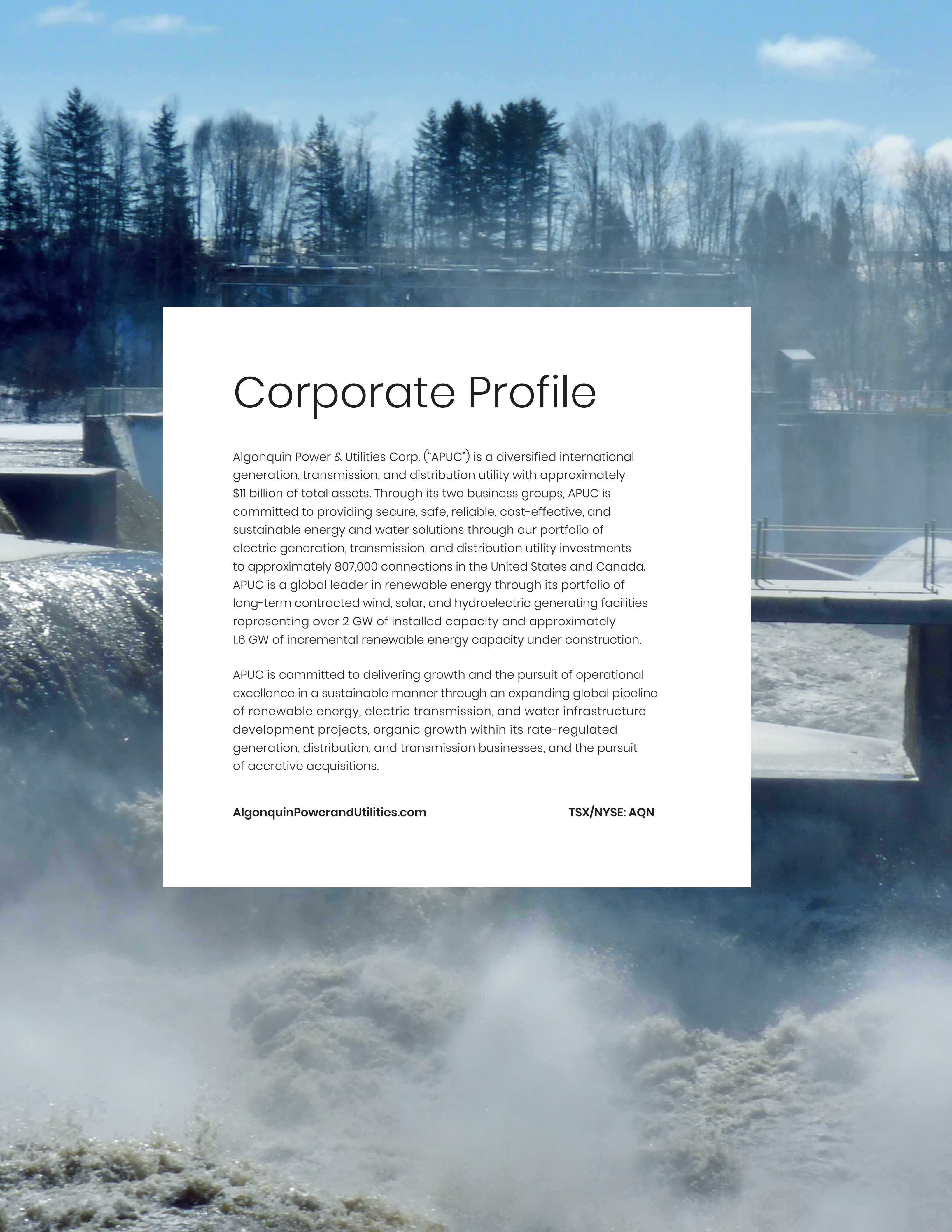
ALGONQUIN
Power & Utilities Corp.



Corporate Profile

Algonquin Power & Utilities Corp. ("APUC") is a diversified international generation, transmission, and distribution utility with approximately $11 billion of total assets. Through its two business groups, APUC is committed to providing secure, safe, reliable, cost-effective, and sustainable energy and water solutions through our portfolio of electric generation, transmission, and distribution utility investments to approximately 807,000 connections in the United States and Canada. APUC is a global leader in renewable energy through its portfolio of long-term contracted wind, solar, and hydroelectric generating facilities representing over 2 GW of installed capacity and approximately 1.6 GW of incremental renewable energy capacity under construction.

APUC is committed to delivering growth and the pursuit of operational excellence in a sustainable manner through an expanding global pipeline of renewable energy, electric transmission, and water infrastructure development projects, organic growth within its rate-regulated generation, distribution, and transmission businesses, and the pursuit of accretive acquisitions.

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

ALGONQUIN
Power & Utilities Corp.

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 six months ended June 30, 2020. This Management Discussion & Analysis (“MD&A”) should be read in conjunction with APUC’s unaudited interim consolidated financial statements for the three and six months ended June 30, 2020 and 2019. This MD&A should also be read in conjunction with APUC's audited consolidated financial statements for the years ended December 31, 2019 and 2018. 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 six months ended June 30, 2020 and 2019 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 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 August 13, 2020.

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, including expectations regarding 2020 Adjusted Net Earnings per share; 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 impact of the 2019 novel coronavirus (“COVID-19”) on the Company’s business, operations, financial condition, cash flows and results of operations; expectations regarding the use of proceeds from equity financing; ongoing and planned acquisitions, projects and initiatives, including expectations regarding costs, financing, results, regulatory matters, in-service dates and completion dates; expectations regarding the anticipated closing of APUC's acquisitions of Ascendant and New York American Water (each as defined herein); expectations regarding the Company's corporate development activities and the results thereof including the expected business mix between the Regulated Services Group and Renewable Energy Group; expectations regarding regulatory hearings, motions, filings and approvals; expectations regarding the resumption of normal collection procedures; 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; expectations regarding expense reductions; 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, financial or supply chain disruptions or liability due to natural disasters, diseases or other force majeure 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 closing of pending acquisitions substantially in accordance with the expected timing for the same; 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 change in applicable laws, or political conditions, public policies or 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 cybersecurity; favourable relations with external stakeholders; and favourable labour relations. Given the uncertainty and evolving circumstances surrounding the COVID-19 pandemic and related response from governments, regulatory authorities, businesses and customers, there is more uncertainty associated with the Corporation's assumptions and expectations as compared to periods prior to the onset of COVID-19. For a discussion of the COVID-19 pandemic and its impact on the Company, including certain additional assumptions related to the COVID-19 pandemic, see *COVID-19* and *Outlook*.

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, diseases and other force majeure 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, develop or timely place in service 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, including as a result of COVID-19; loss of key customers; failure to realize the anticipated benefits of acquisitions or joint ventures, including Atlantica (as defined herein) or the Corporation's joint venture with Abengoa S.A ("Abengoa"), Abengoa-Algonquin Global Energy Solutions ("AAGES"), 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; fluctuations in the price and liquidity of the Corporation's common shares; and the severity and duration of the COVID-19 pandemic and its collateral consequences, including the disruption of economic activity, volatility in capital and credit markets and legislative and regulatory responses. 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* in this MD&A and in the Corporation's management discussion and analysis for the three and twelve months ended December 31, 2019 (the "Annual MD&A"), and under the heading *Enterprise Risk Factors* 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", including a reconciliation to the U.S. GAAP equivalent, where applicable, 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, costs related to management succession and executive retirement, costs related to prior period adjustments due to U.S. Tax Reform, costs related to condemnation proceedings, 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 (other than those realized in connection with the sales of development assets), costs related to management succession and executive retirement, costs related to prior period adjustments due to U.S. Tax Reform, costs related to condemnation proceedings, 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. The Non-cash accounting charge related to the revaluation of U.S. deferred income tax assets and liabilities as a result of implementation of the effects of the Tax Cuts and Jobs Act ("U.S. Tax Reform") is adjusted as it is also considered a non-recurring item 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 strives to achieve these results while also seeking to maintain a business risk profile consistent with its BBB flat investment grade credit ratings and a strong focus on Environmental, Social and Governance factors.

APUC’s current quarterly dividend to shareholders is $0.1551 per common share or $0.6204 per common share per annum. Based on exchange rates as at August 12, 2020, the quarterly dividend is equivalent to C$0.2056 per common share or C$0.8224 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.

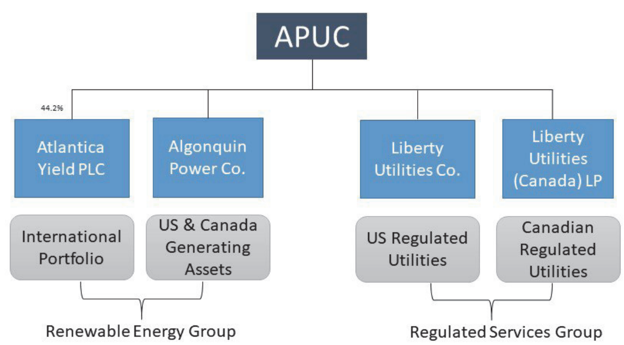
APUC's operations are organized across two primary business units consisting of: the Regulated Services Group, which primarily owns and operates a portfolio of regulated assets in the United States and Canada, and the Renewable Energy Group, which primarily owns and operates a diversified portfolio of renewable generation assets.

APUC pursues investment opportunities with an objective of maintaining the current business mix between its Regulated Services Group and Renewable Energy Group and with leverage consistent with its current credit ratings[1]. The business mix target may from time to time require APUC to grow its Regulated Services Group or implement other strategies in order to pursue investment opportunities within its Renewable Energy Group.

The Company also undertakes development activities for both business units, working with a global reach to identify, develop, acquire, or invest in renewable power generating facilities, regulated utilities and other complementary infrastructure projects. See additional discussion in *Corporate Development Activities*.

Summary Organizational Structure

The following represents a summarized organizational chart for APUC. A more detailed description of APUC's organizational structure can be found in the most recent AIF.



1 See *Treasury Risk Management -Downgrade in the Company's Credit Rating Risk* in the Company's Annual MD&A

Regulated Services Group

The Regulated Services Group operates a diversified portfolio of regulated utility systems throughout the United States and Canada serving approximately 807,000 connections. The Regulated Services 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 Regulated Services Group seeks to deliver continued growth in earnings through accretive acquisitions of additional utility systems.

The Regulated Services 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 267,000 electric connections. The group also owns and operates generating assets with a gross capacity of approximately 1.5 GW and has investments in generating assets with approximately 0.3 GW of net generation capacity.

The Regulated Services Group's regulated natural gas distribution utility systems are located in the States of Georgia, Illinois, Iowa, Massachusetts, New Hampshire, Missouri, and New York, and in the Province of New Brunswick, which together serve approximately 370,000 natural gas connections.

The Regulated Services 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 170,000 connections.

Renewable Energy Group

The Renewable Energy Group generates and sells electrical energy produced by its diverse portfolio of renewable power generation and clean power generation facilities primarily located across the United States and Canada. The Renewable Energy Group seeks to deliver continuing growth through development of new greenfield power generation projects and accretive acquisitions of additional electrical energy generation facilities.

The Renewable Energy Group directly owns and operates hydroelectric, wind, solar, and thermal facilities with a combined gross generating capacity of approximately 1.5 GW. Approximately 85% of the electrical output is sold pursuant to long term contractual arrangements which as of June 30, 2020 had a production-weighted average remaining contract life of approximately 13.3 years.

In addition to directly owned and operated assets, APUC also holds a 44.2% interest in Atlantica Yield PLC ("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, 2019.

Major Highlights

Quarterly Operating Results

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

(all dollar amounts in $ millions except per share information)	Three Months Ended June 30		
	2020	**2019**	**Change**
Net earnings attributable to shareholders	**$286.2**	$156.6	**83%**
Adjusted Net Earnings[1]	**$47.4**	$54.5	**(13)%**
Adjusted EBITDA[1]	**$176.3**	$190.0	**(7)%**
Net earnings per common share	**$0.54**	$0.31	**74%**
Adjusted Net Earnings per common share[1]	**$0.09**	$0.11	**(18)%**

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

Declaration of 2020 Third Quarter Dividend of $0.1551 (C$0.2056) 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 a dividend payout ratio as a percentage of earnings per share and cash flow per share.

On August 13, 2020, APUC announced that the Board declared a third quarter 2020 dividend of $0.1551 per common share payable on October 15, 2020 to shareholders of record on September 30, 2020.

Based on the Bank of Canada exchange rate on August 12, 2020, the Canadian dollar equivalent for the third quarter 2020 dividend is C$0.2056 per common share.

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

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Total
U.S. dollar dividend	$0.1410	$0.1410	$0.1551	$0.1551	$0.5922
Canadian dollar equivalent	$0.1858	$0.1876	$0.2191	$0.2056	$0.7981

Common Equity Financing

During the quarter ended June 30, 2020, APUC issued approximately 8.7 million of its common shares under its at-the-market equity program ("ATM program") at an average price of $13.92 (C$18.96) for gross proceeds of approximately $120.6 million.

Subsequent to quarter-end on July 17, 2020, APUC closed the sale of approximately 57.5 million of its common shares at a price of C$17.10 per share (the "Offering") to a syndicate of underwriters and an institutional investor for gross proceeds of approximately $724 million (C$982.7 million).

The combined gross proceeds of both the Offering and the issuances pursuant to the ATM program are approximately $845 million and are expected to be used to partially finance APUC's previously announced renewable development growth projects and for general corporate purposes. This satisfies APUC's equity needs for 2020 and into 2021. As a result, APUC has suspended further sales under its ATM program for the remainder of 2020. For further details, see *Equity* in this MD&A.

Missouri Water Acquisition

In November 2019, a subsidiary of the Regulated Services Group, Liberty Utilities (Missouri Water) LLC ("Missouri Water"), executed an asset purchase agreement with the City of Bolivar to acquire, control, manage, operate and maintain the water and sewer systems in Bolivar, Missouri, which serves approximately 9,000 water and wastewater connections. On June 2, 2020, the City of Bolivar residents voted to approve the transfer of the water and sewer systems to Missouri Water. The purchase price is approximately $23.5 million and closing of the acquisition is subject to regulatory review and approval. The Company intends to file an application for Certificates of Convenience and Necessity ("CCNs") with the Missouri Public Service Commission ("MPSC") in the third quarter of 2020.

Renewable Energy Development Framework Agreement

On July 30, 2020, Chevron U.S.A Inc. ("Chevron") and APUC announced an agreement seeking to co-develop renewable power projects that will provide electricity to strategic assets across Chevron's global portfolio. Under the four-year agreement, Chevron plans to generate more than 500 MWs of its existing and future electricity demand from renewable sources.

Initial renewable power projects are expected to be sited on Chevron land and construction is planned to start in 2021. The projects will be focused on powering Chevron's operations in the U.S. Permian Basin (Texas and New Mexico), Argentina, Kazakhstan and western Australia. Projects will be jointly owned and co-developed by both parties. APUC will lead the design, development, and construction of the projects. Chevron will purchase electricity from the jointly owned projects through power purchase agreements.

COVID-19

Impact of COVID-19 on Quarterly Operating Results

The COVID-19 pandemic and resulting business suspensions and shutdowns have changed consumption patterns of residential, commercial and industrial customers across all three modalities of utility services, including decreased consumption among certain commercial and industrial customers. Primarily as a result of the decreased demand, total Divisional Operating Profit (see *Non-GAAP Financial Measures*) of the Regulated Services Group for the three months ended June 30, 2020, has decreased by approximately $9.6 million as compared to the same period the prior year and represents a reduction of approximately $0.01 on Adjusted Net Earnings per share. For the three months ended June 30, 2020, the Renewable Energy Group's results were not adversely impacted by the pandemic, due to a largely contracted and diversified generation fleet.

Uninterrupted Utility Operations Maintained

As an operator of electric, water and gas utility systems and a generator of electricity, the Company provides essential services to communities throughout North America. The Company has ensured that these utility services have continued uninterrupted since the onset of the public health measures taken to address the COVID-19 pandemic.

Accounts Receivable Collections and Bad Debt Expense

In response to COVID-19, and consistent with most utility companies in North America, the Company temporarily suspended disconnection activities for non-payment, waived late payment charges and suspended collection activities for overdue customer accounts across its utility service territories in the second quarter. As at June 30, 2020, these measures have resulted in collection delays which has increased accounts receivable greater than 60 days overdue to approximately 25% of total accounts receivable, compared to 15% as at June 30, 2019.

Beginning in July 2020, in several jurisdictions the Company has started to resume normal collection procedures, including disconnection for non-payment. The Company expects to expand normal collection procedures in other jurisdictions based on the guidance provided by the relevant regulatory authorities. The Company is also proactively contacting customers with arrears to make payment arrangements in order to minimize disconnecting customers for non-payment and bad debt.

Regulated Mechanisms in Response to COVID-19

The Regulated Services Group is seeking recovery of incremental impacts related to COVID-19 in all of its regulatory jurisdictions. Several jurisdictions already have mechanisms in place or have approved accounting orders for the recording and tracking of such incremental impacts. In jurisdictions where such mechanisms are not already in place, the Regulated Services Group is in the process of filing applications for tracking and recording of incremental impacts. The Regulated Services Group will seek recovery of the incremental impacts in future proceedings.

Major Project Construction

In each of the jurisdictions where the Company's major renewable energy construction projects are located, construction of new renewable energy generation has been considered an essential activity exempt from government-mandated business shutdowns. As a result, construction activities have proceeded at all of the Company's major renewable energy construction projects throughout the COVID-19 pandemic.

As previously disclosed, the Company has received force majeure or similar notices from suppliers and/or contractors for all of its major renewable energy construction projects. Certain manufacturing, transportation and delivery delays have occurred, and similar future disruptions are possible due to COVID-19, however the anticipated placed-in-service dates for the Company's major renewable energy construction projects have not been materially impacted by COVID-19 to date. Additionally, the U.S. Internal Revenue Service (the "IRS") recently extended by one year the "continuity safe harbor" deadline by which wind and solar projects must be placed in service to qualify for the maximum permissible U.S. federal production tax credit ("PTC") and investment tax credit ("ITC"), respectively. The Company expects that all of its U.S. wind and solar projects currently under construction will qualify for the maximum PTC and ITC, respectively.

For a discussion of additional risks the Company faces related to COVID-19 please refer to *Enterprise Risk Management.*

Outlook

The following discussion should be read in conjunction with the *Forward-Looking Statements and Forward-Looking Information* section in this MD&A.

2020 Adjusted Net Earnings Per Share Guidance

The Company re-iterates its current Adjusted Net Earnings per share guidance of $0.65-$0.70 for the 2020 fiscal year (see *Non-GAAP Financial Measures*). The Company will continue to monitor the impacts of COVID-19 and other factors on its 2020 Adjusted Net Earnings per share estimates throughout 2020.

This 2020 Adjusted Net Earnings per share guidance is based on the following key assumptions, as well as those set out under *Forward-Looking Statements and Forward-Looking Information*:

- normalized weather patterns for the remainder of 2020 in the geographical areas in which the Company operates;
- closing the acquisition of Ascendant Group Limited ("Ascendant"), the parent company of the Bermuda Electric Company, in September of 2020;
- a decrease in revenues related to COVID-19 based on the observed reduction of Divisional Operating Profit (*see Non-GAAP Financial Measures*) at the Regulated Services Group during the second quarter of 2020 and assuming a gradual easing over the remainder of 2020;
- renewable generation in accordance with the Company's long term averages; and
- a decrease in operating and maintenance costs of $15.0 million versus the Company's prior estimates.

Capital Investment Expectations

The Company re-iterates its capital investment estimates for 2020 of between $1.3 billion and $1.75 billion. See *Summary of Property, Plant Equipment Expenditures* for a more detailed discussion of the Company's 2020 capital investment estimates.

The Company also continues to maintain its previously-disclosed expectations regarding its approximately $9.2 billion development pipeline consisting of approximately $6.7 billion of investments in its Regulated Services Group and approximately $2.5 billion of investments in its Renewable Energy Group for the period from 2020 through the end of 2024.

Potential Future Impacts of COVID-19 on the Company in 2020

The Company’s business, financial condition, cash flows and results of operations are subject to actual and potential future impacts resulting from COVID-19, the full extent of which are not currently known. The extent of the future impact of the COVID-19 pandemic on the Company will depend on, among other things, the duration of the pandemic, the extent of the related public health response measures taken in response to the pandemic and the Company's efforts to mitigate the impact on its operations. The following paragraphs provide an update on certain impacts of COVID-19 on the Company to date and areas where the Company expects there could be further impacts on its operations in both the Regulated Services Group and the Renewable Energy Group.

Change in customer demand

APUC operates utility systems across 14 regulatory jurisdictions delivering electric, natural gas, water and waste water services to residential, commercial and industrial customers in the areas it serves. The COVID-19 pandemic and resulting business suspensions and shutdowns have changed consumption patterns of residential, commercial and industrial customers across all three modalities of utility services, including decreased consumption among certain commercial and industrial customers. Further, different regulatory jurisdictions provide different mechanisms to allow utilities to adapt to changes in demand including decoupling on a total revenue basis, decoupling on a weather adjusted basis, and fixed fee components in rates.

Since the length of the pandemic and its impacts on residential, commercial and industrial customers as the economy begins to reopen are not known, the actual impacts on the Company’s operations for the balance of 2020 are not known at this time.

Cost containment strategies

In response to both the unfavorable weather variance experienced in the first quarter of 2020 and the impacts from COVID-19, the Company began implementing cost containment strategies that would not impact safe and reliable delivery of utility services to customers. For the three months ended June 30, 2020, the Company was able to achieve approximately $5.0 million in cost savings. The Company expects to achieve further expense reductions of approximately $10.0 million in the last six months of 2020.

2020 Second Quarter Results From Operations

Key Financial Information (all dollar amounts in $ millions except per share information)	Three Months Ended June 30 **2020**		Three Months Ended June 30 2019	
Revenue	**$**	**343.6**	$	343.6
Net earnings attributable to shareholders		**286.2**		156.6
Cash provided by operating activities		**142.9**		133.6
Adjusted Net Earnings[1]		**47.4**		54.5
Adjusted EBITDA[1]		**176.3**		190.0
Adjusted Funds from Operations[1]		**93.4**		127.2
Dividends declared to common shareholders		**83.8**		69.9
Weighted average number of common shares outstanding		**529,440,246**		493,071,189
Per share				
Basic net earnings	**$**	**0.54**	$	0.31
Diluted net earnings	**$**	**0.53**	$	0.31
Adjusted Net Earnings[1,2]	**$**	**0.09**	$	0.11
Dividends declared to common shareholders	**$**	**0.16**	$	0.14

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 June 30, 2020, APUC experienced an average exchange rate of Canadian to U.S. dollars of approximately 0.7216 as compared to 0.7477 in the same period in 2019. 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 June 30, 2020, APUC reported total revenue of $343.6 million as compared to $343.6 million during the same period in 2019. The major factors impacting APUC's revenue in the three months ended June 30, 2020 as compared to the corresponding period in 2019 are set out as follows:

(all dollar amounts in $ millions)		Three Months Ended June 30
Comparative Prior Period Revenue	**$**	**343.6**
REGULATED SERVICES GROUP		
Existing Facilities		
Electricity: Decrease is primarily due to lower pass through commodity costs and lower consumption driven by 4% fewer cooling degree days in the Midwest as compared to the same period in the prior year.		(6.9)
Gas: Decrease is primarily due to lower pass through commodity costs.		(6.7)
Water: Increase is primarily due to higher pass through commodity costs at the Park Water, Litchfield Park and White Hall Water Systems.		1.6
Other		(0.4)
		(12.4)
New Facilities		
Gas: Acquisitions of New Brunswick Gas (October 2019) and St. Lawrence Gas (November 2019).		17.0
		17.0
Rate Reviews		
Electricity: Implementation of temporary rates at the Granite State Electric System as well as a rate increase as a result of adding the Turquoise Solar Facility to the rate base at the CalPeco Electric System.		3.4
Water: Implementation of interim rates at the Park Water System.		0.6
		4.0
Estimated Impact of COVID-19		**(10.8)**
RENEWABLE ENERGY GROUP		
Existing Facilities		
Hydro: Decrease is primarily due to overall lower production as well as unfavorable pricing in the Western Region.		(1.2)
Wind Canada: Increase is primarily due to higher production as well as the addition of the Amherst Island Wind Facility which was previously accounted for as an equity investment before the Company acquired the remaining 50% and began consolidating in April 2019.		2.6
Wind U.S.: Increase is primarily due to favorable pricing on renewable energy credits ("RECs"), partially offset by lower production.		0.4
Solar: Increase is primarily due to favorable RECs pricing at the Great Bay I Solar Facility.		0.1
Thermal: Decrease is primarily due to unfavorable capacity pricing at the Windsor Locks Thermal Facility.		(0.4)
Other		0.6
		2.1
New Facilities		
Solar: Great Bay II Solar Facility achieved partial commercial operations ("COD") in April 2020.		0.9
		0.9
Foreign Exchange		**(0.8)**
Current Period Revenue	**$**	**343.6**

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

For the three months ended June 30, 2020, net earnings attributable to shareholders totaled $286.2 million as compared to $156.6 million during the same period in 2019, an increase of $129.6 million or 82.8%. The increase was due to a $7.0 million increase in earnings from operating facilities, a $188.4 million change in fair value of investments carried at fair value, a $1.0 million decrease in interest expense, a $1.5 million decrease in foreign exchange loss, a $0.1 million decrease in pension and post-employment non-service costs, a $1.0 million increase in gains from derivative instruments, and a $3.9 million increase in net effect of non-controlling interests. These items were partially offset by a $14.3 million decrease in interest, dividend, equity and other income, a $5.9 million increase in administrative expenses, a $5.9 million increase in depreciation and amortization expenses, an $21.1 million increase in other net losses, and a $26.1 million increase in income tax expense (tax explanations are discussed in *APUC: Corporate and Other Expenses)* as compared to the same period in 2019.

During the three months ended June 30, 2020, cash provided by operating activities totaled $142.9 million as compared to $133.6 million during the same period in 2019, an increase of $9.3 million. During the three months ended June 30, 2020, Adjusted Funds from Operations totaled $93.4 million as compared to Adjusted Funds from Operations of $127.2 million during the same period in 2019, a decrease of $33.8 million (see *Non-GAAP Financial Measures*).

During the three months ended June 30, 2020, Adjusted EBITDA totaled $176.3 million as compared to $190.0 million during the same period in 2019, a decrease of $13.7 million or 7.2%. A more detailed analysis of these factors is presented within the reconciliation of Adjusted EBITDA to net earnings set out below (see *Non-GAAP Financial Measures*).

2020 Year-to-Date Results From Operations

Key Financial Information

(all dollar amounts in $ millions except per share information)	Six Months Ended June 30 2020	Six Months Ended June 30 2019
Revenue	**$ 808.5**	$ 820.8
Net earnings attributable to shareholders	**222.4**	243.0
Cash provided by operating activities	**209.8**	255.7
Adjusted Net Earnings[1]	**150.7**	148.6
Adjusted EBITDA[1]	**418.5**	421.5
Adjusted Funds from Operations[1]	**272.9**	301.2
Dividends declared to common shareholders	**158.5**	133.1
Weighted average number of common shares outstanding	**527,634,250**	491,811,210
Per share		
Basic net earnings	**$ 0.41**	$ 0.49
Diluted net earnings	**$ 0.41**	$ 0.48
Adjusted Net Earnings[1,2]	**$ 0.28**	$ 0.29
Dividends declared to common shareholders	**$ 0.30**	$ 0.27

	As at June 30, 2020	As at December 31, 2019
Total assets	**11,188.0**	10,911.5
Long term debt[3]	**4,155.1**	3,932.2

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 six months ended June 30, 2020, APUC experienced an average exchange rate of Canadian to U.S. of approximately 0.7325 as compared to 0.7500 in the same period in 2019. 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 six months ended June 30, 2020, APUC reported total revenue of $808.5 million as compared to $820.8 million during the same period in 2019, a decrease of $12.3 million or 1.5%. The major factors resulting in the decrease in APUC revenue for the six months ended June 30, 2020 as compared to the corresponding period in 2019 are set out as follows:

(all dollar amounts in $ millions)		Six Months Ended June 30
Comparative Prior Period Revenue	$	**820.8**
REGULATED SERVICES GROUP		
Existing Facilities		
Electricity: Decrease is primarily due to lower consumption driven by 12% fewer heating degree days and 4% fewer cooling degree days in the Midwest as compared to the same period in the prior year.		(32.4)
Gas: Decrease is primarily due to lower pass through commodity costs.		(34.7)
Water: Increase is primarily due to higher pass through commodity costs at the Park Water and White Hall Water Systems.		2.1
Other		(0.1)
		(65.1)
New Facilities		
Gas: Acquisitions of New Brunswick Gas (October 2019) and St. Lawrence Gas (November 2019).		53.1
		53.1
Rate Reviews		
Electricity: Implementation of temporary rates at the Granite State Electric System as well as a rate increase as a result of adding the Turquoise Solar Facility to the rate base at the CalPeco Electric System.		4.6
Water: Implementation of interim rates at the Park Water System.		1.2
		5.8
Estimated Impact of COVID-19		**(11.0)**
RENEWABLE ENERGY GROUP		
Existing Facilities		
Hydro: Decrease is primarily due to overall lower production as well as unfavorable pricing in the Western Region.		(2.4)
Wind Canada: Increase is primarily due to higher production as well as the addition of the Amherst Island Wind Facility which was previously accounted for as an equity investment before the Company acquired the remaining 50% and began consolidating in April 2019.		9.3
Wind U.S.: Increase is primarily due to higher production as well as favorable pricing on RECs.		1.4
Solar: Increase is primarily due to favorable RECs pricing at the Great Bay I Solar Facility.		0.1
Thermal: Decrease is primarily due to unfavorable capacity pricing at the Windsor Locks Thermal Facility and lower production at the Sanger Thermal Facility.		(4.1)
Other		0.7
		5.0
New Facilities		
Solar: Great Bay II Solar Facility achieved partial COD in April 2020.		0.9
		0.9
Foreign Exchange		**(1.0)**
Current Period Revenue	$	**808.5**

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

For the six months ended June 30, 2020, net earnings attributable to shareholders totaled $222.4 million as compared to $243.0 million during the same period in 2019, a decrease of $20.6 million. The decrease was due to a $13.6 million increase in depreciation and amortization expenses, an $8.4 million increase in administration charges, a $11.5 million decrease in interest, dividend, equity and other income, an $19.4 million increase in other net losses, a $2.6 million increase in interest expense, and a $2.0 million increase in pension and post-employment non-service costs. These items were partially offset by a $17.4 million increase in earnings from operating facilities, a $3.5 million change in fair value of investments carried at fair value, a $5.6 million increase in foreign exchange gains, a $7.0 million increase in net effect of non-controlling interests, a $1.2 million increase in gains from derivative instruments, and a $2.4 million decrease in income tax expense (tax explanations are discussed in *APUC: Corporate and Other Expenses*).

During the six months ended June 30, 2020, cash provided by operating activities totaled $209.8 million as compared to $255.7 million during the same period in 2019. During the six months ended June 30, 2020, Adjusted Funds from Operations totaled $272.9 million as compared to $301.2 million the same period in 2019, a decrease of $28.3 million (see *Non-GAAP Financial Measures*).

During the six months ended June 30, 2020, Adjusted EBITDA totaled $418.5 million as compared to $421.5 million during the same period in 2019, a decrease of $3.0 million or 0.7%. 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*).

2020 Adjusted EBITDA Summary

Adjusted EBITDA (see *Non-GAAP Financial Measures*) for the three months ended June 30, 2020 totaled $176.3 million as compared to $190.0 million during the same period in 2019, a decrease of $13.7 million or 7.2%. Adjusted EBITDA for the six months ended June 30, 2020 totaled $418.5 million as compared to $421.5 million during the same period in 2019, a decrease of $3.0 million or 0.7%. The breakdown of Adjusted EBITDA by the Company's main operating segments and a summary of changes are shown below.

Adjusted EBITDA by business units	**Three Months Ended June 30**		**Six Months Ended June 30**	
(all dollar amounts in $ millions)	**2020**	**2019**	**2020**	**2019**
Regulated Services Group Operating Profit	**$ 112.8**	$ 109.5	**$ 283.0**	$ 270.6
Renewable Energy Group Operating Profit	**82.6**	93.4	**169.8**	176.6
Administrative Expenses	**(19.4)**	(13.5)	**(35.0)**	(26.6)
Other Income & Expenses	**0.3**	0.6	**0.7**	0.9
Total APUC Adjusted EBITDA	**$ 176.3**	$ 190.0	**$ 418.5**	$ 421.5
Change in Adjusted EBITDA ($)	**$ (13.7)**		**$ (3.0)**	
Change in Adjusted EBITDA (%)	**(7.2)%**		**(0.7)%**	

Change in Adjusted EBITDA	**Three Months Ended June 30, 2020**			
(all dollar amounts in $ millions)	**Regulated Services**	**Renewable Energy**	**Corporate**	**Total**
Prior period balances	**$ 109.5**	**$ 93.4**	**$ (12.9)**	**$ 190.0**
Existing Facilities and Investments	4.1	(11.5)	(0.4)	(7.8)
New Facilities and Investments	4.8	0.9	—	5.7
Rate Reviews	4.0	—	—	4.0
Estimated Impact of COVID-19	(9.6)	—	—	(9.6)
Foreign Exchange Impact	—	(0.2)	—	(0.2)
Administrative Expenses	—	—	(5.8)	(5.8)
Total change during the period	**$ 3.3**	**$ (10.8)**	**$ (6.2)**	**$ (13.7)**
Current period balances	**$ 112.8**	**$ 82.6**	**$ (19.1)**	**$ 176.3**

Change in Adjusted EBITDA	**Six Months Ended June 30, 2020**			
(all dollar amounts in $ millions)	**Regulated Services**	**Renewable Energy**	**Corporate**	**Total**
Prior period balances	**$ 270.6**	**$ 176.6**	**$ (25.7)**	**$ 421.5**
Existing Facilities and Investments	(1.7)	(9.1)	(0.2)	(11.0)
New Facilities and Investments	18.1	0.9	—	19.0
Rate Reviews	5.8	—	—	5.8
Estimated Impact of COVID-19	(9.8)	—	—	(9.8)
Foreign Exchange Impact	—	1.4	—	1.4
Administrative Expenses	—	—	(8.4)	(8.4)
Total change during the period	**$ 12.4**	**$ (6.8)**	**$ (8.6)**	**$ (3.0)**
Current period balances	**$ 283.0**	**$ 169.8**	**$ (34.3)**	**$ 418.5**

REGULATED SERVICES GROUP

The Regulated Services Group operates rate-regulated utilities that provide distribution services to approximately 807,000 connections in the natural gas, electric, and water and wastewater sectors which is an increase of approximately 37,000 connections as compared to the prior year. On October 1, 2019, with the acquisition of the New Brunswick Gas System, the Regulated Services 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 Regulated Services Group added an additional 17,000 connections in New York State. The Regulated Services Group's strategy is to grow its business organically and through business development activities while using prudent acquisition criteria. The Regulated Services 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 June 30 2020 Assets	2020 Total Connections[1]	2019 Assets	2019 Total Connections[1]
Electricity	2,646.0	267,000	2,792.4	266,000
Natural Gas	1,412.3	370,000	1,377.3	339,000
Water and Wastewater	531.7	170,000	513.6	165,000
Other	105.3		71.0	
Total	$ 4,695.3	**807,000**	$ 4,754.4	770,000
Accumulated Deferred Income Taxes Liability	484.8		$ 446.6	

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

The Regulated Services 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 267,000 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 370,000 connections located in the States of New Hampshire, Illinois, Iowa, Missouri, Georgia, Massachusetts, and New York, and in the Province of New Brunswick.

The water and wastewater distribution systems are comprised of regulated water distribution and wastewater collection utility systems and serve approximately 170,000 connections located in the States of Arkansas, Arizona, California, Illinois, Missouri and Texas.

2020 Usage Results

Electric Distribution Systems

	Three Months Ended June 30 2020	Three Months Ended June 30 2019	Six Months Ended June 30 2020	Six Months Ended June 30 2019
Average Active Electric Connections For The Period				
Residential	**229,700**	226,800	**229,300**	226,800
Commercial and industrial	**38,200**	38,000	**38,100**	37,900
Total Average Active Electric Connections For The Period	**267,900**	264,800	**267,400**	264,700
Customer Usage (GW-hrs)				
Residential	**512.5**	474.0	**1,169.8**	1,228.7
Commercial and industrial	**770.2**	962.6	**1,593.0**	1,917.6
Total Customer Usage (GW-hrs)	**1,282.7**	1,436.6	**2,762.8**	3,146.3

For the three months ended June 30, 2020, the electric distribution systems' usage totaled 1,282.7 GW-hrs as compared to 1,436.6 GW-hrs for the same period in 2019, a decrease of 153.9 GW-hrs or 10.7%. The decrease in electricity consumption is primarily due to load reduction due to COVID-19 related impacts and volume reduction related to weather resulting in a 4% decrease in cooling degree days at the Empire Electric System compared to the same period in the previous year.

For the six months ended June 30, 2020, the electric distribution systems usage totaled 2,762.8 GW-hrs as compared to 3,146.3 GW-hrs for the same period in 2019, a decrease of 383.5 GW-hrs or 12.2%. The decrease in electricity consumption is primarily due to load reduction due to COVID-19 related impacts and volume reduction related to weather that resulted in 12% fewer heating degree days and 4% fewer cooling degree days compared to the same period in the prior year.

Natural Gas Distribution Systems

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Average Active Natural Gas Connections For The Period				
Residential	**317,800**	290,200	**294,600**	291,900
Commercial and industrial	**37,800**	31,900	**32,800**	32,200
Total Average Active Natural Gas Connections For The Period	**355,600**	322,100	**327,400**	324,100
Customer Usage (MMBTU)				
Residential	**3,391,000**	2,845,000	**13,970,000**	12,780,000
Commercial and industrial	**3,367,000**	2,177,000	**10,839,000**	8,232,000
Total Customer Usage (MMBTU)	**6,758,000**	5,022,000	**24,809,000**	21,012,000

For the three months ended June 30, 2020, usage at the natural gas distribution systems totaled 6,758,000 MMBTU as compared to 5,022,000 MMBTU during the same period in 2019, an increase of 1,736,000 MMBTU, or 34.6% primarily as a result of the acquisition of the New Brunswick Gas System and the St. Lawrence Gas System.

For the six months ended June 30, 2020, usage at the natural gas distribution systems totaled 24,809,000 MMBTU as compared to 21,012,000 during the same period in 2019, an increase of 3,797,000 MMBTU, or 18.1% primarily as a result of the acquisition of the New Brunswick Gas System and the St. Lawrence Gas System.

Water and Wastewater Distribution Systems

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Average Active Connections For The Period				
Wastewater connections	**45,100**	43,800	**44,900**	43,500
Water distribution connections	**116,600**	115,600	**116,400**	114,800
Total Average Active Connections For The Period	**161,700**	159,400	**161,300**	158,300
Gallons Provided (millions of gallons)				
Wastewater treated	**614**	578	**1,263**	1,200
Water provided	**3,796**	3,385	**6,852**	6,236
Total Gallons Provided (millions of gallons)	**4,410**	3,963	**8,115**	7,436

For the three months ended June 30, 2020, the water and wastewater distribution systems provided approximately 3,796 million gallons of water to its customers and treated approximately 614 million gallons of wastewater as compared to 3,385 million gallons of water provided and 578 million gallons of wastewater treated during the same period in 2019, an increase in total gallons provided of 447 million, or 11.3%. The increase is primarily due to favorable weather at the Litchfield Park and White Hall Water Systems.

For the six months ended June 30, 2020, the water and wastewater distribution systems provided approximately 6,852 million gallons of water to its customers and treated approximately 1,263 million gallons of wastewater compared to 6,236 million gallons of water provided and 1,200 million gallons of water treated during the same period in 2019, an increase in total gallons provided of 679 million, or 9.1%.

2020 Regulated Services Group Operating Results

(all dollar amounts in $ millions)	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Revenue				
Utility electricity sales and distribution	**$ 163.6**	$ 176.0	**$ 344.3**	$ 381.1
Less: cost of sales – electricity	**(42.8)**	(50.3)	**(100.0)**	(119.9)
Net Utility Sales - electricity[1]	**120.8**	125.7	**244.3**	261.2
Utility natural gas sales and distribution	**71.0**	64.3	**242.0**	229.2
Less: cost of sales – natural gas	**(19.3)**	(21.3)	**(82.9)**	(100.9)
Net Utility Sales - natural gas[1]	**51.7**	43.0	**159.1**	128.3
Utility water distribution & wastewater treatment sales and distribution	**34.9**	32.7	**62.7**	59.5
Less: cost of sales – water	**(3.2)**	(1.8)	**(5.5)**	(3.2)
Net Utility Sales - water distribution & wastewater treatment[1]	**31.7**	30.9	**57.2**	56.3
Gas transportation	**6.9**	6.2	**20.9**	18.6
Other revenue	**2.9**	2.4	**5.9**	4.2
Net Utility Sales[1]	**214.0**	208.2	**487.4**	468.6
Operating expenses	**(104.8)**	(102.1)	**(213.2)**	(204.1)
Other income	**1.8**	1.9	**5.3**	3.1
HLBV[2]	**1.8**	1.5	**3.5**	3.0
Divisional Operating Profit[1,3]	**$ 112.8**	$ 109.5	**$ 283.0**	$ 270.6

1 See *Non-GAAP Financial Measures*.

2 HLBV income represents the value of net tax attributes monetized by the Regulated Services Group in the period at the Luning and Turquoise Solar Facilities.

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

2020 Second Quarter Operating Results

For the three months ended June 30, 2020, the Regulated Services Group reported an operating profit (excluding corporate administration expenses) of $112.8 million as compared to $109.5 million for the comparable period in the prior year.

Highlights of the changes are summarized in the following table:

(all dollar amounts in $ millions)		Three Months Ended June 30
Prior Period Operating Profit	**$**	**109.5**
Existing Facilities		
Electricity: Increase is primarily due to operating cost savings at the Empire Electric System.		1.5
Gas: Increase is primarily due to lower commodity costs at the EnergyNorth and New England Gas Systems, as well as operating cost savings at the EnergyNorth Gas System.		2.8
Water: Increase is primarily due to higher consumption in residential usage at the Litchfield Park and White Hall Water Systems, driven by warmer than normal weather.		0.5
Other		(0.7)
		4.1
New Facilities		
Gas: Acquisitions of New Brunswick Gas (October 2019) and St. Lawrence Gas (November 2019).		4.8
		4.8
Rate Reviews		
Electricity: Implementation of temporary rates at the Granite State Electric System as well as a rate increase as a result of adding the Turquoise Solar Facility to the rate base at the CalPeco Electric System.		3.4
Water: Implementation of interim rates at the Park Water System.		0.6
		4.0
Estimated Impact of COVID-19		**(9.6)**
Current Period Divisional Operating Profit[1]	**$**	**112.8**

1 See *Non-GAAP Financial Measures*.

2020 Year-to-Date Operating Results

For the six months ended June 30, 2020, the Regulated Services Group reported an operating profit (excluding corporate administration expenses) of $283.0 million as compared to $270.6 million for the comparable period in the prior year.

Highlights of the changes are summarized in the following table:

(all dollar amounts in $ millions)		Six Months Ended June 30
Prior Period Operating Profit	**$**	**270.6**
Existing Facilities		
Electricity: Decrease is primarily due to lower consumption driven by weather that resulted in 12% fewer heating degree days and 4% fewer cooling degree days compared to the same period in the prior year, partially offset by operating expense savings at the Empire Electric System.		(6.5)
Gas: Increase is primarily due to lower commodity costs at the EnergyNorth and the New England Gas Systems, as well as savings in operating expenses at the EnergyNorth Gas System, partially offset by lower consumption driven by unfavorable weather at the Empire Gas System.		3.1
Water: Decrease is primarily due to higher operating costs.		(0.6)
Other: Increase is primarily due to fees earned from the San Antonio Water System investment.		2.3
		(1.7)
New Facilities		
Gas: Acquisitions of New Brunswick Gas (October 2019) and St. Lawrence Gas (November 2019).		18.1
		18.1
Rate Reviews		
Electricity: Implementation of temporary rates at the Granite State Electric System as well as a rate increase as a result of adding the Turquoise Solar Facility to the rate base at the CalPeco Electric System.		4.6
Water: Implementation of interim rates at the Park Water System.		1.2
		5.8
Estimated Impact of COVID-19		**(9.8)**
Current Period Divisional Operating Profit[1]	**$**	**283.0**

1 See *Non-GAAP Financial Measures.*

Regulatory Proceedings

The following table summarizes the major regulatory proceedings currently underway within the Regulated Services Group:

Utility	State/Province	Regulatory Proceeding Type	Rate Request (millions)	Current Status
Completed Rate Reviews				
EnergyNorth Gas System	New Hampshire	2020 Cast Iron/ Bare Steel Replacement Program Results	$1.6	On April 15, 2020, filed its Annual 2020 Cast Iron/ Bare Steel Replacement Program Results requesting recovery of an incremental revenue requirement for fiscal year 2020 of $1.6 million. On June 30, 2020, the New Hampshire Public Utilities Commission ("NHPUC") issued an order approving the requested revenue increase.
Granite State Electric System	New Hampshire	GRC	$8.6	On April 30, 2019, filed a rate review requesting increases of $5.7 million, subsequently updated to $6.7 million, effective May 1, 2020, (inclusive of a $2.1 million temporary increase effective July 1, 2019), plus a step increase of $2.1 million effective May 1, 2020 for certain capital additions as of December 31, 2019. On June 28, 2019, a temporary rate increase of $2.1 million was approved by the NHPUC. An order was issued June 30, 2020, approving recovery of a revenue requirement increase of $4.2 million beginning July 1, 2020. This is to be reconciled with temporary rates of $2.1 million that took effect on July 1, 2019. Multi-year step increases were approved of approximately $1.3 million, effective July 1, 2020; approximately $1.8 million effective July 1, 2021; and approximately $1.8 million effective July 1, 2022. Full revenue decoupling was approved effective July 1, 2021, with the continuation of a Lost Revenue Adjustment Mechanism during the period prior to the implementation of decoupling.
Empire Electric (Missouri System) ("Empire")	Missouri	GRC	$21.8	On July 1, 2020, the MPSC issued an Order on the issues in the case resulting in an increase in revenue of approximately $1.0 million. This is based on a 9.25% ROE, a 4.65% debt rate and on a capital structure of 54% debt and 46% equity. Neither the MPSC Staff's nor the Company's proposed weather normalization mechanism were approved. Without an approved weather normalization mechanism in place, the option to elect the use of Plant-In-Service Accounting has remained available. The Company has now made this election, as described in the Plant-In-Service Accounting section below. In the Company's view the proposed capital structure does not appropriately reflect the equity value at risk for the utility. The estimated impact of the capital structure reduction is approximately $5.7 million annually. The Office of the Public Counsel (OPC) and the Company have filed applications for rehearing.
Peach State Gas System	Georgia	GRC	$2.9	On April 1, 2020, filed an application for an annual increase in the revenue requirement of $2.9 million. On July 30, 2020, the Georgia Public Service Commission issued a final order approving the settlement agreement the Company reached with Staff for an increase of $1.6 million. The new rates were effective August 1, 2020.

Utility	State/Province	Regulatory Proceeding Type	Rate Request (millions)	Current Status
Pending Rate Reviews				
CalPeco Electric System	California	GRC	$14.9	A rate review is currently underway requesting a rate increase of $14.9 million over three years ($6.9 million for 2019, $4.1 million for 2020, and $3.9 million for 2021). A proposed decision ("PD") was issued on July 3, 2020, which authorized a $1.4 million increase in the revenue requirement for 2019, which includes a $4.5 million increase to base rates, offset by a $4.5 million reduction to energy costs. The PD also authorized an additional $3.1 million in base revenues in 2020 and $1.6 million in base revenues in 2021 contingent on completing the underlying capital investments.
EnergyNorth Gas System	New Hampshire	GRC	$13.5	On July 31, 2020, filed a rate review requesting an increase of $13.5 million to distribution revenue, effective August 1, 2021, of which $6.5 million is requested as a temporary increase effective October 1, 2020.
Various	Various	Various	$1.9	Other pending rate review requests across two water utilities and one wastewater utility.

Plant-In-Service Accounting

On August 12, 2020, under Revised Statute of Missouri Section 393.1400, Empire elected to utilize Plant-In-Service Accounting which allows electrical corporations to defer eighty-five percent of all depreciation expense and return associated with all qualifying electric plant recorded to plant-in-service on the utility's books, commencing from the date of election. Under this legislation Empire expects the balance of the regulatory asset arising from these deferrals will be included in rate base in Empire's next general rate proceeding. This election will allow deferrals until December 31, 2023, at which time the MPSC has discretion to allow new deferrals for an additional five years.

Impact on Regulatory Proceedings resulting from COVID-19

The Regulated Services Group is seeking recovery of incremental impacts related to COVID-19 in all of its regulatory jurisdictions. Several jurisdictions already have mechanisms in place or have approved accounting orders for the recording of and tracking of such incremental impacts. In jurisdictions where such mechanisms are not already in place, the Regulated Services Group is in the process of filing applications for tracking and recording of incremental impacts. The Regulated Services Group will seek recovery of the incremental impacts in future proceedings.

Regulatory Proceedings related to Acquisitions:

Bermuda Electric Light Company

On February 7, 2020, the Bermuda Minister of Home Affairs extended the deadline for the Regulatory Authority of Bermuda to issue a final decision regarding APUC's pending acquisition of Ascendant until October 4, 2020. From April 3, 2020 to May 4, 2020, the Regulatory Authority of Bermuda ("RA") held a public consultation process, inviting interested parties to review the application relating to the pending acquisition and provide comment. The public consultation period closed on May 4, 2020 and the Company is now waiting for a decision or further direction from the RA.

New York American Water

On November 20, 2019, the Company entered into an agreement to acquire American Water Works Company Inc.'s ("American Water") regulated operations in the State of New York ("New York American Water"). New York American Water is a regulated water and wastewater utility serving customers across seven counties in southeastern New York. On February 28, 2020, the Company and American Water filed a joint petition with the New York State Public Service Commission for approval of the acquisition. A procedural order was issued on July 30, 2020, setting an evidentiary hearing for December 14, 2020. The transaction is expected to close in 2021 and remains subject to regulatory approval and other closing conditions.

2020 Electricity Generation Performance

(Performance in GW-hrs sold)	Long Term Average Resource	Three Months Ended June 30 2020	Three Months Ended June 30 2019	Long Term Average Resource	Six Months Ended June 30 2020	Six Months Ended June 30 2019
Hydro Facilities:						
Maritime Region	**62.4**	**46.0**	53.7	**89.9**	**70.5**	81.9
Quebec Region	**82.4**	**84.0**	88.9	**138.4**	**141.6**	146.6
Ontario Region	**29.0**	**28.6**	25.7	**67.3**	**50.9**	55.5
Western Region	**19.0**	**22.4**	18.3	**28.6**	**31.8**	27.9
	192.8	**181.0**	186.6	**324.2**	**294.8**	311.9
Canadian Wind Facilities:						
St. Damase	**16.4**	**17.3**	15.3	**37.3**	**38.2**	40.7
St. Leon	**99.5**	**105.0**	96.5	**220.9**	**218.8**	208.1
Red Lily[1]	**20.8**	**23.2**	18.8	**44.0**	**45.9**	41.1
Morse	**25.2**	**26.7**	23.8	**55.7**	**55.0**	48.7
Amherst	**53.4**	**48.6**	51.3	**118.7**	**107.5**	118.1
	215.3	**220.8**	205.7	**476.6**	**465.4**	456.7
U.S. Wind Facilities:						
Sandy Ridge	**37.7**	**38.2**	36.3	**84.8**	**80.9**	74.6
Minonk	**167.8**	**154.2**	173.3	**355.2**	**338.9**	359.9
Senate	**137.4**	**133.9**	133.5	**288.7**	**268.1**	268.2
Shady Oaks	**92.4**	**67.2**	87.6	**200.6**	**166.9**	195.6
Odell	**208.2**	**205.3**	182.0	**438.7**	**420.5**	378.0
Deerfield	**121.1**	**111.5**	117.7	**281.5**	**278.2**	276.4
	764.6	**710.3**	730.4	**1,649.5**	**1,553.5**	1,552.7
Solar Facilities:						
Cornwall	**5.1**	**5.3**	4.7	**7.7**	**7.7**	7.7
Bakersfield	**26.3**	**19.3**	21.7	**39.2**	**32.6**	33.7
Great Bay	**43.7**	**51.8**	43.1	**74.9**	**79.1**	71.6
	75.1	**76.4**	69.5	**121.8**	**119.4**	113.0
Renewable Energy Performance	**1,247.8**	**1,188.5**	1,192.2	**2,572.1**	**2,433.1**	2,434.3
Thermal Facilities:						
Windsor Locks	**N/A[2]**	**29.2**	27.9	**N/A[2]**	**60.4**	58.1
Sanger	**N/A[2]**	**3.1**	1.6	**N/A[2]**	**4.8**	27.8
		32.3	29.5		**65.2**	85.9
Total Performance		**1,220.8**	1,221.7		**2,498.3**	2,520.2

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

[2] Natural gas fired co-generation facility.

2020 Second Quarter Renewable Energy Group Performance

For the three months ended June 30, 2020, the Renewable Energy Group generated 1,220.8 GW-hrs of electricity as compared to 1,221.7 GW-hrs during the same period of 2019.

For the three months ended June 30, 2020, the hydro facilities generated 181.0 GW-hrs of electricity as compared to 186.6 GW-hrs produced in the same period in 2019, a decrease of 3.0%. Electricity generated represented 93.9% of long-term average resources ("LTAR") as compared to 96.8% during the same period in 2019. During the quarter, all regions except the Quebec and Western Region were below their respective LTAR.

For the three months ended June 30, 2020, the wind facilities produced 931.1 GW-hrs of electricity as compared to 936.1 GW-hrs produced in the same period in 2019, a decrease of 0.5%. During the three months ended June 30, 2020, the wind facilities generated electricity equal to 95.0% of LTAR as compared to 95.5% during the same period in 2019.

For the three months ended June 30, 2020, the solar facilities generated 76.4 GW-hrs of electricity as compared to 69.5 GW-hrs of electricity in the same period in 2019, an increase of 9.9%. The solar facilities generated electricity equal to 101.7% of LTAR as compared to 92.5% in the same period in 2019 primarily because the Great Bay II Solar Facility achieved partial COD on April 15 2020.

For the three months ended June 30, 2020, the thermal facilities generated 32.3 GW-hrs of electricity as compared to 29.5 GW-hrs of electricity during the same period in 2019. During the same period, the Windsor Locks Thermal Facility generated 147.8 billion lbs of steam as compared to 132.4 billion lbs of steam during the same period in 2019.

2020 Year-to-Date Renewable Energy Group Performance

For the six months ended June 30, 2020, the Renewable Energy Group generated 2,498.3 GW-hrs of electricity as compared to 2,520.2 GW-hrs during the same period in 2019.

For the six months ended June 30, 2020, the hydro facilities generated 294.8 GW-hrs of electricity as compared to 311.9 GW-hrs produced in the same period in 2019, a decrease of 5.5%. Electricity generated represented 90.9% of LTAR as compared to 96.2% during the same period in 2019.

For the six months ended June 30, 2020, the wind facilities produced 2,018.9 GW-hrs of electricity as compared to 2,009.4 GW-hrs produced in the same period in 2019, an increase of 0.5%. During the six months ended June 30, 2020, the wind facilities generated electricity equal to 95.0% of LTAR as compared to 94.5% during the same period in 2019.

For the six months ended June 30, 2020, the solar facilities generated 119.4 GW-hrs of electricity as compared to 113.0 GW-hrs of electricity produced in the same period in 2019, an increase of 5.7%. The increase in production is primarily due to the addition of the Great Bay II Solar Facility which achieved partial COD on April 15, 2020. The solar facilities generated electricity equal to 98.0% of LTAR as compared to 92.8% in the same period in 2019.

For the six months ended June 30, 2020, the thermal facilities generated 65.2 GW-hrs of electricity as compared to 85.9 GW-hrs of electricity during the same period in 2019 primarily because of lower dispatches at the Sanger Thermal Facility from weak market conditions during the first three months of 2020. For the six months ended June 30, 2020, the Windsor Locks Thermal Facility generated 328.1 billion lbs of steam as compared to 297.5 billion lbs of steam during the same period in 2019.

2020 Renewable Energy Group Operating Results

(all dollar amounts in $ millions)	Three Months Ended June 30 2020	Three Months Ended June 30 2019	Six Months Ended June 30 2020	Six Months Ended June 30 2019
Revenue[1]				
Hydro	**$ 10.0**	$ 11.5	**$ 19.8**	$ 22.5
Wind	**38.0**	36.3	**84.6**	75.5
Solar	**5.9**	5.8	**9.4**	9.3
Thermal	**5.9**	6.2	**12.3**	16.0
Total Revenue	**$ 59.8**	$ 59.8	**$ 126.1**	$ 123.3
Less:				
Cost of Sales - Energy[2]	**(0.6)**	(0.7)	**(1.8)**	(2.1)
Cost of Sales - Thermal	**(1.9)**	(2.0)	**(4.7)**	(7.5)
Realized gain/(loss) on hedges[3]	**(0.6)**	—	**(0.7)**	(0.2)
Net Energy Sales[8]	**$ 56.7**	$ 57.1	**$ 118.9**	$ 113.5
Renewable Energy Credits[4]	**3.7**	2.1	**5.7**	4.5
Other Revenue	**0.6**	0.1	**1.1**	0.4
Total Net Revenue	**$ 61.0**	$ 59.3	**$ 125.7**	$ 118.4
Expenses & Other Income				
Operating expenses	**(16.4)**	(18.2)	**(35.9)**	(36.3)
Dividend, interest, equity and other income[5]	**22.5**	37.0	**46.3**	60.5
HLBV income[8]	**15.5**	15.3	**33.7**	34.0
Divisional Operating Profit[6,7]	**$ 82.6**	$ 93.4	**$ 169.8**	$ 176.6

1 Many of the Renewable Energy Group's power purchase agreements ("PPAs") include annual rate increases. However, 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 21(b)(iv)* in the unaudited interim 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 and related parties (see *Note 6 and 13* in the unaudited interim 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 PTCs

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

PTCs are earned as wind energy is generated based on a dollar per kW-hr rate prescribed in applicable federal and state statutes. For the three and six months ended June 30, 2020, the Renewable Energy Group's eligible facilities generated 643.1 and 1,386.6 GW-hrs representing approximately $16.1 million and $34.7 million in PTCs earned as compared to 642.8 and 1,357.1 GW-hrs representing $15.4 million and $32.6 million in PTCs earned during the same period in 2019. 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.

2020 Second Quarter Operating Results

For the three months ended June 30, 2020, the Renewable Energy Group's facilities generated $82.6 million of operating profit as compared to $93.4 million during the same period in 2019, which represents a decrease of $10.8 million or 11.6%, excluding corporate administration expenses.

Highlights of the changes are summarized in the following table:

(all dollar amounts in $ millions)		Three Months Ended June 30
Prior Period Operating Profit	**$**	**93.4**
Existing Facilities and Investments		
Hydro: Decrease is primarily due to overall lower production as well as unfavorable pricing in the Western Region.		(1.3)
Wind Canada: Increase is primarily due to higher production.		0.8
Wind U.S.: Increase is primarily due to favorable pricing on RECs, partially offset by lower production and an increase in operating costs.		0.3
Solar: Decrease is primarily due to lower HLBV income recorded in the current year.		(0.6)
Thermal: Increase is primarily due to lower overall cost of fuel as well as lower operating costs, partially offset by unfavorable capacity pricing.		0.1
Investments: Decrease is primarily due to timing of a dividend received in the second quarter of 2019 related to Algonquin's investment in Atlantica Yield Energy Solutions Canada Inc. ("AYES Canada")[1]		(13.2)
Other: Increase is primarily due to lower expenses.		2.4
		(11.5)
New Facilities and Investments		
Solar: Great Bay II Solar Facility achieved partial COD in April 2020.		0.9
		0.9
Foreign Exchange		**(0.2)**
Current Period Divisional Operating Profit[2]	**$**	**82.6**

1 See *Note 6 and 13* in the unaudited interim consolidated financial statements.

2 See *Non-GAAP Financial Measures*.

2020 Year-to-Date Operating Results

For the six months ended June 30, 2020, the Renewable Energy Group's facilities generated $169.8 million of operating profit as compared to $176.6 million during the same period in 2019, which represents a decrease of $6.8 million or 3.9%, excluding corporate administration expenses.

Highlights of the changes are summarized in the following table:

(all dollar amounts in $ millions)		Six Months Ended June 30
Prior Period Operating Profit	**$**	**176.6**
Existing Facilities		
Hydro: Decrease is primarily due to overall lower production as well as unfavorable pricing in the Western and Maritime Region.		(1.9)
Wind Canada		(0.1)
Wind U.S.: Increase is primarily due to overall higher production, higher HLBV income, combined with favorable pricing on RECs, partially offset by overall higher operating costs.		2.3
Solar: Decrease is primarily due to lower HLBV income.		(2.5)
Thermal: Decrease is primarily due to unfavorable capacity pricing and lower REC revenue, partially offset by overall lower cost of fuel.		(0.9)
Investments: Decrease is primarily due to timing of a dividend received in the second quarter of 2019 related to Algonquin's investment in AYES Canada[1]		(7.6)
Other: Increase is primarily due to lower expenses.		1.6
		(9.1)
New Facilities and Investments		
Solar: Great Bay II Solar Facility achieved partial COD in April 2020.		0.9
		0.9
Foreign Exchange		**1.4**
Current Period Divisional Operating Profit[2]	**$**	**169.8**

1 See *Note 6 and 13* in the unaudited interim consolidated financial statements.

2 See *Non-GAAP Financial Measures*.

APUC: CORPORATE AND OTHER EXPENSES

(all dollar amounts in $ millions)	Three Months Ended June 30 2020	Three Months Ended June 30 2019	Six Months Ended June 30 2020	Six Months Ended June 30 2019
Corporate and other expenses:				
Administrative expenses	**$ 19.4**	$ 13.5	**$ 35.0**	$ 26.6
Loss (gain) on foreign exchange	**—**	1.5	**(4.7)**	0.9
Interest expense	**44.8**	45.8	**91.1**	88.5
Depreciation and amortization	**75.7**	69.8	**154.5**	140.9
Change in value of investments carried at fair value	**(309.8)**	(121.4)	**(119.1)**	(115.6)
Interest, dividend, equity, and other loss (income)[1]	**(0.7)**	(0.4)	**(1.1)**	(0.9)
Pension and post-employment non-service costs	**3.6**	3.7	**7.0**	5.0
Other net losses	**26.9**	5.8	**27.8**	8.4
Gain on derivative financial instruments	**(1.4)**	(0.4)	**(1.4)**	(0.2)
Income tax expense	**46.9**	20.8	**33.2**	35.6

[1] Excludes loss (income) directly pertaining to the Regulated Services and Renewable Energy Groups (disclosed in the relevant sections).

2020 Second Quarter Corporate and Other Expenses

For the three months ended June 30, 2020, administrative expenses totaled $19.4 million as compared to $13.5 million in the same period in 2019. The $5.9 million increase was primarily due to increase in payroll, professional expenses, and additional costs incurred to administer operations as a result of the Company's growth.

For the three months ended June 30, 2020, interest expense totaled $44.8 million as compared to $45.8 million in the same period in 2019. The decrease was primarily due to lower reference rates on floating rate debt, partially offset by an increase in funds drawn on credit facilities and commercial paper issued.

For the three months ended June 30, 2020, depreciation expense totaled $75.7 million as compared to $69.8 million in the same period in 2019. The increase was primarily due to higher overall property, plant and equipment.

For the three months ended June 30, 2020, change in investments carried at fair value totaled a gain of $309.8 million as compared to a gain of $121.4 million in 2019. 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 unaudited interim consolidated financial statements).

For the three months ended June 30, 2020, pension and post-employment non-service costs totaled $3.6 million as compared to $3.7 million in 2019. The decrease in 2020 was primarily due to lower expected return on assets in 2019 and higher amortization cost of actuarial losses in 2020.

For the three months ended June 30, 2020, other net losses were $26.9 million as compared to $5.8 million in the same period in 2019. The net losses in 2020 were primarily due to adjustments related to U.S Tax Reform, condemnation costs for Liberty Utilities (Apple Valley Ranchos Water) Corp., and management succession and retirement expenses (see *Note 16* in the unaudited interim consolidated financial statements).

For the three months ended June 30, 2020, gain on derivative financial instruments totaled $1.4 million as compared to a loss of $0.4 million in the same period in 2019. The gains in 2020 were primarily due to the amortization of gains frozen in accumulated other comprehensive income ("AOCI") as a result of hedge dedesignation when the Company's functional currency was changed.

For the three months ended June 30, 2020, an income tax expense of $46.9 million was recorded as compared to an income tax expense of $20.8 million during the same period in 2019. The increase in income tax expense was primarily due to the change in fair value associated with the investment in Atlantica and a one-time income tax expense related to U.S Tax Reform, discussed below, offset by tax credits accrued and lower income subject to tax. On April 8, 2020, the IRS issued final regulations with respect to rules regarding certain hybrid arrangements as a result of U.S. Tax Reform. As a result of the final regulations, the Company recorded a one-time income tax expense of $9.3 million in the three months ended June 30, 2020, to reverse the benefit of deductions taken in the prior year.

2020 Year-to-Date Corporate and Other Expenses

During the six months ended June 30, 2020, administrative expenses totaled $35.0 million as compared to $26.6 million in the same period in 2019. The increase primarily relates to increase in payroll, professional expenses, and additional costs incurred to administer APUC's operations as a result of the Company's growth.

For the six months ended June 30, 2020, interest expense totaled $91.1 million as compared to $88.5 million in the same period in 2019. The increase was primarily due to the issuance of subordinated unsecured notes in May of 2019 and an increase in funds drawn on credit facilities and commercial paper issued, partially offset by lower reference rates on floating rate debt.

For the six months ended June 30, 2020, depreciation expense totaled $154.5 million as compared to $140.9 million in the same period in 2019. The increase is primarily due to higher overall property, plant and equipment.

For the six months ended June 30, 2020, change in investments carried at fair value totaled a gain of $119.1 million as compared to a gain of $115.6 million in the same period in 2019. 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 six months ended June 30, 2020, pension and post-employment non-service costs totaled $7.0 million as compared to $5.0 million in the same period in 2019. The increase in 2020 is primarily due to a higher expected return on assets in 2020 and an increase in amortization of net actuarial losses.

For the six months ended June 30, 2020, other net losses were $27.8 million as compared to $8.4 million in the same period in 2019. The net losses in 2020 were primarily due to adjustments related to U.S. Tax Reform, condemnation costs for Liberty Utilities (Apple Valley Ranchos Water) Corp., and management succession and retirement expenses (see *Note 16* in the interim unaudited consolidated financial statements).

For the six months ended June 30, 2020, the gain on derivative financial instruments totaled $1.4 million as compared to a gain of $0.2 million in the same period in 2019. The gains in 2020 were primarily due to the amortization of gains frozen in AOCI as a result of hedge dedesignation when the Company's functional currency was changed (see *Note 21(b)(iv)* in the interim unaudited consolidated financial statements).

An income tax expense of $33.2 million was recorded in the six months ended June 30, 2020, as compared to an income tax expense of $35.6 million during the same period in 2019. The decrease in income tax expense was primarily due to tax credits accrued and lower income subject to tax, partially offset by a one-time income tax expense related to U.S. Tax Reform. On April 8, 2020, the IRS issued final regulations with respect to rules regarding certain hybrid arrangements as a result of U.S. Tax Reform. As a result of the final regulations, the Company has recorded a one-time income tax expense of $9.3 million in the three months ended June 30, 2020, to reverse the benefit of deductions taken in the prior year.

Management Succession and Executive Retirements

On February 5, 2020, the Company announced succession plans for the role of Chief Executive Officer ("CEO") and the retirements of the Chief Financial Officer ("CFO") and Vice Chair in 2020 and 2021 respectively. In order to facilitate an orderly and planned transition, the Company entered into Retirement Agreements with Messrs. Robertson, Bronicheski, and Jarratt. Mr. Robertson retired subsequent to quarter end on July 17, 2020. The Retirement Agreements with Messrs. Bronicheski and Jarratt provide that they will retire on September 18, 2020, and a date subsequent to February 10, 2021, respectively. During the three months ended June 30, 2020, the Company recorded compensation expense of approximately $7.0 million related to the retirements *(see Note 10 (b)* in the interim unaudited consolidated financial statements*).* The Company expects to record a further expense of approximately $2.2 million in the second half of 2020 related to the retirements. The Company views the retirement costs as non-recurring and not representative of the on-going operating performance of its business and accordingly these expenses have been excluded from the Company's calculation of Adjusted EBITDA and Adjusted Net Earnings (*See Non-GAAP Financial Measures*).

NON-GAAP FINANCIAL MEASURES

Reconciliation of Adjusted EBITDA to Net Earnings

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

	Three Months Ended June 30		Six Months Ended June 30	
(all dollar amounts in $ millions)	**2020**	**2019**	**2020**	**2019**
Net earnings attributable to shareholders	**$ 286.2**	$ 156.6	**$ 222.4**	$ 243.0
Add (deduct):				
Net earnings attributable to the non-controlling interest, exclusive of HLBV[1]	**4.0**	7.6	**8.4**	15.2
Income tax expense	**46.9**	20.8	**33.2**	35.6
Interest expense	**44.9**	45.9	**91.1**	88.5
Other net losses [3]	**26.9**	5.8	**27.8**	8.4
Pension and post-employment non-service costs	**3.6**	3.7	**7.0**	5.0
Change in value of investments carried at fair value[2]	**(309.9)**	(121.4)	**(119.1)**	(115.6)
Gain on derivative financial instruments	**(1.3)**	(0.4)	**(1.4)**	(0.2)
Realized loss on energy derivative contracts	**(0.6)**	—	**(0.7)**	(0.2)
Loss (gain) on foreign exchange	**—**	1.5	**(4.7)**	0.9
Depreciation and amortization	**75.6**	69.9	**154.5**	140.9
Adjusted EBITDA	**$ 176.3**	$ 190.0	**$ 418.5**	$ 421.5

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 six months ended June 30, 2020 amounted to $17.3 million and $37.2 million as compared to $18.3 million and $37.0 million during the same period in 2019.

2 See *Note 6* in the unaudited interim consolidated financial statements

3 See *Note 16* in the unaudited interim consolidated financial statements

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:

	Three Months Ended June 30		Six Months Ended June 30	
(all dollar amounts in $ millions except per share information)	2020	2019	2020	2019
Net earnings attributable to shareholders	**$ 286.2**	$ 156.6	**$ 222.4**	$ 243.0
Add (deduct):				
Gain on derivative financial instruments	**(1.4)**	(0.4)	**(1.4)**	(0.2)
Realized loss on energy derivative contracts	**(0.6)**	—	**(0.7)**	(0.2)
Other net losses [2]	**26.9**	5.8	**27.8**	8.4
Loss (gain) on foreign exchange	**—**	1.5	**(4.7)**	0.9
Change in value of investments carried at fair value[1]	**(309.8)**	(121.4)	**(119.1)**	(115.6)
Other non-recurring adjustments	**—**	—	**1.0**	—
Adjustment for taxes related to above	**46.1**	12.4	**25.4**	12.3
Adjusted Net Earnings	**$ 47.4**	$ 54.5	**$ 150.7**	$ 148.6
Adjusted Net Earnings per share	**$ 0.09**	$ 0.11	**$ 0.28**	$ 0.29

1 See *Note 6* in the unaudited interim consolidated financial statements

2 See *Note 16* in the unaudited interim consolidated financial statements

For the three months ended June 30, 2020, Adjusted Net Earnings totaled $47.4 million as compared to Adjusted Net Earnings of $54.5 million for the same period in 2019, a decrease of $7.1 million.

For the six months ended June 30, 2020, Adjusted Net Earnings totaled $150.7 million as compared to Adjusted Net Earnings of $148.6 million for the same period in 2019, an increase of $2.1 million.

The COVID-19 pandemic and resulting business suspensions and shutdowns have changed consumption patterns of residential, commercial and industrial customers across all three modalities of utility services, including decreased consumption among certain commercial and industrial customers. As a result of the decreased demand, Adjusted Net Earnings were negatively impacted for both the three and six months ended June 30, 2020, in the estimated amount of approximately $7.1 million and $7.3 million or approximately $0.01 and $0.01 on Adjusted Net Earnings per share.

The Company originally anticipated the acquisition of Ascendant to close in January 2020. The impact of the delayed closing on Adjusted Net Earnings for the three and six months ended June 30, 2020 is estimated to be approximately $5.3 million and $7.5 million or approximately $0.01 and $0.01 on Adjusted Net Earnings per share.

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:

	Three Months Ended June 30		Six Months Ended June 30	
(all dollar amounts in $ millions)	**2020**	**2019**	**2020**	**2019**
Cash flows from operating activities	**$ 142.9**	$ 133.6	**$ 209.8**	$ 255.7
Add (deduct):				
Changes in non-cash operating items	**(52.6)**	(6.8)	**56.6**	39.5
Production based cash contributions from non-controlling interests	**—**	—	**3.4**	3.6
Acquisition-related costs	**3.1**	0.4	**3.1**	2.4
Adjusted Funds from Operations	**$ 93.4**	$ 127.2	**$ 272.9**	$ 301.2

For the three months ended June 30, 2020, Adjusted Funds from Operations totaled $93.4 million as compared to Adjusted Funds from Operations of $127.2 million for the same period in 2019, a decrease of $33.8 million.

For the six months ended June 30, 2020, Adjusted Funds from Operations totaled $272.9 million as compared to Adjusted Funds from Operations of $301.2 million for the same period in 2019, a decrease of $28.3 million.

CORPORATE DEVELOPMENT ACTIVITIES

The Company undertakes development activities working with a global reach to identify, develop, and construct both regulated and non-regulated renewable power generating facilities, power transmission lines, water infrastructure assets, and other complementary infrastructure projects as well as to invest in local utility electric, natural gas and water distribution systems.

The Company has identified an approximately $9.2 billion development pipeline consisting of approximately $6.7 billion of investments in its Regulated Services Group and approximately $2.5 billion of investments in its Renewable Energy Group through the end of 2024.

APUC pursues investment opportunities with an objective to maintain its business mix in approximately the same proportion as currently exists between its Regulated Services Group and Renewable Energy Group and within credit metrics expected to maintain its current credit ratings. The business mix target may from time to time require APUC to grow its Regulated Services Group or implement other strategies in order to pursue investment opportunities within its Renewable Energy Group.

See *COVID-19* and *Enterprise Risk Management* in this MD&A for a description of certain of the impacts that COVID-19 has had, and may in the future have, on the Company's development and construction projects.

SUMMARY OF PROPERTY, PLANT, AND EQUIPMENT EXPENDITURES

(all dollar amounts in $ millions)	Three Months Ended June 30 2020	Three Months Ended June 30 2019	Six Months Ended June 30 2020	Six Months Ended June 30 2019
Regulated Services Group				
Rate Base Maintenance	**$ 52.2**	$ 47.1	**$ 104.9**	$ 95.5
Rate Base Growth	**95.0**	77.0	**152.2**	106.5
Property, Plant & Equipment Acquired[1]	**—**	—	**—**	0.4
	$ 147.2	$ 124.1	**$ 257.1**	$ 202.4
Renewable Energy Group				
Maintenance	**$ 1.5**	$ 5.8	**$ 11.3**	$ 8.4
Investment in Capital Projects[2]	**64.5**	91.9	**126.2**	304.4
International Investments	**3.4**	94.2	**3.9**	94.2
	$ 69.4	$ 191.9	**$ 141.4**	$ 407.0
Total Capital Expenditures	**$ 216.6**	$ 316.0	**$ 398.5**	$ 609.4

1 Property, Plant & Equipment acquired through acquisitions

2 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.

2020 Second Quarter Property Plant and Equipment Expenditures

During the three months ended June 30, 2020, the Regulated Services Group incurred capital expenditures of $147.2 million as compared to $124.1 million during the same period in 2019. The Regulated Services Group's investment during the quarter was primarily related to the construction of transmission and distribution main replacements, work on new and existing substation assets, initiatives relating to the safety and reliability of the electric and gas systems, and additional investments in the Mid-West Wind Development Projects.

During the three months ended June 30, 2020, the Renewable Energy Group incurred capital expenditures of $69.4 million as compared to $191.9 million during the same period in 2019. The Renewable Energy Group's investment during the quarter was primarily related to the Altavista, Great Bay II and Dimension Solar Projects, as well as the Sugar Creek, Maverick Creek and Blue Hill Wind Projects, in addition to ongoing maintenance capital at existing operating sites.

2020 Year-to-Date Property Plant and Equipment Expenditures

During the six months ended June 30, 2020, the Regulated Services Group invested $257.1 million in capital expenditures as compared to $202.4 million during the same period in 2019. The Regulated Services Group's investment was primarily related to the construction of transmission and distribution main replacements, the completion and start of work on new and existing substation assets, initiatives relating to the safety and reliability of the electric and gas systems, and additional investments in the Mid-West Wind Development Projects.

During the six months ended June 30, 2020, the Renewable Energy Group incurred capital expenditures of $141.4 million as compared to $407.0 million during the same period in 2019. The Renewable Energy Group's investment was primarily related to the Altavista, Great Bay II and Dimension Solar Projects as well as the Sugar Creek, Maverick Creek and Blue Hill Wind Projects in addition to ongoing maintenance capital at existing operating sites. During the six months ended June 30, 2019, the Renewable Energy Group's investment was primarily related to acquiring the remaining 50% of the Amherst Island Wind Facility as well an additional investment into Atlantica.

2020 Capital Investments

The following discussion should be read in conjunction with the *Forward-Looking Statements and Forward-Looking Information* section of this MD&A.

Over the course of the 2020 financial year, the Company expects to spend between $1.30 billion to $1.75 billion on capital investment opportunities. Actual expenditures in 2020 may vary due to, among other things, the impacts of COVID-19 and related response measures, the timing of various project investments and the realized Canadian to U.S. dollar exchange rate.

Ranges of expected capital investment in the 2020 financial year are as follows:

(all dollar amounts in $ millions)			
Regulated Services Group:			
Rate Base Maintenance	$ 200.0	-	$ 250.0
Rate Base Growth	400.0	-	500.0
Rate Base Acquisitions[1]	475.0	-	550.0
Total Regulated Services Group:	$1,075.0	-	$1,300.0
Renewable Energy Group:			
Maintenance	$ 25.0	-	$ 50.0
Investment in Capital Projects	150.0	-	325.0
International Investments	50.0	-	75.0
Total Renewable Energy Group:	$ 225.0	-	$ 450.0
Total 2020 Capital Investments	**$ 1,300.0**	**-**	**$ 1,750.0**

1 Includes international investments in utilities.

The Regulated Services Group expects to spend between $1,075.0 million to $1,300.0 million over the course of 2020 in an effort to expand operations, improve the reliability of the utility systems and broaden the technologies used to better serve its service areas. Project spending includes capital for structural improvements, specifically in relation to refurbishing substations, replacing poles and wires, drilling and equipping aquifers, main replacements, and reservoir pumping stations. The Regulated Services Group expects to close the acquisition of Ascendant in 2020.

The Renewable Energy Group intends to spend between $225.0 million to $450.0 million over the course of 2020 to develop or further invest in capital projects, primarily in relation to: (i) development and construction (as applicable) of the Maverick Creek, Sugar Creek, Shady Oaks II and Blue Hill Wind Projects as well as the Altavista and Great Bay II Solar Projects, and (ii) additional international investments. Furthermore, the Renewable Energy Group plans to spend $25.0 million to $50.0 million on various operational solar, thermal, and wind assets to maintain safety, regulatory, and operational efficiencies.

The Company expects to fund its 2020 capital plan through a combination of retained cash, tax equity funding, senior debentures, bank revolving and term credit facilities, and common equity and equity like instruments.

LIQUIDITY AND CAPITAL RESERVES

APUC has revolving credit and letter of credit facilities as well as separate credit facilities for the Regulated Services Group, and the Renewable Energy 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 June 30, 2020:

	As at June 30, 2020				As at Dec 31, 2019
(all dollar amounts in $ millions)	Corporate	Regulated Services Group	Renewable Energy Group	Total	Total
Credit facilities	$ 550.0 [1]	$ 500.0	$ 850.0 [2]	**$ 1,900.0**	$ 1,775.0
Non-revolving term facilities	1,000.0	600.0	—	**1,600.0**	—
Funds drawn on facilities/ Commercial paper issued	—	(615.0)	(89.0)	**(704.0)**	(361.0)
Letters of credit issued	(20.4)	(48.3)	(293.9)	**(362.6)**	(216.8)
Liquidity available under the facilities	**1,529.6**	**436.7**	**467.1**	**2,433.4**	1,197.2
Undrawn Portion of Uncommitted Letter of Credit Facilities	(39.8)	—	(81.6)	**(121.4)**	(149.9)
Cash on hand				**60.3**	62.5
Total Liquidity and Capital Reserves	**$ 1,489.8**	**$ 436.7**	**$ 385.5**	**$ 2,372.3**	$ 1,109.8

[1] Includes a $50 million uncommitted standalone letter of credit facility.

[2] Includes a $350 million uncommitted standalone letter of credit facility.

Corporate

As at June 30, 2020, the Company's $500 million senior unsecured credit facility with a syndicate of banks (the "Corporate Credit Facility") had no amounts drawn and had $10.2 million of outstanding letters of credit. The Company has also issued $10.2 million of letters of credit from its $50 million uncommitted bi-lateral letter of credit facility. The Corporate Credit Facility matures on July 12, 2024.

Given the uncertainty around the length and extent of public health measures to address the COVID-19 pandemic and uncertainty around the extent of the impact this could have on capital markets, the Company and its subsidiaries secured additional liquidity as an additional margin of safety intended to ensure the Company can continue to move forward with its 2020 capital expenditure program and committed acquisitions independent of the state of the capital markets. The additional liquidity is in the form of (i) a $865.0 million delayed draw non-revolving term credit facility with a syndicate of banks entered into on April 9, 2020 and maturing on April 8, 2021; and (ii) a $135.0 million bilateral delayed draw non-revolving term facility entered into on April 13, 2020 and maturing on April12, 2021. As at June 30, 2020, there were no amounts drawn on these facilities. The Regulated Services Group also entered into a $600.0 million delayed draw non-revolving term credit facility with a syndicate of banks that matures on April 9, 2021. As at June 30, 2020, there was $400.0 million drawn on this facility.

Regulated Services Group

As at June 30, 2020, Regulated Services Group's $500.0 million senior unsecured syndicated revolving credit facility (the "Regulated Services Credit Facility") had no amounts drawn and had $48.3 million of outstanding letters of credit. The Regulated Services Credit Facility matures on February 23, 2023. As at June 30, 2020, $215.0 million of commercial paper backstopped by the Regulated Services Credit Facility was also issued and outstanding.

Renewable Energy Group

As at June 30, 2020, the Renewable Energy Group's bank lines consisted of a $500.0 million senior unsecured syndicated revolving credit facility (the "Renewable Energy Credit Facility") maturing on October 6, 2023 and a $350.0 million letter of credit facility ("Renewable Energy LC Facility") maturing on June 30, 2021. As at June 30, 2020, the Renewable Energy Credit Facility had $89.0 million drawn and had $25.5 million in outstanding letters of credit. As at June 30, 2020, the Renewable Energy LC Facility had $268.4 million in outstanding letters of credit.

Long Term Debt

On April 30, 2020, the Company repaid, upon its maturity, a $100.0 million unsecured note.

On June 1, 2020, the Company repaid, upon its maturity, a $100.0 million secured utility bond.

Credit Ratings

APUC has a long term consolidated corporate credit rating of BBB from Standard & Poor's ("S&P"), a BBB rating from DBRS and a BBB issuer rating from Fitch.

Liberty Utilities Co. ("LUCo"), the parent company for the U.S. regulated utilities under the Regulated Services Group, has a corporate credit rating of BBB from S&P and a BBB issuer rating from Fitch. Debt issued by Liberty Finance, a special purpose financing entity of LUCo, has a rating of BBB (high) from DBRS and BBB+ from Fitch. Empire has an issuer rating of BBB from S&P and a Baa1 rating from Moody's Investors Service, Inc.

Liberty Utilities (Canada) LP, the parent company for the Canadian regulated utilities under the Regulated Services Group has an issuer rating of BBB from DBRS.

Algonquin Power Co., the parent company for the U.S. and Canadian generating assets under the Renewable Energy Group, has a BBB issuer rating from S&P, a BBB issuer rating from DBRS and a BBB issuer rating from Fitch.

Contractual Obligations

Information concerning contractual obligations as of June 30, 2020 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[1,2]	**$ 4,157.7**	$ 881.4	$ 361.0	$ 531.7	$ 2,383.6
Advances in aid of construction	**62.7**	1.2	—	—	61.5
Interest on long-term debt obligations[2]	**1,796.2**	190.5	309.9	241.4	1,054.4
Purchase obligations	**300.4**	300.4	—	—	—
Environmental obligations	**59.9**	17.7	19.6	1.2	21.4
Derivative financial instruments:					
Cross currency and forward starting interest rate swaps	**116.9**	45.6	42.2	6.4	22.7
Energy derivative and commodity contracts	**2.4**	1.1	0.4	0.9	—
Purchased power	**249.1**	29.0	23.1	23.6	173.4
Gas delivery, service and supply agreements	**395.4**	78.7	104.6	82.5	129.6
Service agreements	**496.7**	50.7	84.5	92.8	268.7
Capital projects	**543.2**	543.2	—	—	—
Land easements	**229.1**	6.6	13.4	13.7	195.4
Other obligations	**157.7**	38.0	2.1	2.7	114.9
Total Obligations	**$ 8,567.4**	**$ 2,184.1**	**$ 960.8**	**$ 996.9**	**$ 4,425.6**

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

2 The Company's subordinated unsecured notes have a maturity in 2078 and 2079, respectively. However, the Company currently anticipates repaying 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 August 12, 2020, APUC had 592,272,258 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 June 30, 2020, 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.

Subsequent to quarter-end on July 17, 2020, APUC closed the sale of approximately 57.5 million of its common shares at a price of C$17.10 per share to a syndicate of underwriters and an institutional investor for gross proceeds of approximately C$982.7 million. Approximately 37.0 million common shares, which included the exercise of an over-allotment option of approximately 4.8 million common shares were sold to a syndicate of underwriters for gross process of approximately C$633 million. Approximately 20.5 million common shares were sold to an institutional investor for gross process of approximately C$350.0 million. The proceeds are expected to be used to partially finance APUC's previously announced renewable development growth projects and for general corporate purposes.

At-The-Market Equity Program

On May 15, 2020, APUC re-established its ATM program that allows the Company to issue up to $500 million 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 three months ended June 30, 2020, the Company issued 8,664,563 common shares under the ATM program at an average price of $13.92 per common share for gross proceeds of $120.6 million ($119.1 million net of commissions). Other related costs, primarily related to the re-establishment of the ATM program, were $0.8 million.

As at August 12, 2020, the Company has issued a cumulative total of 10,421,362 common shares under its ATM program at an average price of $13.69 per share for gross proceeds of approximately $142.7 million ($140.8 million net of commissions). Other related costs, primarily related to the establishment and re-establishment, as applicable, of the ATM program, were $2.9 million.

Dividend Reinvestment Plan

APUC has a shareholder dividend reinvestment plan (the "Reinvestment Plan") for registered holders of common shares of APUC. As at June 30, 2020, 62,912,934 common shares representing approximately 12% of total common shares outstanding had been registered with the Reinvestment Plan. During the three months ended June 30, 2020, 667,001 common shares were issued under the Reinvestment Plan, and subsequent to quarter-end, on July 15, 2020, an additional 1,621,126 common shares were issued under the Reinvestment Plan.

SHARE-BASED COMPENSATION PLANS

For the six months ended June 30, 2020, APUC recorded $11.6 million in total share-based compensation expense as compared to $4.5 million for the same period in 2019. The compensation expense is recorded as part of administrative expenses in the unaudited interim consolidated statement of operations, except for $7.0 million related to management succession and executive retirement expenses recorded in other net losses (see *Note 16(b)* in the unaudited interim consolidated financial statements). The portion of share-based compensation costs capitalized as cost of construction is insignificant.

As at June 30, 2020, total unrecognized compensation costs related to non-vested options and share unit awards were $1.6 million and $13.5 million, respectively, and are expected to be recognized over a period of 1.08 and 1.37 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 six months ended June 30, 2020, the Company granted 948,347 options to executives of the Company. The options allow for the purchase of common shares at a weighted average price of C$16.70, the market price of the underlying common share at the date of grant. During the six months ended June 30, 2020, executives of the Company exercised 2,386,275 stock options at a weighted average exercise price of C$12.52 in exchange for 748,786 common shares issued from treasury and 1,637,489 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 June 30, 2020, a total of 2,058,833 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 employees as part of APUC's long-term incentive program. During the six months ended June 30, 2020, the Company granted (including dividends and performance adjustments) 836,005 PSUs and RSUs to employees of the Company. During the six months ended June 30, 2020, the Company settled 825,859 PSUs, of which 441,342 PSUs were exchanged for common shares issued from treasury and 384,517 PSUs were settled at their cash value as payment for tax withholdings related to the settlement of the PSUs. Additionally, during the six months ended June 30, 2020, a total of 29,729 PSUs were forfeited.

As at June 30, 2020, a combined total of 2,392,460 PSUs and RSUs were granted and outstanding under the PSU and RSU plans. Subsequent to quarter end, 321,752 PSUs were granted to employees of the Company. The PSUs vest on January 1, 2023.

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 six months ended June 30, 2020, the Company issued 43,954 DSUs (including DSUs in lieu of dividends) to the directors of the Company.

As at June 30, 2020, a total of 504,372 DSUs had been granted under the DSU plan.

Bonus Deferral Restricted Share Units

The Company has a bonus deferral RSU 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 RSUs are accounted for as equity awards. During the six months ended June 30, 2020, 119,458 RSUs were issued (including RSUs in lieu of dividends) to employees of the Company. During the six months ended June 30, 2020, the Company settled 13,778 bonus RSUs, of which 6,401 were exchanged for common shares issued from treasury and 7,377 RSUs were settled at their cash value as payment for tax withholdings related to the settlement of the RSUs.

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 common shares reserved for issuance from treasury by APUC under this plan shall not exceed 2,000,000 shares. During the six months ended June 30, 2020, the Company issued 147,834 common shares to employees under the ESPP.

As at June 30, 2020, a total of 1,433,623 shares had been issued under the ESPP.

RELATED PARTY TRANSACTIONS

Equity-method investments

The Company entered into a number of transactions with equity-method investees in 2020 and 2019 (see *Note 6* in the unaudited interim consolidated financial statements).

The Company provides administrative and development services to its equity-method investees and is reimbursed for incurred costs. To that effect, the Company charged its equity-method investees $5.4 million and $9.4 million during the three and six months ended June 30, 2020 as compared to $7.2 million and $12.9 million during the same period in 2019 (see *Note 6(c)* in the unaudited interim consolidated financial statements).

Redeemable non-controlling interest 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 for $305.0 million (see *Note 13* in the unaudited interim consolidated financial statements). Redemption is not considered probable as at June 30, 2020. The Company incurred non-controlling interest attributable to AAGES of $3.4 million and $7.2 million during the three and six months ended June 30, 2020 as compared to $7.1 million and $13.9 million during the same period in 2019 and recorded distributions of $3.6 million and $6.9 million during the three and six months ended June 30, 2020 as compared to $3.8 million and $10.9 million during the same period in 2019 (see *Note 14* in the unaudited interim consolidated financial statements).

Non-controlling interest 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. The Company recorded distributions of $4.8 million and $9.0 million during the three and six months ended June 30, 2020 as compared to $18.0 million and $18.0 million during the same periods in 2019.

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 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, strategic, 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, its subsidiaries and affiliates are encountering or may encounter. Please see the Company's most recent AIF and Annual MD&A available on SEDAR and EDGAR for a more detailed discussion of risk factors to which the company is subject. To the extent of any inconsistency, the risks discussed below are intended to provide an update on those that were previously disclosed.

Risks Related to COVID-19

The COVID-19 situation remains fluid and its full impact on the Company’s business, financial condition, cash flows and results of operations is not fully known at this time. In addition to the risks and impacts described elsewhere in this MD&A, the COVID-19 pandemic and efforts to contain the virus could result in:

- operating, supply chain and project development and construction delays, disruptions and cost overruns;
- delayed collection of accounts receivable and increased levels of bad debt expense;

- delayed placed-in-service dates for the Company's renewable energy projects, which may give rise to, among other things, lower than anticipated revenue, delay-related liabilities to contractual counterparties and increased amounts of interest payable to construction lenders;
- reduced availability of funding under construction loans and tax equity financing, which may require the Company to initially increase its funding and, if possible, directly realize the tax benefits;
- lower revenue from the Company's utility operations, including as a result of decreased consumption by customers not covered by rate decoupling;
- negative impacts to the Company's existing and planned rate reviews, including non-recovery of certain costs incurred directly or indirectly as a result of the COVID-19 pandemic and delays in filing, processing and settlement of the reviews;
- introduction of new legislation, policies, rules or regulations that adversely impact the Company;
- labour shortages and shutdowns (including as a result of government regulation and prevention measures), reduced employee and/or contractor productivity, and loss of key personnel;
- inability to implement the Company's growth strategy, including sourcing new acquisitions and completing previously-announced acquisitions;
- inability to carry out the Company's capital expenditure plans on previously anticipated timelines;
- lower earnings from unhedged power generation as a result of lower wholesale commodity prices in energy markets;
- losses or liabilities resulting from default, delays or non-performance by either the Company or its counterparties under the Company's contracts, including joint venture agreements, supply agreements, construction agreements, services agreements and power purchase and other offtake agreements;
- lower revenue from the Company's power generation facilities as a result of system load reduction and related system directed curtailments;
- delay in the permitting process of certain development projects, affecting the timing of final investment decisions and start of construction dates;
- reduced ability of the Company and its employees to effectively respond to, or mitigate the effects of, another force majeure or other significant event;
- increased operating costs for emergency supplies, personal protective equipment, cleaning services, enabling technology and other specific needs in response to COVID-19, some of which may not be recovered through future rates;
- increased market volatility and lower pension plan returns which could adversely impact the valuation of the plan assets and future funding requirements for the Company's pension plans;
- deterioration in financial metrics and other factors that impact the Company's credit ratings;
- inability to meet the requirements of the covenants in existing credit facilities;
- inability to access credit and capital markets on acceptable terms or at all, including to refinance maturing indebtedness;
- IT and operational technology system interruptions, loss of critical data and increased cybersecurity breaches due to "work from home" arrangements implemented by the Company;
- business disruptions and costs when "work from home" arrangements are reduced and a greater number of employees return to the office;
- losses to the Company caused by fluctuations and volatility in the trading price of Atlantica's ordinary shares or reduction of the dividend paid to holders of Atlantica's ordinary shares; and
- fluctuations and volatility in the trading price of the Company's common shares and other securities, which could result in losses for the Company's security holders.

The COVID-19 pandemic may also have the effect of heightening the other risks described under the heading *Enterprise Risk Management* in the Company's Annual MD&A, and under the heading *Enterprise Risk Factors* in the Company's most recent AIF. The adverse impacts of COVID-19 on the Company can be expected to increase the longer the pandemic and the related response measures persist.

Risks Related to Changes in Laws and Regulations

The operations and activities of the Company and its business units are subject to the laws, regulations, orders and other requirements of a variety of federal, state, provincial and local governments and environmental and other regulatory bodies, which laws, regulations, orders and other requirements affect the operations and activities of, and costs incurred by, the Company. The Company is accordingly subject to risks associated with changing political conditions and changes in, or reinterpretations of, existing laws, orders or regulations, and the imposition of new laws, orders or regulations (including, without limitation, the executive order issued by U.S. President Donald Trump on May 1, 2020 entitled "Securing the United States Bulk-Power System"), any of which could adversely affect the Company's business, results of operations and financial condition.

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 June 30, 2020, 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 no amounts outstanding as at June 30, 2020. As a result, a 100 basis point change in the variable rate charged would not impact interest expense;
- the Regulated Services Credit Facility is subject to a variable interest rate and had no amounts outstanding as at June 30, 2020. As a result, a 100 basis point change in the variable rate charged would not impact interest expense;
- the Regulated Services Group's commercial paper program is subject to a variable interest rate and had $215.0 million outstanding as at June 30, 2020. As a result, a 100 basis point change in the variable rate charged would impact interest expense by $2.2 million annually;
- the Regulated Services Group's delayed draw non-revolving term credit facility is subject to a variable interest rate and had $400.0 million outstanding as at June 30, 2020. As a result, a 100 basis point change in the variable rate charged would impact interest expense by $4.0 million annually;
- the Renewable Energy Credit Facility is subject to a variable interest rate and had $89.0 million outstanding as at June 30, 2020. As a result, a 100 basis point change in the variable rate charged would impact interest expense by $0.9 million annually; and
- the corporate term facilities are subject to a variable interest rate and had $50.0 million outstanding as at June 30, 2020. As a result, a 100 basis point change in the variable rate charged would impact interest expense by $0.5 million annually.

QUARTERLY FINANCIAL INFORMATION

The following is a summary of unaudited quarterly financial information for the eight quarters ended June 30, 2020:

(all dollar amounts in $ millions except per share information)	3rd Quarter 2019	4th Quarter 2019	1st Quarter 2020	2nd Quarter 2020
Revenue	$ 364.4	$ 439.7	$ 464.9	$ 343.6
Net earnings (loss) attributable to shareholders	115.8	172.1	(63.8)	286.2
Net earnings (loss) per share	0.23	0.34	(0.13)	0.54
Diluted net earnings (loss) per share	0.23	0.33	(0.13)	0.53
Adjusted Net Earnings[1]	69.0	103.6	103.3	47.4
Adjusted Net Earnings per share[1]	0.14	0.20	0.19	0.09
Adjusted EBITDA[1]	185.8	231.5	242.2	176.3
Total assets	10,618.9	10,911.5	10,900.6	11,188.0
Long term debt[2]	4,276.6	3,932.2	4,205.1	4,155.1
Dividend declared per common share	$ 0.14	$ 0.14	$ 0.14	$ 0.16

	3rd Quarter 2018	4th Quarter 2018	1st Quarter 2019	2nd Quarter 2019
Revenue	$ 365.6	$ 421.9	$ 477.2	$ 343.6
Net earnings attributable to shareholders	57.9	44.0	86.4	156.6
Net earnings per share	0.12	0.09	0.17	0.31
Diluted net earnings per share	0.12	0.09	0.17	0.31
Adjusted Net Earnings[1]	49.7	70.5	94.1	54.5
Adjusted Net Earnings per share[1]	0.10	0.14	0.19	0.11
Adjusted EBITDA[1]	166.0	198.9	231.5	190.0
Total assets	9,072.6	9,389.6	9,671.3	10,034.3
Long term debt[2]	3,561.3	3,337.3	3,651.9	3,782.3
Dividend declared per common share	$ 0.13	$ 0.13	$ 0.13	$ 0.14

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 $477.2 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 a loss of $63.8 million and earnings of $286.2 million over the prior two year period. Earnings have been significantly impacted by non-cash factors such as deferred tax recovery and expense, impairment of intangibles, property, plant and equipment and mark-to-market gains and losses on financial instruments.

DISCLOSURE CONTROLS AND PROCEDURES

APUC's management carried out an evaluation as of June 30, 2020, under the supervision of and with the participation of APUC's CEO and 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 June 30, 2020, 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 six months ended June 30, 2020, 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* in the unaudited interim consolidated financial statements, respectively.

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

(thousands of U.S. dollars, except per share amounts)	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
Revenue				
Regulated electricity distribution	**$ 163,599**	$ 175,995	**$ 344,298**	$ 381,056
Regulated gas distribution	**78,643**	70,935	**263,237**	248,596
Regulated water reclamation and distribution	**34,883**	32,697	**62,722**	59,483
Non-regulated energy sales	**59,924**	59,777	**126,235**	123,234
Other revenue	**6,589**	4,174	**12,047**	8,434
	343,638	343,578	**808,539**	820,803
Expenses				
Operating expenses	**121,462**	120,187	**249,358**	240,300
Regulated electricity purchased	**42,815**	50,344	**100,048**	119,942
Regulated gas purchased	**19,307**	21,340	**82,920**	100,894
Regulated water purchased	**3,236**	1,785	**5,487**	3,239
Non-regulated energy purchased	**2,741**	2,658	**6,745**	9,579
Administrative expenses	**19,361**	13,524	**35,033**	26,642
Depreciation and amortization	**75,667**	69,813	**154,547**	140,860
Loss (gain) on foreign exchange	**(24)**	1,467	**(4,694)**	934
	284,565	281,118	**629,444**	642,390
Operating income	**59,073**	62,460	**179,095**	178,413
Interest expense	**(44,818)**	(45,840)	**(91,066)**	(88,461)
Income from long-term investments (note 6)	**334,809**	160,662	**172,148**	180,134
Other net losses (note 16)	**(26,940)**	(5,803)	**(27,830)**	(8,367)
Pension and other post-employment non-service costs (note 8)	**(3,617)**	(3,747)	**(6,973)**	(5,040)
Gain on derivative financial instruments (note 21(b)(iv))	**1,389**	409	**1,446**	213
	260,823	105,681	**47,725**	78,479
Earnings before income taxes	**319,896**	168,141	**226,820**	256,892
Income tax expense (note 15)				
Current	**(2,022)**	(4,974)	**(6,109)**	(9,949)
Deferred	**(44,896)**	(15,831)	**(27,106)**	(25,687)
	(46,918)	(20,805)	**(33,215)**	(35,636)
Net earnings	**272,978**	147,336	**193,605**	221,256
Net effect of non-controlling interests (note 14)				
Non-controlling interests	**16,634**	16,361	**35,976**	35,689
Non-controlling interests held by related party	**(3,393)**	(7,072)	**(7,159)**	(13,914)
	$ 13,241	$ 9,289	**$ 28,817**	$ 21,775
Net earnings attributable to shareholders of Algonquin Power & Utilities Corp.	**$ 286,219**	$ 156,625	**$ 222,422**	$ 243,031
Series A and D Preferred shares dividend (note 12)	**2,017**	2,109	**4,157**	4,215
Net earnings attributable to common shareholders of Algonquin Power & Utilities Corp.	**$ 284,202**	$ 154,516	**$ 218,265**	$ 238,816
Basic net earnings per share (note 17)	**$ 0.54**	$ 0.31	**$ 0.41**	$ 0.49
Diluted net earnings per share (note 17)	**$ 0.53**	$ 0.31	**$ 0.41**	$ 0.48

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 June 30		Six months ended June 30	
	2020	**2019**	**2020**	**2019**
Net earnings	**$ 272,978**	$ 147,336	**$ 193,605**	$ 221,256
Other comprehensive income (loss) ("OCI"):				
Foreign currency translation adjustment, net of tax recovery of $2,921 and tax expense of $2,782 (2019 - tax recovery of $365 and $112), respectively (notes 21(b)(iii) and 21(b)(iv))	**8,573**	(2,859)	**(28,057)**	11,955
Change in fair value of cash flow hedges, net of tax recovery of $2,302 and $7,389 (2019 - tax expense of $4,682 and $5,200), respectively (note 21(b)(ii))	**(6,213)**	12,167	**(20,301)**	13,630
Change in pension and other post-employment benefits, net of tax expense of $22 and tax recovery of $9 (2019 - tax expense of $141 and $50), respectively (note 8)	**55**	209	**(21)**	(45)
Other comprehensive income (loss), net of tax	**2,415**	9,517	**(48,379)**	25,540
Comprehensive income	**275,393**	156,853	**145,226**	246,796
Comprehensive loss attributable to the non-controlling interests	**(11,295)**	(6,601)	**(32,931)**	(19,070)
Comprehensive income attributable to shareholders of Algonquin Power & Utilities Corp.	**$ 286,688**	$ 163,454	**$ 178,157**	$ 265,866

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp.
Unaudited Interim Consolidated Balance Sheets

(thousands of U.S. dollars)

	June 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 60,314**	$ 62,485
Accounts receivable, net (note 4)	**198,571**	259,144
Fuel and natural gas in storage	**27,745**	30,804
Supplies and consumables inventory	**81,275**	60,295
Regulatory assets (note 5)	**43,558**	50,213
Prepaid expenses	**35,624**	29,003
Derivative instruments (note 21)	**13,902**	13,483
Other assets	**5,448**	7,764
	466,437	513,191
Property, plant and equipment, net	**7,142,863**	7,231,664
Intangible assets, net	**51,723**	47,616
Goodwill	**1,024,793**	1,031,696
Regulatory assets (note 5)	**710,083**	509,674
Long-term investments (note 6)		
Investments carried at fair value	**1,417,524**	1,294,147
Other long-term investments	**227,871**	121,968
Derivative instruments (note 21)	**58,729**	72,221
Deferred income taxes	**29,220**	30,585
Other assets	**58,785**	58,708
	$ 11,188,028	$10,911,470

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp.
Unaudited Interim Consolidated Balance Sheets

(thousands of U.S. dollars)

	June 30, 2020	December 31, 2019
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	**$ 92,984**	$ 150,336
Accrued liabilities	**207,395**	307,952
Dividends payable (note 12)	**83,291**	73,945
Regulatory liabilities (note 5)	**31,720**	41,683
Long-term debt (note 7)	**221,827**	225,013
Other long-term liabilities (note 9)	**56,944**	57,939
Derivative instruments (note 21)	**46,650**	5,898
Other liabilities	**8,159**	9,300
	748,970	872,066
Long-term debt (note 7)	**3,932,949**	3,706,855
Regulatory liabilities (note 5)	**577,106**	556,379
Deferred income taxes	**515,915**	491,538
Derivative instruments (note 21)	**72,951**	78,766
Pension and other post-employment benefits obligation	**221,961**	224,094
Other long-term liabilities (note 9)	**262,989**	243,401
	6,332,841	6,173,099
Redeemable non-controlling interests (note 14)		
Redeemable non-controlling interest, held by related party (note 13(b))	**306,150**	305,863
Redeemable non-controlling interests	**25,708**	25,913
	331,858	331,776
Equity:		
Preferred shares	**184,299**	184,299
Common shares (note 10(a))	**4,181,365**	4,017,044
Additional paid-in capital	**51,834**	50,579
Deficit	**(323,404)**	(367,107)
Accumulated other comprehensive loss ("AOCI") (note 11)	**(54,026)**	(9,761)
Total equity attributable to shareholders of Algonquin Power & Utilities Corp.	**4,040,068**	3,875,054
Non-controlling interests		
Non-controlling interests	**422,070**	457,834
Non-controlling interest, held by related party (note 13(c))	**61,191**	73,707
	483,261	531,541
Total equity	**4,523,329**	4,406,595
Commitments and contingencies (note 19)		
Subsequent events (notes 5, 6, 10, 16 and 21)		
	$ 11,188,028	$10,911,470

See accompanying notes to unaudited interim consolidated financial statements

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

(thousands of U.S. dollars)
For the three months ended June 30, 2020

	Algonquin Power & Utilities Corp. Shareholders						
	Common shares	Preferred shares	Additional paid-in capital	Accumulated deficit	Accumulated OCI	Non-controlling interests	Total
Balance, March 31, 2020	$ 4,050,902	$ 184,299	$ 41,332	$ (521,314)	$ (54,495)	$ 503,344	$ 4,204,068
Net earnings (loss)	—	—	—	286,219	—	(13,241)	272,978
Redeemable non-controlling interests not included in equity (note 14)	—	—	—	—	—	(1,637)	(1,637)
Other comprehensive loss	—	—	—		469	1,946	2,415
Dividends declared and distributions to non-controlling interests	—	—	—	(76,992)	—	(7,151)	(84,143)
Dividends and issuance of shares under dividend reinvestment plan	8,871	—	—	(8,871)	—	—	—
Common shares issued upon public offering, net of cost	118,300	—	—	—	—	—	118,300
Issuance of common shares under employee share purchase plan	1,165	—	—	—	—	—	1,165
Share-based compensation	—	—	11,056	—	—	—	11,056
Common shares issued pursuant to share-based awards	2,127	—	(554)	(2,446)	—	—	(873)
Balance, June 30, 2020	$ 4,181,365	$ 184,299	$ 51,834	$ (323,404)	$ (54,026)	$ 483,261	$ 4,523,329

See accompanying notes to unaudited interim consolidated financial statements

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

(thousands of U.S. dollars)
For the three months ended June 30, 2019

	Algonquin Power & Utilities Corp. Shareholders						
	Common shares	Preferred shares	Additional paid-in capital	Accumulated deficit	Accumulated OCI	Non-controlling interests	Total
Balance, March 31, 2019	$3,590,351	$ 184,299	$ 41,005	$ (583,992)	$ (3,193)	$ 504,301	$3,732,771
Net earnings (loss)	—	—	—	156,625	—	(9,289)	147,336
Redeemable non-controlling interests not included in equity (note 14)	—	—	—	—	—	(4,731)	(4,731)
Other comprehensive income	—	—	—	—	6,829	2,688	9,517
Dividends declared and distributions to non-controlling interests	—	—	—	(54,038)	—	(20,577)	(74,615)
Dividends and issuance of shares under dividend reinvestment plan	17,939	—	—	(17,939)	—	—	—
Contributions received from non-controlling interests	—	—	—	—	—	96,753	96,753
Common shares issued upon conversion of convertible debentures	60	—	—	—	—	—	60
Common shares issued upon public offering, net of cost	5,093	—	—	—	—	—	5,093
Share-based compensation	—	—	4,409	—	—	—	4,409
Common shares issued pursuant to share-based awards	577	—	—	—	—	—	577
Balance, June 30, 2019	$3,614,020	$ 184,299	$ 45,414	$ (499,344)	$ 3,636	$ 569,145	$3,917,170

See accompanying notes to unaudited interim consolidated financial statements

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

(thousands of U.S. dollars)
For the six months ended June 30, 2020

	Algonquin Power & Utilities Corp. Shareholders						
	Common shares	Preferred shares	Additional paid-in capital	Accumulated deficit	Accumulated OCI	Non-controlling interests	Total
Balance, December 31, 2019	$ 4,017,044	$ 184,299	$ 50,579	$ (367,107)	$ (9,761)	$ 531,541	$ 4,406,595
Net earnings (loss)	—	—	—	222,422	—	(28,817)	193,605
Redeemable non-controlling interests not included in equity (note 14)	—	—	—	—	—	(3,684)	(3,684)
Other comprehensive loss	—	—	—	—	(44,265)	(4,114)	(48,379)
Dividends declared and distributions to non-controlling interests	—	—	—	(136,811)	—	(15,036)	(151,847)
Dividends and issuance of shares under dividend reinvestment plan	25,822	—	—	(25,822)	—	—	—
Contributions received from non-controlling interests	—	—	—	—	—	3,371	3,371
Common shares issued upon conversion of convertible debentures	12	—	—	—	—	—	12
Common shares issued upon public offering, net of cost	118,300	—	—	—	—	—	118,300
Issuance of common shares under employee share purchase plan	1,958	—	—	—	—	—	1,958
Share-based compensation	—	—	12,509	—	—	—	12,509
Common shares issued pursuant to share-based awards	18,229	—	(11,254)	(16,086)	—	—	(9,111)
Balance, June 30, 2020	$ 4,181,365	$ 184,299	$ 51,834	$ (323,404)	$ (54,026)	$ 483,261	$ 4,523,329

See accompanying notes to unaudited interim consolidated financial statements

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

(thousands of U.S. dollars)
For the six months ended June 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	—	—	—	(186)	186	—	—
Net earnings (loss)	—	—	—	243,031	—	(21,775)	221,256
Redeemable non-controlling interests not included in equity (note 14)	—	—	—	—	—	(9,267)	(9,267)
Other comprehensive income	—	—	—	—	22,835	2,705	25,540
Dividends declared and distributions to non-controlling interests	—	—	—	(103,917)	—	(22,732)	(126,649)
Dividends and issuance of shares under dividend reinvestment plan	33,447	—	—	(33,447)	—	—	—
Contributions received from non-controlling interests	—	—	—	—	—	100,318	100,318
Common shares issued upon conversion of convertible debentures	90	—	—	—	—	—	90
Common shares issued upon public offering, net of cost	5,093	—	—	—	—	—	5,093
Share-based compensation	—	—	6,308	—	—	—	6,308
Common shares issued pursuant to share-based awards	12,972	—	(6,447)	(9,566)	—	—	(3,041)
Balance, June 30, 2019	$3,614,020	$ 184,299	$ 45,414	$ (499,344)	$ 3,636	$ 569,145	$3,917,170

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 June 30		Six months ended June 30	
	2020	2019	**2020**	2019
Cash provided by (used in):				
Operating Activities				
Net earnings	**$ 272,978**	$ 147,336	**$ 193,605**	$ 221,256
Adjustments and items not affecting cash:				
Depreciation and amortization	**75,667**	69,813	**154,547**	140,860
Deferred taxes	**44,896**	15,831	**27,106**	25,687
Unrealized gain (loss) on derivative financial instruments	**(1,940)**	9,144	**(2,179)**	9,675
Share-based compensation expense	**9,997**	2,566	**11,640**	4,473
Cost of equity funds used for construction purposes	**(1,036)**	(698)	**(2,037)**	(1,160)
Change in value of investments carried at fair value	**(309,725)**	(119,856)	**(118,967)**	(114,038)
Pension and post-employment expense in excess of (lower than) contributions	**(1,599)**	434	**2,784**	3,231
Distributions received from equity investments, net of income	**1,258**	2,629	**2,072**	4,693
Others	**(131)**	(382)	**(2,141)**	523
Changes in non-cash operating items (note 20)	**52,569**	6,775	**(56,629)**	(39,487)
	142,934	133,592	**209,801**	255,713
Financing Activities				
Increase in long-term debt	**603,925**	1,488,244	**1,336,655**	2,110,785
Decrease in long-term debt	**(688,219)**	(1,372,856)	**(1,073,168)**	(1,689,224)
Issuance of common shares, net of costs	**119,492**	5,974	**120,257**	6,367
Cash dividends on common shares	**(65,236)**	(47,504)	**(122,568)**	(92,214)
Dividends on preferred shares	**(2,017)**	—	**(4,157)**	(2,106)
Contributions from non-controlling interests, related party	**—**	96,752	**—**	96,752
Contributions from non-controlling interests and redeemable non-controlling interests (note 14)	**2,649**	475	**2,649**	475
Production-based cash contributions from non-controlling interest	**—**	—	**3,371**	3,565
Distributions to non-controlling interests, related party (note 13(b) and (c))	**(8,405)**	(3,773)	**(15,912)**	(10,867)
Distributions to non-controlling interests	**(3,148)**	(3,284)	**(7,225)**	(5,520)
Payments upon settlement of derivatives	**—**	—	**—**	(8,732)
Shares surrendered to fund withholding taxes on exercised share options	**(4,644)**	(3,941)	**(4,644)**	(3,941)
Increase in other long-term liabilities	**4,801**	774	**7,201**	4,052
Decrease in other long-term liabilities	**(3,054)**	(11,334)	**(5,026)**	(13,779)
	(43,856)	149,527	**237,433**	395,613
Investing Activities				
Additions to property, plant and equipment and intangible assets	**(186,407)**	(105,664)	**(342,309)**	(213,050)
Increase in long-term investments	**(44,078)**	(184,887)	**(105,167)**	(415,687)
Acquisitions of operating entities	**(7,285)**	—	**(3,051)**	(1,350)
Increase in other assets	**(2,398)**	(11,975)	**(7,764)**	(13,011)
Receipt of principal on development loans receivable	**1,239**	—	**10,954**	10,601
Proceeds from sale of long-lived assets	**—**	—	**415**	—
	(238,929)	(302,526)	**(446,922)**	(632,497)
Effect of exchange rate differences on cash and restricted cash	**2,730**	566	**(1,750)**	725
Increase (decrease) in cash, cash equivalents and restricted cash	**(137,121)**	(18,841)	**(1,438)**	19,554
Cash, cash equivalents and restricted cash, beginning of period	**222,955**	104,168	**87,272**	65,773
Cash, cash equivalents and restricted cash, end of period	**$ 85,834**	$ 85,327	**$ 85,834**	$ 85,327

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

(thousands of U.S. dollars)	Three months ended June 30		Six months ended June 30	
	2020	**2019**	**2020**	**2019**
Supplemental disclosure of cash flow information:				
Cash paid during the period for interest expense	**$ 54,781**	$ 46,180	**$ 99,588**	$ 83,324
Cash paid during the period for income taxes	**$ 877**	$ 10,192	**$ 1,924**	$ 9,538
Non-cash financing and investing activities:				
Property, plant and equipment acquisitions in accruals	**$ 51,634**	$ 29,207	**$ 51,634**	$ 29,207
Issuance of common shares under dividend reinvestment plan and share-based compensation plans	**$ 12,165**	$ 17,969	**$ 46,012**	$ 45,193
Issuance of common shares upon conversion of convertible debentures	**$ —**	$ 64	**$ 12**	$ 94

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp. ("APUC" or the "Company") is an incorporated entity under the *Canada Business Corporations Act*. APUC's operations are organized across two primary business units consisting of the Regulated Services Group and the Renewable Energy Group. The Regulated Services Group owns and operates a portfolio of regulated electric, natural gas, water distribution and wastewater collection utility systems and transmission operations in the United States and Canada; the Renewable Energy Group owns and operates a diversified portfolio of non-regulated renewable and thermal electric generation 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 follow disclosure required under 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, 2019, except for adopted accounting policies described in note 2(a) and note 1(e).

(b) COVID-19 Pandemic

The preparation of these unaudited interim consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

The ongoing outbreak of the novel strain of coronavirus ("COVID-19") has resulted in business suspensions and shutdowns that has caused changes in consumption patterns of the Company's customers. Force majeure or similar notices have been received from suppliers and/or contractors for all of the Company's major renewable energy construction projects. Certain manufacturing, transportation and delivery delays have occurred, and similar future disruptions are possible due to COVID-19. However, the U.S. Internal Revenue Service recently extended by one year the "continuity safe harbor" deadline by which renewable projects must be placed in service to qualify for the maximum permissible U.S. federal tax credits. The Company's business, financial condition, cash flows and results of operations, are subject to actual and potential future impacts resulting from COVID-19, the full extent of which is not currently known. The Company has made estimates of the impact of COVID-19 within its financial statements and there may be changes to those estimates in future periods.

(c) 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 applicable regulatory authority 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.

1. Significant accounting policies (continued)

(d) Foreign currency translation

APUC's reporting currency is the U.S. dollar. Within these unaudited interim consolidated financial statements, the Company denotes any amounts denominated in Canadian dollars with "C$" immediately prior to the stated amount.

Effective January 1, 2020, the functional currency of APUC, the non-consolidated parent entity, changed from the Canadian dollar to the U.S. dollar based on a balance of facts taking into consideration its operating, financing and investing activities. As a result of the entity's change of functional currency, changes were made to certain hedging relationships to mitigate the remaining Canadian dollar risk (note 21(b)(iii)).

(e) Current expected credit losses

The Company adopted the U.S. Financial Accounting Standards Board ("FASB") *Financial Instrument — Credit Losses Topic 326* ("ASC 326") in the first quarter of 2020 using a modified retrospective approach. The Company has trade accounts receivable and loans receivable from its equity method investees in both the Regulated Services and Renewable Energy Group. New allowance policies were implemented for the Company's loans receivable and the Renewable Energy Group's trade accounts receivable. The impact to the Company's bad debt expense upon adoption was not significant.

2. Recently issued accounting pronouncements

(a) Recently adopted accounting pronouncements

The FASB issued accounting standards update ("ASU") *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606* to reduce diversity in practice on how entities account for transactions on the basis of different views of the economics of a collaborative arrangement. The adoption of this Update during the first quarter did not have an impact on the unaudited interim consolidated financial statements.

The FASB issued ASU 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* to improve general purpose financial reporting. The update clarifies that indirect interests held through related parties in common control arrangements should be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests. The adoption of this Update during the first quarter did not have an impact on the unaudited interim consolidated financial statements.

The FASB issued ASU 2017-04, *Business Combinations (Topic 350): Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The update is intended to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measured a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Under the amendments in this update, the impairment loss will be measured as the amount by which the carrying amount of the reporting unit exceeds the reporting unit's fair value. The Company will follow the pronouncements prospectively for goodwill impairment testing.

The FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The adoption of this topic in the first quarter did not have a significant impact on the unaudited interim consolidated financial statements (note 1(e)).

(b) Recently issued accounting guidance not yet adopted

The FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* that provides optional expedients and exceptions to ease the potential burden in accounting for reference rate reform. The amendments apply to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of the reference rate reform. The amendments in this Update are effective for all entities as of March 12, 2020 through December 31, 2022. The Company is currently assessing the impact of the reference rate reform and this Update.

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

3. Business acquisitions

Acquisition of Enbridge Gas New Brunswick Limited Partnership & St. Lawrence Gas Company, Inc.

The Company completed the acquisition of Enbridge Gas New Brunswick Limited Partnership ("New Brunswick Gas") on October 1, 2019, and St. Lawrence Gas Company, Inc. ("St. Lawrence Gas") on November 1, 2019. New Brunswick Gas is a regulated utility that provides natural gas. The purchase price recorded in 2019 was $256,011 (C$339,036). A closing adjustment of $3,904 (C$5,447) was made in 2020. St. Lawrence Gas is a regulated utility that provides natural gas in northern New York State. The total purchase price recorded in 2019 for the transaction was $61,820. A closing adjustment of $120 was made in 2020. In both cases, the adjustment reduced goodwill.

The determination of the fair value of assets acquired and liabilities assumed is based upon management's preliminary estimates and certain assumptions. Due to the timing of the acquisitions, the Company has not finalized the fair value measurements.

4. Accounts receivable

Accounts receivable as of June 30, 2020 include unbilled revenue of $48,680 (December 31, 2019 - $80,295) from the Company's regulated utilities. Accounts receivable as of June 30, 2020 are presented net of allowance for doubtful accounts of $10,555 (December 31, 2019 - $4,939).

5. Regulatory matters

The operating companies within the Regulated Services Group are subject to regulation by the public utility commissions of the states and provinces 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 authorities. The Company's regulated utility operating companies are accounted for under the principles of ASC 980. Under ASC 980, regulatory assets and liabilities that would not be recorded under U.S. GAAP for non-regulated entities are recorded to the extent that they represent probable future revenue or expenses associated with certain charges or credits that will be recovered from or refunded to customers through the rate setting process.

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

Utility	State	Regulatory proceeding type	Annual revenue increase	Effective date
Energy North Gas System	New Hampshire	Cast Iron/Bare Steel Replacement Program Results	$1,613	July 1, 2020
Granite State Electric System	New Hampshire	General Rate Review	$5,474	July 1, 2020. The regulator also approved a one-time recoupment of $1,836 for the difference between the final rates and temporary rate increase of $2,093 granted on July 1, 2019.
Peach State Gas System	Georgia	General Rate Review	$1,566	August 1, 2020

Subsequent to quarter end, the Public Service Commission of the State of Missouri issued an Order in regards to the general rate review of Empire Electric (Missouri System) resulting in an estimated annual increase in revenue of $992, subject to final regulatory approval.

(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:

	June 30, 2020	December 31, 2019
Regulatory assets		
Retired generating plant (a)	**$ 196,476**	$ —
Environmental remediation	**88,914**	82,300
Pension and post-employment benefits	**136,901**	143,292
Income taxes	**73,662**	71,506
Debt premium	**38,462**	42,150
Fuel and commodity cost adjustments	**7,736**	23,433
Rate adjustment mechanism	**77,173**	69,121
Clean energy and other customer programs	**26,510**	26,369
Deferred capitalized costs	**37,920**	38,833
Asset retirement obligation	**25,631**	23,841
Long-term maintenance contract	**14,913**	13,264
Rate review costs	**7,000**	6,695
Other	**22,343**	19,083
Total regulatory assets	**$ 753,641**	$ 559,887
Less: current regulatory assets	**(43,558)**	(50,213)
Non-current regulatory assets	**$ 710,083**	$ 509,674
Regulatory liabilities		
Income taxes	**$ 331,991**	$ 321,960
Cost of removal	**195,277**	196,423
Rate base offset	**7,342**	8,719
Fuel and commodity costs adjustments	**19,090**	16,645
Rate adjustment mechanism	**4,514**	10,446
Deferred capitalized costs - fuel related	**7,017**	7,097
Pension and post-employment benefits	**24,460**	22,256
Other (a)	**19,135**	14,516
Total regulatory liabilities	**$ 608,826**	$ 598,062
Less: current regulatory liabilities	**(31,720)**	(41,683)
Non-current regulatory liabilities	**$ 577,106**	$ 556,379

(a) Retired generating plant

On March 1, 2020, the Company's 200 MW coal generation facility located in Asbury, Missouri, ceased operations. The Company transferred the remaining net book value of Asbury's plant retired from plant in-service to a regulatory asset. The ultimate valuation of the regulatory asset will be determined in future commission orders. The Company is also assessing the decommissioning requirements associated with the retirement of the facility. Per commission orders in three of its jurisdictions, the Company is required to track the impact of Asbury's retirement on rates for consideration in the next rate case. The Company expects to defer such amounts collected from customers until new rates become effective. The accrual for this estimated amount includes revenues collected related to Asbury that will be subject to a future rate review proceeding and possible refund to customers. The ultimate resolution of this matter is uncertain.

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

6. Long-term investments

Long-term investments consist of the following:

	June 30, 2020	December 31, 2019
Long-term investments carried at fair value		
Atlantica (a)	**$ 1,307,814**	$ 1,178,581
Atlantica Yield Energy Solutions Canada Inc.	**83,060**	88,494
San Antonio Water System (b)	**26,650**	27,072
	$ 1,417,524	$ 1,294,147
Other long-term investments		
Equity-method investees (c)	**$ 119,798**	$ 83,497
Development loans receivable from equity-method investees	**103,134**	36,204
Other	**4,939**	2,267
Total other long-term investments	**$ 227,871**	$ 121,968

Income (loss) from long-term investments from the three and six months ended June 30 is as follows:

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Fair value gain (loss) on investments carried at fair value				
Atlantica	**$ 305,606**	$ 136,809	**$ 120,212**	$ 130,991
Atlantica Yield Energy Solutions Canada Inc.	**2,897**	(15,415)	**(1,245)**	(15,415)
San Antonio Water System	**1,339**	—	**117**	—
	$ 309,842	$ 121,394	**$ 119,084**	$ 115,576
Dividend and interest income from investments carried at fair value				
Atlantica	**$ 18,426**	$ 17,527	**$ 36,852**	$ 32,904
Atlantica Yield Energy Solutions Canada Inc.	**4,813**	17,629	**8,717**	17,629
San Antonio Water System	**1,065**	—	**2,113**	—
	$ 24,304	$ 35,156	**$ 47,682**	$ 50,533
Other long-term investments				
Equity method loss	**(1,326)**	(2,620)	**(2,124)**	(4,726)
Interest and other income	**1,989**	6,732	**7,506**	18,751
	$ 334,809	$ 160,662	**$ 172,148**	$ 180,134

(a) Investment in Atlantica

AAGES (AY Holdings) B.V. ("AY Holdings"), an entity controlled and consolidated by APUC, has a share ownership in Atlantica Yield plc ("Atlantica") of approximately 44.2% (December 31, 2019 - 44.2%). APUC has the flexibility, subject to certain conditions, to increase its ownership of Atlantica up to 48.5%. The shares were purchased at a cost of $1,036,414. The Company accounts for its investment in Atlantica at fair value, with changes in fair value reflected in the unaudited interim consolidated statements of operations.

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

6. Long-term investments (continued)

(b) San Antonio Water System

On December 30, 2019, the Company and a third-party each contributed C$1,500 to the capital of a new joint venture, created for the purpose of investing in infrastructure opportunities. The Company sold its investment in Abengoa Water USA, LLC to the joint venture and has elected the fair value option under ASC 825, *Financial Instruments* to account for its investment in the joint venture, with changes in fair value reflected in the unaudited interim consolidated statements of operations.

Subsequent to quarter end, on July 2, 2020, APUC acquired the third-party developer's 50% interest in the joint venture for C$1,581.

(c) Equity-method investees

The Company has non-controlling interests in various partnerships and joint ventures with a total carrying value of $119,798 (December 31, 2019 - $83,497) including investments in variable interest entities ("VIEs") of $97,220 (December 31, 2019 - $59,091).

Summarized combined information for APUC's investments in significant partnerships and joint ventures is as follows:

	June 30, 2020	December 31, 2019
Total assets	**$ 1,686,942**	$ 833,791
Total liabilities	**1,496,166**	697,751
Net assets	**190,776**	136,040
APUC's ownership interest in the entities	**98,645**	63,624
Difference between investment carrying amount and underlying equity in net assets[(a)]	**21,153**	18,487
APUC's investment carrying amount for the entities	**$ 119,798**	$ 82,111

[(a)] The difference between the investment carrying amount and the underlying equity in net assets relates primarily to interest capitalized while the projects are under construction, the fair value of guarantees provided by the Company in regards to the investments, development fees and transaction costs.

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 amounts necessary for the continued development and construction of the equity investees' projects. As of June 30, 2020, the Company had issued letters of credit and guarantees of obligations: under a security of performance for a development opportunity; wind turbine or solar panel supply agreements; engineering, procurement, and construction agreements; purchase and sale agreements; interconnection agreements; energy purchase agreements; renewable energy credit agreements; equity capital contribution agreements; landowner agreements; and construction loan agreement. The fair value of the support provided recorded as at June 30, 2020 amounts to $10,898 (December 31, 2019 - $9,493). The Company is not considered the primary beneficiary of these entities as the partners have joint control and all decisions must be unanimous. Therefore, the Company accounts for its interest in these VIEs using the equity method.

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

6. Long-term investments (continued)

(c) Equity-method investees

Summarized combined information for APUC's VIEs is as follows:

	June 30, 2020	December 31, 2019
APUC's maximum exposure in regards to VIEs		
Carrying amount	**$ 97,220**	$ 59,091
Development loans receivable	**102,418**	35,000
Commitments on behalf of VIEs	**1,101,377**	1,364,871
	$ 1,301,015	$ 1,458,962

The commitments are presented on a gross basis assuming no recoverable value in the assets of the VIEs. The majority of the amounts committed on behalf of VIEs in the above relate to wind turbine or solar panel supply agreements as well as engineering, procurement, and construction agreements.

7. Long-term debt

Long-term debt consists of the following:

Borrowing type	Weighted average coupon	Maturity	Par value	June 30, 2020	December 31, 2019
Senior unsecured revolving credit facilities (a)	—	2023-2024	N/A	**$ 89,000**	$ 141,577
Senior unsecured bank credit facilities (b)	—	2020-2021	N/A	**458,510**	75,000
Commercial paper	—	2020	N/A	**215,000**	218,000
U.S. dollar borrowings					
Senior unsecured notes (c)	4.21%	2020-2047	$ 1,125,000	**1,120,004**	1,219,579
Senior unsecured utility notes	6.01%	2020-2035	$ 212,000	**227,956**	233,686
Senior secured utility bonds (d)	4.71%	2026-2044	$ 556,000	**562,913**	672,337
Canadian dollar borrowings					
Senior unsecured notes (e)	4.28%	2021-2050	C$1,150,669	**840,337**	728,679
Senior secured project notes	10.21%	2027	C$ 27,098	**19,870**	21,961
				$ 3,533,590	$ 3,310,819
Subordinated U.S. dollar borrowings					
Subordinated unsecured notes	6.50%	2078-2079	$ 637,500	**621,186**	621,049
				$ 4,154,776	$ 3,931,868
Less: current portion				**(221,827)**	(225,013)
				$ 3,932,949	$ 3,706,855

Short-term obligations of $659,558 that are expected to be refinanced using the long-term credit facilities are presented as long-term debt.

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.

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

7. Long-term debt (continued)

Recent financing activities:

(a) Senior unsecured revolving credit facilities

On February 24, 2020, the Renewable Energy Group increased its uncommitted letter of credit facility to $350,000 and extended the maturity to June 30, 2021.

(b) Senior unsecured bank credit facilities

Given the uncertainty caused by the COVID-19 pandemic, the Company secured additional liquidity as an additional margin of safety intended to ensure the Company can continue to move forward with its 2020 capital expenditure program and committed acquisitions independent of the state of the capital markets. The additional liquidity is in the form of three new senior unsecured delayed draw non-revolving credit facilities for a total of $1,600,000 maturing in April, 2021. As at June 30, 2020, there was $400,000 drawn on these facilities.

(c) Senior unsecured notes

On April 30, 2020, the Company repaid, upon its maturity, a $100,000 unsecured note.

(d) Senior secured utility bonds

On June 1, 2020, the Company repaid, upon its maturity, a $100,000 secured utility bond at Empire.

(e) Canadian dollar senior unsecured notes

On February 14, 2020, the Regulated Services Group issued C$200,000 senior unsecured debentures bearing interest at 3.315% with a maturity date of February 14, 2050. The debentures are redeemable at the option of the Company at a price based on a make-whole provision.

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 for the three and six-month periods ended June 30:

	Pension benefits			
	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Service cost	$ **4,136**	$ 2,795	$ **7,703**	$ 6,060
Non-service costs				
Interest cost	**4,112**	3,670	**8,903**	8,429
Expected return on plan assets	**(6,261)**	(3,088)	**(12,510)**	(10,211)
Amortization of net actuarial loss	**1,145**	2,060	**2,290**	1,744
Amortization of prior service credits	**(402)**	(412)	**(804)**	(390)
Amortization of regulatory assets/liabilities	**4,769**	1,194	**8,307**	4,271
	$ **3,363**	$ 3,424	$ **6,186**	$ 3,843
Net benefit cost	$ **7,499**	$ 6,219	$ **13,889**	$ 9,903

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

8. Pension and other post-employment benefits (continued)

	OPEB			
	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Service cost	**$ 1,466**	$ 1,203	**$ 2,933**	$ 2,402
Non-service costs				
Interest cost	**1,755**	1,834	**3,574**	3,618
Expected return on plan assets	**(2,193)**	(1,371)	**(4,385)**	(3,301)
Amortization of net actuarial gain	**(14)**	(424)	**(27)**	(476)
Amortization of prior service credits	**—**	(10)	**—**	(105)
Amortization of regulatory assets/liabilities	**706**	294	**1,625**	1,461
	$ 254	$ 323	**$ 787**	$ 1,197
Net benefit cost	**$ 1,720**	$ 1,526	**$ 3,720**	$ 3,599

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 cost are considered non-service costs and have been included outside of operating income in the unaudited interim consolidated statements of operations.

9. Other long-term liabilities

Other long-term liabilities consist of the following:

	June 30, 2020	December 31, 2019
Advances in aid of construction	**$ 62,664**	$ 60,828
Environmental remediation obligation	**66,446**	58,061
Asset retirement obligations	**54,794**	53,879
Customer deposits	**31,708**	31,946
Unamortized investment tax credits	**18,051**	18,234
Deferred credits	**18,856**	18,952
Contingent development support obligations	**10,898**	9,446
Preferred shares, Series C	**12,975**	13,793
Lease liabilities	**14,248**	9,695
Other	**29,293**	26,506
	$ 319,933	$ 301,340
Less: current portion	**(56,944)**	(57,939)
	$ 262,989	$ 243,401

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

10. Shareholders' capital

(a) Common shares

Number of common shares

	Six months ended June 30	
	2020	**2019**
Common shares, beginning of period	**524,223,323**	488,851,433
Public offering	**8,664,563**	509,431
Dividend reinvestment plan	**1,911,697**	3,225,749
Exercise of share-based awards (b)	**1,344,375**	886,931
Conversion of convertible debentures	**1,509**	11,883
Common shares, end of period	**536,145,467**	493,485,427

On May 15, 2020, APUC re-established its at-the-market equity program ("ATM program") that allows the Company to issue up to $500,000 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 quarter, the Company issued 8,664,563 common shares under the ATM program at an average price of $13.92 per common share for gross proceeds of $120,634 ($119,126 net of commissions). Other related costs, primarily related to the re-establishment of the ATM program, were $761.

Since the initial launch of the ATM program in February 2019, the Company has issued an aggregate of 10,421,362 common shares under the ATM program at an average price of $13.69 per share for gross proceeds of $142,668 ($140,830 net of commissions). Other related costs, primarily related to the establishment and re-establishment, as applicable, of the ATM program, were $2,883.

Subsequent to quarter end, on July 17, 2020, APUC issued 57,465,500 common shares at $12.60 (C$17.10) per share pursuant to agreements with a syndicate of underwriters and an institutional investor for gross proceeds of $723,926 (C$982,660) before issuance costs of $24,294 (C$32,977). Forward contracts were used to manage the Canadian dollar risk (note 21(b)(iv)).

(b) Share-based compensation

For the three and six months ended June 30, 2020, APUC recorded $9,997 and $11,640 (2019 - $2,566 and $4,473) in total share-based compensation expense. The compensation expense is recorded as part of administrative expenses in the unaudited interim consolidated statements of operations, except for $6,952 related to management succession and executive retirement expenses discussed below which was recorded in other net losses (note 16(b)). The portion of share-based compensation costs capitalized as cost of construction is insignificant.

As of June 30, 2020, total unrecognized compensation costs related to non-vested options and PSUs were $1,639 and $13,482, respectively, and are expected to be recognized over a period of 1.08 and 1.37 years, respectively.

Management succession and executive retirements:

On February 5, 2020, the Company announced succession plans for the role of Chief Executive Officer ('CEO") and the retirements of the Chief Financial Officer ("CFO") and Vice Chair in 2020 and 2021 respectively. In order to facilitate an orderly and planned transition, the Company entered into Retirement Agreements with Messrs. Robertson, Bronicheski, and Jarratt. Mr. Robertson retired subsequent to quarter end on July 17, 2020. The Retirement Agreements with Messrs. Bronicheski and Jarratt provide that they will retire on September 18, 2020 and a date subsequent to February 10, 2021 respectively.

Retirement restricted share units ("RSUs") are being granted to Messrs. Robertson, Jarratt and Bronicheski. The retirement RSUs vest on each executive's respective retirement date and settle at various times between the first and fifth anniversary of the day of grant. The compensation cost is recorded over the period from the effective date of the retirement agreement to the retirement date. For the three and six months ended June 30, 2020, the Company recorded compensation cost of $3,049 in other net losses.

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

10. Shareholders' capital (continued)

(b) Share-based compensation (continued)

All unvested PSUs held by an executive will remain outstanding. All options held by an executive will continue to vest and be exercisable as if the executive were still employed until such Options otherwise expire in accordance with their terms and conditions. The fair value of these PSUs and options is being recognized over their vesting period. As a result of the retirement agreement the recognition of the compensation cost is accelerated and recorded over the period from the effective date of the retirement agreement to the retirement date. For the three and six months ended June 30, 2020, the Company recorded accelerated compensation expense of $2,940 in other net losses.

For the three and six months ended June 30, 2020, the Company recorded other succession and retirement expense of $963 in other net losses.

Share option plan:

During the six months ended June 30, 2020, the Board of directors of the Company (the "Board") approved the grant of 948,347 options to executives of the Company. The options allow for the purchase of common shares at a weighted average price of C$16.70, the market price of the underlying common share at the date of grant. One-third of the options vest on each of December 31, 2020, 2021, and 2022. The 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:

		2020
Risk-free interest rate		**1.2%**
Expected volatility		**24%**
Expected dividend yield		**4.1%**
Expected life		**5.50 years**
Weighted average grant date fair value per option	**C$**	**2.75**

During the six months ended June 30, 2020, 2,386,275 share options were exercised at a weighted average price of C$12.52 in exchange for 748,786 common shares issued from treasury, and 1,637,489 options settled at their cash value as payment for the exercise price and tax withholdings related to the exercise of the options.

Performance and restricted share units:

During the six months ended June 30, 2020, a total of 775,340 performance share units ("PSUs"), RSUs and retirement RSUs discussed above were granted to executives of the Company. The awards vest based on the terms of each agreement ranging from July 2020 to January 2023. Subsequent to quarter end, 321,752 PSUs were granted to employees of the Company. The PSUs vest on January 1, 2023. During the six months ended June 30, 2020, the Company settled 825,859 PSUs in exchange for 441,342 common shares issued from treasury, and 384,517 PSUs were settled at their cash value as payment for tax withholdings related to the settlement of the PSUs.

During the quarter, 116,921 bonus deferral RSUs were granted to employees of the Company. The RSUs are 100% vested. In addition, the Company settled 13,778 bonus deferral RSUs in exchange for 6,401 common shares issued from treasury, and 7,377 RSUs were settled at their cash value as payment for tax withholdings related to the settlement of the RSUs.

Directors' deferred share units:

During the six months ended June 30, 2020, 21,343 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.

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

11. Accumulated other comprehensive income (loss)

AOCI consists of the following balances, net of tax:

	Foreign currency cumulative translation	Unrealized gain on cash flow hedges	Pension and post-employment actuarial changes	Total
Balance, January 1, 2019	$ (74,189)	$ 64,333	$ (9,529)	$ (19,385)
Adoption of ASU 2017-12 on hedging	—	186	—	186
Other comprehensive income (loss)	7,795	19,177	(7,999)	18,973
Amounts reclassified from AOCI to the unaudited interim consolidated statement of operations	—	(8,597)	1,490	(7,107)
Net current period OCI	$ 7,795	$ 10,580	$ (6,509)	$ 11,866
OCI attributable to the non-controlling interests	(2,428)	—	—	(2,428)
Net current period OCI attributable to shareholders of APUC	$ 5,367	$ 10,580	$ (6,509)	$ 9,438
Balance, December 31, 2019	$ (68,822)	$ 75,099	$ (16,038)	$ (9,761)
Other comprehensive loss	**(28,057)**	**(12,890)**	**—**	**(40,947)**
Amounts reclassified from AOCI to the unaudited interim consolidated statement of operations	**—**	**(7,411)**	**(21)**	**(7,432)**
Net current period OCI	**$ (28,057)**	**$ (20,301)**	**$ (21)**	**$ (48,379)**
OCI attributable to the non-controlling interests	**4,114**	**—**	**—**	**4,114**
Net current period OCI attributable to shareholders of APUC	**$ (23,943)**	**$ (20,301)**	**$ (21)**	**$ (44,265)**
Balance, June 30, 2020	**$ (92,765)**	**$ 54,798**	**$ (16,059)**	**$ (54,026)**

Amounts reclassified from AOCI for unrealized gain (loss) on cash flow hedges affected revenue from non-regulated energy sales while those for pension and post-employment actuarial changes affected pension and post-employment non-service costs.

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

12. Dividends

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

	Three months ended June 30							
	2020				2019			
		Dividend		Dividend per share		Dividend		Dividend per share
Common shares	**$**	**83,824**	**$**	**0.1551**	$	69,868	$	0.1410
Series A preferred shares	**C$**	**1,549**	**C$**	**0.3226**	C$	1,549	C$	0.3226
Series D preferred shares	**C$**	**1,273**	**C$**	**0.3182**	C$	1,273	C$	0.3182

	Six months ended June 30							
	2020				2019			
		Dividend		Dividend per share		Dividend		Dividend per share
Common shares	**$**	**158,453**	**$**	**0.2961**	$	133,149	$	0.2692
Series A preferred shares	**C$**	**3,097**	**C$**	**0.6452**	C$	3,097	C$	0.6452
Series D preferred shares	**C$**	**2,546**	**C$**	**0.6364**	C$	2,523	C$	0.6307

13. Related party transactions

(a) Equity-method investments

The Company provides administrative and development services to its equity-method investees and is reimbursed for incurred costs. To that effect, during the three and six months ended June 30, 2020, the Company charged its equity-method investees $5,426 and $9,418 (2019 - $7,159 and $12,853).

(b) Redeemable non-controlling interest 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 Abengoa-Algonquin Global Energy Solutions B.V. ("AAGES B.V.") in 2018 for $305,000. Redemption is not considered probable as at June 30, 2020. The Company incurred non-controlling interest attributable to AAGES B.V. of $3,393 and $7,159 (2019 - $7,072 and $13,914) and recorded distributions of $3,573 and $6,873 (2019 - $3,773 and $10,867) during the three and six months ended June 30, 2020 (note 14).

(c) Non-controlling interest held by related party

Non-controlling interest held by related party represents interest in a consolidated subsidiary of the Company acquired by Atlantica Yield Energy Solutions Canada Inc. ("AYES Canada") in May 2019. The Company recorded distributions of $4,832 and $9,039 (2019 - $18,013 and $18,013) during the three and six months ended June 30, 2020.

(d) Long Sault Hydro Facility

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

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

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

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

Net effect attributable to non-controlling interests for the three and six months ended June 30 consists of the following:

	Three months ended June 30		Six months ended June 30	
	2020	**2019**	**2020**	**2019**
HLBV and other adjustments attributable to:				
Non-controlling interests - tax equity partnership units	**$ 15,503**	$ 14,496	**$ 33,735**	$ 32,335
Non-controlling interests - redeemable tax equity partnership units	**1,756**	2,341	**3,475**	4,647
Other net earnings attributable to:				
Non-controlling interests	**(625)**	(476)	**(1,234)**	(1,293)
	$ 16,634	$ 16,361	**$ 35,976**	$ 35,689
Redeemable non-controlling interest, held by related party	**(3,393)**	(7,072)	**(7,159)**	(13,914)
Net effect of non-controlling interests	**$ 13,241**	$ 9,289	**$ 28,817**	$ 21,775

The non-controlling tax equity investors (“tax equity partnership units”) in the Company's U.S. wind power and solar power generating facilities are entitled to allocations of earnings, tax attributes and cash flows in accordance with contractual agreements. The share of earnings attributable to the non-controlling interest holders in these subsidiaries is calculated using the hypothetical liquidation at book value ("HLBV") method of accounting.

The Turquoise Solar Facility, a 10 MWac solar generating facility located in Washoe County, Nevada, was placed in service on December 31, 2019. The Class A partnership units are owned by a third-party tax equity investor who funded $1,403 on the execution date, $2,000 on December 31, 2019 and an instalment of $2,649 during the second quarter.

15. Income taxes

For the six months ended June 30, 2020, 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, the favorable impact of differences in effective tax rates on transactions in foreign jurisdictions, and accrued tax credits. These adjustments are offset by the impact of the finalization of certain regulations related to U.S. Tax Reform as further described below.

On April 8, 2020, the IRS issued final regulations with respect to rules regarding certain Hybrid arrangements as a result of U.S. Tax Reform. As a result of the final regulations, the Company has recorded a one-time income tax expense of $9,300 to reverse the benefit of deductions taken in the prior year.

For the six months ended June 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 the differences in effective tax rates on transactions in foreign jurisdictions.

16. Other net losses

Other net losses consist of the following:

	Three months ended June 30		Six months ended June 30	
	2020	**2019**	**2020**	**2019**
Acquisition and transition-related costs	**(3,116)**	(445)	**(3,142)**	(2,389)
Tax reform (a)	**(11,728)**	—	**(11,728)**	—
Management succession and executive retirement (b)	**(6,952)**	—	**(6,952)**	—
Other (c)	**(5,144)**	(5,358)	**(6,008)**	(5,978)
	$ (26,940)	$ (5,803)	**$ (27,830)**	$ (8,367)

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

16. Other net losses (continued)

(a) Tax Reform

As a result of the *Tax Cuts and Jobs Act* enacted in 2017, regulators in the states where the Regulated Services Group operates contemplated the rate making implications of federal tax rates from the legacy 35% tax rate and the new 21% federal statutory income tax rate effective January 2018. Subsequent to quarter end, on July 1, 2020, the Company received an order from the Public Service Commission of the State of Missouri that requires Empire to refund to customers over five years the revenue requirement collected at the higher tax rate between January 1, 2018 and August 31, 2018 before new rates came into effect. Therefore, an accounting loss was recognized for approximately $11,728 during the quarter.

(b) Management succession and executive retirement

On February 5, 2020, the Company announced succession plans for the role of CEO, and the retirements of the CFO and Vice Chair in 2020 and 2021. As part of the Retirement Agreements, the Company recorded $6,952 of expenses during the quarter in relation to these executives' share-based compensation agreements (note 10(b)).

(c) Other

Other losses primarily consists of costs related to the condemnation of Liberty Utilities (Apple Valley Ranchos Water) Corp. (note 19(a)).

17. Basic and diluted net earnings per share

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

The 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 June 30		Six months ended June 30	
	2020	**2019**	**2020**	**2019**
Net earnings attributable to shareholders of APUC	**$ 286,219**	$ 156,625	**$ 222,422**	$ 243,031
Series A preferred shares dividend	**1,107**	1,158	**2,282**	2,323
Series D preferred shares dividend	**910**	951	**1,875**	1,892
Net earnings attributable to common shareholders of APUC – basic and diluted	**$ 284,202**	$ 154,516	**$ 218,265**	$ 238,816
Weighted average number of shares				
Basic	**529,440,246**	493,071,189	**527,634,250**	491,811,210
Effect of dilutive securities	**4,812,876**	4,656,910	**4,920,714**	3,291,211
Diluted	**534,253,122**	497,728,099	**532,554,964**	495,102,421

The shares potentially issuable for the three and six months ended June 30, 2020, as a result of 948,347 and 948,347 securities (2019 - 1,113,775 and 1,113,775) are excluded from this calculation as they are anti-dilutive.

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

18. Segmented information

The Company is managed under two primary business units consisting of the Regulated Services Group and the Renewable Energy Group. The two business units are the two segments of the Company.

The Regulated Services 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 Renewable Energy 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 the performance of the business units, the Company allocates the realized portion of any gains or losses on financial instruments to the specific business units. Dividend income from Atlantica and AYES Canada are included in the operations of the Renewable Energy Group, while interest income from San Antonio Water System is included in the operations of the Regulated Services Group. Equity method gains and losses are included in the operations of the Regulated Services Group or Renewable Energy Group based on the nature of the activities of the investees. 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.

	Three months ended June 30, 2020			
	Regulated Services Group	Renewable Energy Group	Corporate	Total
Revenue [1][2]	$ 279,458	$ 64,180	$ —	$ 343,638
Fuel, power and water purchased	65,358	2,741	—	68,099
Net revenue	214,100	61,439	—	275,539
Operating expenses	105,067	16,395	—	121,462
Administrative expenses	9,198	8,052	2,111	19,361
Depreciation and amortization	52,629	22,803	235	75,667
Gain on foreign exchange	—	—	(24)	(24)
Operating income	47,206	14,189	(2,322)	59,073
Interest expense	(24,097)	(13,618)	(7,103)	(44,818)
Income from long-term investments	2,962	22,551	309,296	334,809
Other	(19,695)	(883)	(8,590)	(29,168)
Earnings before income taxes	$ 6,376	$ 22,239	$ 291,281	$ 319,896
Capital expenditures	$ 157,641	$ 28,766	$ —	$ 186,407

[1] Renewable Energy Group revenue includes $7,447 related to net hedging gains from energy derivative contracts for the three-month period ended June 30, 2020 that do not represent revenue recognized from contracts with customers.

[2] Regulated Services Group revenue includes $4,761 related to alternative revenue programs for the three-month period ended June 30, 2020 that do not represent revenue recognized from contracts with customers.

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

18. Segmented information (continued)

	Three months ended June 30, 2019			
	Regulated Services Group	Renewable Energy Group	Corporate	Total
Revenue [1][2]	$ 281,607	$ 61,971	$ —	$ 343,578
Fuel, power and water purchased	73,469	2,658	—	76,127
Net revenue	208,138	59,313	—	267,451
Operating expenses	102,021	18,166	—	120,187
Administrative expenses	6,546	7,335	(357)	13,524
Depreciation and amortization	47,034	22,536	243	69,813
Loss on foreign exchange	—	—	1,467	1,467
Operating income	52,537	11,276	(1,353)	62,460
Interest expense	(26,057)	(16,237)	(3,546)	(45,840)
Income from long-term investments	1,854	37,050	121,758	160,662
Other	(8,796)	77	(422)	(9,141)
Earnings before income taxes	$ 19,538	$ 32,166	$ 116,437	$ 168,141
Capital expenditures	$ 104,758	$ 906	$ —	$ 105,664

(1) Renewable Energy Group revenue includes $5,200 related to net hedging gains from energy derivative contracts for the three-month period ended June 30, 2019 that do not represent revenue recognized from contracts with customers.

(2) Regulated Services Group revenue includes $3,460 related to alternative revenue programs for the three-month period ended June 30, 2019 that do not represent revenue recognized from contracts with customers.

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

18. Segmented information (continued)

	Six months ended June 30, 2020			
	Regulated Services Group	Renewable Energy Group	Corporate	Total
Revenue [1][2]	$ 675,518	$ 133,021	$ —	$ 808,539
Fuel, power and water purchased	188,455	6,745	—	195,200
Net revenue	487,063	126,276	—	613,339
Operating expenses	213,434	35,924	—	249,358
Administrative expenses	18,685	14,258	2,090	35,033
Depreciation and amortization	105,639	48,431	477	154,547
Gain on foreign exchange	—	—	(4,694)	(4,694)
Operating income	149,305	27,663	2,127	179,095
Interest expense	(48,937)	(28,097)	(14,032)	(91,066)
Income from long-term investments	5,610	46,345	120,193	172,148
Other	(24,692)	(49)	(8,616)	(33,357)
Earnings before income taxes	$ 81,286	$ 45,862	$ 99,672	$ 226,820
Property, plant and equipment	$ 4,695,303	$ 2,412,441	$ 35,119	$ 7,142,863
Investments carried at fair value	26,650	1,390,874	—	1,417,524
Equity-method investees	43,152	76,646	—	119,798
Total assets	6,896,472	4,167,458	124,098	11,188,028
Capital expenditures	$ 297,273	$ 45,036	$ —	$ 342,309

[1] Renewable Energy Group revenue includes $16,739 related to net hedging gains from energy derivative contracts for the six-month period ended June 30, 2020 that do not represent revenue recognized from contracts with customers.

[2] Regulated Services Group revenue includes $7,730 related to alternative revenue programs for the six-month period ended June 30, 2020 that do not represent revenue recognized from contracts with customers.

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

18. Segmented information (continued)

	Six months ended June 2019			
	Regulated Services Group	Renewable Energy Group	Corporate	Total
Revenue [1][2]	$ 692,631	$ 128,172	$ —	$ 820,803
Fuel and power purchased	224,075	9,579	—	233,654
Net revenue	468,556	118,593	—	587,149
Operating expenses	203,996	36,304	—	240,300
Administrative expenses	11,979	14,889	(226)	26,642
Depreciation and amortization	95,451	44,921	488	140,860
Loss on foreign exchange	—	—	934	934
Operating income	157,130	22,479	(1,196)	178,413
Interest expense	(51,149)	(32,444)	(4,868)	(88,461)
Income from long-term investments	3,111	60,547	116,476	180,134
Other	(10,756)	(73)	(2,365)	(13,194)
Earnings before income taxes	$ 98,336	$ 50,509	$ 108,047	$ 256,892
Capital expenditures	$ 202,173	$ 10,877	$ —	$ 213,050
	December 31, 2019			
Property, plant and equipment	$ 4,754,373	$ 2,444,382	$ 32,909	$ 7,231,664
Investments carried at fair value	27,072	1,267,075	—	1,294,147
Equity-method investees	29,827	53,670	—	83,497
Total assets	$ 6,816,063	$ 4,014,067	$ 81,340	$10,911,470

(1) Renewable Energy Group revenue includes $11,640 related to net hedging gains from energy derivative contracts for the six-month period ended June 30, 2019 that do not represent revenue recognized from contracts with customers.

(2) Regulated Services Group revenue includes $(3,561) related to alternative revenue programs for the six-month period ended June 30, 2019 that do not represent revenue recognized from contracts with customers.

The majority of non-regulated energy sales are earned from contracts with large public utilities. The Company has sought to mitigate its credit risk by selling energy to large utilities in various North American locations. None of the utilities contribute more than 10% of total revenue.

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 June 30		Six months ended June 30	
	2020	2019	**2020**	2019
Revenue				
Canada	**$ 33,923**	$ 21,633	**$ 81,668**	$ 40,164
United States	**309,715**	321,945	**726,871**	780,639
	$ 343,638	$ 343,578	**$ 808,539**	$ 820,803

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

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

19. 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 unaudited interim consolidated 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 $345,000 and punitive damages in the sum of $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. The parties have since agreed to arbitrate the dispute, and it is scheduled to be heard in the first quarter of 2021. 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. The evidentiary portion of the right-to-take condemnation trial finished on July 15, 2020 and a decision is expected from the Court in the first half of 2021. 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 8 of the consolidated financial statements of APUC for the year ended December 31, 2019, the following significant commitments exist as of June 30, 2020.

APUC has outstanding purchase commitments for power purchases, gas supply and service agreements, 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)	$ 29,028	$ 11,585	$ 11,506	$ 11,735	$ 11,913	$ 173,436	$ 249,203
Gas supply and service agreements (ii)	78,698	55,000	49,588	42,756	39,758	129,584	395,384
Service agreements	50,661	40,697	43,813	46,436	46,375	268,663	496,645
Capital projects	543,211	—	—	—	—	—	543,211
Land easements	6,607	6,641	6,718	6,810	6,887	195,434	229,097
Total	$708,205	$113,923	$111,625	$107,737	$104,933	$ 767,117	$ 1,913,540

(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 June 30, 2020. However, the effects of purchased power unit cost adjustments are mitigated through a purchased power rate-adjustment mechanism.

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

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

20. Non-cash operating items

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

	Three months ended June 30		Six months ended June 30	
	2020	**2019**	**2020**	**2019**
Accounts receivable	**$ 50,264**	$ 40,396	**$ 56,946**	$ 11,721
Fuel and natural gas in storage	**(7,951)**	(9,420)	**3,059**	10,061
Supplies and consumables inventory	**(13,164)**	(2,944)	**(20,958)**	(4,921)
Income taxes recoverable	**(1,270)**	7,623	**(1,889)**	6,801
Prepaid expenses	**3,104**	1,138	**(7,344)**	(5,468)
Accounts payable	**7,833**	18,429	**(63,337)**	(10,108)
Accrued liabilities	**(4,472)**	(44,475)	**(40,039)**	(54,969)
Current income tax liability	**(2,379)**	(5,657)	**1,716**	694
Asset retirements and environmental obligations	**(127)**	(322)	**(699)**	(1,422)
Net regulatory assets and liabilities	**20,731**	2,007	**15,916**	8,124
	$ 52,569	**$ 6,775**	**$ (56,629)**	$ (39,487)

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

21. Financial instruments

(a) Fair value of financial instruments

June 30, 2020	Carrying amount	Fair value	Level 1	Level 2	Level 3
Long-term investments carried at fair value	$ 1,417,524	$ 1,417,524	1,307,814	$ 26,650	$ 83,060
Development loans and other receivables	104,005	111,274	—	111,274	—
Derivative instruments [1]:					
Energy contracts designated as a cash flow hedge	58,383	58,383	—	—	58,383
Energy contracts not designated as cash flow hedge	460	460	—	—	460
Commodity contracts for regulated operations	57	57	—	57	—
Cross currency swap designated as a net investment hedge	13,578	13,578	—	13,578	—
Total derivative instruments	72,478	72,478	—	13,635	58,843
Total financial assets	$ 1,594,007	$ 1,601,276	$ 1,307,814	$ 151,559	$ 141,903
Long-term debt	$ 4,154,776	$ 4,616,138	$ 1,575,663	$ 3,040,475	$ —
Convertible debentures	314	548	548	—	—
Preferred shares, Series C	12,975	14,634	—	14,634	—
Derivative instruments [1]:					
Energy contracts designated as a cash flow hedge	2,004	2,004	—	—	2,004
Energy contracts not designated as a cash flow hedge	86	86	—	—	86
Cross-currency swap designated as a net investment hedge	106,007	106,007	—	106,007	—
Forward interest rate swaps designated as a hedge	10,924	10,924	—	10,924	—
Commodity contracts for regulated operations	580	580	—	580	—
Total derivative instruments	119,601	119,601	—	117,511	2,090
Total financial liabilities	$ 4,287,666	$ 4,750,921	$ 1,576,211	$ 3,172,620	$ 2,090

[1] Balance of $153 associated with certain weather derivatives have been excluded, as they are accounted for based on intrinsic value rather than fair value.

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

21. Financial instruments (continued)

(a) Fair value of financial instruments (continued)

December 31, 2019	Carrying amount	Fair value	Level 1	Level 2	Level 3
Long-term investment carried at fair value	$ 1,294,147	$ 1,294,147	$ 1,178,581	$ 27,072	$ 88,494
Development loans and other receivables	37,050	37,984	—	37,984	—
Derivative instruments:					
Energy contracts designated as a cash flow hedge	65,304	65,304	—	—	65,304
Energy contracts not designated as a cash flow hedge	20,384	20,384	—	—	20,384
Commodity contracts for regulatory operations	16	16	—	16	—
Total derivative instruments	85,704	85,704	—	16	85,688
Total financial assets	$ 1,416,901	$ 1,417,835	$ 1,178,581	$ 65,072	$ 174,182
Long-term debt	$ 3,931,868	$ 4,284,068	$ 1,495,153	$ 2,788,915	$ —
Convertible debentures	342	623	623	—	—
Preferred shares, Series C	13,793	15,120	—	15,120	—
Derivative instruments:					
Energy contracts designated as a cash flow hedge	789	789	—	—	789
Cross-currency swap designated as a net investment hedge	81,765	81,765	—	81,765	—
Currency forward contract not designated as hedge	38	38	—	—	38
Commodity contracts for regulated operations	2,072	2,072	—	2,072	—
Total derivative instruments	84,664	84,664	—	83,837	827
Total financial liabilities	$ 4,030,667	$ 4,384,475	$ 1,495,776	$ 2,887,872	$ 827

The Company has determined that the carrying value of its short-term financial assets and liabilities approximates fair value as of June 30, 2020 and December 31, 2019 due to the short-term maturity of these instruments.

The fair value of development loans and other receivables (level 2) is determined using a discounted cash flow method, using estimated current market rates for similar instruments adjusted for estimated credit risk as determined by management.

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

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

21. Financial instruments (continued)

(a) Fair value of financial instruments (continued)

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

The Company's level 2 fair value derivative instruments primarily consist of swaps, options, 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 $10.53 to $147.62 with a weighted average of $21.95 as of June 30, 2020. 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 21(b)(ii) and 21(b)(iv). The significant unobservable inputs used in the fair value measurement of the Company's AYES Canada investment are the expected cash flows, the discount rates applied to these cash flows ranging from 7.98% to 8.73% with a weighted average of 8.64%, and the expected volatility of Atlantica's share price ranging from 18% to 22% as of June 30, 2020. Significant increases (decreases) 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 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:

		2020
Financial contracts:	Swaps	**2,315,733**
	Options	**188,834**
	Forward contracts	**2,000,000**
		4,504,567

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

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

21. Financial instruments (continued)

(b) Derivative instruments (continued)

(i) Commodity derivatives – regulated accounting (continued)

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

	June 30, 2020	December 31, 2019
Regulatory assets:		
Swap contracts	**$ 129**	$ 28
Option contracts	**16**	38
Forward contracts	**$ 809**	$ 1,830
Regulatory liabilities:		
Swap contracts	**$ 139**	$ 743
Option contracts	**$ 25**	$ —

(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)
692,015	December 2028	34.65	PJM Western HUB
3,170,648	December 2027	25.13	NI HUB
2,469,582	December 2027	36.46	ERCORT North HUB

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. The Company designated a contract with a notional quantity of 116,744 MW-hours, a price of $38.95 per MW-hr and expiring in February 2022 as a hedge to the price of energy purchases. The Company also mitigates the risk by using short-term financial forward energy purchase contracts. These short-term derivatives are not accounted for as hedges and changes in fair value are recorded in earnings as they occur (note 21(b)(iv)).

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 the Sugar Creek wind Project. On September 30, 2019, the Company sold the derivative contract together with 100% of its ownership interest in Sugar Creek Wind Project to AAGES Sugar Creek Wind, LLC. The novation and transfer of the derivative contract was subject to counterparty approval, which was received in the first quarter of 2020. As a result, the hedge relationship for the Sugar Creek Wind Project energy derivative was discontinued. Amounts in AOCI of $15,765 and related tax were reclassified from AOCI into earnings in 2019.

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 2019, 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%.

In September 2019, the Company entered into a forward-starting interest rate swap in order to reduce the interest rate risk related to the quarterly interest payments between July 1, 2024 and July 1, 2029 on the $350,000 subordinated unsecured notes (note 7). 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.

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

21. Financial instruments (continued)

(b) Derivative instruments (continued)

(ii) Cash flow hedges (continued)

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

	Three months ended June 30		Six months ended June 30	
	2020	**2019**	**2020**	**2019**
Effective portion of cash flow hedge	**$ (2,085)**	$ 6,442	**$ (12,890)**	$ 10,087
Amortization of cash flow hedge	**(1,100)**	(8)	**(1,108)**	(16)
Amounts reclassified from AOCI	**(3,028)**	5,733	**(6,303)**	3,559
OCI attributable to shareholders of APUC	**$ (6,213)**	$ 12,167	**$ (20,301)**	$ 13,630

The Company expects $8,222 and $1,395 of unrealized gains currently in AOCI to be reclassified, net of taxes into non-regulated energy sales and interest expense, respectively, within the next 12 months, as the underlying hedged transactions settle.

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

The functional currency of most of APUC's operations is the U.S. dollar. Effective January 1, 2020, the functional currency of APUC, the non-consolidated parent entity, changed from the Canadian dollar to the U.S. dollar based on a balance of facts, taking into consideration its operating, financing and investing activities. As a result of that entity's change of functional currency, changes were made to certain hedging relationships to mitigate the remaining Canadian dollar risk.

The Company designates obligations denominated in Canadian dollars as a hedge of the foreign currency exposure of its net investment in its Canadian investments and subsidiaries. The related foreign currency transaction gain or loss designated as, and 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. A foreign currency loss of $1,269 and gain of $195 for the three and six months ended June 30, 2020, respectively, was recorded in OCI.

On May 23, 2019, the Company entered into a cross-currency swap, coterminous with the subordinated unsecured notes 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 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. Upon the change in functional currency of APUC to the U.S. dollar on January 1, 2020, this hedge was dedesignated. The OCI related to this hedge will be amortized into earnings in the period that future interest payments affect earnings over the remaining life of the original hedge. The Company redesignated this swap as a hedge of APUC's net investment in its Canadian 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 $15,252 and gain of $19,583 for the three and six months ended June 30, 2020, respectively, was recorded in OCI.

21. Financial instruments (continued)

(b) Derivative instruments (continued)

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

Canadian operations

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.

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 obligations 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, and 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. A foreign currency gain of $1,023 and loss of $3,581 for the three and six months ended June 30, 2020 (2019 - gain of $9,599 and $24,007), respectively, was recorded in OCI.

The Company is party to C$650,000 cross currency swaps to effectively convert Canadian dollar debentures (note 7) 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 Renewable Energy 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. A gain of $16,642 and loss of $27,190 for the three and six months ended June 30, 2020 (2019 - gain of $3,365 and $20,205), respectively, was recorded in OCI.

(iv) Other derivatives

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.

Subsequent to quarter end, the Company executed on currency forward contracts to purchase in total $682,500 for approximately C$923,243 in order to manage the currency exposure to the Canadian dollar shares issuance (note 10(a)).

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

21. Financial instruments (continued)

(b) Derivative instruments (continued)

(iv) Other derivatives (continued)

For derivatives that are not designated as hedges, the changes in the fair value are immediately recognized in earnings. 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 June 30		Six months ended June 30	
	2020	**2019**	**2020**	**2019**
Change in unrealized gain (loss) on derivative financial instruments:				
Energy derivative contracts	**$ 449**	$ 398	**$ 627**	$ 398
Currency forward contract	**—**	145	**—**	(417)
Total change in unrealized gain (loss) on derivative financial instruments	**$ 449**	$ 543	**$ 627**	$ (19)
Realized gain (loss) on derivative financial instruments:				
Energy derivative contracts	**(549)**	—	**(681)**	(207)
Currency forward contract	**—**	288	**—**	573
Total realized gain (loss) on derivative financial instruments	**$ (549)**	$ 288	**$ (681)**	$ 366
Gain (loss) on derivative financial instruments not accounted for as hedges	**(100)**	831	**(54)**	347
Amortization of AOCI gains frozen as a result of hedge dedesignation	**1,489**	11	**1,500**	22
	$ 1,389	$ 842	**$ 1,446**	$ 369
Amounts recognized in the unaudited interim consolidated statements of operations consist of:				
Gain on derivative financial instruments	**$ 1,389**	$ 409	**$ 1,446**	$ 213
Gain on foreign exchange	**—**	433	**—**	156
	$ 1,389	$ 842	**$ 1,446**	$ 369

(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 to mitigate these risks to the extent possible on a cost effective basis.

22. Comparative figures

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

Notes

Corporate Information

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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 Said
Former Executive Vice President
and Chief Operating Officer,
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National Grid USA

Dilek Samil
Former Executive Vice President
and Chief Operating Officer,
NV Energy

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George Steeves
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Chris Huskilson
Former President and CEO,
Emera Inc.

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Ian Robertson
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David Bronicheski
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Arun Banksota
President

Johnny Johnston
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Jeff Norman
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