Q1 2021

Growth

Operational Excellence

Sustainability

Algonquin

Liberty™

Corporate profile

Algonquin Power & Utilities Corp. ("AQN", "Algonquin" or the "Company"), parent company of Liberty, is a diversified international generation, transmission and distribution utility with approximately $15 billion of total assets. Through its two business groups, the Regulated Services Group and the Renewable Energy Group, AQN is committed to providing safe, secure, reliable, cost-effective, and sustainable energy and water solutions through its portfolio of electric generation, transmission and distribution utility investments to over one million customer connections, largely in the United States and Canada. AQN is a global leader in renewable energy through its portfolio of long-term contracted wind, solar and hydroelectric generating facilities. AQN owns, operates and/or has net interests in over 3 GW of installed capacity.

AQN is committed to delivering growth and the pursuit of operational excellence in a sustainable manner through an expanding global pipeline of renewable energy and electric transmission 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

Management Discussion & Analysis

Management of Algonquin Power & Utilities Corp. ("AQN" or the "Company" or the "Corporation") has prepared the following discussion and analysis to provide information to assist its shareholders' understanding of the financial results for the three months ended March 31, 2021. This Management Discussion & Analysis ("MD&A") should be read in conjunction with AQN's unaudited interim consolidated financial statements for the three months ended March 31, 2021 and 2020. This MD&A should also be read in conjunction with AQN's annual consolidated financial statements for the years ended December 31, 2020 and 2019. This material is available on SEDAR at www.sedar.com, on EDGAR at www.sec.gov/edgar, and on the AQN website at www.AlgonquinPowerandUtilities.com. Additional information about AQN, 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 months ended March 31, 2021 and 2020 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 May 6, 2021.

Contents

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, earnings and results of operations; liquidity, capital resources and operational requirements; rate reviews, including resulting decisions and rates and expected impacts and timing; sources of funding, including adequacy and availability of credit facilities, debt maturation and future borrowings; expectations regarding the impact of the 2019 novel coronavirus ("COVID-19") on the Company; expectations regarding the use of proceeds from financings; ongoing and planned acquisitions, projects and initiatives, including expectations regarding costs, financing, results, ownership structures, power purchase arrangements, regulatory matters, in-service dates and completion dates; the estimated impact of the Midwest Extreme Weather Event and the Market Disruption Event (each as defined herein) on the Company, its operations, its facilities and its financial results, the Company's response to the Midwest Extreme Weather Event, the expected future recovery from customers of substantially all incremental commodity costs incurred with the Midwest Extreme Weather Event, and the expectation that the Company will have sufficient liquidity to fund such costs in the interim; the expected reduction in CO2e emissions due to the retirement of the Asbury Coal Facility; expectations regarding the anticipated closing of AQN's acquisitions of New York American Water (as defined herein) and a 51% interest in the West Raymond Wind Facility; 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 the Company's development pipeline; the potential impacts of interconnection study results on the Neosho Ridge Wind Facility, and the expected timing for the next interconnection study results; expectations regarding regulatory hearings, motions, filings and approvals; expectations regarding the cost of operations, capital spending and maintenance, and the variability of those costs; expected future generation of the Company's energy facilities; expected future capital investments, including expected timing, investment plans, sources of funds and impacts; expectations regarding generation availability, capacity and production; expectations regarding the sale of renewable energy credits; 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 the impacts of a failed restructuring by the subsidiary of Abengoa S.A ("Abengoa") that holds the interest in AAGES (as defined herein); expectations regarding the timing for completion of, and apportionment of liability for, the blade remediation work at the Sugar Creek and Maverick Creek Wind Facilities; contractual obligations and other commercial commitments; environmental liabilities; dividends to shareholders; expectations regarding the maturity and redemption of AQN's outstanding subordinated notes; expectations regarding the impact of tax reforms; credit ratings; anticipated growth and emerging opportunities in AQN's target markets; anticipated customer benefits; the future impact on the Company of actual or proposed laws, regulations and rules; 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 (including tax equity financing and self-monetization transactions for U.S. federal tax credits) 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 such acquisitions; the absence of material capital project or financing cost overruns; sufficient liquidity and capital resources; the continuation of long term 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, political conditions, public policies and directions by governments, materially negatively affecting the Corporation; the ability to obtain and maintain licenses and permits; maintenance of adequate insurance coverage; 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 continued 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.

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, pandemics and other force majeure events; critical equipment breakdown or failure; the failure of information technology infrastructure and cybersecurity; physical security breach; 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; 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; changes in laws and regulations; compliance with foreign laws or regulations; failure of compliance programs; 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, 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 Corporation's other securities; 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, 2020 (the "Annual MD&A"), and under the heading *Enterprise Risk Factors* in the Corporation's most recent AIF.

Forward-looking information contained herein (including any financial outlook) is provided for the purposes of assisting the reader in understanding the Corporation and its business, operations, risks, financial performance, financial position and cash flows as at and for the periods indicated and to present information about management's current expectations and plans relating to the future and the reader is cautioned that such information may not be appropriate for other purposes. 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, AQN’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. An explanation, 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 most directly comparable U.S. GAAP measure, where applicable, can be found in 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. AQN uses these calculations to monitor the amount of cash generated by AQN. AQN uses Adjusted EBITDA to assess the operating performance of AQN without the effects of (as applicable): depreciation and amortization expense, income tax expense or recoveries, acquisition costs, certain 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 (as defined herein), costs related to condemnation proceedings, financial impacts from the Market Disruption Event on the Company's Senate Wind Facility, 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 or unusual items. AQN 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. AQN believes that presentation of this measure will enhance an investor’s understanding of AQN’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 certain litigation expenses that are viewed as not directly related to a company’s operating performance. AQN 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, certain 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, financial impacts from the Market Disruption Event on the Company's Senate Wind Facility, changes in value of investments carried at fair value, and other typically non-recurring or unusual items as these are not reflective of the performance of the underlying business of AQN. 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 AQN. AQN 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. AQN uses Adjusted Funds from Operations to assess its performance without the effects of (as applicable): changes in working capital balances, acquisition expenses, certain litigation expenses, cash provided by or used in discontinued operations, financial impacts from the Market Disruption Event on the Company's Senate Wind Facility, 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 AQN. AQN 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. AQN 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. AQN 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. AQN 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. AQN 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. AQN 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, certain 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, financial impacts from the Market Disruption Event on the Company's Senate Wind Facility, and other typically non-recurring items. AQN 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. AQN believes that presentation of this measure will enhance an investor's understanding of AQN'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

AQN is incorporated under the *Canada Business Corporations Act*. AQN 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. AQN 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. AQN 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.

AQN's current quarterly dividend to shareholders is $0.1706 per common share or $0.6824 per common share per annum. Based on the Bank of Canada exchange rate on May 5, 2021, the quarterly dividend is equivalent to C$0.2094 per common share or C$0.8376 per common share per annum. AQN believes its annual dividend payout allows for both an immediate return on investment for shareholders and retention of sufficient cash within AQN to fund growth opportunities. Changes in the level of dividends paid by AQN are at the discretion of the AQN Board of Directors (the "Board"), with dividend levels being reviewed periodically by the Board in the context of AQN's financial performance and growth prospects.

AQN'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, Canada, Chile and Bermuda, and the Renewable Energy Group, which primarily owns and operates a diversified portfolio of renewable generation assets.

AQN 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

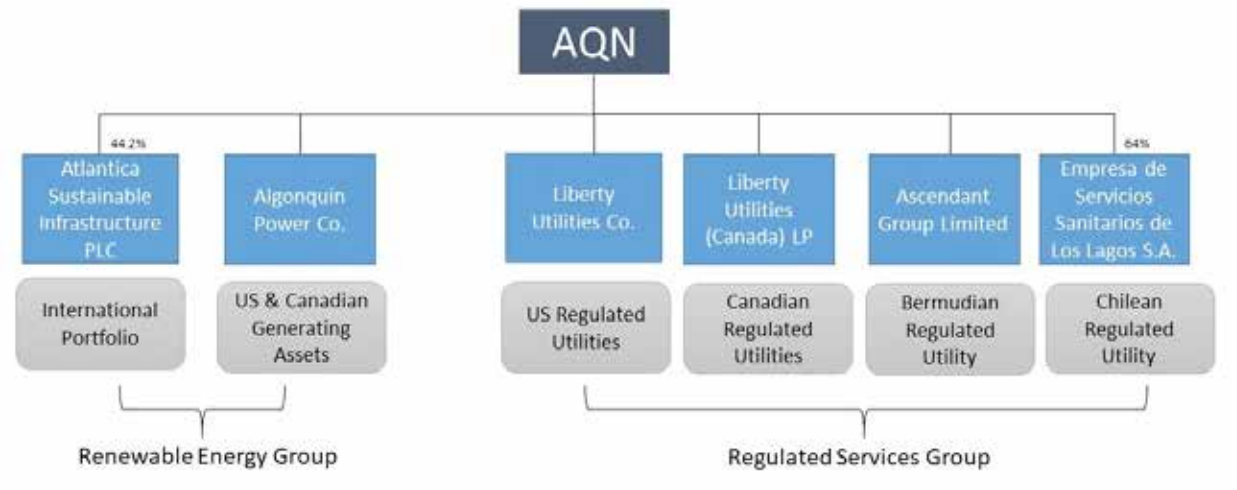
[1] See *Treasury Risk Management -Downgrade in the Company's Credit Rating Risk* in the Company's Annual MD&A.

mix target may from time to time require AQN 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 AQN. A more detailed description of AQN's organizational structure can be found in the most recent AIF.



Regulated Services Group

The Regulated Services Group operates a diversified portfolio of regulated utility systems throughout the United States, Canada, Chile and Bermuda serving approximately 1,089,000 customer connections (using an average of 2.5 customers per household, this translates into approximately 2,723,000 customers). The Regulated Services Group seeks to provide safe, high quality, and reliable services to its customers and to deliver stable and predictable earnings to AQN. 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 U.S. States of California, New Hampshire, Missouri, Kansas, Oklahoma, and Arkansas, as well as in Bermuda, which together serve approximately 306,000 electric customer connections. The group also owns and operates generating assets with a gross capacity of approximately 2.0 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 U.S. States of Georgia, Illinois, Iowa, Massachusetts, New Hampshire, Missouri, and New York, and in the Canadian Province of New Brunswick, which together serve approximately 372,000 natural gas customer connections.

The Regulated Services Group's regulated water distribution and wastewater collection utility systems are located in the U.S. States of Arizona, Arkansas, California, Illinois, Missouri, and Texas as well as in Chile which together serve approximately 411,000 customer 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 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 2.3 GW. Approximately 81% of the electrical output is sold pursuant to long term contractual arrangements which as of March 31, 2021 had a production-weighted average remaining contract life of approximately 13 years.

In addition to directly owned and operated assets, the Renewable Energy Group has investments in generating assets with approximately 1.1 GW of net generating capacity which includes the Company's 44.2% interest in Atlantica Sustainable Infrastructure 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 17 years as of December 31, 2020.

Significant Updates

Operating Results

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

	Three Months Ended March 31		
(all dollar amounts in $ millions except per share information)	**2021**	**2020**	**Change**
Net earnings (loss) attributable to shareholders	**$13.9**	$(63.8)	**122%**
Adjusted Net Earnings[1]	**$124.5**	$103.3	**21%**
Adjusted EBITDA[1]	**$282.9**	$242.2	**17%**
Net earnings (loss) per common share	**$0.02**	$(0.13)	**115%**
Adjusted Net Earnings per common share[1]	**$0.20**	$0.19	**5%**

1 See *Non-GAAP Financial Measures.*

Annual Dividend increased from $0.6204 to $0.6824 per Common Share and declaration of 2021 Second Quarter Dividend of $0.1706 (C$0.2094) per Common Share

AQN 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 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 May 6, 2021, AQN announced that the Board approved an increase in the dividend to $0.1706 per quarter and $0.6824 annually, and declared a second quarter 2021 dividend of $0.1706 per common share payable on July 15, 2021 to shareholders of record on June 30, 2021.

Based on the Bank of Canada exchange rate on May 5, 2021, the Canadian dollar equivalent for the second quarter 2021 dividend is C$0.2094 per common share.

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

	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Total
U.S. dollar dividend	$ 0.1551	$ 0.1551	$ 0.1551	$ 0.1706	$0.6359
Canadian dollar equivalent	$ 0.2056	$ 0.2019	$ 0.1959	$ 0.2094	$0.8128

Progress on Renewable Construction Projects

The Company continues to execute on its largest construction program in its history. Of the approximately 1,600 MWs of new renewable energy projects that the Company had under construction in 2020 and to date in 2021, approximately 1,400 MWs have been placed in service and the remainder are on schedule for completion by the end of 2021. These new projects are expected to approximately double the size of the Company's portfolio of renewable energy facilities that it owns and operates. Significant milestones were achieved for the Company's two largest projects:

Completion of Midwest Greening the Fleet Initiative

The Regulated Services Group has successfully completed its inaugural 'greening the fleet' initiative. The initiative consists of 600 MWs of new strategically located wind energy generation which is expected to provide benefits to the Regulated Services Group's electric customers in Missouri, Arkansas, Oklahoma and Kansas. Further, as a result of the retirement of the 200 MW Asbury Coal Facility on March 1, 2020, the initiative is also expected to reduce the Company's CO2e emissions in excess of 905,000 metric tons annually. With the drive to minimize CO2e emissions, AQN's commitment to 'greening the fleet' supports important growth and sustainability levers for the Company. On January 27, 2021, The Empire District Electric Company ("Empire") closed its acquisition of the North Fork Ridge Wind Facility. Empire's acquisition of the Kings Point and Neosho Ridge Wind Facilities closed on May 5, 2021.

Completion of the Maverick Creek Wind Project

On April 21, 2021, the Renewable Energy Group achieved full commercial operations ("COD") at its 492 MW Maverick Creek Wind Facility, located in Concho County, Texas. The Maverick Creek Wind Facility is the Renewable Energy Group's 14th wind powered electric generating facility and is expected to generate approximately 1,920 GW-hrs of energy per year with the majority of output being sold through two long-term power purchase agreements ("PPA"s) with investment grade rated entities. In early 2021, the Renewable Energy Group exercised its option and purchased the remaining 50% interest in the project that it did not previously own.

Acquisition of Majority Interest in Texas Coastal Wind Facilities

In the first quarter of 2021, the Renewable Energy Group closed the acquisitions of a 51% interest in three of four wind facilities (collectively the "Texas Coastal Wind Facilities") that it had previously agreed to purchase from RWE Renewables Americas, LLC, a subsidiary of RWE AG. The Stella, Cranell and East Raymond wind facilities are operational and represent 621 MW of the total portfolio. The fourth wind facility (West Raymond) is expected to reach COD in the second quarter of 2021 and have a generating capacity of 240 MW, for an expected total capacity of the portfolio of 861 MW. The Renewable Energy Group's acquisition of a 51% interest in the West Raymond wind facility is expected to close following COD. The Texas Coastal Wind Facilities are located in the coastal region of south Texas and are expected to provide a complementary wind resource to the Company's existing assets in the State.

Issuance of C$400 Million of "Green" Senior Unsecured Debentures

On April 9, 2021, the Renewable Energy Group issued C$400.0 million of green senior unsecured debentures bearing interest at 2.85% and with a maturity date of July 15, 2031 (the "Debentures"). Concurrent with the offering of the Debentures, the Renewable Energy Group entered into a cross currency interest rate swap to convert the proceeds into U.S. dollars with an effective interest rate throughout the term of the Debentures of approximately 2.82%. The net proceeds from the offering of the Debentures were or will be, as applicable, used in accordance with AQN's Green Financing Framework.

Midwest Extreme Weather Event

In February 2021, the Company's operations were impacted by extreme winter storm conditions experienced in Texas and parts of the central U.S. (the "Midwest Extreme Weather Event").

Despite the extreme weather conditions, the Regulated Services Group's mid-west electric and gas systems performed well through the extreme conditions delivering new system peaks. In line with other Southwest Power Pool utilities, limited and short lived load shedding was required to meet broader system requirements. The Company incurred incremental commodity costs during a period of record pricing and elevated consumption. The incremental commodity costs incurred by the Company are expected to be substantially recovered from customers over a timeframe to be agreed with its regulators. However, the Company expects it will have sufficient liquidity to fund these costs in the interim.

The Midwest Extreme Weather Event caused ice and freezing conditions, which restricted electricity production at certain of the Renewable Energy Group's Texas-based wind facilities. The Company operates two facilities in Texas: the Senate Wind Facility in north-east Texas and the Maverick Creek Wind Facility in central Texas. The Company also has a 51% interest in the Stella, Cranell and East Raymond Texas Coastal Wind Facilities.

The most significantly impacted facility was the Senate Wind Facility, which has a financial hedge in place that imposes an obligation to deliver energy. Due to icing, the facility was unable to produce the required energy to satisfy the quantities required to be delivered under the hedge, and was required to settle at the significantly elevated pricing that persisted in the Electric Reliability Council of Texas (ERCOT) market over several days (the "Market Disruption Event"). The Maverick Creek Wind Facility has two unit contingent PPAs which mitigated pricing impact under the offtake contracts, however, the facility did incur above normal costs relating to station service load. The portfolio settlements impact on the Texas Coastal Wind Facilities was marginal, however one of the facilities was impacted by incremental costs relating to basis settlement due to elevated congestion during the period of market disruption. Force majeure has been asserted under the long-term revenue contracts for each of these Texas wind facilities.

The Company's operations have since returned to normal, however it continues to assess the aggregate net impact of these unusual weather conditions on its business, operations, results and financial performance, with the ultimate impact being affected by a number of factors, including any government, regulatory or system operator action, and the outcomes of applicable disputes or proceedings. Based on available information, the unfavorable financial impact of the Midwest Extreme Weather Event on the Company's 2021 consolidated operating income is currently estimated to be between $45 million and $55 million, prior to potential mitigating factors.

Impact of COVID-19 on Operating Results

For the three months ended March 31, 2021, the Company's operating results were not materially impacted by the COVID-19 pandemic. Approximately 65% of the Company's workforce continues to work remotely and the Company continues to employ operational measures intended to protect the health and safety of its employees and customers. Over the coming months, as the impacts of the pandemic are expected to further diminish, the Company is planning a return to base operations.

The Company's business, financial condition, cash flows and results of operations continue to be 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 measures taken in response to the pandemic and the Company's efforts to mitigate the impact on its operations.

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

2021 First Quarter Results From Operations

Key Financial Information

(all dollar amounts in $ millions except per share information)	Three Months Ended March 31 2021	2020
Revenue	**$ 634.5**	$ 464.9
Net earnings (loss) attributable to shareholders	**13.9**	(63.8)
Cash provided by (used in) operating activities	**(243.5)**	66.9
Adjusted Net Earnings[1]	**124.5**	103.3
Adjusted EBITDA[1]	**282.9**	242.2
Adjusted Funds from Operations[1]	**205.3**	179.3
Dividends declared to common shareholders	**94.6**	74.6
Weighted average number of common shares outstanding	**599,659,587**	525,828,253
Per share		
Basic net earnings (loss)	**$ 0.02**	$ (0.13)
Diluted net earnings (loss)	**$ 0.02**	$ (0.13)
Adjusted Net Earnings[1,2]	**$ 0.20**	$ 0.19
Dividends declared to common shareholders	**$ 0.16**	$ 0.14

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

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

For the three months ended March 31, 2021, AQN experienced an average exchange rate of Canadian to U.S. dollars of approximately 0.7895 as compared to 0.7439 in the same period in 2020. As such, any quarter over quarter variance in revenue or expenses, in local currency, at any of AQN's Canadian entities is affected by a change in the average exchange rate upon conversion to AQN's reporting currency.

For the three months ended March 31, 2021, AQN reported total revenue of $634.5 million as compared to $464.9 million during the same period in 2020, an increase of $169.6 million or 36.5%. The major factors impacting AQN's revenue in the three months ended March 31, 2021 as compared to the same period in 2020 are set out as follows:

(all dollar amounts in $ millions)		Three Months Ended March 31
Comparative Prior Period Revenue	**$**	**464.9**
REGULATED SERVICES GROUP		
Existing Facilities		
Electricity: Increase is primarily due to higher consumption and pass through commodity costs at the Empire Electric System as a result of the Midwest Extreme Weather Event.		99.2
Gas: Increase is primarily due to higher pass through commodity costs.		9.2
Water: Increase is primarily due to growth in connections at the Missouri and Litchfield Park Water Systems as well as higher pass through commodity costs at the Park Water System.		1.9
Other		0.8
		111.1
New Facilities		
Electricity: Acquisition of Ascendant Group Limited ("Ascendant") (November 2020) and the North Fork Ridge Wind Facility (January 2021).		57.8
Water: Acquisition of Empresa de Servicios Sanitarios de Los Lagos S.A.("ESSAL") (October 2020).		25.4
		83.2
Rate Reviews		
Electricity: Increase is due to the implementation of a Post-Test Year Adjustment Mechanism effective January 2021 at the CalPeco Electric System as well as the implementation of new rates at the Granite State Electric System.		3.4
Gas: Increase is primarily due to the implementation of new rates at the EnergyNorth and Peach State Gas Systems.		5.0
		8.4
RENEWABLE ENERGY GROUP		
Existing Facilities		
Hydro: Increase is primarily due to higher production in the Ontario and Quebec Regions.		0.5
Wind Canada: Decrease is primarily due to lower production at the St Leon and Amherst Wind Facilities.		(0.3)
Wind U.S.: Decrease is primarily due to the impacts from the Market Disruption Event on the Senate Wind Facility.		(52.1)
Solar		—
Thermal: Increase is primarily due to higher production at the Sanger Thermal Facility as well as favourable pricing at the Windsor Locks Thermal Facility.		2.2
Other		0.2
		(49.5)
New Facilities		
Wind U.S.: Sugar Creek Wind Facility (full COD in November 2020) and Maverick Creek Wind Facility (full COD in April 2021).		13.2
Solar: Great Bay II Solar Facility achieved full COD in August 2020.		1.6
		14.8
Foreign Exchange		**1.6**
Current Period Revenue	**$**	**634.5**

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

For the three months ended March 31, 2021, net earnings attributable to shareholders totaled $13.9 million as compared to a net loss of $63.8 million during the same period in 2020, an increase of $77.7 million or 121.8%. The increase was due to a $119.1 million change in fair value of investments carried at fair value, a $1.7 million increase in net effect of

non-controlling interests, a $1.0 million increase in gains from derivative instruments, a $1.3 million decrease in administrative expenses and a $7.9 million decrease in income tax expense (tax explanations are discussed in *AQN: Corporate and Other Expenses)*. These items were partially offset by a $11.1 million decrease in earnings from operating facilities, a $6.9 million decrease in interest, dividend, equity and other income, a $0.3 million increase in pension and post-employment non-service costs, a $3.4 million increase in interest expense, a $7.5 million increase in other net losses, a $5.6 million increase in foreign exchange loss, and a $18.5 million increase in depreciation and amortization expenses as compared to the same period in 2020.

During the three months ended March 31, 2021, cash provided by (used in) operating activities totaled $(243.5) million as compared to $66.9 million during the same period in 2020, a decrease of $310.4 million. During the three months ended March 31, 2021, Adjusted Funds from Operations totaled $205.3 million as compared to Adjusted Funds from Operations of $179.3 million during the same period in 2020, an increase of $26.0 million (see *Non-GAAP Financial Measures*).

During the three months ended March 31, 2021, Adjusted EBITDA totaled $282.9 million as compared to $242.2 million during the same period in 2020, an increase of $40.7 million or 16.8%. 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*).

2021 First Quarter Adjusted EBITDA Summary

Adjusted EBITDA (see *Non-GAAP Financial Measures*) for the three months ended March 31, 2021 totaled $282.9 million as compared to $242.2 million during the same period in 2020, an increase of $40.7 million or 16.8%. The breakdown of Adjusted EBITDA by the Company's main operating segments and a summary of changes are shown below.

Adjusted EBITDA by segment	**Three Months Ended March 31**	
(all dollar amounts in $ millions)	**2021**	**2020**
Regulated Services Group Operating Profit	**$ 204.8**	$ 170.2
Renewable Energy Group Operating Profit	**96.3**	88.4
Administration Expenses	**(15.5)**	(16.8)
Other Income & Expenses	**$ (2.7)**	$ 0.4
Total AQN Adjusted EBITDA	**$ 282.9**	$ 242.2
Change in Adjusted EBITDA ($)	$ 40.7	
Change in Adjusted EBITDA (%)	16.8 %	

Change in Adjusted EBITDA Breakdown	**Three Months Ended March 31, 2021**			
(all dollar amounts in $ millions)	**Regulated Services**	**Renewable Energy**	**Corporate**	**Total**
Prior period balances	**$ 170.2**	**$ 88.4**	**$ (16.4)**	**$ 242.2**
Existing Facilities and Investments	(6.5)	1.7	(3.1)	(7.9)
New Facilities and Investments	32.7	4.9	—	37.6
Rate Reviews	8.4	—	—	8.4
Foreign Exchange Impact	—	1.3	—	1.3
Administration Expenses	—	—	1.3	1.3
Total change during the period	**$ 34.6**	**$ 7.9**	**$ (1.8)**	**$ 40.7**
Current Period Balances	**$ 204.8**	**$ 96.3**	**$ (18.2)**	**$ 282.9**

REGULATED SERVICES GROUP

The Regulated Services Group operates rate-regulated utilities that as of March 31, 2021 provided distribution services to approximately 1,089,000 customer connections in the electric, natural gas, and water and wastewater sectors which is an increase of approximately 284,000 customer connections as compared to the prior year. The increase is due to the acquisitions in the second half of 2020 of (i) a majority interest in the ESSAL water utility in Chile (which added approximately 239,000 customer connections) and (ii) Ascendant in Bermuda (which added approximately 36,000 customer connections).

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 customer connections in the communities in which it operates.

Utility System Type	As at March 31					
	2021			2020		
(all dollar amounts in $ millions)	Assets	Net Utility Sales[1]	Total Customer Connections[2]	Assets	Net Utility Sales[1]	Total Customer Connections[2]
Electricity	**3,633.1**	**164.6**	**306,000**	2,618.9	123.5	267,000
Natural Gas	**1,477.4**	**111.2**	**372,000**	1,378.8	107.0	370,000
Water and Wastewater	**836.3**	**51.9**	**411,000**	518.7	25.5	168,000
Other	**220.1**	**25.4**		84.4	17.0	
Total	**$ 6,166.9**	**$ 353.1**	**1,089,000**	$ 4,600.8	$ 273.0	805,000
Accumulated Deferred Income	**$ 543.9**			$ 485.1		

[1] Net Utility Sales for the three months ended March 31, 2020 and 2021. See *Non-GAAP Financial Measures*.

[2] Total Customer Connections represents the sum of all active and vacant customer connections.

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

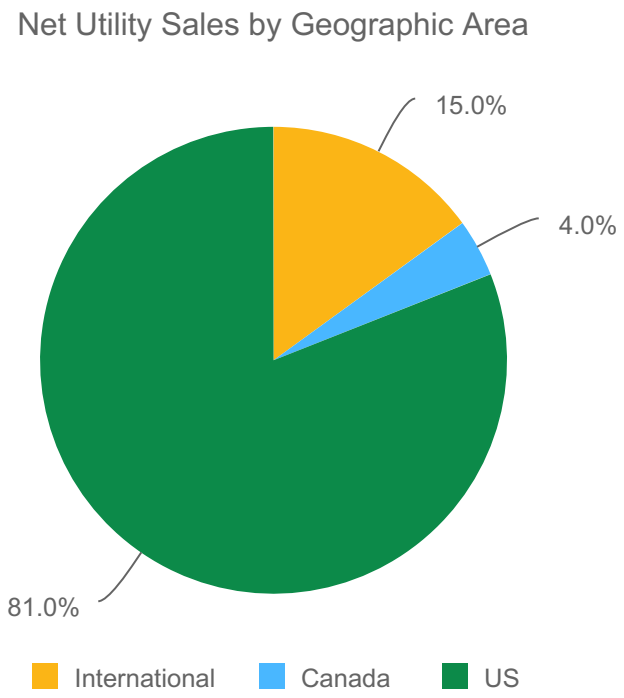
The electric distribution systems are comprised of regulated electrical distribution utility systems and serve approximately 306,000 customer connections in the U.S. States of California, New Hampshire, Missouri, Kansas, Oklahoma and Arkansas and in Bermuda.

The natural gas distribution systems are comprised of regulated natural gas distribution utility systems and serve approximately 372,000 customer connections located in the U.S. States of New Hampshire, Illinois, Iowa, Missouri, Georgia, Massachusetts and New York and in the Canadian Province of New Brunswick.

The water and wastewater distribution systems are comprised of regulated water distribution and wastewater collection utility systems and serve approximately 411,000 customer connections located in the U.S. States of Arkansas, Arizona, California, Illinois, Missouri and Texas and in Chile.

Breakdown by Geographic Area

The Regulated Services Group's operations are located primarily in the United States. In 2019 the Regulated Services Group expanded its operations into Canada with the acquisition of the New Brunswick Gas System and in 2020 the Regulated Services Group expanded into Bermuda and Chile with the acquisitions of Ascendant and ESSAL. Below is a breakdown of Net Utility Sales by geographic area for the three months ended March 31, 2021 (see *Non-GAAP Financial Measures*).



2021 First Quarter Usage Results

Electric Distribution Systems

	Three Months Ended March 31	
	2021	**2020**
Average Active Electric Customer Connections For The Period		
Residential	**264,500**	228,800
Commercial and industrial	**41,500**	38,100
Total Average Active Electric Customer Connections For The Period	**306,000**	266,900
Customer Usage (GW-hrs)		
Residential	**843.9**	657.3
Commercial and industrial	**901.0**	822.8
Total Customer Usage (GW-hrs)	**1,744.9**	1,480.1

For the three months ended March 31, 2021, the electric distribution systems' usage totaled 1,744.9 GW-hrs as compared to 1,480.1 GW-hrs for the same period in 2020, an increase of 264.8 GW-hrs or 17.9%. The increase in electricity consumption is primarily due to the acquisition of Ascendant in the fourth quarter of 2020 and increased consumption at the Empire Electric System due to the Midwest Extreme Weather Event. The increase in electricity consumption excluding the impact of the acquisition of Ascendant was 147.9 GW-hrs or 10%.

Natural Gas Distribution Systems

	Three Months Ended March 31	
	2021	**2020**
Average Active Natural Gas Customer Connections For The Period		
Residential	**321,000**	318,000
Commercial and industrial	**38,300**	38,300
Total Average Active Natural Gas Customer Connections For The Period	**359,300**	356,300
Customer Usage (One Million British Thermal Units("MMBTU"))		
Residential	**10,712,000**	10,579,000
Commercial and industrial	**8,302,000**	9,247,000
Total Customer Usage (MMBTU)	**19,014,000**	19,826,000

For the three months ended March 31, 2021, usage at the natural gas distribution systems totaled 19,014,000 MMBTU as compared to 19,826,000 MMBTU during the same period in 2020, a decrease of 812,000 MMBTU, or 4%. This was primarily due to lower commercial and industrial customer usage in the Midstates Gas System as a result of the Midwest Extreme Weather Event.

Water and Wastewater Distribution Systems

	Three Months Ended March 31	
	2021	**2020**
Average Active Customer Connections For The Period		
Wastewater customer connections	**46,200**	44,800
Water distribution customer connections	**357,400**	116,200
Total Average Active Customer Connections For The Period	**403,600**	161,000
Gallons Provided (millions of gallons)		
Wastewater treated	**663**	649
Water provided	**6,139**	3,055
Total Gallons Provided (millions of gallons)	**6,802**	3,704

For the three months ended March 31, 2021, the water and wastewater distribution systems provided approximately 6,139 million gallons of water to its customers and treated approximately 663 million gallons of wastewater. This is compared to 3,055 million gallons of water provided and 649 million gallons of wastewater treated during the same period in 2020, an increase in total gallons provided of 3,098 million, or 84%. The increase is primarily due to the acquisition of ESSAL in the fourth quarter of 2020, which contributed 2,907 million gallons of water provided.

2021 First Quarter Regulated Services Group Operating Results

(all dollar amounts in $ millions)	Three Months Ended March 31 2021	2020
Revenue		
Utility electricity sales and distribution	**$ 334.0**	$ 180.7
Less: cost of sales – electricity	**(169.4)**	(57.2)
Net Utility Sales - electricity[1]	**164.6**	123.5
Utility natural gas sales and distribution	**184.6**	170.6
Less: cost of sales – natural gas	**(73.4)**	(63.6)
Net Utility Sales - natural gas[1]	**111.2**	107.0
Utility water distribution & wastewater treatment sales and distribution	**54.6**	27.8
Less: cost of sales – water	**(2.7)**	(2.3)
Net Utility Sales - water distribution & wastewater treatment[1]	**51.9**	25.5
Gas transportation	**14.0**	14.0
Other revenue	**11.4**	3.0
Net Utility Sales[1]	**353.1**	273.0
Operating expenses	**(153.2)**	(108.4)
Other income	**1.4**	3.9
HLBV[2]	**3.5**	1.7
Divisional Operating Profit[1,3]	**$ 204.8**	$ 170.2

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 and the North Fork Ridge Wind Facility.

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

2021 First Quarter Operating Results

For the three months ended March 31, 2021, the Regulated Services Group reported an operating profit (excluding corporate administration expenses) of $204.8 million as compared to $170.2 million for the comparable period in the prior year.

Highlights of the changes are summarized in the following table:

(all dollar amounts in $ millions)	Three Months Ended March 31	
Prior Period Operating Profit	**$**	**170.2**
Existing Facilities		
Electricity: Decrease is primarily due to higher non-pass through fuel costs as well as higher maintenance and operating expenses.		(7.6)
Gas: Increase is primarily due to a favorable property tax adjustment at the Midstates Gas System and lower operating expenses at the New Brunswick and St. Lawrence Gas Systems, partially offset by higher operating expenses at the EnergyNorth and New England Gas Systems.		2.1
Water: Increase is primarily due to increased consumption and growth at the Arizona Water Systems and lower operating expenses at the Park Water System.		1.8
Increase in revenue from utility services provided to Ft. Benning and fees earned from the San Antonio Water System investment.		—
Other: Decrease is due to lower earnings from the San Antonio Water System investment and lower income from allowance for funds used during construction (AFUDC).		(2.8)
		(6.5)
New Facilities		
Electricity: Acquisition of Ascendant (November 2020) and the North Fork Ridge Wind Facility (January 2021).		21.8
Water: Acquisition of ESSAL (October 2020).		10.9
		32.7
Rate Reviews		
Electricity: Increase is primarily due to the implementation of a Post-Test Year Adjustment Mechanism effective January 2021 at the CalPeco Electric System as well as the implementation of new rates at the Granite State Electric System.		3.4
Gas: Increase is primarily due to implementation of new rates at the EnergyNorth and Peach State Gas Systems.		5.0
		8.4
Current Period Divisional Operating Profit[1]	**$**	**204.8**

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

Regulatory Proceedings

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

Utility	Jurisdiction	Regulatory Proceeding Type	Rate Request (millions)	Current Status
Pending Rate Reviews				
EnergyNorth Gas System	New Hampshire	GRC	$13.5	On July 31, 2020, EnergyNorth filed an application requesting a permanent increase in annual revenue of approximately $13.5 million effective August 1, 2021, and a further increase of $5.7 million annually associated with capital expenditure projects completed during the twelve months ending December 31, 2020. On September 30, 2020, the New Hampshire Public Utilities Commission issued an Order on temporary rates, approving an adjustment to the Revenue Per Customer (RPC) amounts upward, resulting in a $6.5 million increase in revenue. On March 1, 2021, EnergyNorth filed an updated revenue requirement analysis requesting a proposed incremental revenue increase of $4.9 million above the temporary rate level. Settlement discussions are scheduled to take place on May 6, 7 and 11, 2021.
BELCO	Bermuda	GRC	$5.9	On November 17, 2020, BELCO filed its initial revenue allowance application and, in consultation with the Regulatory Authority, provided updates to this filing on January 18, 2021 and February 25, 2021. The latest filing proposes a $5.9 million increase in authorized revenue while setting the authorized collections for 2021 at $190.4 million and proposes rates be effective June 1, 2021. Additionally, $25.1 million of revenues from both 2020 and 2021 would be deferred and collected over a period of 10 years, beginning in 2022, while maintaining its weighted average cost of capital (WACC) at 8%.
ESSAL	Chile	VII Tariff Process	N/A	ESSAL's VII tariff process began in April 2020 to set rates for the five-year period from September 2021 to September 2026. A tariff decision is expected from the Superintendence of Sanitation Services ("SISS") in the fourth quarter of 2021.
Various	Various	Various	$1.5	Other pending rate review requests across one wastewater utility and one natural gas utility.

Regulatory Proceedings related to Acquisitions:

New York American Water

On November 20, 2019, a subsidiary of the Company entered into a stock purchase agreement (the "SPA") with American Water Works Company Inc. ("American Water") to purchase all of the outstanding shares of New York American Water Company ("New York American Water"). New York American Water is a regulated water and wastewater utility serving customers across seven counties in southeastern New York. The SPA has an initial termination date of June 30, 2021. Either party may extend the SPA beyond June 30, 2021. The ultimate termination date is December 31, 2021, if not bilaterally amended.

On February 28, 2020, a subsidiary of the Company and American Water filed a joint petition with the New York State Public Service Commission ("NYSPSC") for approval of the acquisition. An evidentiary hearing on that joint petition is scheduled for June 28, 2021.

On February 3, 2021, the Governor of New York directed the Special Counsel for Ratepayer Protection at the NYSPSC to commence a municipalization feasibility study regarding a public takeover of New York American Water with the study to be completed by April 1, 2021. On March 29, 2021, the NYSPSC issued its "Report on the Feasibility of Municipalizing New York American Water Company, Inc.'s Nassau County Service Territories." While the report favors municipalization of New York American Water, it recognizes the complexities, costs and risks of pursuing that approach, and outlines alternatives that can lead to closing of the proposed transaction. The Company currently expects the transaction to close in 2021, subject to regulatory approval and other closing conditions under the SPA.

RENEWABLE ENERGY GROUP

2021 First Quarter Electricity Generation Performance

(Performance in GW-hrs sold)	Long Term Average Resource	Three Months Ended March 31 2021	2020
Hydro Facilities:			
Maritime Region	**27.5**	**24.9**	24.5
Quebec Region	**56.0**	**61.2**	57.6
Ontario Region	**38.3**	**31.3**	22.3
Western Region	**9.6**	**6.0**	9.4
	131.4	**123.4**	113.8
Canadian Wind Facilities:			
St. Damase	**20.9**	**21.9**	20.9
St. Leon	**121.4**	**108.1**	113.8
Red Lily[1]	**23.2**	**24.3**	22.7
Morse	**30.5**	**29.2**	28.3
Amherst	**65.3**	**57.6**	58.9
	261.3	**241.1**	244.6
U.S. Wind Facilities:			
Sandy Ridge	**47.1**	**37.2**	42.7
Minonk	**187.4**	**184.9**	184.7
Senate	**151.3**	**136.5**	134.2
Shady Oaks	**108.2**	**106.2**	99.7
Odell	**230.5**	**193.8**	215.2
Deerfield	**160.4**	**165.2**	166.7
Sugar Creek[4]	**202.6**	**84.4**	—
Maverick Creek[5]	**503.3**	**291.5**	—
	1,590.8	**1,199.7**	843.2
Solar Facilities:			
Cornwall	**2.6**	**2.3**	2.4
Bakersfield	**12.9**	**14.2**	13.3
Great Bay[3]	**46.7**	**43.7**	27.3
Altavista[6]	**12.0**	**4.4**	—
	74.2	**64.6**	43.0
Renewable Energy Performance	**2,057.7**	**1,628.8**	1,244.6
Thermal Facilities:			
Windsor Locks	**N/A[2]**	**33.0**	31.2
Sanger	**N/A[2]**	**11.4**	1.7
		44.4	32.9
Total Performance		**1,673.2**	1,277.5

[1] AQN owns a 75% equity interest but accounts for the facility using the equity method. Figures show full energy produced by the facility.

[2] Natural gas fired co-generation facility.

[3] The Great Bay II Solar Facility achieved partial completion on April 15, 2020 and COD on August 13, 2020.

[4] Achieved COD on November 9, 2020.

[5] Achieved partial completion on November 6, 2020 and full COD on April 21, 2021.

[6] Achieved partial completion on March 8, 2021, which represents approximately 75% of the total facility. Prior to April 9, 2021, AQN owned a 50% equity interest in the facility. On April 9, 2021, AQN acquired the remaining 50% equity interest that it did not previously own. Figures show full energy produced by the facility.

2021 First Quarter Renewable Energy Group Performance

For the three months ended March 31, 2021, the Renewable Energy Group generated 1,673.2 GW-hrs of electricity as compared to 1,277.5 GW-hrs during the same period of 2020.

For the three months ended March 31, 2021, the hydro facilities generated 123.4 GW-hrs of electricity as compared to 113.8 GW-hrs produced in the same period in 2020, an increase of 8.4%. Electricity generated represented 93.9% of long-term average resources ("LTAR") as compared to 86.6% during the same period in 2020. During the quarter, all regions except the Quebec Region were below their respective LTAR.

For the three months ended March 31, 2021, the wind facilities produced 1,440.8 GW-hrs of electricity as compared to 1,087.8 GW-hrs produced in the same period in 2020, an increase of 32.5%. The increase in production is primarily due to the addition of the Sugar Creek Wind Facility which achieved COD on November 9, 2020, and the Maverick Creek Wind Facility which achieved COD on April 21, 2021. The wind facilities (excluding Sugar Creek and Maverick Creek) generated electricity equal to 92.9% of LTAR as compared to 94.9% during the same period in 2020.

For the three months ended March 31, 2021, the solar facilities generated 64.6 GW-hrs of electricity as compared to 43.0 GW-hrs of electricity in the same period in 2020, an increase of 50.2%. The increase in production is primarily due to the addition of the Great Bay II Solar Facility which achieved partial completion on April 15, 2020 and COD on August 13, 2020, and the Altavista Solar Facility which achieved partial completion on March 8, 2021. The solar facilities (excluding Great Bay II and Altavista) generated electricity equal to 95.3% of LTAR as compared to 92.1% in the same period in 2020.

For the three months ended March 31, 2021, the thermal facilities generated 44.4 GW-hrs of electricity as compared to 32.9 GW-hrs of electricity during the same period in 2020. During the same period, the Windsor Locks Thermal Facility generated 176.7 billion lbs of steam as compared to 180.3 billion lbs of steam during the same period in 2020.

2021 First Quarter Renewable Energy Group Operating Results

(all dollar amounts in $ millions)	Three Months Ended March 31 2021	2020
Revenue[1]		
Hydro	**$ 10.7**	$ 9.8
Wind	**7.6**	46.6
Solar	**3.9**	3.5
Thermal	**8.6**	6.4
Total Revenue	**$ 30.8**	$ 66.3
Less:		
Cost of Sales - Energy[2]	**(3.3)**	(1.2)
Cost of Sales - Thermal	**(4.7)**	(2.8)
Realized loss on hedges[3]	**0.2**	(0.1)
Net Energy Sales[7]	**$ 23.0**	$ 62.2
Renewable Energy Credits[4]	**4.2**	2.1
Other Revenue	**0.7**	0.5
Total Net Revenue	**$ 27.9**	$ 64.8
Expenses & Other Income		
Operating expenses	**(27.9)**	(18.4)
Dividend, interest, equity and other income[5]	**22.4**	23.8
Impacts from the Market Disruption Event on the Senate Wind Facility	**53.4**	—
HLBV income[8]	**20.5**	18.2
Divisional Operating Profit[6,7]	**$ 96.3**	$ 88.4

1 Many of the Renewable Energy Group's 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. Includes the impacts from the Market Disruption Event on the Senate Wind Facility.

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.

Production tax credits ("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 months ended March 31, 2021, the Renewable Energy Group's eligible facilities generated 717.6 GW-hrs representing approximately $17.9 million in PTCs earned as compared to 743.5 GW-hrs representing $18.6 million in PTCs earned during the same period in 2020. The majority of the PTCs have been allocated to tax equity investors to monetize the value to AQN of the PTCs and other tax attributes which are being recognized as HLBV income.

2021 First Quarter Operating Results

For the three months ended March 31, 2021, the Renewable Energy Group's facilities generated $96.3 million of operating profit as compared to $88.4 million during the same period in 2020, which represents an increase of $7.9 million or 8.9%, excluding corporate administration expenses.

Highlights of the changes are summarized in the following table:

(all dollar amounts in $ millions)	Three Months Ended March 31	
Prior Period Divisional Operating Profit	**$**	**88.4**
Existing Facilities and Investments		
Hydro: Decrease is primarily due to unfavourable pricing in the Maritime Region and an increase in operating costs in the Quebec Region, partially offset by higher overall production.		(1.5)
Wind Canada: Decrease is primarily due to lower production at the St Leon and the Amherst Wind Facilities.		(0.2)
Wind U.S.: Increase is primarily due to higher production at the Shady Oaks Wind Facility and higher overall HLBV income.		1.6
Solar: Decrease is primarily due to higher operating expenses.		(0.2)
Thermal: Decrease is primarily due to the higher overall cost of fuel at the Windsor Locks Thermal Facility, partially offset by higher production at the Sanger Thermal Facility.		(0.1)
Investments: Increase is primarily due to higher dividends from AQN's investment in Atlantica[1].		2.6
Other		(0.5)
		1.7
New Facilities and Investments		
Wind U.S.: Sugar Creek Wind Facility (full COD in November 2020) and Maverick Creek Wind Facility (full COD in April 2021).		5.9
Solar: Great Bay II Solar Facility achieved COD in August 2020.		2.3
Other: Decrease is primarily due to an equity loss from the investment in the Texas Coastal Wind Facilities as a result of the Midwest Extreme Weather Event.		(3.3)
		4.9
Foreign Exchange		**1.3**
Current Period Divisional Operating Profit[2]	**$**	**96.3**

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

2 See *Non-GAAP Financial Measures*.

AQN: CORPORATE AND OTHER EXPENSES

(all dollar amounts in $ millions)	Three Months Ended March 31 2021	2020
Corporate and other expenses:		
Administrative expenses	**$ 15.5**	$ 16.8
Loss (gain) on foreign exchange	**0.9**	(4.7)
Interest expense	**49.6**	46.2
Depreciation and amortization	**97.4**	78.9
Change in value of investments carried at fair value	**71.7**	190.8
Interest, dividend, equity, and other income[1]	**2.4**	(0.4)
Pension and post-employment non-service costs	**3.7**	3.4
Other net losses	**8.4**	0.9
Gain on derivative financial instruments	**(1.1)**	(0.1)
Income tax recovery	**(21.6)**	(13.7)

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

2021 First Quarter Corporate and Other Expenses

For the three months ended March 31, 2021, administrative expenses totaled $15.5 million as compared to $16.8 million in the same period in 2020. The decrease was primarily due to lower travel costs and other administrative expenses, partially offset by an increase in payroll and employee benefits.

For the three months ended March 31, 2021, interest expense totaled $49.6 million as compared to $46.2 million in the same period in 2020. The increase was primarily due to the acquisitions of Ascendant and ESSAL as well as an increase in funds drawn on credit facilities and commercial paper issued.

For the three months ended March 31, 2021, depreciation expense totaled $97.4 million as compared to $78.9 million in the same period in 2020. The increase was primarily due to higher overall property, plant and equipment.

For the three months ended March 31, 2021, change in investments carried at fair value totaled a loss of $71.7 million as compared to a loss of $190.8 million in 2020. 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 March 31, 2021, pension and post-employment non-service costs totaled $3.7 million as compared to $3.4 million in 2020. The increase in 2021 was primarily due to higher amortization of regulatory accounts and net actuarial losses, partially offset by a higher than expected return on plan assets.

For the three months ended March 31, 2021, other net losses were $8.4 million as compared to $0.9 million in the same period in 2020. The net losses in the first three months of 2021 were primarily due to a regulatory asset write down and acquisition costs related to Ascendant and ESSAL (see *Note 16* in the unaudited interim consolidated financial statements).

For the three months ended March 31, 2021, the gain on derivative financial instruments totaled $1.1 million as compared to a gain of $0.1 million in the same period in 2020. The gains in the first three months of 2021 and 2020, respectively were primarily related to mark-to-markets on energy derivatives.

For the three months ended March 31, 2021, an income tax recovery of $21.6 million was recorded as compared to an income tax recovery of $13.7 million during the same period in 2020. The increase in income tax recovery was primarily due to the tax benefit associated with the Midwest Extreme Weather Event and the benefit of tax credits accrued, partially offset by the tax impact associated with the change in fair value of the investment in Atlantica. Tax credits can significantly affect the Company's effective income tax rate depending on the amount of pretax income. For the three months ended March 31, 2021, the Company accrued $11.6 million of investment tax credits ("ITCs") and PTCs associated with renewable energy projects that have either been placed in service or are expected to be placed in service by the end of 2021.

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 AQN. Investors are cautioned that this measure should not be construed as an alternative to U.S. GAAP consolidated net earnings.

	Three Months Ended March 31	
(all dollar amounts in $ millions)	**2021**	**2020**
Net earnings (loss) attributable to shareholders	**$ 13.9**	$ (63.8)
Add (deduct):		
Net earnings attributable to the non-controlling interest, exclusive of HLBV[1]	**6.4**	4.4
Income tax recovery	**(21.6)**	(13.7)
Interest expense	**49.6**	46.2
Other net losses[3]	**8.4**	0.9
Pension and post-employment non-service costs	**3.7**	3.4
Change in value of investments carried at fair value[2]	**71.7**	190.8
Impacts from the Market Disruption Event on the Senate Wind Facility	**53.4**	—
Gain on derivative financial instruments	**(1.1)**	(0.1)
Realized gain (loss) on energy derivative contracts	**0.2**	(0.1)
Loss (gain) on foreign exchange	**0.9**	(4.7)
Depreciation and amortization	**97.4**	78.9
Adjusted EBITDA	**$ 282.9**	$ 242.2

[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 months ended March 31, 2021 amounted to $23.6 million as compared to $19.9 million during the same period in 2020.

[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 AQN. 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 March 31	
(all dollar amounts in $ millions except per share information)	**2021**	**2020**
Net earnings (loss) attributable to shareholders	**$ 13.9**	$ (63.8)
Add (deduct):		
Gain on derivative financial instruments	**(1.1)**	(0.1)
Realized gain (loss) on energy derivative contracts	**0.2**	(0.1)
Other net losses[2]	**8.4**	0.9
Loss (gain) on foreign exchange	**0.9**	(4.7)
Change in value of investments carried at fair value[1]	**71.7**	190.8
Impacts from the Market Disruption Event on the Senate Wind Facility	**53.4**	—
Other non-recurring adjustments	**—**	1.0
Adjustment for taxes related to above	**(22.9)**	(20.7)
Adjusted Net Earnings	**$ 124.5**	$ 103.3
Adjusted Net Earnings per share	**$ 0.20**	$ 0.19

[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 March 31, 2021, Adjusted Net Earnings totaled $124.5 million as compared to Adjusted Net Earnings of $103.3 million for the same period in 2020, an increase of $21.2 million.

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 AQN. Investors are cautioned that this measure should not be construed as an alternative to cash flows from operating activities in accordance with U.S GAAP.

The following table shows the reconciliation of cash flows from (used in) operating activities to Adjusted Funds from Operations exclusive of these items:

	Three Months Ended March 31	
(all dollar amounts in $ millions)	**2021**	**2020**
Cash flows from (used in) operating activities	**$ (243.5)**	$ 66.9
Add (deduct):		
Changes in non-cash operating items	**388.5**	109.0
Production based cash contributions from non-controlling interests	**4.8**	3.4
Impacts from the Market Disruption Event on the Senate Wind Facility	**53.4**	—
Acquisition-related costs	**2.1**	—
Adjusted Funds from Operations	**$ 205.3**	$ 179.3

For the three months ended March 31, 2021, Adjusted Funds from Operations totaled $205.3 million as compared to Adjusted Funds from Operations of $179.3 million for the same period in 2020, an increase of $26.0 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 a development pipeline of approximately $9.4 billion consisting of approximately $6.3 billion of investments in its Regulated Services Group and approximately $3.1 billion of investments in its Renewable Energy Group from 2021 through the end of 2025.

AQN 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 AQN to grow its Regulated Services Group or implement other strategies in order to pursue investment opportunities within its Renewable Energy Group.

On January 27, 2021, Empire closed its acquisition of the North Fork Ridge Wind Facility. Construction of the Kings Point and Neosho Ridge Wind Facilities is complete with the exception of civil remediation. Empire's acquisition of the Kings Point and Neosho Ridge Wind Facilities closed on May 5, 2021. All three Wind Facilities are currently operating under interim interconnection agreements. The most recent interconnection study results published by the transmission provider for the three Wind Facilities confirmed no required network upgrades for the Kings Point and North Fork Ridge Wind Facilities, but identified certain required network upgrades for the Neosho Ridge Wind Facility, which may result in future curtailment of some of the energy produced by the Neosho Ridge Wind Facility prior to completion of the required network upgrades. The Company continues to evaluate this issue and is working to ensure that certain errors impacting the results of the transmission provider's most recent interconnection study are corrected. The next interconnection study results are expected in the second half of 2021.

As a result of a blade manufacturing error, the Renewable Energy Group was instructed by its turbine supplier on November 24, 2020 to shut down 26 turbines at the Maverick Creek Wind Facility and 26 turbines at the Sugar Creek Wind Facility. Correction of this issue requires remediating 45 affected blades at the Maverick Creek Wind Facility and 38 affected blades at the Sugar Creek Wind Facility. The Renewable Energy Group has been working closely with the turbine supplier, and remediation work is underway at both sites. At the Maverick Creek Wind Facility, 10 of the 26 affected turbines have been returned to service, with the remaining work expected to be completed prior to the end of the third quarter of 2021. The remediation work at the Sugar Creek Wind Facility is expected to be completed prior to the end of 2021. The relevant

turbine supply and operating agreements contain customary warranty and liquidated damage protections in favour of the Company relating to the remediation of the affected blades and revenue loss due to operating down time.

SUMMARY OF PROPERTY, PLANT, AND EQUIPMENT EXPENDITURES

(all dollar amounts in $ millions)	Three Months Ended March 31 2021	2020
Regulated Services Group		
Rate Base Maintenance	**$ 67.3**	$ 52.7
Rate Base Growth	**171.0**	57.2
Property, Plant & Equipment Acquired[1]	**248.1**	—
	$ 486.4	$ 109.9
Renewable Energy Group		
Maintenance	**$ 6.8**	$ 9.8
Investment in Capital Projects[1]	**1,302.0**	61.7
International Investments	**134.6**	0.5
	$ 1,443.4	$ 72.0
Total Capital Expenditures	**$ 1,929.8**	$ 181.9

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

2021 First Quarter Property Plant and Equipment Expenditures

During the three months ended March 31, 2021, the Regulated Services Group invested $486.4 million ($238.3 million excluding acquisitions) in capital expenditures as compared to $109.9 million during the same period in 2020. The Regulated Services Group's investment was primarily related to the construction of transmission and distribution main replacements, work on new and existing substation assets, and initiatives relating to the safety and reliability of the electric and gas systems. Property, plant and equipment acquired of $248.1 million was related to the acquisition of the North Fork Ridge Wind Project.

During the three months ended March 31, 2021, the Renewable Energy Group's incurred capital expenditures of $1,443.4 million related to the acquisitions of the Maverick Creek and Sugar Creek Wind Projects from its joint venture partners, the acquisition of a 51% interest in the Texas Coastal Wind Facilities, to advance the development and/or construction of the Altavista, Dimension and Carvers Creek Solar Projects, as well as ongoing maintenance capital at existing operating sites. During the three months ended March 31, 2021, the Company also made an investment of approximately $132.7 million of additional ordinary shares of Atlantica purchased through a subscription agreement that was completed in early 2021 (see *Note 6 (a)* in the unaudited interim consolidated financial statements).

2021 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 2021 financial year, the Company expects to spend between $4.0 billion to $4.5 billion on capital investment opportunities. Actual expenditures in 2021 may vary due to, among other things, the impacts of COVID-19 and related response measures, the timing of various project investments and acquisitions, and the realized foreign exchange rates.

Ranges of expected capital investment in the 2021 financial year are as follows:

(all dollar amounts in $ millions)			
Regulated Services Group:			
Rate Base Maintenance	$ 250.0	-	$ 300.0
Rate Base Growth	1,750.0	-	1,825.0
Rate Base Acquisitions	600.0	-	625.0
Total Regulated Services Group:	$2,600.0	-	$2,750.0
Renewable Energy Group:			
Maintenance	$ 25.0	-	$ 50.0
Investment in Capital Projects	1,250.0	-	1,550.0
International Investments	125.0	-	150.0
Total Renewable Energy Group:	$1,400.0	-	$1,750.0
Total 2021 Capital Investments	**$ 4,000.0**	**-**	**$ 4,500.0**

The Regulated Services Group expects to spend between $2,600.0 million to $2,750.0 million over the course of 2021 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. In addition to the North Fork Ridge Wind Project that was acquired in January 2021, the Regulated Services Group expects to close the acquisitions of the Neosho Ridge and Kings Point Wind Projects as well as New York American Water in 2021.

The Renewable Energy Group intends to spend between $1,400.0 million to $1,750.0 million over the course of 2021 to develop or further invest in capital projects, primarily in relation to: (i) the acquisition of its joint venture partners' interest in the Maverick Creek and Sugar Creek Wind Projects and the Altavista Solar Project, and acquisition of a 51% interest in the Texas Coastal Wind Facilities and the West Raymond Facility, (ii) development and construction (as applicable) of the Renewable Energy Group's wind and solar projects, and (iii) incremental international investments which includes an investment of approximately $132.7 million of additional ordinary shares of Atlantica purchased through a subscription agreement that was completed in early 2021 (see *Note 6 (a)* in the unaudited interim consolidated financial statements). 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 2021 capital plan through a combination of retained cash, tax equity funding, senior notes, bank revolving and term credit facilities, and common equity or equity linked instruments.

LIQUIDITY AND CAPITAL RESERVES

AQN 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 AQN and its operating groups as at March 31, 2021:

	As at March 31, 2021				As at Dec 31, 2020
(all dollar amounts in $ millions)	Corporate	Regulated Services Group	Renewable Energy Group	Total	Total
Credit facilities	$ 1,550.0 [1]	$ 1,175.0	$ 850.0 [2]	**$ 3,575.0**	$ 3,575.0
Funds drawn on facilities/ Commercial paper issued	(959.0)	(315.8)	(412.0)	**(1,686.8)**	(345.5)
Letters of credit issued	(19.1)	(130.4)	(371.9)	**(521.4)**	(441.4)
Liquidity available under the facilities	**571.9**	**728.8**	**66.1**	**1,366.8**	2,788.1
Undrawn Portion of Uncommitted Letter of Credit Facilities	(34.7)	—	(26.5)	**(61.2)**	(105.8)
Cash on hand				**142.5**	101.6
Total Liquidity and Capital Reserves	**$ 537.2**	**$ 728.8**	**$ 39.6**	**$ 1,448.1**	$ 2,783.9

[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 March 31, 2021, the Company's $500 million senior unsecured syndicated revolving credit facility (the "Corporate Credit Facility") had $459.0 million drawn and had $3.7 million of outstanding letters of credit. The Corporate Credit Facility matures on July 12, 2024.

As at March 31, 2021, the Company's $1.0 billion senior unsecured syndicated revolving credit facility (the "Corporate Liquidity Facility") had $500.0 million drawn. The Corporate Liquidity Facility matures on December 31, 2021.

As at March 31, 2021, the Company had also issued $15.3 million of letters of credit from its $50 million uncommitted bi-lateral letter of credit facility.

Regulated Services Group

As at March 31, 2021, the Regulated Services Group's $500.0 million senior unsecured syndicated revolving credit facility (the "Regulated Services Credit Facility") had no amounts drawn and had $130.4 million of outstanding letters of credit. The Regulated Services Credit Facility matures on February 23, 2023. As at March 31, 2021, $241.0 million of commercial paper was issued and outstanding.

As at March 31, 2021, the Regulated Services Group's $600.0 million senior unsecured syndicated revolving credit facility (the "Regulated Services Liquidity Facility") had no amounts drawn. The Regulated Services Liquidity Facility matures on December 31, 2021.

Through the acquisition of Ascendant in the fourth quarter of 2020, the Regulated Services Group acquired a $75.0 million senior unsecured revolving credit facility (the "BELCO Credit Facility"). As at March 31, 2021, the BELCO Credit Facility had $74.8 million drawn. The BELCO Credit Facility matures on June 30, 2021. The Company expects to refinance the credit facility before maturity.

Renewable Energy Group

As at March 31, 2021, 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 March 31, 2021, the Renewable Energy Credit Facility had $412.0 million drawn and had $48.5 million in outstanding letters of credit. As at March 31, 2021, the Renewable Energy LC Facility had $323.5 million in outstanding letters of credit.

Long Term Debt

On February 15, 2021, the Company repaid, upon its maturity, a C$150.0 million senior unsecured note.

Issuance of C$400 Million of Green Senior Unsecured Debentures

On April 9, 2021, Algonquin Power Co. ("APCo"), the parent company for the U.S. and Canadian generating assets under the Renewable Energy Group, issued C$400.0 million of "green" senior unsecured debentures bearing interest at 2.85% and having a maturity date of July 15, 2031. The Debentures were offered at a price of C$999.92 per C$1,000 principal amount. The Debentures were assigned a BBB rating from Standard & Poor's Financial Services LLC, ("S&P"), Fitch Ratings Inc. ("Fitch") and DBRS Limited ("DBRS"). Concurrent with the offering of the Debentures, the Renewable Energy Group entered into a cross currency swap, coterminous with the Debentures, to convert the Canadian dollar denominated proceeds into U.S. dollars, resulting in an effective interest rate throughout the term of the Debentures of approximately 2.82%. The net proceeds from the offering of the Debentures were or will be, as applicable, used to finance or refinance investments in renewable power generation and clean energy technologies.

Credit Ratings

AQN has a long term consolidated corporate credit rating of BBB from S&P, a BBB rating from DBRS and a BBB issuer rating from Fitch.

Liberty Utilities Co., 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 Utilities Finance GP1, has a rating of BBB (high) from DBRS, BBB+ from Fitch and BBB from S&P. 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.

APCo 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 March 31, 2021 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]	**$ 6,346.5**	$ 1,584.3	$ 1,073.8	$ 589.7	$ 3,098.7
Advances in aid of construction	**88.7**	1.2	—	—	87.5
Interest on long-term debt obligations[2]	**1,915.5**	226.4	359.0	268.3	1,061.8
Purchase obligations	**537.6**	537.6	—	—	—
Environmental obligations	**62.3**	12.3	26.7	2.4	20.9
Derivative financial instruments:					
Cross currency interest rate swaps	**48.3**	27.3	3.6	22.7	(5.3)
Interest rate swaps	**8.6**	2.7	4.0	1.7	0.2
Energy derivative and commodity contracts	**4.7**	1.4	0.5	1.3	1.5
Purchased power	**305.8**	39.2	53.8	48.5	164.3
Gas delivery, service and supply agreements	**428.2**	84.0	113.2	78.8	152.2
Service agreements	**669.5**	65.3	114.1	110.3	379.8
Capital projects	**448.0**	448.0	—	—	—
Land easements	**478.5**	10.9	21.9	22.5	423.2
Other obligations	**254.7**	88.0	4.0	18.6	144.1
Total Obligations	**$ 11,596.9**	**$ 3,128.6**	**$ 1,774.6**	**$ 1,164.8**	**$ 5,528.9**

[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 AQN are publicly traded on the Toronto Stock Exchange ("TSX") and the New York Stock Exchange ("NYSE") under the trading symbol "AQN". As at May 5, 2021, AQN had 611,841,496 issued and outstanding common shares.

AQN 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 AQN upon liquidation, dissolution or winding up of AQN. All shares are of the same class and with equal rights and privileges and are not subject to future calls or assessments.

AQN is also authorized to issue an unlimited number of preferred shares, issuable in one or more series, containing terms and conditions as approved by the Board. As at March 31, 2021, AQN 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.

At-The-Market Equity Program

On March 15, 2020, AQN re-established its at-the-market equity program ("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 March 31, 2021, under its ATM program AQN issued approximately 8.2 million of its common shares at an average price of $15.79 per common share for total gross proceeds of $129.3 million ($127.7 million net of commissions). Other costs were $0.2 million. Subsequent to the quarter, under its ATM program AQN issued an additional approximately 3.0 million of its common shares at an average price of $16.24 per common share for total gross proceeds of $48.6 million ($48.0 million net of commissions).

As at May 6, 2021, the Company has issued a cumulative total of 21,604,478 common shares under its ATM program at an average price of $14.84 per share for gross proceeds of approximately $320.6 million ($316.5 million net of commissions). Other related costs, primarily related to the establishment and subsequent re-establishments of the ATM program, were $3.6 million.

Dividend Reinvestment Plan

AQN has a shareholder dividend reinvestment plan (the "Reinvestment Plan") for registered holders of common shares of AQN. As at March 31, 2021, 151,885,052 common shares representing approximately 25% of total common shares outstanding had been registered with the Reinvestment Plan. During the three months ended March 31, 2021, 1,403,635 common shares were issued under the Reinvestment Plan, and subsequent to quarter-end, on April 15, 2021, an additional 1,522,859 common shares were issued under the Reinvestment Plan.

SHARE-BASED COMPENSATION PLANS

For the three months ended March 31, 2021, AQN recorded $1.2 million in total share-based compensation expense as compared to $1.5 million for the same period in 2020. The compensation expense is recorded as part of administrative expenses in the consolidated statement of operations. The portion of share-based compensation costs capitalized as cost of construction is insignificant.

As at March 31, 2021, total unrecognized compensation costs related to non-vested share-based awards was $12.4 million and is expected to be recognized over a period of 1.87 years.

Stock Option Plan

AQN 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.

AQN determines the fair value of options granted using the Black-Scholes option-pricing model. The estimated fair value of options, including the effect of estimated forfeitures, is recognized as an expense on a straight-line basis over the options' vesting periods while ensuring that the cumulative amount of compensation cost recognized at least equals the

value of the vested portion of the award at that date. During the three months ended March 31, 2021, the Company granted 437,006 options to executives of the Company. The options allow for the purchase of common shares at a weighted average price of C$19.64, the market price of the underlying common share at the date of grant.

As at March 31, 2021, a total of 2,547,454 options were issued and outstanding under the stock option plan.

Performance and Restricted Share Units

AQN issues performance share units ("PSUs") and restricted share units ("RSUs") to certain employees as part of AQN's long-term incentive program. During the three months ended March 31, 2021, the Company granted (including dividends and performance adjustments) a combined total of 253,391 PSUs and RSUs to employees of the Company. During the three months ended March 31, 2021, the Company settled 702,578 PSUs, of which 369,934 PSUs were exchanged for common shares issued from treasury and 332,644 PSUs were settled at their cash value as payment for tax withholdings related to the settlement of the PSUs. Additionally, during the three months ended March 31, 2021, a total of 34,981 PSUs were forfeited.

As at March 31, 2021, a combined total of 2,237,039 PSUs and RSUs were granted and outstanding under the PSU and RSU plans.

Directors' Deferred Share Units

AQN has a Directors' Deferred Share Unit Plan. Under the plan, non-employee directors of AQN 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 AQN. As AQN does not expect to settle the DSUs in cash, these DSUs are accounted for as equity awards. During the three months ended March 31, 2021, the Company issued 15,970 DSUs (including DSUs in lieu of dividends) to the directors of the Company.

As at March 31, 2021, a total of 560,463 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 three months ended March 31, 2021, 3,543 RSUs were issued (including RSUs in lieu of dividends) to employees of the Company. During the three months ended March 31, 2021, the Company settled 148,459 bonus RSUs, of which 68,841 were exchanged for common shares issued from treasury and 79,618 RSUs were settled at their cash value as payment for tax withholdings related to the settlement of the RSUs.

Employee Share Purchase Plan

AQN has an Employee Share Purchase Plan (the "ESPP") which allows eligible employees to use a portion of their earnings to purchase common shares of AQN. The aggregate number of common shares reserved for issuance from treasury by AQN under this plan shall not exceed 4,000,000 shares. During the three months ended March 31, 2021, the Company issued 96,887 common shares to employees under the ESPP.

As at March 31, 2021, a total of 1,685,403 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 2021 and 2020 (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 $6.3 million during the three months ended March 31, 2021, as compared to $4.6 million during the same period in 2020. Additionally, one of the equity-method investees provides development services to the Company on specified projects, for which it earns a development fee upon reaching certain milestones. During the three months ended March 31, 2021, the development fees charged to the Company were $0.7 million as compared to nil during the same period in 2020. See *Note 6(b)* in the unaudited interim consolidated financial statements.

In 2020, a subsidiary of the Company made a tax equity investment into Altavista Solar Subco, LLC, an equity investee of the Company (prior to April 9, 2021) and indirect owner of the Altavista Solar Project. Following the closing of the

construction financing facility for the Altatvista Solar Project, certain excess funds were distributed to the Company and in return the Company issued a promissory note of $30.5 million payable to Altavista Solar Subco, LLC with an original maturity date of March 31, 2021. During the three months ended March 31, 2021, the maturity date of the promissory note was extended to June 30, 2021. On April 9, 2021, the Company acquired the remaining 50% equity interest in the Altavista Solar Project that it did not previously own. See *Note 6(b)* 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 March 31, 2021. During the three months ended March 31, 2021, the Company incurred non-controlling interest attributable to AAGES of $2.7 million as compared to $3.8 million during the same period in 2020 and recorded distributions of $2.5 million as compared to $3.3 million during the same period in 2020 (see *Note 14* in the unaudited interim consolidated financial statements). The subsidiary of Abengoa that holds the interest in AAGES is currently taking steps towards executing a restructuring plan which is subject to final creditor approval. In the event this restructuring is not successful, AQN would consolidate its interest in the preference share held by AAGES and the 3-year secured credit facility in the amount of $306.5 million.

On October 21, 2020, the Company paid $1.5 million to Abengoa for a twelve month exclusive, transferable, and irrevocable option to purchase all of Abengoa's interests in AAGES. During the term of the option, the Company is obligated to provide cash advances in an aggregate amount not exceeding $7.2 million in any calendar year to be used only in accordance with the baseline budget.

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 for $96.8 million. During the three months ended March 31, 2021, the Company recorded distributions of $4.5 million as compared to $4.2 million during the same period in 2020.

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 ("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 Board oversees the Corporation's risk policies, including the ERM policy which describes 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. However, there can be no assurance that the Corporation's risk management activities will be successful in identifying, assessing, or mitigating the risks to which the Corporation is subject.

The risks discussed below are not intended as a complete list of all risks that AQN, 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 and privacy 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 herein, 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.

Change in customer demand due to the COVID-19 Pandemic

The Company operates utility systems across 16 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 potential 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.

The Company has seen the impacts on consumption patterns reduce from their early peaks as the economy has started to re-open.

Since the length of the pandemic, any longer term economic impacts, and how these may change consumption for residential, commercial and industrial customers is not known, the actual impacts on the Company's operations for the remainder of 2021 are not known at this time.

Treasury Risk Management

Interest Rate Risk

The majority of debt outstanding in AQN 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. AQN does not actively manage interest rate risk on its variable interest rate borrowings due to the primarily short term and revolving nature of the amounts drawn.

Based on amounts outstanding as at March 31, 2021, 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 $459.0 million outstanding as at March 31, 2021. As a result, a 100 basis point change in the variable rate charged would impact interest expense by $4.6 million annually;
- the Corporate Liquidity Facility is subject to a variable interest rate and had $500.0 million outstanding as at March 31, 2021. As a result, a 100 basis point change in the variable rate charged would impact interest expense by $5.0 million annually;
- the Regulated Services Credit Facility is subject to a variable interest rate and had no amounts outstanding as at March 31, 2021. As a result, a 100 basis point change in the variable rate charged would not impact interest expense;
- the Regulated Services Liquidity Facility is subject to a variable interest rate and had no amounts outstanding as at March 31, 2021. As a result, a 100 basis point change in the variable rate charged would not impact interest expense;
- the BELCO Credit Facility is subject to a variable interest rate and had $74.8 million outstanding as at March 31, 2021. As a result, a 100 basis point change in the variable rate charged would impact interest expense by $0.7 million annually;
- the Regulated Services Group's commercial paper program is subject to a variable interest rate and had $241.0 million outstanding as at March 31, 2021. As a result, a 100 basis point change in the variable rate charged would impact interest expense by $2.4 million annually;
- the Renewable Energy Credit Facility is subject to a variable interest rate and had $412.0 million outstanding as at March 31, 2021. As a result, a 100 basis point change in the variable rate charged would impact interest expense by $4.1 million annually;
- the Renewable Energy Group's senior secured projects notes are subject to a variable interest rate and had $570.6 million outstanding as at March 31, 2021. As a result, a 100 basis point change in the variable rate charged would impact interest expense by $5.7 million annually; and

- term facilities at BELCO and ESSAL that are subject to variable interest rates had $162.5 million outstanding as at March 31, 2021. As a result, a 100 basis point change in the variable rate charged would impact interest expense by $1.6 million annually.

Tax Risk and Uncertainty

The Company is subject to income and other taxes primarily in the United States and Canada. Changes in tax laws or interpretations thereof in the jurisdictions in which it does business could adversely affect the Company's results from operations, returns to shareholders and cash flow. While management believes it is in compliance with current prevailing laws, one or more taxing jurisdictions could seek to impose incremental or new taxes on the Company.

- As a result of the most recent presidential and congressional elections in the United States, there could be significant changes in tax laws and regulations;
- On April 19, 2021, the Canadian federal government delivered its 2021 budget. The budget contains proposed measures related to limits on interest deductibility. Draft legislative proposals are expected to be released at a future date;
- As a consequence of the Organization for Economic Cooperation and Development's project on "Base Erosion and Profit Shifting" (BEPS), there could be a focus by taxing authorities to pursue common international principles for the entitlement to taxation of global corporate profits and minimum global tax rates.

The timing or impacts of any future changes in tax laws, including the impacts of proposed regulations, cannot be predicted. Any adverse developments in these laws or regulations, including legislative changes, judicial holdings or administrative interpretations, could have a material and adverse effect on the results of operations, financial condition and cash flows of the Company.

OPERATIONAL RISK MANAGEMENT

Litigation Risks and Other Contingencies

AQN and certain of its subsidiaries are involved in various litigation, claims and other legal and regulatory proceedings that arise from time to time in the ordinary course of business. Any accruals for contingencies related to these items are recorded in the financial statements at the time it is concluded that a material financial loss is likely and the related liability is estimable. Anticipated recoveries under existing insurance policies are recorded when reasonably assured of recovery.

Claim by Gaia Power Inc.

On October 30, 2018, Gaia Power Inc. ("Gaia") commenced an action in the Ontario Superior Court of Justice against AQN and certain of its subsidiaries, initially claiming damages of not less than C$345 million and punitive damages in the sum of C$25 million. On November 28, 2020, Gaia served the Company with an amended notice of arbitration to, among other things, lower the value of its damages claim to C$108.5 million and lower the value of its punitive damages claim to C$10 million. The action arises from Gaia's 2010 sale, to a subsidiary of AQN, 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 agreed to arbitrate the dispute and concluded hearings on this matter on March 17, 2021. The arbitrator has reserved his decision until further notice. The likelihood of success in this lawsuit cannot be reasonably predicted at this time.

Mountain View Fire

On November 17, 2020, a wildfire now known as the Mountain View fire occurred in the territory of Liberty Utilities (CalPeco Electric) LLC ("Liberty CalPeco"). The cause of the fire is undetermined at this time, and CAL FIRE has not yet issued a report. There are currently seven active lawsuits that name the Company and/or certain of its subsidiaries as defendants in connection with the Mountain View fire. Four of these lawsuits are brought by groups of individual plaintiffs alleging causes of action including negligence, inverse condemnation, nuisance, trespass, and violations of Cal. Pub. Util. Code 2106 and Cal. Health and Safety Code 13007. In the fifth lawsuit, County of Mono, Antelope Valley Fire Protection District, Toiyabe Indian Health Project, and Bridgeport Indian Colony allege similar causes of action and seek damages for fire suppression costs, law enforcement costs, property and infrastructure damage, and other costs. In the other two lawsuits, groups of insurance companies allege inverse condemnation and negligence and seek recovery of amounts paid and to be paid to their insureds. The likelihood of success in these lawsuits cannot be reasonably predicted. Liberty CalPeco intends to vigorously defend them. The Company has wildfire liability insurance that is expected to apply up to applicable policy limits.

Apple Valley Condemnation Proceedings

Liberty Utilities (Apple Valley Ranchos Water) Corp ("Liberty Apple Valley") 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 May or June 2021. If Liberty Apple Valley prevails, the case is concluded, and the Town may be required to compensate Liberty Apple Valley for its litigation expenses. However, if the Court determines that the taking is allowed, there will be a second phase of the lawsuit in which a jury will determine the amount of compensation owed for the taking based upon the fair market value of the assets being condemned. Any taking by the 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.

QUARTERLY FINANCIAL INFORMATION

The following is a summary of unaudited quarterly financial information for the eight quarters ended March 31, 2021:

(all dollar amounts in $ millions except per share information)	2nd Quarter 2020	3rd Quarter 2020	4th Quarter 2020	1st Quarter 2021
Revenue	$ 343.6	$ 376.1	$ 492.4	$ 634.5
Net earnings attributable to shareholders	286.2	55.9	504.2	13.9
Net earnings per share	0.54	0.09	0.84	0.02
Diluted net earnings per share	0.53	0.09	0.83	0.02
Adjusted Net Earnings[1]	47.4	88.1	127.0	124.5
Adjusted Net Earnings per share[1]	0.09	0.15	0.21	0.20
Adjusted EBITDA[1]	176.3	197.9	253.1	282.9
Total assets	11,188.0	11,739.9	13,223.9	15,286.1
Long term debt[2]	4,155.1	3,978.0	4,538.8	6,353.7
Dividend declared per common share	$ 0.16	$ 0.16	$ 0.16	$ 0.16

	2nd Quarter 2019	3rd Quarter 2019	4th Quarter 2019	1st Quarter 2020
Revenue	$ 343.6	$ 365.6	$ 440.0	$ 464.9
Net earnings (loss) attributable to shareholders	156.6	115.8	172.1	(63.8)
Net earnings (loss) per share	0.31	0.23	0.34	(0.13)
Diluted net earnings (loss) per share	0.31	0.23	0.33	(0.13)
Adjusted Net Earnings[1]	54.5	69.2	103.6	103.3
Adjusted Net Earnings per share[1]	0.11	0.14	0.20	0.19
Adjusted EBITDA[1]	190.0	186.9	230.4	242.2
Total assets	10,034.3	10,618.9	10,920.8	10,900.6
Long term debt[2]	3,782.3	4,276.6	3,932.2	4,205.1
Dividend declared per common share	$ 0.14	$ 0.14	$ 0.14	$ 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 $634.5 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 $13.9 million and earnings of $504.2 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

AQN's management carried out an evaluation as of March 31, 2021, under the supervision of and with the participation of AQN's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operations of AQN's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15 (e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, the CEO and the CFO have concluded that as of March 31, 2021, AQN's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by AQN 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 three months ended March 31, 2021, 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 or 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

AQN 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.

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

Unaudited Interim Consolidated Financial Statements of

Algonquin Power & Utilities Corp.

For the three months ended March 31, 2021 and 2020

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

(thousands of U.S. dollars, except per share amounts)	Three months ended March 31	
	2021	**2020**
Revenue		
Regulated electricity distribution	**$ 334,333**	$ 180,699
Regulated gas distribution	**198,997**	184,594
Regulated water reclamation and distribution	**54,550**	27,839
Non-regulated energy sales	**30,783**	66,311
Other revenue	**15,879**	5,458
	634,542	464,901
Expenses		
Operating expenses	**181,161**	126,734
Regulated electricity purchased	**169,399**	57,233
Regulated gas purchased	**73,381**	63,613
Regulated water purchased	**2,742**	2,251
Non-regulated energy purchased	**7,928**	4,004
Administrative expenses	**15,539**	16,834
Depreciation and amortization	**97,439**	78,880
Loss (gain) on foreign exchange	**862**	(4,670)
	548,451	344,879
Operating income	**86,091**	120,022
Interest expense	**(49,580)**	(46,248)
Income from long-term investments (note 6)	**(50,507)**	(162,661)
Other net losses (note 16)	**(8,384)**	(890)
Pension and other post-employment non-service costs (note 8)	**(3,684)**	(3,356)
Gain on derivative financial instruments (note 21(b)(iv))	**1,089**	57
Loss before income taxes	**(24,975)**	(93,076)
Income tax recovery (expense) (note 15)		
Current	**(3,375)**	(4,087)
Deferred	**25,013**	17,790
	21,638	13,703
Net loss	**(3,337)**	(79,373)
Net effect of non-controlling interests (note 14)		
Non-controlling interests	**19,965**	19,342
Non-controlling interests held by related party	**(2,681)**	(3,766)
	$ 17,284	$ 15,576
Net earnings (loss) attributable to shareholders of Algonquin Power & Utilities Corp.	**$ 13,947**	$ (63,797)
Series A and D Preferred shares dividend (note 12)	**2,214**	2,140
Net earnings (loss) attributable to common shareholders of Algonquin Power & Utilities Corp.	**$ 11,733**	$ (65,937)
Basic and diluted net earnings (loss) per share (note 17)	**$ 0.02**	$ (0.13)

See accompanying notes to unaudited interim consolidated financial statements

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

(thousands of U.S. dollars)	Three months ended March 31	
	2021	**2020**
Net loss	**$ (3,337)**	$ (79,373)
Other comprehensive income (loss) ("OCI"):		
Foreign currency translation adjustment, net of tax recovery of $536 and tax expense of $5,703, respectively (notes 21(b)(iii) and 21(b)(iv))	**(273)**	(36,630)
Change in fair value of cash flow hedges, net of tax expense of $2,685 and tax recovery of $5,087, respectively (note 21(b)(ii))	**7,644**	(14,088)
Change in pension and other post-employment benefits, net of tax expense of $138 and tax recovery $31, respectively (note 8)	**1,620**	(76)
Other comprehensive income (loss), net of tax	**8,991**	(50,794)
Comprehensive income (loss)	**5,654**	(130,167)
Comprehensive loss attributable to the non-controlling interests	**(16,899)**	(21,636)
Comprehensive income (loss) attributable to shareholders of Algonquin Power & Utilities Corp.	**$ 22,553**	$ (108,531)

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp.
Unaudited Interim Consolidated Balance Sheets

(thousands of U.S. dollars)

	March 31, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 142,478**	$ 101,614
Accounts receivable, net (note 4)	**366,293**	325,644
Fuel and natural gas in storage	**12,569**	30,567
Supplies and consumables inventory	**107,211**	104,078
Regulatory assets (note 5)	**101,618**	63,042
Prepaid expenses	**55,552**	49,640
Derivative instruments (note 21)	**11,008**	13,106
Other assets	**7,599**	7,266
	804,328	694,957
Property, plant and equipment, net	**9,773,474**	8,241,838
Intangible assets, net	**114,173**	114,913
Goodwill	**1,210,741**	1,208,390
Regulatory assets (note 5)	**981,053**	782,429
Long-term investments (note 6)		
Investments carried at fair value	**1,898,132**	1,837,429
Other long-term investments	**367,792**	214,583
Derivative instruments (note 21)	**47,942**	39,001
Deferred income taxes	**22,309**	21,880
Other assets	**66,180**	68,486
	$ 15,286,124	$13,223,906

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp.
Unaudited Interim Consolidated Balance Sheets

(thousands of U.S. dollars)

	March 31, 2021	December 31, 2020
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	**$ 149,265**	$ 192,160
Accrued liabilities	**388,355**	369,530
Dividends payable (note 12)	**94,211**	92,720
Regulatory liabilities (note 5)	**35,998**	38,483
Long-term debt (note 7)	**620,869**	139,874
Other long-term liabilities (note 9)	**76,261**	72,505
Derivative instruments (note 21)	**31,398**	41,980
Other liabilities	**8,033**	7,901
	1,404,390	955,153
Long-term debt (note 7)	**5,732,525**	4,398,596
Regulatory liabilities (note 5)	**550,656**	563,035
Deferred income taxes	**559,591**	568,644
Derivative instruments (note 21)	**30,235**	68,430
Pension and other post-employment benefits obligation	**333,296**	341,502
Other long-term liabilities (note 9)	**395,480**	339,181
	9,006,173	7,234,541
Redeemable non-controlling interests (note 14)		
Redeemable non-controlling interest, held by related party (note 13(b))	**306,453**	306,316
Redeemable non-controlling interests	**18,837**	20,859
	325,290	327,175
Equity:		
Preferred shares	**184,299**	184,299
Common shares (note 10(a))	**5,092,691**	4,935,304
Additional paid-in capital	**59,631**	60,729
Retained earnings (deficit)	**(40,330)**	45,753
Accumulated other comprehensive loss ("AOCI") (note 11)	**(20,272)**	(22,507)
Total equity attributable to shareholders of Algonquin Power & Utilities Corp.	**5,276,019**	5,203,578
Non-controlling interests		
Non-controlling interests	**623,250**	399,487
Non-controlling interest, held by related party (note 13(c))	**55,392**	59,125
	678,642	458,612
Total equity	**5,954,661**	5,662,190
Commitments and contingencies (note 19)		
Subsequent events (notes 3, 7, 10 and 21)		
	$ 15,286,124	$13,223,906

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 March 31, 2021

	Algonquin Power & Utilities Corp. Shareholders						
	Common shares	Preferred shares	Additional paid-in capital	Retained earnings (deficit)	Accumulated OCI	Non-controlling interests	Total
Balance, December 31, 2020	$ 4,935,304	$ 184,299	$ 60,729	$ 45,753	$ (22,507)	$ 458,612	$ 5,662,190
Net earnings (loss)	—	—	—	13,947	—	(17,284)	(3,337)
Effect of redeemable non-controlling interests not included in equity (note 14)	—	—	—	—	—	(963)	(963)
Other comprehensive loss	—	—	—	—	8,606	385	8,991
Dividends declared and distributions to non-controlling interests	—	—	—	(74,177)	—	(6,201)	(80,378)
Dividends and issuance of shares under dividend reinvestment plan	22,651	—	—	(22,651)	—	—	—
Contributions received from non-controlling interests (note 3)	—	—	6,919	—	(6,371)	214,952	215,500
Non-controlling interest assumed on asset acquisition (note 3(a))	—	—	—	—	—	29,141	29,141
Common shares issued upon public offering, net of cost	127,427	—	—	—	—	—	127,427
Common shares issued under employee share purchase plan	1,316	—	—	—	—	—	1,316
Share-based compensation	—	—	1,561	—	—	—	1,561
Common shares issued pursuant to share-based awards	5,993	—	(9,578)	(3,202)	—	—	(6,787)
Balance, March 31, 2021	$ 5,092,691	$ 184,299	$ 59,631	$ (40,330)	$ (20,272)	$ 678,642	$ 5,954,661

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 March 31, 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 loss	—	—	—	(63,797)	—	(15,576)	(79,373)
Redeemable non-controlling interests not included in equity (note 14)	—	—	—	—	—	(2,047)	(2,047)
Other comprehensive income	—	—	—	—	(44,734)	(6,060)	(50,794)
Dividends declared and distributions to non-controlling interests	—	—	—	(59,819)	—	(7,885)	(67,704)
Dividends and issuance of shares under dividend reinvestment plan	16,951	—	—	(16,951)	—	—	—
Contributions received from non-controlling interests	—	—	—	—	—	3,371	3,371
Common shares issued upon conversion of convertible debentures	12	—	—	—	—	—	12
Issuance of common shares under employee share purchase plan	792	—	—	—	—	—	792
Share-based compensation	—	—	1,452	—	—	—	1,452
Common shares issued pursuant to share-based awards	16,103	—	(10,699)	(13,640)	—	—	(8,236)
Balance, March 31, 2020	$4,050,902	$ 184,299	$ 41,332	$ (521,314)	$ (54,495)	$ 503,344	$4,204,068

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp.

Unaudited Interim Consolidated Statements of Cash Flows

(thousands of U.S. dollars)	Three months ended March 31	
	2021	**2020**
Cash provided by (used in):		
Operating Activities		
Net loss	**$ (3,337)**	$ (79,373)
Adjustments and items not affecting cash:		
Depreciation and amortization	**97,439**	78,880
Deferred taxes	**(25,013)**	(17,790)
Unrealized gain on derivative financial instruments	**(943)**	(239)
Share-based compensation expense	**1,197**	1,472
Cost of equity funds used for construction purposes	**9**	(1,001)
Change in value of investments carried at fair value	**71,745**	190,758
Pension and post-employment expense in excess of (lower than) contributions	**(3,658)**	4,383
Distributions received from equity investments, net of income	**5,537**	814
Others	**2,018**	(2,010)
Net change in non-cash operating items (note 20)	**(388,518)**	(109,027)
	(243,524)	66,867
Financing Activities		
Increase in long-term debt	**2,523,221**	732,730
Repayments of long-term debt	**(1,747,081)**	(384,949)
Issuance of common shares, net of costs	**128,743**	765
Cash dividends on common shares	**(70,008)**	(57,332)
Dividends on preferred shares	**(2,214)**	(2,140)
Contributions from non-controlling interests and redeemable non-controlling interests (note 14)	**210,673**	—
Production-based cash contributions from non-controlling interest	**4,832**	3,371
Distributions to non-controlling interests, related party (note 13(b) and (c))	**(6,982)**	(7,507)
Distributions to non-controlling interests	**(1,088)**	(4,077)
Payments upon settlement of derivatives	**(33,782)**	—
Shares surrendered to fund withholding taxes on exercised share options	**(809)**	—
Increase in other long-term liabilities	**38,874**	2,400
Decrease in other long-term liabilities	**(492)**	(1,972)
	1,043,887	281,289
Investing Activities		
Additions to property, plant and equipment and intangible assets	**(295,389)**	(155,902)
Increase in long-term investments	**(467,206)**	(61,089)
Acquisitions of operating entities	**—**	4,234
Increase in other assets	**(447)**	(5,366)
Receipt of principal on development loans receivable	**—**	9,715
Proceeds from sale of long-lived assets	**4,344**	415
	(758,698)	(207,993)
Effect of exchange rate differences on cash and restricted cash	**50**	(4,480)
Increase in cash, cash equivalents and restricted cash	**41,715**	135,683
Cash, cash equivalents and restricted cash, beginning of period	**130,018**	87,272
Cash, cash equivalents and restricted cash, end of period	**$ 171,733**	$ 222,955

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

(thousands of U.S. dollars)	Three months ended March 31	
	2021	**2020**
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest expense	**$ 56,361**	$ 44,807
Cash paid (refund received) during the period for income taxes	**$ (985)**	$ 1,047
Cash received during the period for distributions from equity investments	**$ 26,785**	$ 25,434
Non-cash financing and investing activities:		
Property, plant and equipment acquisitions in accruals	**$ 120,535**	$ 42,563
Issuance of common shares under dividend reinvestment plan and share-based compensation plans	**$ 29,960**	$ 33,847
Issuance of common shares upon conversion of convertible debentures	**$ —**	$ 12
Property, plant and equipment, intangible assets and accrued liabilities in exchange of note receivable	**$ 87,128**	$ —

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp. ("AQN" or the "Company") is an incorporated entity under the *Canada Business Corporations Act*. AQN'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, Bermuda, Chile 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 AQN are consistent with those disclosed in the consolidated financial statements of AQN for the year ended December 31, 2020.

(b) Seasonality

AQN'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. AQN'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. AQN'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. AQN'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 AQN's wind energy assets, wind resources are typically stronger in spring, fall and winter and weaker in summer. AQN's solar energy assets experience greater insolation in summer, weaker in winter.

(c) Foreign currency translation

AQN'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$", in Chilean pesos with "CLP", in Chilean Unidad de Fomento with "CLF", and in Bermudian dollars with "BMD" immediately prior to the stated amount.

2. Recently issued accounting pronouncements

The FASB issued ASU 2020-06, *Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* to address the complexity associated with accounting for certain financial instruments with characteristics of liabilities and equity. The number of accounting models for convertible debt instruments and convertible preferred stock is being reduced and the guidance has been amended for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions. The amendments in this update are effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Company is currently assessing the impact of this update.

2. Recently issued accounting pronouncements (continued)

The FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting,* which 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 FASB issued an update to Topic 848 in ASU 2021-01 to clarify that the scope of Topic 848 includes derivatives affected by the discounting transition. The Company is currently assessing the impact of the reference rate reform and this update.

3. Business acquisitions and development projects

(a) Acquisition of Mid-West Wind Development Project

In 2019, The Empire District Electric Company ("Empire Electric System"), a wholly owned subsidiary of the Company, entered into purchase agreements to acquire, once completed, three wind farms generating up to 600 MW of wind energy located in Barton, Dade, Lawrence, and Jasper Counties in Missouri ("Missouri Wind Projects") and in Neosho County, Kansas ("Kansas Wind Project", and together with the Missouri Wind Projects, the "Wind Projects"). These assets, net of third-party tax equity investment, are expected to be included in the rate base of the Empire Electric System. Until then, the assets purchased are expected to be included in the plant-in-service accounting ("PISA") regulatory mechanism (note 5).

In November 2019, Liberty Utilities Co., a wholly owned subsidiary of the Company, acquired an interest in the entities that own North Fork Ridge and Kings Point, the two Missouri Wind Projects and, in partnership with a third-party developer, continued development and construction of such projects until acquisition by the Empire Electric System following completion. The Company accounted for its interest in these two projects using the equity method (note 6(b)).

In November 2019, a tax equity agreement was executed for the Kansas Wind Project and in December 2020, tax equity agreements were executed for the Missouri Wind Projects. These agreements provide that the Class A partnership units will be owned by third-party tax equity investors who will receive the majority of the tax attributes associated with the Wind Projects.

Concurrent with the execution of the tax equity agreements in December 2020, the North Fork Ridge Wind project reached commercial operation and the tax equity investors provided initial funding of $29,446. During the quarter, the Empire Electric System acquired the North Fork Ridge Wind project for total consideration to the third-party developer of $17,318 and obtained control of the facility. A portion of the consideration in an amount of $4,395 was withheld and remains payable to the third party at March 31, 2021. Subsequent to acquisition, the tax equity investor provided additional funding of $84,926 and North Fork Ridge's third party construction loan of $172,986 was repaid. The Company accounted for this transaction as an asset acquisition since substantially all of the fair value of gross assets acquired is concentrated in a group of similar identifiable assets. The following table summarizes the allocation of the assets acquired and liabilities assumed at the acquisition date.

Working capital	$	(15,896)
Property, plant and equipment		284,048
Long-term debt		(172,986)
Asset retirement obligation		(7,837)
Deferred tax liability		(1,705)
Non-controlling interest (tax equity investors)		(29,141)
Total net assets acquired		56,483
Cash and cash equivalents		8,673
Net assets acquired, net of cash and cash equivalents	**$**	**47,810**

Subsequent to quarter end, the Empire District System acquired the Neosho Ridge and Kings Point Wind projects for consideration of $79,686. Tax equity funding of $445,954 was received and construction loans of $616,976 were repaid. As a result of obtaining control of the facilities, the transaction will be treated as an asset acquisition.

3. Business acquisitions and development projects (continued)

(b) Maverick Creek and Sugar Creek Wind Facilities

Up to January 2021, the Company held 50% equity interests in Maverick Creek Wind SponsorCo, LLC and AAGES Sugar Creek Wind, LLC (note 6). The two entities indirectly own 492 MW and 202 MW wind development projects in the state of Texas and Illinois ("Maverick Creek Wind Facility" and "Sugar Creek Wind Facility"), respectively. In January 2021, the Company acquired the remaining 50% interests in Maverick Creek Wind SponsorCo LLC and AAGES Sugar Creek Wind, LLC for $43,797 and obtained control of the facilities. A portion of the consideration in an amount of $18,641 was withheld and remains payable at March 31, 2021. The Company accounted for the transactions as asset acquisitions since substantially all of the fair value of gross assets acquired is concentrated in a group of similar identifiable assets.

The following table summarizes the allocation of the assets acquired and liabilities assumed at the acquisition date of the two wind facilities. The existing loans between the Company and the partnerships of $87,035 were treated as additional consideration incurred to acquire the partnerships.

		Maverick Creek and Sugar Creek
Working capital	$	(15,557)
Property, plant and equipment		1,068,708
Long-term debt		(855,409)
Asset retirement obligation		(23,402)
Deferred tax liability		(6,431)
Derivatives		7,575
Total net assets acquired		175,484
Cash and cash equivalents		4,241
Net assets acquired, net of cash and cash equivalents	**$**	**171,243**

Tax equity investors provided initial funding of $73,957 to the Sugar Creek Wind Facility during the quarter and Sugar Creek's third party construction loan of $284,829 was repaid subsequent to the acquisition of the remaining 50% interest in the Facility.

(c) Acquisition of Empresa de Servicios Sanitarios de Los Lagos S.A.

The Company completed the acquisition of 94% of the outstanding shares of Empresa de Servicios Sanitarios de Los Lagos S.A. ("ESSAL") in October 2020 for a total purchase price of $162,086. During the quarter an adjustment was made to increase the fair value of accruals and long-term debt by $1,955 (CLP 3,075,536), net of tax, and increase goodwill be the same amount.

During the quarter, the Company sold a 32% interest in Eco Acquisitionco SpA, the holding company through which AQN's interest in ESSAL is held, to a third party for consideration of $51,750. This represents an interest of 30% in the aggregate interest in ESSAL which was reflected by a corresponding increase in non-controlling interest. This transaction resulted in no gain or loss. Following this transaction, AQN owns approximately 64% of the outstanding shares of ESSAL and continues to consolidate ESSAL's operations.

4. Accounts receivable

Accounts receivable as of March 31, 2021 include unbilled revenue of $69,458 (December 31, 2020 - $91,295) from the Company's regulated utilities. Accounts receivable as of March 31, 2021 are presented net of allowance for doubtful accounts of $31,984 (December 31, 2020 - $29,506).

5. Regulatory matters

The operating companies within the Regulated Services Group are subject to regulation by the respective authorities of the jurisdictions 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. Except for ESSAL, 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, *Regulated Operations*. 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.

5. Regulatory matters (continued)

Regulatory assets and liabilities consist of the following:

	March 31, 2021	December 31, 2020
Regulatory assets		
Fuel and commodity cost adjustments (a)	**$ 264,244**	$ 18,094
Retired generating plant	**191,389**	194,192
Pension and post-employment benefits	**175,980**	178,403
Rate adjustment mechanism	**98,345**	99,853
Environmental remediation	**80,323**	87,308
Income taxes	**79,609**	77,730
Debt premium	**34,786**	35,688
Clean energy and other customer programs	**26,153**	26,400
Deferred capitalized costs	**37,207**	34,398
Asset retirement obligation	**26,749**	26,546
Wildfire mitigation and vegetation management	**23,946**	22,736
Long-term maintenance contract	**13,240**	14,405
Rate review costs	**8,364**	8,054
Other	**22,336**	21,664
Total regulatory assets	**$ 1,082,671**	$ 845,471
Less: current regulatory assets	**(101,618)**	(63,042)
Non-current regulatory assets	**$ 981,053**	$ 782,429
Regulatory liabilities		
Income taxes	**$ 314,946**	$ 322,317
Cost of removal	**197,049**	200,739
Pension and post-employment benefits	**30,873**	26,311
Fuel and commodity costs adjustments	**7,217**	20,136
Rate adjustment mechanism	**2,662**	5,214
Clean energy and other customer programs	**13,615**	10,440
Rate base offset	**6,587**	6,874
Other	**13,705**	9,487
Total regulatory liabilities	**$ 586,654**	$ 601,518
Less: current regulatory liabilities	**(35,998)**	(38,483)
Non-current regulatory liabilities	**$ 550,656**	$ 563,035

(a) Fuel and commodity cost adjustments

In February 2021, the Company's operations were impacted by extreme winter storm conditions experienced in the central U.S. ("Midwest Extreme Weather Event"). As a result of the Midwest Extreme Weather Event, the Company incurred incremental commodity costs during the period of record high pricing and elevated consumption. The Company has commodity cost mechanisms that allow for the recovery of prudently incurred expenses. The Company has made a filing with the Missouri regulator requesting approval to treat the incremental fuel costs incurred in the same manner as normal pass-through fuel costs and proposing to extend the recovery period to mitigate the impact on customer bills.

6. Long-term investments

Long-term investments consist of the following:

	March 31, 2021	December 31, 2020
Long-term investments carried at fair value		
Atlantica (a)	**$ 1,793,512**	$ 1,706,900
Atlantica share subscription agreement (a)	**—**	20,015
Atlantica Yield Energy Solutions Canada Inc.	**104,620**	110,514
	$ 1,898,132	$ 1,837,429
Other long-term investments		
Equity-method investees (b)	**$ 344,524**	$ 186,452
Development loans receivable from equity-method investees (b)	**17,967**	22,912
Other	**5,301**	5,219
	$ 367,792	$ 214,583

Income (loss) from long-term investments from the years ended March 31 is as follows:

	Three months ended March 31	
	2021	2020
Fair value gain (loss) on investments carried at fair value		
Atlantica	**$ (64,433)**	$ (185,394)
Atlantica Yield Energy Solutions Canada Inc.	**(7,312)**	(4,142)
San Antonio Water System	**—**	(1,222)
	$ (71,745)	$ (190,758)
Dividend and interest income from investments carried at fair value		
Atlantica	**$ 20,564**	$ 18,426
Atlantica Yield Energy Solutions Canada Inc.	**4,344**	3,904
San Antonio Water System	**—**	1,048
	$ 24,908	$ 23,378
Other long-term investments		
Equity method income (loss)	**(5,554)**	(799)
Interest and other income	**1,884**	5,518
	$ (50,507)	$ (162,661)

(a) Investment in Atlantica

AAGES (AY Holdings) B.V. ("AY Holdings"), an entity controlled and consolidated by AQN, has a share ownership in Atlantica Sustainable Infrastructure PLC ("Atlantica") of approximately 44.2% (December 31, 2020 - 44.2%). AQN has the flexibility, subject to certain conditions, to increase its ownership of Atlantica up to 48.5%. On December 9, 2020, the Company entered into a subscription agreement to purchase additional ordinary shares of Atlantica at $33.00 per share. The contract was accounted for as a derivative under ASC 815, *Derivatives and Hedging*. On January 7, 2021, the subscription closed and the Company paid $132,688 for the additional 4,020,860 shares of Atlantica. The shares were purchased at a total cost of $1,167,444. 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.

6. Long-term investments (continued)

(b) Equity-method investees and development loans receivable from equity investees

The Company has non-controlling interests in various corporations, partnerships and joint ventures with a total carrying value of $344,524 (December 31, 2020 - $186,452) including investments in VIEs of $100,498 (December 31, 2020 - $174,685).

During the quarter, the Company acquired a 51% interest in three wind facilities from a portfolio of four wind facilities located in Texas for $227,556. The facilities have achieved commercial operations. The acquisition of the last facility is expected to close after achieving commercial operation for a purchase price of approximately $103,642. Commercial operation is expected to occur in the second quarter of 2021. The Company does not control the entities and therefore accounts for its 51% interest using the equity method.

During the quarter, the Company acquired the remaining 50% equity interest in the Sugar Creek Wind Facility and Maverick Creek Wind Facility for $43,796 and as a result, obtained control of the facilities (note 3(b)). In addition, the Empire Electric System acquired the North Fork Ridge Wind Facility from Liberty Utilities Co. and the third-party developer (note 3(a)) during the quarter.

Subsequent to quarter-end, on April 9, 2021, the Company acquired the remaining 50% equity interest in Altavista, a 80 MW solar power project located in Campbell County, Virginia, for $6,735 and as a result, obtained control of the facility. As at March 31, 2021, the net book value of property, plant and equipment of the joint venture was $137,005 while the third-party construction debt was $121,604 which is expected to be repaid in the second quarter of 2021.

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

	March 31, 2021	December 31, 2020
Total assets	**$ 2,835,485**	$ 3,201,967
Total liabilities	**2,262,322**	2,913,188
Net assets	**$ 573,163**	$ 288,779
AQN's ownership interest in the entities	**288,012**	141,666
Difference between investment carrying amount and underlying equity in net assets[(a)]	**56,512**	44,786
AQN's investment carrying amount for the entities	**$ 344,524**	$ 186,452

[(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.

Except for AAGES BV, the development projects are considered VIEs due to the level of equity at risk and the disproportionate voting and economic interests of the shareholders. The Company has committed loan and credit support facilities with some of its equity investees. During construction, the Company has agreed to provide cash advances and credit support for the continued development and construction of the equity investees' projects. As of March 31, 2021, the Company had issued letters of credit and guarantees of performance 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; and construction loan agreements. The fair value of the support provided recorded as at March 31, 2021 amounts to $2,089 (December 31, 2020 - $12,273).

6. Long-term investments (continued)

(b) Equity-method investees and development loans receivable from equity investees (continued)

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

	March 31, 2021	December 31, 2020
AQN's maximum exposure in regards to VIEs		
Carrying amount	**$ 100,498**	$ 174,685
Development loans receivable	**16,403**	21,804
Performance guarantees and other commitments on behalf of VIEs	**135,045**	965,291
	$ 251,946	$ 1,161,780

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	March 31, 2021	December 31, 2020
Senior unsecured revolving credit facilities	—	2021-2024	N/A	**$ 1,445,792**	$ 223,507
Senior unsecured bank credit facilities	—	2021-2031	N/A	**162,507**	152,338
Commercial paper	—	2021	N/A	**241,000**	122,000
U.S. dollar borrowings					
Senior unsecured notes	3.46 %	2022-2047	$ 1,700,000	**1,688,711**	1,688,390
Senior unsecured utility notes	6.34 %	2023-2035	$ 142,000	**156,805**	157,212
Senior secured utility bonds	4.71 %	2026-2044	$ 556,227	**560,665**	561,494
Senior secured project notes (a)	—	2021	$ 570,578	**570,578**	—
Canadian dollar borrowings					
Senior unsecured notes (b)	4.20 %	2022-2050	C$1,000,669	**791,818**	899,710
Senior secured project notes	10.21 %	2027	C$ 25,250	**20,080**	20,315
Chilean Unidad de Fomento borrowings					
Senior unsecured utility bonds	4.29 %	2028-2040	CLF 1,868	**93,780**	92,183
				$ 5,731,736	$ 3,917,149
Subordinated U.S. dollar borrowings					
Subordinated unsecured notes	6.50 %	2078-2079	$ 637,500	**621,658**	621,321
				$ 6,353,394	$ 4,538,470
Less: current portion				**(620,869)**	(139,874)
				$ 5,732,525	$ 4,398,596

Short-term obligations of $963,465 that are expected to be refinanced using the long-term credit facilities are presented as long-term debt.

7. Long-term debt (continued)

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.

Recent financing activities:

(a) U.S. dollar Senior secured project note

In January 2021, in connection with the acquisition of the Maverick Creek Wind Facility (note 3(b)), the Company assumed $570,578 of debt outstanding under the construction facility that matures on June 15, 2021.

(b) Canadian dollar senior unsecured notes

On February 15, 2021, the Renewable Energy Group repaid a C$150,000 unsecured note upon its maturity. Concurrent with the repayment, the Renewable Energy Group unwound and settled the related cross currency fixed-for-fixed interest rate swap (note 21(b)(iii)).

Subsequent to quarter end, on April 9, 2021, the Renewable Energy Group issued C$400,000 senior unsecured debentures bearing interest at 2.85% with a maturity date of July 15, 2031. The notes were sold at a price of C$999.92 per C$1,000.00 principal amount. Concurrent with the offering, the Renewable Energy Group entered into a fixed-for-fixed cross currency interest rate swap to convert the Canadian dollar denominated coupon and principal payments from the offering into U.S. dollars (note 21(b)(iii)).

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 months ended March 31:

	Pension benefits		OPEB	
	Three months ended March 31		Three months ended March 31	
	2021	2020	2021	2020
Service cost	**$ 3,828**	$ 3,567	**$ 1,772**	$ 1,467
Non-service costs				
Interest cost	**6,706**	4,791	**1,021**	1,819
Expected return on plan assets	**(11,164)**	(6,249)	**(2,511)**	(2,192)
Amortization of net actuarial loss (gain)	**2,272**	1,145	**437**	(13)
Amortization of prior service credits	**(407)**	(402)	**—**	—
Impact of regulatory accounts	**6,184**	3,538	**1,146**	919
	$ 3,591	$ 2,823	**$ 93**	$ 533
Net benefit cost	**$ 7,419**	$ 6,390	**$ 1,865**	$ 2,000

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:

	March 31, 2021	December 31, 2020
Advances in aid of construction	**$ 88,697**	$ 79,864
Environmental remediation obligation	**60,696**	69,383
Asset retirement obligations	**111,974**	79,968
Customer deposits	**32,031**	31,939
Unamortized investment tax credits	**17,758**	17,893
Deferred credits	**21,482**	21,156
Preferred shares, Series C	**13,772**	13,698
Hook up fees	**19,393**	17,704
Lease liabilities	**9,087**	14,288
Contingent development support obligations	**2,089**	12,273
Hedge settlement obligation	**32,126**	—
Note payable to related party	**30,493**	30,493
Other	**32,143**	23,027
	$ 471,741	$ 411,686
Less: current portion	**(76,261)**	(72,505)
	$ 395,480	$ 339,181

10. Shareholders' capital

(a) Common shares

Number of common shares

	Three months ended March 31,	
	2021	**2020**
Common shares, beginning of period	**597,142,219**	524,223,323
Public offering	**8,188,225**	—
Dividend reinvestment plan	**1,403,635**	1,244,696
Exercise of share-based awards (b)	**547,683**	1,215,388
Conversion of convertible debentures	**—**	1,509
Common shares, end of period	**607,281,762**	526,684,916

AQN's at-the-market equity program ("ATM program") 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 three months ended March 31, 2021, the Company issued 8,188,225 common shares under the ATM program at an average price of $15.79 per common share for gross proceeds of $129,279 ($127,663 net of commissions). Other related costs were $236.

As at May 6, 2021, the Company has issued a cumulative total of 21,604,478 common shares under the ATM program at an average price of $14.84 per share for gross proceeds of $320,583 ($316,576 net of commissions). Other related costs, primarily related to the establishment and subsequent re-establishment of the ATM program, were $3,649.

10. Shareholders' capital (continued)

(b) Share-based compensation

For the three months ended March 31, 2021, AQN recorded $1,197 (2020 - $1,472) in total share-based compensation expense. The compensation expense is recorded with payroll expenses in the unaudited interim consolidated statements of operations. The portion of share-based compensation costs capitalized as cost of construction is insignificant.

As of March 31, 2021, total unrecognized compensation costs related to non-vested share-based awards was $12,417 and is expected to be recognized over a period of 1.87 years.

Share option plan

During the three months ended March 31, 2021, the Board of Directors of the Company (the "Board") approved the grant of 437,006 options to executives of the Company. The options allow for the purchase of common shares at a weighted average price of C$19.64, the market price of the underlying common share at the date of grant. One-third of the options vest on each of December 31, 2021, 2022, and 2023. 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:

	2021
Risk-free interest rate	1.1 %
Expected volatility	23 %
Expected dividend yield	4.1 %
Expected life	5.50 years
Weighted average grant date fair value per option	C$ 2.46

Performance and restricted share units

During the three months ended March 31, 2021, a total of 230,594 PSUs and RSUs were granted to executives of the Company. The awards vest based on the terms of each agreement ranging from February 2022 to January 2024. During the three months ended March 31, 2021, the Company settled 702,578 PSUs and RSUs in exchange for 369,934 common shares issued from treasury, and 332,644 PSUs and RSUs were settled at their cash value as payment for tax withholding related to the settlement of the awards. Subsequent to quarter-end, on April 27, 2021, 414,400 PSUs were granted to employees of the Company. The PSUs vest on January 1, 2024.

During the three months ended March 31, 2021, the Company settled 148,459 bonus deferral RSUs in exchange for 68,841 common shares issued from treasury, and 79,618 RSUs were settled at their cash value as payment for tax withholding related to the settlement of the awards. Subsequent to quarter end, on April 15, 2021, 44,528 bonus deferral RSUs were granted to employees of the Company. The RSUs are 100% vested.

Director's deferred share units

During the three months ended March 31, 2021, 15,970 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.

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, 2020	$ (68,822)	$ 75,099	$ (16,038)	$ (9,761)
Other comprehensive income (loss)	25,643	(13,418)	(20,964)	(8,739)
Amounts reclassified from AOCI to the unaudited interim consolidated statement of operations	2,763	(10,864)	3,403	(4,698)
Net current period OCI	$ 28,406	$ (24,282)	$ (17,561)	$ (13,437)
OCI attributable to the non-controlling interests	691	—	—	691
Net current period OCI attributable to shareholders of AQN	$ 29,097	$ (24,282)	$ (17,561)	$ (12,746)
Balance, December 31, 2020	$ (39,725)	$ 50,817	$ (33,599)	$ (22,507)
Other comprehensive loss	**(915)**	**(30,731)**	**—**	**(31,646)**
Amounts reclassified from AOCI to the unaudited interim consolidated statement of operations	**642**	**38,375**	**1,620**	**40,637**
Net current period OCI	**$ (273)**	**$ 7,644**	**$ 1,620**	**$ 8,991**
OCI attributable to the non-controlling interests	**(6,756)**	**—**	**—**	**(6,756)**
Net current period OCI attributable to shareholders of AQN	**$ (7,029)**	**$ 7,644**	**$ 1,620**	**$ 2,235**
Balance, March 31, 2021	**$ (46,754)**	**$ 58,461**	**$ (31,979)**	**$ (20,272)**

Amounts reclassified from AOCI for foreign currency cumulative translation affected interest expense and derivative gain (loss); those for unrealized gain (loss) on cash flow hedges affected revenue from non-regulated energy sales, interest expense and derivative gain (loss) while those for pension and other post-employment actuarial changes affected pension and other post-employment non-service costs (note 21(b)(ii)).

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 March 31			
	2021		2020	
	Dividend	Dividend per share	Dividend	Dividend per share
Common shares	**$ 94,614**	**$ 0.1551**	$ 74,629	$ 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

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 months ended March 31, 2021, the Company charged its equity-method investees $6,314 (2020 - $4,557). Additionally, one of the equity-method investees provides development services to the Company on specified projects, for which it earns a development fee upon reaching certain milestones. During the three months ended March 31, 2021, the development fees charged to the Company were $738 (2020 - $nil).

The Company has an outstanding promissory note of $30,493 payable to Altavista, an equity method investee of the Company with an original maturity date of March 31, 2021. During the quarter, the maturity date of the note was extended to June 30, 2021.

(b) Redeemable non-controlling interest held by related party

On November 28, 2018, AAGES B.V., an equity investee of the Company, obtained a three-year secured credit facility in the amount of $306,500 and subscribed to a $305,000 preference share ownership interest in AY Holdings. The AAGES B.V. secured credit facility is collateralized through a pledge of Atlantica shares held by AY Holdings. A collateral shortfall would occur if the net obligation as defined in the agreement would equal or exceed 50% of the market value of such Atlantica shares, in which case the lenders would have the right to sell Atlantica stock to eliminate the collateral shortfall. The AAGES B.V. secured credit facility is repayable on demand if Atlantica ceases to be a public company. AQN reflects the preference share ownership issued by AY Holdings as redeemable non-controlling interest held by related party. Redemption is not considered probable as at March 31, 2021. During the three months ended March 31, 2021, the Company incurred non-controlling interest attributable to AAGES B.V. of $2,681 (2020 - $3,766) and recorded distributions of $2,544 (2020 - $3,299) (note 14).

(c) Non-controlling interest held by related party

Non-controlling interest held by related party represents an interest in AIP, a consolidated subsidiary of the Company, acquired by Atlantica Yield Energy Solutions Canada Inc.("AYES Canada") in May 2019 for $96,752 (C$130,103). During the three months ended March 31, 2021, the Company recorded distributions to AYES of $4,471 (2020 - $4,208).

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

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

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

	2021	2020
HLBV and other adjustments attributable to:		
Non-controlling interests - tax equity partnership units	**$ 21,942**	$ 18,232
Non-controlling interests - redeemable tax equity partnership units	**1,718**	1,719
Other net earnings attributable to:		
Non-controlling interests	**(3,695)**	(609)
	$ 19,965	$ 19,342
Redeemable non-controlling interest, held by related party	**(2,681)**	(3,766)
Net effect of non-controlling interests	**$ 17,284**	$ 15,576

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 HLBV method of accounting.

The Company obtained control of the North Fork Ridge Wind Facility and Sugar Creek Wind Facility in January 2021 (note 3(a) and 3(b)). During the quarter, third-party tax equity investors funded $84,927 and $73,957, in the North Fork Ridge Wind Facility and Sugar Creek Wind Facility, respectively in exchange for Class A partnership units in the entities.

15. Income taxes

For the three months ended March 31, 2021, the Company's tax rate varied from the statutory rate of 26.5% due primarily to the beneficial impact of differences in effective tax rates on transactions in foreign jurisdictions, the tax benefit from tax credits accrued, partially offset by deferred tax expense associated with the non-controlling interest share of income. For the three months ended March 31, 2020, the Company's tax rate varied from the statutory rate of 26.5% due primarily to the impact of the loss associated with its investment in Atlantica, and the impact of differences in effective tax rates on transactions in foreign jurisdictions.

The Company recognizes tax credits on a quarterly basis using an overall effective income tax rate anticipated for the full year which may differ significantly from recognizing tax credits as either wind energy is generated and sold or as solar assets are placed in service. Tax credits can significantly affect the Company's effective income tax rate depending on the amount of pretax income. For the three months ended March 31, 2021, the Company has accrued $11,600 (March 31, 2020 - $5,120) of tax credits. The tax credits that have been accrued are both investment and production tax credits associated with renewable energy projects that have either been placed in service or are expected to be placed in service by the end of 2021.

16. Other net losses

Other net losses consist of the following:

	Three months ended March 31	
	2021	**2020**
Acquisition and transition-related costs	**$ 2,102**	$ 26
Other	**6,282**	864
	$ 8,384	$ 890

Other losses primarily consist of an adjustment to a regulatory liability pertaining to the true up of prior period tracking accounts, costs pertaining to condemnation proceeding and other miscellaneous asset write-downs.

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 convertible debentures are convertible into common shares at any time prior to maturity or redemption by the Company. The shares issuable upon conversion of the convertible debentures are included in diluted earnings per share.

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 March 31	
	2021	**2020**
Net earnings attributable to shareholders of AQN	**$ 13,947**	$ (63,797)
Series A preferred shares dividend	**1,215**	1,174
Series D preferred shares dividend	**999**	966
Net earnings attributable to common shareholders of AQN – basic and diluted	**$ 11,733**	$ (65,937)
Weighted average number of shares		
Basic	**599,659,587**	525,828,253
Effect of dilutive securities	**5,525,965**	—
Diluted	**605,185,552**	525,828,253

The effect of 437,006 securities (2020 - 5,463,041) was excluded from the weighted average number of shares in the table above as they are anti-dilutive.

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, Canada, Chile and Bermuda; 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 is 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.

Beginning in the first quarter of 2021 the Company reported income and losses associated with development activities under corporate, as these are no longer considered in Management's evaluation of the Renewable Energy Group where it was reported previously. Comparative figures have been reclassified to conform to presentation adopted in the current period.

	Three months ended March 31, 2021			
	Regulated Services Group	Renewable Energy Group	Corporate	Total
Revenue [1][2]	$ 598,603	$ 35,553	$ 386	$ 634,542
Fuel, power and water purchased	245,522	7,928	—	253,450
Net revenue	353,081	27,625	386	381,092
Operating expenses	153,133	28,025	—	181,158
Administrative expenses	7,543	6,183	1,816	15,542
Depreciation and amortization	67,567	29,578	294	97,439
Gain on foreign exchange	—	—	862	862
Operating income	124,838	(36,161)	(2,586)	86,091
Interest expense	(24,301)	(16,293)	(8,986)	(49,580)
Income from long-term investments	1,174	22,417	(74,098)	(50,507)
Other	(8,491)	(876)	(1,612)	(10,979)
Earnings (loss) before income taxes	$ 93,220	$ (30,913)	$ (87,282)	$ (24,975)
Property, plant and equipment	$ 6,166,912	$ 3,575,539	$ 31,023	$ 9,773,474
Investments carried at fair value	—	1,898,132	—	1,898,132
Equity-method investees	56,048	287,817	659	344,524
Total assets	9,166,449	6,037,555	82,120	15,286,124
Capital expenditures	$ 201,037	$ 77,085	$ —	$ 278,122

[1] Renewable Energy Group revenue includes $49,583 related to net hedging losses from energy derivative contracts and availability credits for the three-month period ended March 31, 2021 that do not represent revenue recognized from contracts with customers.

[2] Regulated Services Group revenue includes $2,361 related to alternative revenue programs for the three-month period ended March 31, 2021 that do not represent revenue recognized from contracts with customers.

18. Segmented information (continued)

	Three months ended March 31, 2020			
	Regulated Services Group	Renewable Energy Group	Corporate	Total
Revenue [1][2]	$ 396,060	$ 68,841	$ —	$ 464,901
Fuel, power and water purchased	123,097	4,004	—	127,101
Net revenue	272,963	64,837	—	337,800
Operating expenses	108,367	18,367	—	126,734
Administrative expenses	9,487	6,206	1,141	16,834
Depreciation and amortization	53,010	25,628	242	78,880
Loss on foreign exchange	—	—	(4,670)	(4,670)
Operating income	102,099	14,636	3,287	120,022
Interest expense	(24,840)	(14,479)	(6,929)	(46,248)
Income from long-term investments	2,648	23,766	(189,075)	(162,661)
Other	(4,997)	834	(26)	(4,189)
Earnings before income taxes	$ 74,910	$ 24,757	$ (192,743)	$ (93,076)
Capital expenditures	$ 139,632	$ 16,270	$ —	$ 155,902
	December 31, 2020			
Property, plant and equipment	$ 5,757,532	$ 2,451,706	$ 32,600	8,241,838
Investments carried at fair value	—	1,837,429	—	1,837,429
Equity-method investees	74,673	110,414	1,365	186,452
Total assets	8,528,172	4,586,878	108,856	13,223,906

[1] Renewable Energy Group revenue includes $9,292 related to net hedging gains from energy derivative contracts for the three-month period ended March 31, 2020 that do not represent revenue recognized from contracts with customers.

[2] Regulated Services Group revenue includes $2,968 related to alternative revenue programs for the three-month period ended March 31, 2020 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.

AQN operates in the independent power and utility industries in the United States, Canada, and other regions. Information on operations by geographic area is as follows:

	Three months ended March 31	
	2021	**2020**
Revenue		
United States	**$ 511,827**	$ 440,729
Canada	**47,851**	24,172
Other regions	**74,864**	—
	$ 634,542	$ 464,901

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

19. Commitments and contingencies

(a) Contingencies

AQN 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 AQN'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 AQN and certain of its subsidiaries, initially claiming damages of not less than C$345,000 and punitive damages in the sum of C$25,000. On November 28, 2020, Gaia served the Company with an amended notice of arbitration to, among other things, lower the value of its damages claim to C$108,500 and lower the value of its punitive damages claim to C$10,000. The action arises from Gaia's 2010 sale, to a subsidiary of AQN, 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 agreed to arbitrate the dispute, and concluded hearings on this matter on March 17, 2021. The arbitrator has reserved his decision until further notice. The likelihood of success in this lawsuit cannot be reasonably predicted at this time.

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 May or June 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.

Mountain View fire

On November 17, 2020, a wildfire now known as the Mountain View fire occurred in the territory of Liberty Utilities (CalPeco Electric) LLC. The cause of the fire is undetermined at this time, and CAL FIRE has not yet issued a report. There are currently seven active lawsuits that name the Company and/or certain of its subsidiaries as defendants in connection with the Mountain View fire. The likelihood of success in these lawsuits cannot be reasonably predicted. Liberty Utilities (CalPeco Electric) LLC intends to vigorously defend them. The Company has wildfire liability insurance that is expected to apply up to applicable policy limits.

(b) Commitments

In addition to the commitments related to the proposed acquisitions and development projects disclosed in notes 3 and 6, the following significant commitments exist as of March 31, 2021.

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

19. Commitments and contingencies (continued)

(b) Commitments (continued)

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)	$ 39,171	$ 27,353	$ 26,416	$ 26,592	$ 21,907	$ 164,332	$ 305,771
Gas supply and service agreements (ii)	84,044	64,692	48,511	44,336	34,459	152,184	428,226
Service agreements	65,284	56,019	58,107	56,455	53,796	379,831	669,492
Capital projects	448,003	—	—	—	—	—	448,003
Land easements and others	10,865	10,899	11,037	11,161	11,298	423,159	478,419
Total	$647,367	$158,963	$144,071	$138,544	$121,460	$ 1,119,506	$ 2,329,911

(i) Power purchase: AQN's electric distribution facilities have commitments to purchase physical quantities of power for load serving requirements. The commitment amounts included in the table above are based on market prices as of March 31, 2021. However, the effects of purchased power unit cost adjustments are mitigated through a purchased power rate-adjustment mechanism.

(ii) Gas supply and service agreements: AQN'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.

20. Non-cash operating items

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

	Three months ended March 31	
	2021	**2020**
Accounts receivable	**$ (29,746)**	$ 39,932
Fuel and natural gas in storage	**17,972**	11,010
Supplies and consumables inventory	**(3,103)**	(7,794)
Income taxes recoverable	**(165)**	(619)
Prepaid expenses	**(1,029)**	(10,448)
Accounts payable	**(39,330)**	(71,170)
Accrued liabilities	**(69,359)**	(35,396)
Current income tax liability	**4,852**	(29,155)
Asset retirements and environmental obligations	**(459)**	(572)
Net regulatory assets and liabilities	**(268,151)**	(4,815)
	$ (388,518)	$ (109,027)

21. Financial instruments

(a) Fair value of financial instruments

March 31, 2021	Carrying amount	Fair value	Level 1	Level 2	Level 3
Long-term investments carried at fair value	$ 1,898,132	$ 1,898,132	$ 1,793,512	$ —	$ 104,620
Development loans and other receivables	18,871	25,172	—	25,172	—
Derivative instruments:					
Energy contracts designated as a cash flow hedge	47,667	47,667	—	—	47,667
Energy contracts not designated as cash flow hedge	327	327	—	—	327
Interest rate swap designated as a hedge	10,758	10,758	—	10,758	—
Commodity contracts for regulated operations	198	198	—	198	—
Total derivative instruments	58,950	58,950	—	10,956	47,994
Total financial assets	$ 1,975,953	$ 1,982,254	$ 1,793,512	$ 36,128	$ 152,614
Long-term debt	$ 6,353,394	$ 6,708,044	$ 2,104,721	$ 4,603,323	$ —
Notes payable to related party	30,493	30,493	—	30,493	—
Convertible debentures	298	477	477	—	—
Preferred shares, Series C	13,772	15,048	—	15,048	—
Derivative instruments:					
Energy contracts designated as a cash flow hedge	3,474	3,474	—	—	3,474
Energy contracts not designated as a cash flow hedge	1,219	1,219	—	—	1,219
Cross-currency swap designated as a net investment hedge	47,749	47,749	—	47,749	—
Interest rate swaps designated as a hedge	8,565	8,565	—	8,565	—
Commodity contracts for regulated operations	52	52	—	52	—
Total derivative instruments	61,059	61,059	—	56,366	4,693
Total financial liabilities	$ 6,459,016	$ 6,815,121	$ 2,105,198	$ 4,705,230	$ 4,693

21. Financial instruments (continued)

(a) Fair value of financial instruments (continued)

December 31, 2020	Carrying amount	Fair value	Level 1	Level 2	Level 3
Long-term investment carried at fair value	$ 1,837,429	$ 1,837,429	$ 1,706,900	$ 20,015	$ 110,514
Development loans and other receivables	23,804	31,088	—	31,088	—
Derivative instruments:					
Energy contracts designated as a cash flow hedge	51,525	51,525	—	—	51,525
Energy contracts not designated as a cash flow hedge	388	388	—	—	388
Commodity contracts for regulatory operations	194	194	—	194	—
Total derivative instruments	52,107	52,107	—	194	51,913
Total financial assets	$ 1,913,340	$ 1,920,624	$ 1,706,900	$ 51,297	$ 162,427
Long-term debt	$ 4,538,470	$ 5,140,059	$ 2,316,586	$ 2,823,473	$ —
Notes payable to related party	30,493	30,493	—	30,493	—
Convertible debentures	295	623	623	—	—
Preferred shares, Series C	13,698	15,565	—	15,565	—
Derivative instruments:					
Energy contracts designated as a cash flow hedge	5,597	5,597	—	—	5,597
Energy contracts not designated as a cash flow hedge	332	332	—	—	332
Cross-currency swap designated as a net investment hedge	84,218	84,218	—	84,218	—
Interest rate swaps designated as a hedge	19,649	19,649	—	19,649	—
Commodity contracts for regulated operations	614	614	—	614	—
Total derivative instruments	110,410	110,410	—	104,481	5,929
Total financial liabilities	$ 4,693,366	$ 5,297,150	$ 2,317,209	$ 2,974,012	$ 5,929

The Company has determined that the carrying value of its short-term financial assets and liabilities approximates fair value as of March 31, 2021 and December 31, 2020 due to the short-term maturity of these instruments.

21. Financial instruments (continued)

(a) Fair value of financial instruments (continued)

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.

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 AQN's common shares on a converted basis.

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

The Company's level 3 instruments consist of energy contracts for electricity sales and the fair value of the Company's investment in AYES Canada. The significant unobservable inputs used in the fair value measurement of energy contracts are the internally developed forward market prices ranging from $12.91 to $136.75 with a weighted average of $23.5 as of March 31, 2021. 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 9.02% to 9.52% with a weighted average of 9.44%, and the expected volatility of Atlantica's share price ranging from 22% to 46% as of March 31, 2021. 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. The increase in value and volatility of the Atlantica shares during the year resulted in a significant increase in the 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:

		2021
Financial contracts:	Swaps	**1,293,720**
	Forward contracts	**1,000,000**
		2,293,720

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.

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 on the unaudited interim consolidated balance sheets:

	March 31, 2021	December 31, 2020
Regulatory assets:		
Swap contracts	**$ 111**	$ 228
Option contracts	**68**	50
Forward contracts	**$ 197**	$ 693
Regulatory liabilities:		
Swap contracts	**$ 64**	$ 271
Option contracts	**$ —**	$ 76

(ii) Cash flow hedges

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

Notional quantity (MW-hrs)	Expiry	Receive average prices (per MW-hr)	Pay floating price (per MW-hr)
2,479,234	December 2031	$23.50	NI HUB
4,958,043	September 2030	$24.54	Illinois Hub
604,596	December 2028	$33.47	PJM Western HUB
2,807,012	December 2027	$24.47	NI HUB
2,220,175	December 2027	$36.46	ERCORT North HUB

Upon the acquisition of the Sugar Creek Wind Facility (note 3(b)), the Company redesignated a long-term energy derivative contract to mitigate the price risk on the expected future sale of power generation. The fair value of the derivative on the redesignation date will be amortized into earnings over the remaining life of the contract.

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, AQN 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 64,136 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 November 2020, upon the acquisition of Ascendant, the Company redesignated two interest rate swap contracts as cash flow hedges to mitigate the risk that LIBOR-based interest rates will increase over the life of Ascendant's term loan facilities. Under the terms of the interest rate swap contracts, the Company has fixed its LIBOR interest rate expense on $87,627 and $8,875 to 3.28% and 3.02%, respectively, on its two term loan facilities. The fair value of the derivative on the redesignation date will be amortized into earnings over the remaining life of the contract

The Company is party to 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. 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.

21. Financial instruments (continued)

(b) Derivative instruments (continued)

(ii) Cash flow hedges (continued)

The Company was party to a 10-year forward-starting interest rate swap in order to reduce the interest rate risk related to the probable issuance of a 10-year C$135,000 bond. In 2019, the Company settled the forward-starting interest rate swap contract as it issued C$300,000 10-year senior unsecured notes.

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

	Three months ended March 31	
	2021	**2020**
Effective portion of cash flow hedge	**$ (30,731)**	$ (10,805)
Amortization of cash flow hedge	**(898)**	(8)
Amounts reclassified from AOCI	**39,273**	(3,275)
OCI attributable to shareholders of AQN	**$ 7,644**	$ (14,088)

The Company expects $6,691, $380 and $1,629 of unrealized gains currently in AOCI to be reclassified, net of taxes into non-regulated energy sales, interest expense and derivative gains, 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 AQN's operations is the U.S. dollar. 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 is reported in the same manner as the translation adjustment (in OCI) related to the net investment. A foreign currency loss of $268 for the three months ended March 31, 2021 (2020 - gain of $1,463) 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 AQN 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 AQN'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 is reported in the same manner as the translation adjustment (in OCI) related to the net investment. The fair value of the derivative on the redesignation date will be amortized over the remaining life of the original hedge. A foreign currency loss of $4,014 for the three months ended March 31, 2021 (2020 - gain of $34,835) 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. AQN 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 is reported in the same manner as the translation adjustment (in OCI) related to the net investment. A foreign currency gain of $1,921 for the three months ended March 31, 2021 (2020 - loss of $4,604) was recorded in OCI.

The Company was party to C$650,000 cross currency swaps to effectively convert Canadian dollar debentures 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 $6,740 for the three months ended March 31, 2021 (2020 - loss of $43,832) was recorded in OCI. During the quarter, the Renewable Energy Group settled the related cross currency swap related to its C$150,000 debenture that was repaid (note 7(b)).

Subsequent to quarter end, the Renewable Energy Group entered into a fixed-for-fixed cross-currency interest rate swap, coterminous with the senior unsecured debentures (note 7(b)), to effectively convert the C$400,000 Canadian dollar denominated offering into U.S. dollars. The Renewable Energy Group designated the entire notional amount of the fixed-for-fixed cross-currency interest rate swap as a hedge of the foreign currency exposure of its net investment in its U.S. operations. The gain or loss related to the fair value changes of the swap are reported in the same manner as the translation adjustment (in OCI) related to the net investment.

Chilean operations

The Company is exposed to currency fluctuations from its Chilean-based operations. The Company's Chilean operations are determined to have the Chilean peso as their functional currency. Chilean long-term debt used to finance the operations is denominated in Chilean Unidad de Fomento.

(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.

In 2020, 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.

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

21. Financial instruments (continued)

(b) Derivative instruments (continued)

(iv) Other derivatives (continued)

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

	Three months ended March 31	
	2021	**2020**
Change in unrealized gain (loss) on derivative financial instruments:		
Energy derivative contracts	**$ (322)**	$ 178
Total change in unrealized gain (loss) on derivative financial instruments	**$ (322)**	$ 178
Realized gain (loss) on derivative financial instruments:		
Energy derivative contracts	**163**	(132)
Total realized gain (loss) on derivative financial instruments	**$ 163**	$ (132)
Gain (loss) on derivative financial instruments not accounted for as hedges	**(159)**	46
Amortization of AOCI gains frozen as a result of hedge dedesignation	**1,248**	11
	$ 1,089	$ 57
Amounts recognized in the consolidated statements of operations consist of:		
Gain on derivative financial instruments	**$ 1,089**	$ 57

(c) Risk management

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

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

22. Comparative figures

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

Algonquin leadership

Directors

Kenneth Moore,
Chair of the Board,
Managing Partner,
NewPoint Capital Partners Inc.

Christopher Ball,
Executive Vice President,
Corpfinance International Ltd.

Arun Banskota,
President & Chief Executive Officer,
Algonquin Power & Utilities Corp.

Chris Huskilson,
Former President and CEO,
Emera Inc.

D. Randy Laney,
Former Chairman of the Board,
The Empire District Electric Company

Carol Leaman,[1]
President & CEO,
Axonify, Inc.

Masheed Saidi,
Former Executive Vice President
and Chief Operating Officer,
U.S. Transmission,
National Grid USA

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

Melissa Stapleton Barnes,
Senior VP,
Enterprise Risk Management
Chief Ethics and Compliance Officer,
Eli Lilly and Company

George Steeves,
Principal,
True North Energy

1. Ms. Leaman became a Director on March 30, 2021.

The management group

Arun Banskota,
President &
Chief Executive Officer

Johnny Johnston,
Chief Operating Officer

Arthur Kacprzak,
Chief Financial Officer

Jeff Norman,
Chief Development Officer

Kirsten Olsen,
Chief Human Resources Officer

Mary Ellen Paravalos,
Chief Compliance and Risk Officer

Jennifer Tindale,
Chief Legal Officer

George Trisic,
Chief Governance Officer
and Corporate Secretary

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