

**Unaudited Interim Consolidated Financial Statements of  
Algonquin Power & Utilities Corp.  
For the three months ended March 31, 2023 and 2022**

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

Three months ended  
March 31

(thousands of U.S. dollars, except per share amounts)

	2023	2022
<b>Revenue</b>		
Regulated electricity distribution	\$ 315,602	\$ 280,694
Regulated natural gas distribution	271,138	263,434
Regulated water reclamation and distribution	87,421	78,631
Non-regulated energy sales	78,716	85,760
Other revenue	25,750	24,718
	<b>778,627</b>	<b>733,237</b>
<b>Expenses</b>		
Operating expenses	220,287	212,002
Regulated electricity purchased	125,580	99,183
Regulated natural gas purchased	137,701	132,566
Regulated water purchased	3,869	2,823
Non-regulated energy purchased	7,806	12,939
Administrative expenses	17,833	17,452
Depreciation and amortization	121,641	119,964
Loss on foreign exchange	1,436	262
	<b>636,153</b>	<b>597,191</b>
Gain on sale of renewable assets	—	1,200
<b>Operating income</b>	<b>142,474</b>	<b>137,246</b>
Interest expense (note 7)	(81,918)	(57,943)
Income (loss) from long-term investments (note 6)	220,012	(10,689)
Other net losses (note 16)	(3,462)	(4,730)
Pension and other post-employment non-service costs (note 8)	(4,961)	(2,578)
Gain on derivative financial instruments (note 21(b)(iv))	2,166	744
<b>Earnings before income taxes</b>	<b>274,311</b>	<b>62,050</b>
<b>Income tax expense (note 15)</b>		
Current	(6,500)	(6,304)
Deferred	(18,201)	(3,148)
	<b>(24,701)</b>	<b>(9,452)</b>
<b>Net earnings</b>	<b>249,610</b>	<b>52,598</b>
Net effect of non-controlling interests (note 14)		
Non-controlling interests	26,579	40,942
Non-controlling interests held by related party	(6,050)	(2,575)
	<b>\$ 20,529</b>	<b>\$ 38,367</b>
<b>Net earnings attributable to shareholders of Algonquin Power &amp; Utilities Corp.</b>	<b>\$ 270,139</b>	<b>\$ 90,965</b>
Preferred shares, Series A and preferred shares, Series D dividend (note 12)	2,092	2,220
<b>Net earnings attributable to common shareholders of Algonquin Power &amp; Utilities Corp.</b>	<b>\$ 268,047</b>	<b>\$ 88,745</b>
Basic and diluted net earnings per share (note 17)	<b>\$ 0.39</b>	<b>\$ 0.13</b>

See accompanying notes to unaudited interim consolidated financial statements

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

	Three months ended	
	March 31	
<i>(thousands of U.S. dollars)</i>	2023	2022
Net earnings	\$ 249,610	\$ 52,598
Other comprehensive income (loss) ("OCI"):		
Foreign currency translation adjustment, net of tax expense of \$380 and recovery of \$3,310, respectively (notes 21(b)(iii) and 21(b)(iv))	15,425	7,845
Change in fair value of cash flow hedges, net of tax recovery of \$3,915 and \$22,298, respectively (note 21(b)(ii))	17,865	(58,886)
Change in pension and other post-employment benefits, net of tax recovery of \$164 and expense of \$2, respectively	(480)	7
OCI, net of tax	32,810	(51,034)
Comprehensive income	282,420	1,564
Comprehensive loss attributable to the non-controlling interests	(20,714)	(37,680)
Comprehensive income attributable to shareholders of Algonquin Power & Utilities Corp.	\$ 303,134	\$ 39,244

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, 2023	December 31, 2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 61,044	\$ 57,623
Trade and other receivables, net (note 4)	514,294	528,057
Fuel and natural gas in storage	62,856	95,350
Supplies and consumables inventory	140,416	129,571
Regulatory assets (note 5)	160,190	190,393
Prepaid expenses	71,071	58,653
Derivative instruments (note 21)	10,118	12,270
Other assets	26,916	22,564
	<b>1,046,905</b>	1,094,481
Property, plant and equipment, net	<b>12,049,389</b>	11,944,885
Intangible assets, net	<b>99,031</b>	96,683
Goodwill	<b>1,331,080</b>	1,320,579
Regulatory assets (note 5)	<b>1,105,136</b>	1,081,108
Long-term investments (note 6)		
Investments carried at fair value	<b>1,523,520</b>	1,344,207
Other long-term investments	<b>508,451</b>	462,325
Derivative instruments (note 21)	<b>55,035</b>	71,630
Deferred income taxes	<b>78,721</b>	84,416
Other assets	<b>129,826</b>	127,299
	<b>\$ 17,927,094</b>	<b>\$ 17,627,613</b>

See accompanying notes to unaudited interim consolidated financial statements

**Algonquin Power & Utilities Corp.**  
**Unaudited Interim Consolidated Balance Sheets (continued)**

(thousands of U.S. dollars)

	March 31, 2023	December 31, 2022
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 144,168	\$ 186,080
Accrued liabilities	429,640	555,792
Dividends payable (note 12)	74,774	125,655
Regulatory liabilities (note 5)	73,402	69,865
Long-term debt (note 7)	515,595	423,274
Other long-term liabilities (note 9)	126,241	134,212
Derivative instruments (note 21)	14,278	32,491
Other liabilities	9,655	7,091
	<b>1,387,753</b>	1,534,460
Long-term debt (note 7)	7,333,362	7,088,743
Regulatory liabilities (note 5)	551,357	558,317
Deferred income taxes	580,786	565,639
Derivative instruments (note 21)	118,043	137,830
Pension and other post-employment benefits obligation	124,806	125,579
Other long-term liabilities (note 9)	456,113	461,230
	<b>9,164,467</b>	8,937,338
Redeemable non-controlling interests (note 14)		
Redeemable non-controlling interest, held by related party (note 13(b))	307,909	307,856
Redeemable non-controlling interests	11,145	11,520
	<b>319,054</b>	319,376
Equity:		
Preferred shares	184,299	184,299
Common shares (note 10(a))	6,223,301	6,183,943
Additional paid-in capital	776	9,413
Deficit	(805,515)	(997,945)
Accumulated other comprehensive loss ("AOCI") (note 11)	(127,068)	(160,063)
Total equity attributable to shareholders of Algonquin Power & Utilities Corp.	<b>5,475,793</b>	5,219,647
Non-controlling interests		
Non-controlling interests - tax equity partnership units	1,192,199	1,225,608
Other non-controlling interests	336,042	333,362
Non-controlling interest, held by related party (note 13(c))	51,786	57,822
	<b>1,580,027</b>	1,616,792
Total equity	<b>7,055,820</b>	6,836,439
Commitments and contingencies (note 19)		
Subsequent events (notes 3, 5 and 7(a))		
	<b>\$ 17,927,094</b>	\$17,627,613

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, 2023

	Algonquin Power & Utilities Corp. Shareholders						
	Common shares	Preferred shares	Additional paid-in capital	Deficit	AOCI	Non-controlling interests	Total
Balance, December 31, 2022	\$ 6,183,943	\$ 184,299	\$ 9,413	\$ (997,945)	\$ (160,063)	\$ 1,616,792	\$ 6,836,439
Net earnings	—	—	—	270,139	—	(20,529)	249,610
Effect of redeemable non-controlling interests not included in equity (note 14)	—	—	—	—	—	(5,719)	(5,719)
OCI	—	—	—	—	32,995	(185)	32,810
Dividends declared and distributions to non-controlling interests	—	—	—	(47,002)	—	(19,414)	(66,416)
Dividends and issuance of shares under dividend reinvestment plan	30,482	—	—	(30,482)	—	—	—
Contributions received from non-controlling interests, net of cost	—	—	—	—	—	9,082	9,082
Common shares issued under employee share purchase plan	1,708	—	—	—	—	—	1,708
Share-based compensation	—	—	1,093	—	—	—	1,093
Common shares issued pursuant to share-based awards	7,168	—	(9,730)	(225)	—	—	(2,787)
<b>Balance, March 31, 2023</b>	<b>\$ 6,223,301</b>	<b>\$ 184,299</b>	<b>\$ 776</b>	<b>\$ (805,515)</b>	<b>\$ (127,068)</b>	<b>\$ 1,580,027</b>	<b>\$ 7,055,820</b>

See accompanying notes to unaudited interim consolidated financial statements

**Algonquin Power & Utilities Corp.**  
**Unaudited Interim Consolidated Statement of Equity (continued)**

(thousands of U.S. dollars)  
For the three months ended March 31, 2022

	Algonquin Power & Utilities Corp. Shareholders						Non-controlling interests	Total
	Common shares	Preferred shares	Additional paid-in capital	Deficit	AOCI			
Balance, December 31, 2021	\$ 6,032,792	\$ 184,299	\$ 2,007	\$ (288,424)	\$ (71,677)	\$ 1,523,082	\$ 7,382,079	
Net earnings	\$ —	—	—	90,965	—	(38,367)	52,598	
Effect of redeemable non-controlling interests not included in equity (note 14)	—	—	—	—	—	(1,196)	(1,196)	
OCI	—	—	—	—	(51,721)	687	(51,034)	
Dividends declared and distributions to non-controlling interests	—	—	—	(96,254)	—	(16,558)	(112,812)	
Dividends and issuance of shares under dividend reinvestment plan	21,540	—	—	(21,540)	—	—	—	
Contributions received from non-controlling interests, net of cost	—	—	—	—	—	3,730	3,730	
Common shares issued upon conversion of convertible debentures	6	—	—	—	—	—	6	
Common shares issued under employee share purchase plan	1,306	—	—	—	—	—	1,306	
Share-based compensation	—	—	1,622	—	—	—	1,622	
Common shares issued pursuant to share-based awards	1,605	—	(2,471)	(626)	—	—	(1,492)	
<b>Balance, March 31, 2022</b>	<b>\$ 6,057,249</b>	<b>\$ 184,299</b>	<b>\$ 1,158</b>	<b>\$ (315,879)</b>	<b>\$ (123,398)</b>	<b>\$ 1,471,378</b>	<b>\$ 7,274,807</b>	

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,

	2023	2022
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net earnings	\$ 249,610	\$ 52,598
Adjustments and items not affecting cash:		
Depreciation and amortization	121,641	119,964
Deferred taxes	18,201	3,148
Initial value and unrealized gain on derivative financial instruments	(4,969)	(68)
Share-based compensation	696	(365)
Cost of equity funds used for construction purposes	(658)	(509)
Change in value of investments carried at fair value	(179,384)	40,507
Pension and post-employment expense lower than contributions	(2,057)	(5,613)
Distributions received from equity investments, net of income	(2,034)	2,102
Other	(2,037)	2,605
Net change in non-cash operating items (note 20)	(164,791)	(48,148)
	<b>34,218</b>	<b>166,221</b>
<b>Financing activities</b>		
Increase in long-term debt	429,984	1,951,005
Repayments of long-term debt	(203,776)	(676,685)
Net change in commercial paper	92,800	(338,700)
Issuance of common shares, net of costs	1,708	1,306
Cash dividends on common shares	(95,893)	(93,381)
Dividends on preferred shares	(2,092)	(2,220)
Production-based cash contributions from non-controlling interest	9,082	3,730
Distributions to non-controlling interests, related party (note 14)	(12,056)	(10,006)
Distributions to non-controlling interests	(12,338)	(8,349)
Payments upon settlement of derivatives	(945)	(26,254)
Shares surrendered to fund withholding taxes on exercised share options	(568)	(626)
Increase in other long-term liabilities	4,430	5,199
Decrease in other long-term liabilities	(20,074)	(1,234)
	<b>190,262</b>	<b>803,785</b>
<b>Investing activities</b>		
Additions to property, plant and equipment and intangible assets	(169,749)	(327,699)
Increase in long-term investments	(47,605)	(47,257)
Acquisitions of operating entities	—	(632,711)
Increase in other assets	(1,850)	(2,464)
Receipt of principal on development loans receivable	—	122
Decrease in long-term investments	—	2,403
	<b>(219,204)</b>	<b>(1,007,606)</b>
Effect of exchange rate differences on cash and restricted cash	503	562
Increase (decrease) in cash, cash equivalents and restricted cash	5,779	(37,038)
Cash, cash equivalents and restricted cash, beginning of period	101,185	161,389
Cash, cash equivalents and restricted cash, end of period	<b>\$ 106,964</b>	<b>\$ 124,351</b>

## Algonquin Power & Utilities Corp. Unaudited Interim Consolidated Statements of Cash Flows (continued)

(thousands of U.S. dollars)

Three months ended March 31,  
2023                      2022

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**Supplemental disclosure of cash flow information:**

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Cash paid during the period for interest expense	\$	102,712	\$	61,606
Cash paid during the period for income taxes	\$	2,041	\$	1,210
Cash received during the period for distributions from equity investments	\$	28,281	\$	30,792

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**Non-cash financing and investing activities:**

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Property, plant and equipment acquisitions in accruals	\$	99,587	\$	83,319
Issuance of common shares under dividend reinvestment plan and share-based compensation plans	\$	39,358	\$	24,451

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See accompanying notes to unaudited interim consolidated financial statements

## Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

March 31, 2023 and 2022

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

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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, water distribution and wastewater collection, and natural gas utility systems and transmission operations in the United States, Canada, Bermuda and Chile; the Renewable Energy Group owns and operates, or has investments in, a diversified portfolio of non-regulated renewable and thermal energy 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 as of and for the year ended December 31, 2022.

#### (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 electrical distribution utilities can experience higher or lower demand in the summer or winter depending on the specific regional weather and industry characteristics. 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. During the winter period, natural gas distribution utilities generally experience higher demand than during the summer period. 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 generally 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" and in Chilean Unidad de Fomento with "CLF" immediately prior to the stated amount.

### 2. Recently issued accounting pronouncements

#### (a) Recently adopted accounting pronouncements

The FASB issued ASU 2022-04, *Liabilities — Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, which require that a buyer in a supplier finance program disclose sufficient information about the program to allow a user of financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. See note 21(c) for details.

#### (b) Recently issued accounting guidance not yet adopted

The FASB issued ASU 2023-02, *Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method — a consensus of the Emerging Issues Task Force*, which permits a reporting entity, if certain conditions are met, to elect to account for its tax equity investments by using the proportional amortization method regardless of the program from which it receives income tax credits. The amendments in this update are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the applicability and potential impact of the new guidance.

## Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

March 31, 2023 and 2022

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

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### 3. Business acquisition

Kentucky Power Company and AEP Kentucky Transmission Company, Inc.

On October 26, 2021, Liberty Utilities Co., an indirect subsidiary of AQN, entered into an agreement (the "Kentucky Acquisition Agreement") with American Electric Power Company, Inc. ("AEP") and AEP Transmission Company, LLC to acquire Kentucky Power Company and AEP Kentucky Transmission Company, Inc. (the "Kentucky Power Transaction"). On April 17, 2023, Liberty Utilities Co. mutually agreed with AEP and AEP Transmission Company, LLC to terminate the Kentucky Acquisition Agreement. The Company is assessing whether costs incurred in preparation for the Kentucky Power Transaction should be written-off. The Company has not finalized the assessment.

### 4. Accounts receivable

Accounts receivable as of March 31, 2023 include unbilled revenue of \$108,418 (December 31, 2022 - \$149,015) from the Company's regulated utilities. Accounts receivable as of March 31, 2023 are presented net of allowance for doubtful accounts of \$27,954 (December 31, 2022 - \$24,857).

### 5. Regulatory matters

The operating companies within the Regulated Services Group are subject to regulation by the respective jurisdictions in which they operate. The respective Regulators 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 incurred charges or credits that are probable of being recovered from or refunded to customers through the rate setting process.

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

Utility	State or country	Regulatory proceeding type	Details
Apple Valley Water System	California	General rate review	On February 3, 2023, the California Public Utilities Commission ("CPUC") issued a final order authorizing an annual revenue increase of \$1,412. New rates became effective in March 2023 retroactive to July 1, 2022. The retroactive impact of this final order was recorded in the first quarter of 2023.
Park Water System	California	General rate review	On February 3, 2023, the CPUC issued a final order authorizing an annual revenue increase of \$1,105. New rates became effective in March 2023 retroactive to July 1, 2022. The retroactive impact of this final order was recorded in the first quarter of 2023.
CalPeco Electric System	California	General rate review	Subsequent to quarter-end, on April 27, 2023, the CPUC issued a final order approving a revenue increase of \$26,979. New rates will be effective in June 2023 retroactive to January 2022. The retroactive impact of this final order is expected to be recorded in the second quarter of 2023.

**Algonquin Power & Utilities Corp.**

Notes to the Unaudited Interim Consolidated Financial Statements

March 31, 2023 and 2022

*(in thousands of U.S. dollars, except as noted and per share amounts)***5. Regulatory matters (continued)**

Regulatory assets and liabilities consist of the following:

	March 31, 2023	December 31, 2022
<b>Regulatory assets</b>		
Fuel and commodity cost adjustments	366,029	388,294
Retired generating plant	175,847	174,609
Rate adjustment mechanism	133,898	136,198
Income taxes	97,225	97,414
Deferred capitalized costs	95,094	90,121
Pension and post-employment benefits	83,501	80,736
Wildfire mitigation and vegetation management	69,862	66,156
Environmental remediation	69,602	70,529
Clean energy and other customer programs	29,970	28,145
Asset retirement obligation	27,390	27,172
Debt premium	23,472	24,888
Cost of removal	11,084	11,084
Rate review costs	9,063	9,481
Long-term maintenance contract	6,409	6,504
Other	66,880	60,170
Total regulatory assets	\$ 1,265,326	\$ 1,271,501
Less: current regulatory assets	(160,190)	(190,393)
Non-current regulatory assets	\$ 1,105,136	\$ 1,081,108
<b>Regulatory liabilities</b>		
Income taxes	\$ 308,342	\$ 312,671
Cost of removal	189,427	191,173
Pension and post-employment benefits	75,169	68,085
Fuel and commodity costs adjustments	20,604	24,991
Clean energy and other customer programs	10,635	11,572
Rate adjustment mechanism	1,587	343
Other	18,995	19,347
Total regulatory liabilities	\$ 624,759	\$ 628,182
Less: current regulatory liabilities	(73,402)	(69,865)
Non-current regulatory liabilities	\$ 551,357	\$ 558,317

**Algonquin Power & Utilities Corp.**

Notes to the Unaudited Interim Consolidated Financial Statements

March 31, 2023 and 2022

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

Long-term investments consist of the following:

	March 31, 2023	December 31, 2022
<b>Long-term investments carried at fair value</b>		
Atlantica	\$ 1,447,344	\$ 1,268,140
Atlantica Yield Energy Solutions Canada Inc.	74,386	74,083
Other	1,790	1,984
	<b>\$ 1,523,520</b>	<b>\$ 1,344,207</b>
<b>Other long-term investments</b>		
Equity-method investees (a)	\$ 394,299	\$ 381,802
Development loans receivable from equity-method investees (a)	86,540	52,923
Other	27,612	27,600
	<b>\$ 508,451</b>	<b>\$ 462,325</b>

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

	Three months ended March 31,	
	2023	2022
<b>Fair value gain (loss) on investments carried at fair value</b>		
Atlantica	\$ 179,204	\$ (33,784)
Atlantica Yield Energy Solutions Canada Inc.	196	(6,580)
Other	(16)	(143)
	<b>\$ 179,384</b>	<b>\$ (40,507)</b>
<b>Dividend and interest income from investments carried at fair value</b>		
Atlantica	\$ 21,789	\$ 21,544
Atlantica Yield Energy Solutions Canada Inc.	5,857	7,294
Other	10	(2)
	<b>\$ 27,656</b>	<b>\$ 28,836</b>
<b>Other long-term investments</b>		
Equity method income (loss)	2,281	(4,531)
Interest and other income	10,691	5,513
	<b>\$ 12,972</b>	<b>\$ 982</b>
<b>Income (loss) from long-term investments</b>	<b>\$ 220,012</b>	<b>\$ (10,689)</b>

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

The Renewable Energy Group has non-controlling interests in operating renewable energy facilities and projects under construction. The Regulated Services Group has non-controlling interest in a power transmission line project under construction and other non-regulated operating entities owned by its utilities. The Liberty Development JV Inc. platform for non-regulated renewable energy, water and other sectors is reported under Corporate. In total, the Company has non-controlling interests in various corporations, partnerships and joint ventures with a total carrying value of \$394,299 (December 31, 2022 - \$381,802), including investments in variable interest entities ("VIEs") of \$125,303 (December 31, 2022 - \$122,752).

**Algonquin Power & Utilities Corp.**

## Notes to the Unaudited Interim Consolidated Financial Statements

March 31, 2023 and 2022

*(in thousands of U.S. dollars, except as noted and per share amounts)***6. Long-term investments (continued)****(a)** Equity-method investees and development loans receivable from equity investees (continued)

During the three months ended March 31, 2023, the Company made capital contributions of \$10,309 to the Texas Coastal Wind Facilities (Stella, Cranell, East Raymond and West Raymond) and \$5,805 to projects under construction.

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

	<b>March 31,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
Total assets	<b>\$ 2,781,053</b>	\$ 2,740,132
Total liabilities	<b>1,537,750</b>	1,507,079
Net assets	<b>\$ 1,243,303</b>	\$ 1,233,053
AQN's ownership interest in the entities	<b>342,140</b>	332,663
Difference between investment carrying amount and underlying equity in net assets <sup>(a)</sup>	<b>52,159</b>	49,139
AQN's investment carrying amount for the entities	<b>\$ 394,299</b>	\$ 381,802

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

Summarized combined information for AQN's equity method investees (presented at 100%) is as follows:

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Revenue	<b>\$ 26,146</b>	\$ 8,871
Net income (loss)	<b>\$ 5,541</b>	\$ (7,774)
Other comprehensive loss <sup>(a)</sup>	<b>\$ (10,653)</b>	\$ (95,518)
<b>Net income (loss) attributable to AQN</b>	<b>\$ 2,281</b>	\$ (4,531)
<b>Other comprehensive loss attributable to AQN<sup>(a)</sup></b>	<b>\$ (4,368)</b>	\$ (48,599)

<sup>(a)</sup> Other comprehensive loss represents the Company's proportion of the change in fair value, recorded in OCI at the investee level, on energy derivative financial instruments designated as a cash flow hedge.

**Algonquin Power & Utilities Corp.**

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

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

Except for Liberty Development Energy Solutions B.V. ("Liberty Development Energy Solutions"), 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, 2023, the Company had issued letters of credit and guarantees of performance obligations under: a security of performance for a development opportunity; wind turbine and solar panel supply agreements; interconnection agreements; engineering, procurement and construction agreements; energy purchase agreements; and construction loan agreements. The fair value of the support provided to all equity-investees as of March 31, 2023 amounts to \$9,835 (December 31, 2022 - \$8,824).

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

	<b>March 31,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
AQN's maximum exposure in regards to VIEs		
Carrying amount	\$ 125,303	\$ 122,752
Development loans receivable	86,540	52,923
Performance guarantees and other commitments on behalf of VIEs	812,649	658,224
	<b>\$ 1,024,492</b>	<b>\$ 833,899</b>

The commitments are presented on a gross basis assuming no recoverable value in the assets of the VIEs. In addition, as of March 31, 2023, the Company had issued \$114,998 in letters of credit and guarantees of performance obligations under energy purchase agreements and decommissioning obligations on behalf of operating equity-method investees which are not considered VIEs.

**Algonquin Power & Utilities Corp.**

Notes to the Unaudited Interim Consolidated Financial Statements

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

Long-term debt consists of the following:

Borrowing type	Weighted average coupon	Maturity	Par value	March 31, 2023	December 31, 2022
Senior unsecured revolving credit facilities (a)	—	2024-2028	N/A	\$ 595,018	\$ 351,786
Senior unsecured bank credit facilities and delayed draw term facility	—	2023-2031	N/A	782,362	773,643
Commercial paper	—	2023	N/A	499,800	407,000
<b>U.S. dollar borrowings</b>					
Senior unsecured notes (Green Equity Units)	1.18 %	2026	\$ 1,150,000	1,143,335	1,142,814
Senior unsecured notes (b)	3.38 %	2023-2047	\$ 1,490,000	1,481,389	1,496,101
Senior unsecured utility notes	6.34 %	2023-2035	\$ 142,000	153,853	154,271
Senior secured utility bonds	4.71 %	2026-2044	\$ 556,209	553,988	554,822
<b>Canadian dollar borrowings</b>					
Senior unsecured notes	3.68 %	2027-2050	C\$ 1,200,000	883,699	882,899
Senior secured project notes	10.21 %	2027	C\$ 19,575	14,465	15,024
<b>Chilean Unidad de Fomento borrowings</b>					
Senior unsecured utility bonds	4.05 %	2028-2040	CLF 1,637	84,225	77,206
				<b>\$ 6,192,134</b>	<b>\$ 5,855,566</b>
<b>Subordinated borrowings</b>					
Subordinated unsecured notes	5.25 %	2082	C\$ 400,000	291,493	\$ 291,238
Subordinated unsecured notes	5.56 %	2078-2082	\$ 1,387,500	1,365,330	1,365,213
				<b>\$ 7,848,957</b>	<b>\$ 7,512,017</b>
Less: current portion				<b>(515,595)</b>	<b>(423,274)</b>
				<b>\$ 7,333,362</b>	<b>\$ 7,088,743</b>

Short-term obligations of \$690,386 that are expected to be refinanced using the long-term credit facilities are presented as long-term debt.

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

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

The following table sets out the bank credit facilities available to AQN and its operating groups:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Revolving and term credit facilities	<b>\$ 5,097,100</b>	\$ 4,513,300
Funds drawn on facilities/ commercial paper issued	<b>(1,877,180)</b>	(1,532,500)
Letters of credit issued	<b>(385,800)</b>	(465,200)
Liquidity available under the facilities	<b>2,834,120</b>	2,515,600
Undrawn portion of uncommitted letter of credit facilities	<b>(381,300)</b>	(226,900)
Cash on hand	<b>61,044</b>	57,623
<b>Total liquidity and capital reserves</b>	<b>\$ 2,513,864</b>	<b>\$ 2,346,323</b>

Recent financing activities:

## (a) Senior unsecured revolving credit facilities

## Corporate

On March 31, 2023, the Company's senior unsecured revolving credit facility was amended and restated to increase the borrowing capacity from \$500,000 to \$1,000,000 with a new maturity date of March 31, 2028.

On March 31, 2023, the Company entered into a new \$75,000 uncommitted bi-lateral credit facility.

## Regulated Services Group

Subsequent to the quarter-end, the Regulated Services Group elected to terminate the undrawn amount of \$489,600 of its \$1,100,000 senior unsecured syndicated delayed draw term facility ("the "Regulated Services Delayed Draw Term Facility"), which was intended to be used to partially fund the Kentucky Power Transaction. The Regulated Services Delayed Draw Term Facility has a maturity date of November 29, 2023.

## (b) U.S. dollar senior unsecured notes

On March 13, 2023, the Company repaid a \$15,000 senior unsecured note on its maturity.

As of March 31, 2023, the Company had accrued \$53,155 in interest expense (December 31, 2022 - \$70,274). Interest expense for the three months ended March 31, 2023 and 2022 consists of the following:

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Long-term debt	<b>\$ 64,805</b>	\$ 61,674
Commercial paper, credit facility draws and related fees	<b>22,926</b>	3,586
Accretion of fair value adjustments	<b>(3,349)</b>	(4,526)
Capitalized interest and AFUDC capitalized on regulated property	<b>(3,675)</b>	(1,211)
Other	<b>1,211</b>	(1,580)
	<b>\$ 81,918</b>	<b>\$ 57,943</b>

**Algonquin Power & Utilities Corp.**

Notes to the Unaudited Interim Consolidated Financial Statements

March 31, 2023 and 2022

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

The following table lists the components of net benefit costs for the pension plans and other post-employment benefits (“OPEB”). Service cost is recorded as part of operating expenses and non-service costs have been recorded outside of operating income in the unaudited interim consolidated statements of operations.

	Pension benefits		OPEB	
	Three months ended March 31,		Three months ended March 31,	
	2023	2022	2023	2022
Service cost	\$ 2,927	\$ 3,856	\$ 989	\$ 1,555
Non-service costs				
Interest cost	8,393	6,063	3,438	2,359
Expected return on plan assets	(8,316)	(10,324)	(2,746)	(2,841)
Amortization of net actuarial loss	(124)	789	(561)	(86)
Amortization of prior service credits	(373)	(403)	(213)	6
Impact of regulatory accounts	4,095	6,338	1,368	677
	\$ 3,675	\$ 2,463	\$ 1,286	\$ 115
Net benefit cost	\$ 6,602	\$ 6,319	\$ 2,275	\$ 1,670

**9. Other long-term liabilities**

Other long-term liabilities consist of the following:

	March 31, 2023	December 31, 2022
Contract adjustment payments	\$ 95,368	\$ 113,876
Asset retirement obligations	116,002	116,584
Advances in aid of construction	90,850	88,546
Environmental remediation obligation	43,350	42,457
Customer deposits	35,220	34,675
Unamortized investment tax credits	17,502	17,649
Deferred credits and contingent consideration	41,138	39,498
Preferred shares, Series C	11,660	12,072
Hook-up fees	33,858	32,463
Lease liabilities	21,701	21,834
Contingent development support obligations	9,835	8,824
Note payable to related party	25,808	25,808
Other	40,062	41,156
	\$ 582,354	\$ 595,442
Less: current portion	(126,241)	(134,212)
	\$ 456,113	\$ 461,230

**Algonquin Power & Utilities Corp.**

Notes to the Unaudited Interim Consolidated Financial Statements

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

## (a) Common shares

Number of common shares

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Common shares, beginning of period	<b>683,614,803</b>	671,960,276
Dividend reinvestment plan	<b>4,370,289</b>	1,625,414
Exercise of share-based awards (b)	<b>606,960</b>	523,746
Conversion of convertible debentures	—	754
<b>Common shares, end of period</b>	<b>688,592,052</b>	674,110,190

On August 15, 2022, AQN re-established an at-the-market equity program ("ATM Program") that allows the Company to issue up to \$500,000 (or the equivalent in Canadian dollars) 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 Toronto Stock Exchange, the New York Stock Exchange ("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, 2023, the Company did not issue common shares under the ATM Program. As of May 10, 2023, the Company has issued, since the inception of its initial ATM Program in 2019, a cumulative total of 36,814,536 common shares at an average price of \$15.00 per share for gross proceeds of \$551,086 (\$544,295 net of commissions). Other related costs, primarily related to the establishment and subsequent re-establishments of the ATM Program, were \$4,843.

## Dividend reinvestment plan

The Company has a common shareholder dividend reinvestment plan, which, when the plan is active, provides an opportunity for holders of AQN's common shares who reside in Canada, the United States, or, subject to AQN's consent, other jurisdictions, to reinvest the cash dividends paid on their common shares in additional common shares which, at AQN's election, are either purchased on the open market or newly issued from treasury. Effective March 3, 2022, common shares purchased under the plan were issued at a 3% discount (previously at 5%) to the prevailing market price (as determined in accordance with the terms of the plan). During the three months ended March 31, 2023, AQN issued 4,370,289 common shares under the dividend reinvestment plan. Effective March 16, 2023, AQN suspended the dividend reinvestment plan. Dividends will only be paid in cash while the reinvestment plan is suspended.

## (b) Share-based compensation

For the three months ended March 31, 2023, AQN recorded \$696 (2022 - \$(365)) in total share-based compensation expense (recovery). 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, 2023, total unrecognized compensation costs related to non-vested share-based awards was \$40,565 and is expected to be recognized over a period of 2.47 years

*Share option plan*

During the three months ended March 31, 2023, the Board of Directors of the Company (the "Board") approved the grant of 1,368,744 options to executives of the Company. The options allow for the purchase of common shares at a weighted average price of C\$10.76, the market price of the underlying common shares at the date of grant. One-third of the options vest on each of December 31, 2023, 2024 and 2025. The options may be exercised up to eight years following the date of grant.

**Algonquin Power & Utilities Corp.**

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March 31, 2023 and 2022

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

(b) Share-based compensation (continued)

*Share option plan (continued)*

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

	<b>2023</b>
Risk-free interest rate	3.4 %
Expected volatility	27 %
Expected dividend yield	8.6 %
Expected life	5.50 years
Weighted average grant date fair value per option	C\$1.04

*Performance and restricted share units*

During the three months ended March 31, 2023, a total of 2,244,916 performance share units ("PSUs") and restricted share units ("RSUs") were granted to employees of the Company. The awards vest based on the terms of each agreement ranging from February 2023 to January 2025. During the three months ended March 31, 2023, the Company settled 655,081 PSUs and RSUs in exchange for 328,069 common shares issued from treasury, and 327,012 PSUs and RSUs were settled at their cash value as payment for tax withholding related to the settlement of the awards.

During the three months ended March 31, 2023, the Company settled 52,379 bonus deferral RSUs in exchange for 23,678 common shares issued from treasury, and 28,701 RSUs were settled at their cash value as payment for tax withholding related to the settlement of the awards. During the three months ended March 31, 2023, 4,017 bonus deferral RSUs were granted to employees of the Company. The RSUs are 100% vested.

*Directors' deferred share units*

During the three months ended March 31, 2023, 46,091 deferred share units ("DSUs") were issued pursuant to the election by Directors of the Company to defer a percentage of their directors' fee in the form of DSUs.

**Algonquin Power & Utilities Corp.**

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

AOCI consists of the following balances, net of tax:

	Foreign currency cumulative translation	Unrealized gain (loss) on cash flow hedges	Pension and post- employment actuarial changes	Total
Balance, January 1, 2022	\$ (76,615)	\$ (3,514)	\$ 8,452	\$ (71,677)
OCI	(18,013)	(128,838)	23,722	(123,129)
Amounts reclassified from AOCI to the unaudited interim consolidated statements of operations	(5,489)	34,543	4,039	33,093
Net current period OCI	\$ (23,502)	\$ (94,295)	\$ 27,761	\$ (90,036)
OCI attributable to the non-controlling interests	1,650	—	—	1,650
Net current period OCI attributable to shareholders of AQN	(21,852)	(94,295)	27,761	(88,386)
Balance, December 31, 2022	\$ (98,467)	\$ (97,809)	\$ 36,213	\$ (160,063)
OCI	<b>15,857</b>	<b>22,486</b>	<b>23,722</b>	<b>62,065</b>
Amounts reclassified from AOCI to the unaudited interim consolidated statements of operations	<b>(432)</b>	<b>(4,621)</b>	<b>(24,202)</b>	<b>(29,255)</b>
Net current period OCI	<b>\$ 15,425</b>	<b>\$ 17,865</b>	<b>\$ (480)</b>	<b>\$ 32,810</b>
OCI attributable to the non-controlling interests	<b>185</b>	—	—	<b>185</b>
Net current period OCI attributable to shareholders of AQN	<b>\$ 15,610</b>	<b>\$ 17,865</b>	<b>\$ (480)</b>	<b>\$ 32,995</b>
Balance, March 31, 2023	<b>\$ (82,857)</b>	<b>\$ (79,944)</b>	<b>\$ 35,733</b>	<b>\$ (127,068)</b>

Amounts reclassified from AOCI for foreign currency cumulative translation affected 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.

**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,			
	2023		2022	
	Dividend	Dividend per share	Dividend	Dividend per share
Common shares	\$ 75,386	\$ 0.1085	\$ 115,574	\$ 0.1706
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

**Algonquin Power & Utilities Corp.**

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*(in thousands of U.S. dollars, except as noted and per share amounts)***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, 2023, the Company charged its equity-method investees \$16,088 (2022 - \$7,413). Additionally, Liberty Development JV Inc. (note 6(a)), an equity-investee of the Company, 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, 2023, the development fees charged to the Company were \$nil (2022 - \$nil).

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

Liberty Development Energy Solutions (note 6(a)), an equity investee of the Company, has a secured credit facility in the amount of \$306,500 maturing on January 26, 2024. It is collateralized through a pledge of Atlantica Sustainable Infrastructure plc ("Atlantica") ordinary shares. 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 shares to eliminate the collateral shortfall. The Liberty Development Energy Solutions secured credit facility is repayable on demand if Atlantica ceases to be a public company or if certain other events are announced or completed that could restrict AY Holdings' ability to sell or transfer its Atlantica ordinary shares. Liberty Development Energy Solutions has a preference share ownership in AY Holdings which AQN reflects as redeemable non-controlling interest held by related party. Redemption is not considered probable as of March 31, 2023. During the three months ended March 31, 2023, the Company incurred non-controlling interest attributable to Liberty Development Energy Solutions of \$6,050 (2022 - \$2,575) and recorded distributions of \$5,998 (2022 - \$2,584).

## (c) Non-controlling interest held by related party

Non-controlling interest held by related party represents an interest in 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) and an interest in Algonquin (AY Holdco) B.V., a consolidated subsidiary of the Company, acquired by Liberty Development JV Inc. in November 2021 for \$39,376. During the three months ended March 31, 2023, the Company recorded distributions of \$6,058 (2022 - \$7,422).

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 consists of the following:

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
HLBV and other adjustments attributable to:		
Non-controlling interests - tax equity partnership units	<b>\$ 34,571</b>	\$ 40,862
Non-controlling interests - redeemable tax equity partnership units	<b>331</b>	1,599
Other net earnings attributable to:		
Non-controlling interests	<b>(8,323)</b>	(1,519)
	<b>\$ 26,579</b>	\$ 40,942
Redeemable non-controlling interest, held by related party	<b>(6,050)</b>	(2,575)
Net effect of non-controlling interests	<b>\$ 20,529</b>	\$ 38,367

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

**Algonquin Power & Utilities Corp.**

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*(in thousands of U.S. dollars, except as noted and per share amounts)***15. Income taxes**

For the three months ended March 31, 2023, the income tax expense in the unaudited interim consolidated statements of operations represents an effective tax rate different than the Canadian enacted statutory rate of 26.5%. The differences are as follows:

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Expected income tax expense at Canadian statutory rate	\$ 72,692	\$ 16,443
Increase (decrease) resulting from:		
Effect of differences in tax rates on transactions in and within foreign jurisdictions and change in tax rates	(11,158)	(12,477)
Adjustments from investments carried at fair value	(29,265)	1,013
Change in valuation allowance	(1,467)	(148)
Non-controlling interests share of income	10,192	11,053
Acquisition related state deferred tax adjustments	—	7,600
Tax credits	(12,410)	(10,151)
Amortization and settlement of excess deferred income tax	(3,751)	(4,034)
Other	(132)	153
<b>Income tax expense</b>	<b>\$ 24,701</b>	<b>\$ 9,452</b>

The following table illustrates the movement in the deferred tax valuation allowance:

	<b>2023</b>	<b>2022</b>
Beginning balance at January 1	\$ 107,583	\$ 27,470
Charged to income tax recovery	(1,467)	(148)
Charged (reduction) to OCI	(8,720)	1,637
<b>Ending balance at March 31</b>	<b>\$ 97,396</b>	<b>\$ 28,959</b>

**16. Other net losses**

Other net losses consist of the following:

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Acquisition and transition-related costs	\$ 2,752	\$ 2,165
Other	710	2,565
	<b>\$ 3,462</b>	<b>\$ 4,730</b>

**Algonquin Power & Utilities Corp.**

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March 31, 2023 and 2022

*(in thousands of U.S. dollars, except as noted and per share amounts)***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, additional shares issued subsequent to quarter-end under the dividend reinvestment plan, and, if dilutive, potential incremental common shares related to the convertible debentures or resulting from the application of the treasury stock method to the Green Equity Units (note 7) and the weighted average number of outstanding share options, PSUs, RSUs and DSUs outstanding during the period.

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:

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Net earnings attributable to shareholders of AQN	<b>\$ 270,139</b>	\$ 90,965
Series A preferred shares dividend	<b>1,148</b>	1,218
Series D preferred shares dividend	<b>944</b>	1,002
Net earnings attributable to common shareholders of AQN – basic and diluted	<b>\$ 268,047</b>	\$ 88,745
Weighted average number of shares		
Basic	<b>687,693,510</b>	673,742,425
Effect of dilutive securities	<b>2,454,187</b>	3,697,479
Diluted	<b>690,147,697</b>	677,439,904

This calculation of diluted shares excludes the potential impact of the Green Equity Units and 3,995,526 potential incremental shares that may become issuable pursuant to outstanding securities of the Company for the three months ended March 31, 2023, as they are antidilutive. This calculation of diluted shares for the three months ended March 31, 2022 excludes the potential impact of 1,134,711 securities, as they are antidilutive.

**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, Bermuda and Chile; 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 income 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, unrealized portion of any gains or losses on derivative instruments not designated in a hedging relationship and foreign exchange gains and losses are not considered in management's evaluation of divisional performance and are therefore, allocated and reported under corporate.

**Algonquin Power & Utilities Corp.**

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*(in thousands of U.S. dollars, except as noted and per share amounts)***18. Segmented information (continued)**

	Three months ended March 31, 2023			
	Regulated Services Group	Renewable Energy Group	Corporate	Total
Revenue <sup>(1)(2)</sup>	\$ 674,161	\$ 78,716	\$ —	\$ 752,877
Other revenue	14,018	11,371	361	25,750
Fuel, power and water purchased	267,150	7,806	—	274,956
Net revenue	421,029	82,281	361	503,671
Operating expenses	187,424	32,710	153	220,287
Administrative expenses	8,325	7,430	2,078	17,833
Depreciation and amortization	85,857	35,545	239	121,641
Loss on foreign exchange	—	—	1,436	1,436
Operating income (loss)	139,423	6,596	(3,545)	142,474
Interest expense	(38,478)	(14,895)	(28,545)	(81,918)
Income from long-term investments	10,328	33,267	176,417	220,012
Other expenses	(4,249)	—	(2,008)	(6,257)
Earnings before income taxes	\$ 107,024	\$ 24,968	\$ 142,319	\$ 274,311
Property, plant and equipment	\$ 8,673,180	\$ 3,347,225	\$ 28,984	\$ 12,049,389
Investments carried at fair value	1,789	1,521,731	—	1,523,520
Equity-method investees	56,827	325,470	12,002	394,299
Total assets	12,220,865	5,458,111	248,118	17,927,094
Capital expenditures	\$ 147,381	\$ 22,368	\$ —	\$ 169,749

<sup>(1)</sup> Renewable Energy Group revenue includes \$7,199 related to net hedging gain from energy derivative contracts and availability credits for the three-months period ended March 31, 2023 that do not represent revenue recognized from contracts with customers.

<sup>(2)</sup> Regulated Services Group revenue includes \$3,706 related to alternative revenue programs for the three-months period ended March 31, 2023 that do not represent revenue recognized from contracts with customers.

**Algonquin Power & Utilities Corp.**

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March 31, 2023 and 2022

*(in thousands of U.S. dollars, except as noted and per share amounts)***18. Segmented information (continued)**

	<b>Three months ended March 31, 2022</b>			
	<b>Regulated Services Group</b>	<b>Renewable Energy Group</b>	<b>Corporate</b>	<b>Total</b>
Revenue <sup>(1)(2)</sup>	\$ 622,759	\$ 85,760	\$ —	\$ 708,519
Other revenue	14,988	9,344	386	24,718
Fuel, power and water purchased	234,572	12,939	—	247,511
Net revenue	403,175	82,165	386	485,726
Operating expenses	184,409	27,590	3	212,002
Administrative expenses	8,070	7,545	1,837	17,452
Depreciation and amortization	80,283	39,417	264	119,964
Loss on foreign exchange	—	—	262	262
	130,413	7,613	(1,980)	136,046
Gain on sale of renewable assets		1,200	—	1,200
Operating income (loss)	130,413	8,813	(1,980)	137,246
Interest expense	(21,426)	(15,713)	(20,804)	(57,943)
Income (loss) from long-term investments	4,509	27,626	(42,824)	(10,689)
Other expenses	(4,888)	(255)	(1,421)	(6,564)
Earnings (loss) before income taxes	\$ 108,608	\$ 20,471	\$ (67,029)	\$ 62,050
Capital expenditures	\$ 255,585	\$ 72,114	\$ —	\$ 327,699
	<b>December 31, 2022</b>			
Property, plant and equipment	\$ 8,554,938	\$ 3,360,687	\$ 29,260	\$11,944,885
Investments carried at fair value	1,984	1,342,223	—	1,344,207
Equity-method investees	56,199	310,103	15,500	381,802
Total assets	\$12,109,575	\$ 5,251,933	\$ 266,105	\$17,627,613

<sup>(1)</sup> Renewable Energy Group revenue includes \$4,830 related to net hedging loss from energy derivative contracts for the three-months period ended March 31, 2022 that do not represent revenue recognized from contracts with customers.

<sup>(2)</sup> Regulated Services Group revenue includes \$6,278 related to alternative revenue programs for the three-months period ended March 31, 2022 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:

	<b>Three months ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Revenue		
United States	\$ 640,424	\$ 598,873
Canada	53,128	53,835
Other regions	85,075	80,529
	\$ 778,627	\$ 733,237

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

**Algonquin Power & Utilities Corp.**

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*(in thousands of U.S. dollars, except as noted and per share amounts)***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 unaudited interim consolidated financial statements at the time it is concluded that their occurrence is probable and the related liability is estimable.

*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 remains under investigation, and CAL FIRE has not yet released its final report. There are currently 17 active lawsuits that name certain subsidiaries of the Company as defendants in connection with the Mountain View Fire, as well as one non-litigation claim brought by the U.S. Department of Agriculture seeking reimbursement for alleged fire suppression costs. Twelve 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 (one of these twelve lawsuits also alleges the wrongful death of an individual and various subrogation claims on behalf of insurance companies). In another lawsuit, County of Mono, Antelope Valley Fire Protection District, 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 four other lawsuits, 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.

## (b) Commitments

In addition to the commitments related to the development projects disclosed in note 6, the following significant commitments exist as of March 31, 2023.

AQN has outstanding purchase commitments for power purchases, natural gas supply and service agreements, service agreements, capital project commitments and land easements. Detailed below are estimates of future commitments under these arrangements:

	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter	Total
Power purchase <sup>(1)</sup>	\$ 54,864	\$ 32,164	\$ 25,618	\$ 12,336	\$ 12,582	\$ 142,586	\$ 280,150
Natural gas supply and service agreements <sup>(2)</sup>	100,967	97,021	54,963	41,052	33,569	179,185	506,757
Service agreements	69,945	58,653	57,042	48,219	48,258	290,485	572,602
Capital projects	9,060	—	—	—	—	—	9,060
Land easements and others	13,292	13,364	13,545	13,711	13,882	460,256	528,050
<b>Total</b>	<b>\$248,128</b>	<b>\$201,202</b>	<b>\$151,168</b>	<b>\$115,318</b>	<b>\$108,291</b>	<b>\$1,072,512</b>	<b>\$1,896,619</b>

(1) 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 at March 31, 2023. However, the effects of purchased power unit cost adjustments are mitigated through a purchased power rate-adjustment mechanism.

(2) Natural 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.

**Algonquin Power & Utilities Corp.**

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*(in thousands of U.S. dollars, except as noted and per share amounts)***20. Non-cash operating items**

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

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Accounts receivable	\$ 13,763	\$ (40,612)
Fuel and natural gas in storage	32,494	16,234
Supplies and consumables inventory	(10,776)	(7,769)
Income taxes recoverable	549	2,932
Prepaid expenses	(7,048)	(7,350)
Accounts payable	(53,220)	(21,665)
Accrued liabilities	(126,165)	53,296
Current income tax liability	3,602	2,203
Asset retirements and environmental obligations	(1,069)	(499)
Net regulatory assets and liabilities	(16,921)	(44,918)
	<b>\$ (164,791)</b>	<b>\$ (48,148)</b>

**Algonquin Power & Utilities Corp.**

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*(in thousands of U.S. dollars, except as noted and per share amounts)***21. Financial instruments**

## (a) Fair value of financial instruments

<b>March 31, 2023</b>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Long-term investments carried at fair value	\$ 1,523,520	\$ 1,523,520	\$ 1,449,147	\$ —	\$ 74,373
Development loans and other receivables	87,308	83,837	—	83,837	—
Derivative instruments:					
Energy contracts not designated as a cash flow hedge	203	203	—	—	203
Interest rate swaps designated as a hedge	52,981	52,981	—	52,981	—
Interest rate cap not designated as hedge	3,604	3,604	—	3,604	—
Congestion revenue rights not designated as hedge	7,165	7,165	—	—	7,165
Cross currency swap designated as a net investment hedge	1,200	1,200	—	1,200	—
Total derivative instruments	65,153	65,153	—	57,785	7,368
<b>Total financial assets</b>	<b>\$ 1,675,981</b>	<b>\$ 1,672,510</b>	<b>\$ 1,449,147</b>	<b>\$ 141,622</b>	<b>\$ 81,741</b>
Long-term debt	\$ 7,848,957	\$ 7,315,375	\$ 2,683,122	\$ 4,632,253	\$ —
Notes payable to related party	25,808	15,188	—	15,188	—
Convertible debentures	244	295	295	—	—
Preferred shares, Series C	11,660	11,685	—	11,685	—
Derivative instruments:					
Energy contracts designated as a cash flow hedge	84,884	84,884	—	—	84,884
Energy contracts not designated as hedge	6,682	6,682	—	—	6,682
Cross-currency swap designated as a net investment hedge	23,994	23,994	—	23,994	—
Cross currency swap designated as a cash flow hedge	15,338	15,338	—	15,338	—
Commodity contracts for regulated operations	1,423	1,423	—	1,423	—
Total derivative instruments	132,321	132,321	—	40,755	91,566
<b>Total financial liabilities</b>	<b>\$ 8,018,990</b>	<b>\$ 7,474,864</b>	<b>\$ 2,683,417</b>	<b>\$ 4,699,881</b>	<b>\$ 91,566</b>

**Algonquin Power & Utilities Corp.**

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March 31, 2023 and 2022

*(in thousands of U.S. dollars, except as noted and per share amounts)***21. Financial instruments (continued)**

(a) Fair value of financial instruments (continued)

December 31, 2022	Carrying amount	Fair value	Level 1	Level 2	Level 3
Long-term investments carried at fair value	\$ 1,344,207	\$ 1,344,207	\$ 1,270,138	\$ —	\$ 74,083
Development loans and other receivables	53,680	50,300	—	50,300	—
Derivative instruments:					
Energy contracts not designated as hedge	393	393	—	—	393
Interest rate swap designated as a hedge	69,188	69,188	—	69,188	—
Currency forward contract not designated as a hedge	2,659	2,659	—	2,659	—
Congestion revenue rights not designated as hedge	10,110	10,110	—	—	10,110
Cross-currency swap designated as a net investment hedge	1,267	1,267	—	1,267	—
Commodity contracts for regulated operations	283	283	—	283	—
Total derivative instruments	83,900	83,900	—	73,397	10,503
Total financial assets	\$ 1,481,787	\$ 1,478,407	\$ 1,270,138	\$ 123,697	\$ 84,586
Long-term debt	\$ 7,512,017	\$ 6,699,031	\$ 2,623,628	\$ 4,075,403	—
Notes payable to related	25,808	15,180	—	15,180	—
Convertible debentures	245	276	276	—	—
Preferred shares, Series C	12,072	11,675	—	11,675	—
Derivative instruments:					
Energy contracts designated as a cash flow hedge	120,284	120,284	—	—	120,284
Energy contracts not designated as hedge	8,617	8,617	—	—	8,617
Cross-currency swap designated as a net investment hedge	24,371	24,371	—	24,371	—
Cross-currency swap designated as a cash flow hedge	15,435	15,435	—	15,435	—
Commodity contracts for regulated operations	1,614	1,614	—	1,614	—
Total derivative instruments	170,321	170,321	—	41,420	128,901
Total financial liabilities	\$ 7,720,463	\$ 6,896,483	\$ 2,623,904	\$ 4,143,678	\$ 128,901

**Algonquin Power & Utilities Corp.**

Notes to the Unaudited Interim Consolidated Financial Statements

March 31, 2023 and 2022

*(in thousands of U.S. dollars, except as noted and per share amounts)***21. Financial instruments (continued)****(a) Fair value of financial instruments (continued)**

The Company has determined that the carrying value of its short-term financial assets and liabilities approximates fair value as of March 31, 2023 and December 31, 2022 due to the short-term maturity of these instruments.

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

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 Company's level 1 fair value of long-term debt is measured at the closing price on the NYSE and the 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, congestion revenue rights ("CRRs") and 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 \$15.73 to \$90.46 with a weighted average of \$39.54 as of March 31, 2023. 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 CRRs are recent CRR auction prices ranging from \$nil to \$27.95 with a weighted average of \$8.02 as of March 31, 2023. The significant unobservable inputs used in the fair value measurement of the Company's AYES Canada investment are the expected cash flows, the discount rates applied to these cash flows ranging from 7.72% to 8.22% with a weighted average of 8.04%, and the expected volatility of Atlantica's share price ranging from 26.99% to 34.89% as of March 31, 2023. Significant increases (decreases) in expected cash flows or increases (decreases) in discount rate in isolation would have resulted in a significantly lower (higher) fair value measurement.

**(b) Derivative instruments**

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

**(i) Commodity derivatives – regulated accounting**

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

	<b>March 31, 2023</b>
Financial contracts: Swaps	<b>1,473,050</b>

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March 31, 2023 and 2022

*(in thousands of U.S. dollars, except as noted and per share amounts)***21. Financial instruments (continued)**

(b) Derivative instruments (continued)

(i) Commodity derivatives – regulated accounting (continued)

The accounting for these derivative instruments is subject to guidance for rate regulated enterprises. 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.

(ii) Cash flow hedges

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

Notional quantity (MW-hrs)	Expiry	Receive average prices (per MW-hr)	Pay floating price (per MW-hr)
3,907,837	September 2030	\$25.00	Illinois Hub
449,540	December 2028	\$29.00	PJM Western HUB
1,830,351	December 2027	\$22.00	NI HUB
1,554,395	December 2027	\$36.00	ERCORT North HUB

The Company is party to two interest rate swap contracts as cash flow hedges to mitigate the risk that interest rates will increase over the life of certain term loan facilities. Under the terms of the interest rate swap contracts, the Company has fixed its interest rate expense on such term loan facilities. The fair value of the derivative on the designation date is 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 pay-variable and receive-fixed interest rate swaps as a hedge of the future quarterly variable-rate interest payments associated with the subordinated unsecured notes.

In January 2022, the Company entered into a cross-currency interest rate swap, coterminous with the Canadian Notes, to effectively convert the C\$400,000 Canadian Offering into U.S. dollars. The change in the carrying amount of the Canadian Notes due to changes in spot exchange rates is recognized each period in the unaudited interim consolidated statements of operations as loss (gain) on foreign exchange. The Company designated the entire notional amount of the cross-currency fixed-for-fixed interest rate swap as a hedge of the foreign currency exposure related to cash flows for the interest and principal repayments on the Canadian Notes. An offsetting portion of the AOCI balance related to changes in fair value of the cross-currency fixed-for-fixed interest rate swap attributable to changes in the spot exchange rates is also immediately reclassified into the unaudited interim consolidated statements of operations as an offsetting (gain) loss on foreign exchange.

**Algonquin Power & Utilities Corp.**

Notes to the Unaudited Interim Consolidated Financial Statements

March 31, 2023 and 2022

*(in thousands of U.S. dollars, except as noted and per share amounts)***21. Financial instruments (continued)**

(b) Derivative instruments (continued)

(ii) Cash flow hedges (continued)

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

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Effective portion of cash flow hedge	<b>\$ 22,486</b>	\$ (61,554)
Amortization of cash flow hedge	<b>(3,487)</b>	(164)
Amounts reclassified from AOCI	<b>(1,134)</b>	2,832
<b>OCI attributable to shareholders of AQN</b>	<b>\$ 17,865</b>	<b>\$ (58,886)</b>

The Company expects \$16,078 of unrealized losses currently in AOCI to be reclassified, net of taxes into non-regulated energy sales, investment loss, interest expense and derivative gains, 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 \$9 for the three months ended March 31, 2023 (2022 - \$175) 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 was recognized each period in the unaudited interim consolidated statements of operations as loss (gain) on foreign exchange. The Company designated the entire notional amount of the cross-currency fixed-for-fixed interest rate swap as a hedge of the foreign currency exposure related to cash flows for the interest and principal repayments on the notes. Upon the change in functional currency of AQN to the U.S. dollar on January 1, 2020, this hedge was dedesignated. 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 \$67 for the three months ended March 31, 2023, (2022 - \$4,232) was recorded in OCI.

## Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

March 31, 2023 and 2022

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

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### 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 seeks to manage 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 loss of \$123 for the three months ended March 31, 2023, (2022 - loss of \$395) was recorded in OCI.

The Company is party to C\$300,000 fixed-for-fixed cross-currency interest rate swaps to effectively convert Canadian dollar debentures into U.S. dollars. In February 2022, the Company settled the related cross-currency swap related to its C\$200,000 debenture that was repaid (note 7(d)). The Company designated the entire notional amount of the cross-currency 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 Company'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 \$381 for the three months ended March 31, 2023 (2022 - \$2,053) was recorded in OCI.

The Company is party to a fixed-for-fixed cross-currency interest rate swap to effectively convert the C\$400,000 Canadian-dollar-denominated debentures into U.S. dollars. The Renewable Energy Group designated the entire notional amount of the cross-currency 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 Company'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 \$12 for the three months ended March 31, 2023 (2021 - loss of \$5,812) was recorded in OCI.

#### *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 and risk management

In the normal course of business, the Company is exposed to financial risks that potentially impact its operating results. The Company employs risk management strategies with a view to 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. For derivatives that are not designated as hedges, the changes in the fair value are immediately recognized in earnings.

The Company seeks to mitigate the volatility of energy congestion charges at the ERCOT transmission grid by entering into CRRs, which as of March 31, 2023 had notional quantity of 919,014 MW-hours at prices ranging from \$1.50 per MW-hr to \$19.06 per MW-hr with a weighted average of \$8.23 per MW-hr for April 2023 to April 2025. These CRRs are not designated as an accounting hedge.

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*(in thousands of U.S. dollars, except as noted and per share amounts)***21. Financial instruments (continued)**

(b) Derivative instruments (continued)

(iv) Other derivatives and risk management (continued)

The Company is party to an interest rate cap agreement in the amount of \$390,000 for the period between January 15, 2023 and January 15, 2024. The Company was party to an interest rate swap to mitigate the interest rate risk related to debt at its Blue Hill Wind Facility. The contract was novated upon the sale of the Blue Hill Wind Facility in 2022. The loss recognized on the derivative was recorded as a reduction of the gain on sale of renewable assets on the consolidated statements of operations.

The Company mitigates the price risk on the expected future sale of power generation of one of its solar facilities through a long-term energy derivative contract with a notional quantity of 388,170 MW-hours, a price of \$25.15 per MW-hr and expiring in August 2030 as an economic hedge to the price of energy sales. The derivative contract is not designated as an accounting hedge.

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

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Unrealized gain (loss) on derivative financial instruments:		
Energy derivative contracts	\$ (22)	\$ (141)
Commodity contracts	1,128	—
	<b>\$ 1,106</b>	<b>\$ (141)</b>
Realized loss on derivative financial instruments:		
Energy derivative contracts	(2,293)	189
	<b>\$ (2,293)</b>	<b>\$ 189</b>
Loss on derivative financial instruments not accounted for as hedges	(1,187)	48
Amortization of AOCI gains frozen as a result of hedge dedesignation	997	696
	<b>\$ (190)</b>	<b>\$ 744</b>
Unaudited interim consolidated statements of operations classification:		
Gain on derivative financial instruments	\$ 2,166	\$ 251
Non-regulated energy sales	(2,356)	493
	<b>\$ (190)</b>	<b>\$ 744</b>

**Algonquin Power & Utilities Corp.**

Notes to the Unaudited Interim Consolidated Financial Statements

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

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**21. Financial instruments (continued)**

(c) Supplier Financing Programs

In the normal course of business, the Company enters into supplier financing programs under which the suppliers can voluntarily elect to sell their receivables. The Company agrees to pay, on the invoice maturity date, the stated amount of the invoices that the Company has confirmed through the execution of bills of exchange. The terms of the trade payable arrangement are consistent with customary industry practice and are not impacted by the supplier's decision to sell amounts under these arrangements. As of March 31, 2023, accounts payable include confirmed invoices from designated suppliers of \$45,895 (December 31, 2022 - \$16,785).

**22. Comparative figures**

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