Investor Day 2016



ALGONQUIN
Power & Utilities Corp.

Speakers



Ian Robertson

Chief Executive Officer
Algonquin Power & Utilities Corp.



David Bronicheski

Chief Financial Officer
Algonquin Power & Utilities Corp.



Chris Jarratt

Vice Chair
Algonquin Power & Utilities Corp.

Safety Moment



Agenda for Investor Day 2016

- **Algonquin Power & Utilities Corp.**
  - Demonstrating a robust business proposition
- **Distribution Business Group (DBG)**
  - Increasing value for customers and shareholders through scale
- **Acquisition of Empire District Electric Company (EDE or Empire)**
  - Outlining the “Art of the Possible” for “greening” of the portfolio
- **Transmission Business Group (TBG)**
  - Delivering value by connecting customers to natural gas and renewable electricity
- **Generation Business Group (GBG)**
  - Creating value through core competencies in wind and solar

Investor day to provide insight into APUC business proposition

Positioning Aspiration

To be a top quartile North American integrated utility as measured by:

- *Safety*
- *Customer experience*
- *Employee engagement*
- *Growth in financial metrics*
- *Commitment to renewable energy in generation mix*

Corporate Milestones: Through 2021, we intend to …

- Double the current number of customers served by our national utility
- Expand the installed capacity of our generation fleet to more than 5 GW

A Proven Business Proposition Brings

- A conservative business model which is sufficiently robust for today's social, political and market conditions
- A portfolio of long-lived, high-quality assets delivering predictable earnings and cash flows
- A line-of-sight opportunity set representing ~$C 10B of investment potential across modalities
- The organizational commitment, human capacity, and financial capability to execute on its growth plan



Highly transparent growth outlook through 2021

- 23-25% CAGR in adjusted EBITDA
- 16-18% CAGR in adjusted EPS
- 11-13% FFOPS CAGR
- All metrics supportive of targeted 10% DPS CAGR

Commitment to consistent strategy has delivered results

Cohesive Vision Adaptive to Changing Environment

"The utility company most admired by customers, communities and investors for our people, passion and performance"

Generation	*Transmission*	*Distribution*
Renewable Focused Electrical Generation	Electric and Natural Gas Transmission	Electric, Natural Gas and Water Distribution
"Demonstrating core competency in on-shore wind and PV solar - the economic choice for a responsible future"	**"Delivering value by connecting customers to renewable energy and domestic natural gas"**	**"Demonstrating the proven ability to surface accretive investment opportunities through growing scale"**

Business group narratives aligned around our strategic objective

Shifting Political, Environmental and Social Winds

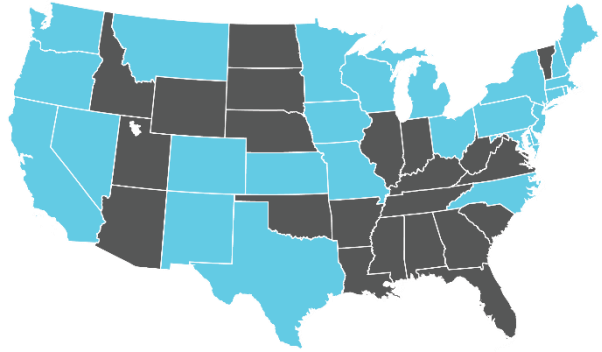
Global carbon sensitivity

- Possible loss of U.S. leadership in climate change initiatives



Renewable energy policies

- State policies and fundamental economics driving renewable energy success



Evolving consumer characteristics

- Changing customers driving grid evolution



Recent political developments unlikely to derail APUC business model

Technological Change Driving Utility Strategies

Evolution of renewables

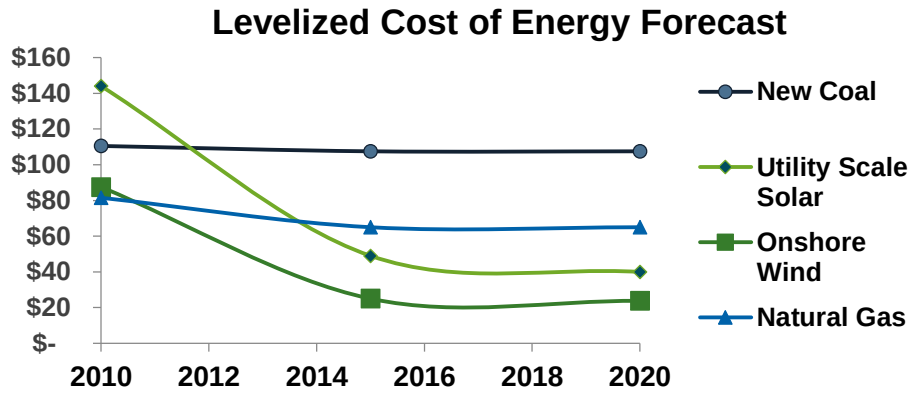
- Falling cost and rising efficacy

Abundant domestic shale gas

- The perfect complement fuel

Smart Grid supporting renewables

- Investment opportunity for utility 2.0







Technological evolutions driving change - political policy will have difficult time stopping technology

Consequences for the Utility Industry

End of legacy baseload generation

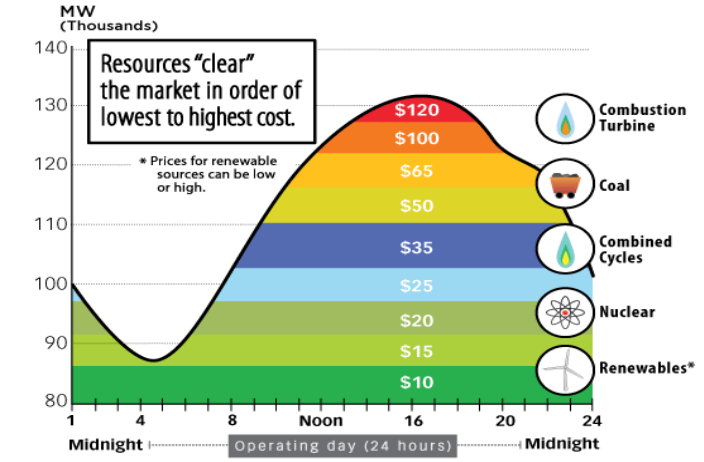
- Being forced up the dispatch ladder

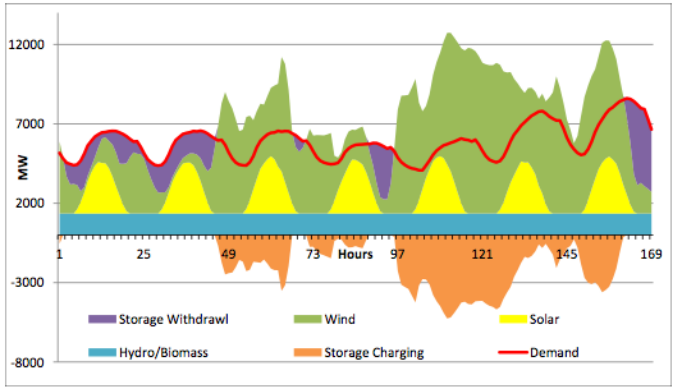
Challenge of more renewables in the mix

- Managing intermittency creates opportunity

Natural gas utilities play supporting role

- Supplying the perfect complement fuel





Fundamental market and environmental changes driven by unstoppable technological evolution

Update on Governance and Risk



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Governance – Further Strengthened

Strong and continually improving Board of Directors

- Diversity (gender, nationality, skills, backgrounds)
- Independence
- Comprehensive skillsets

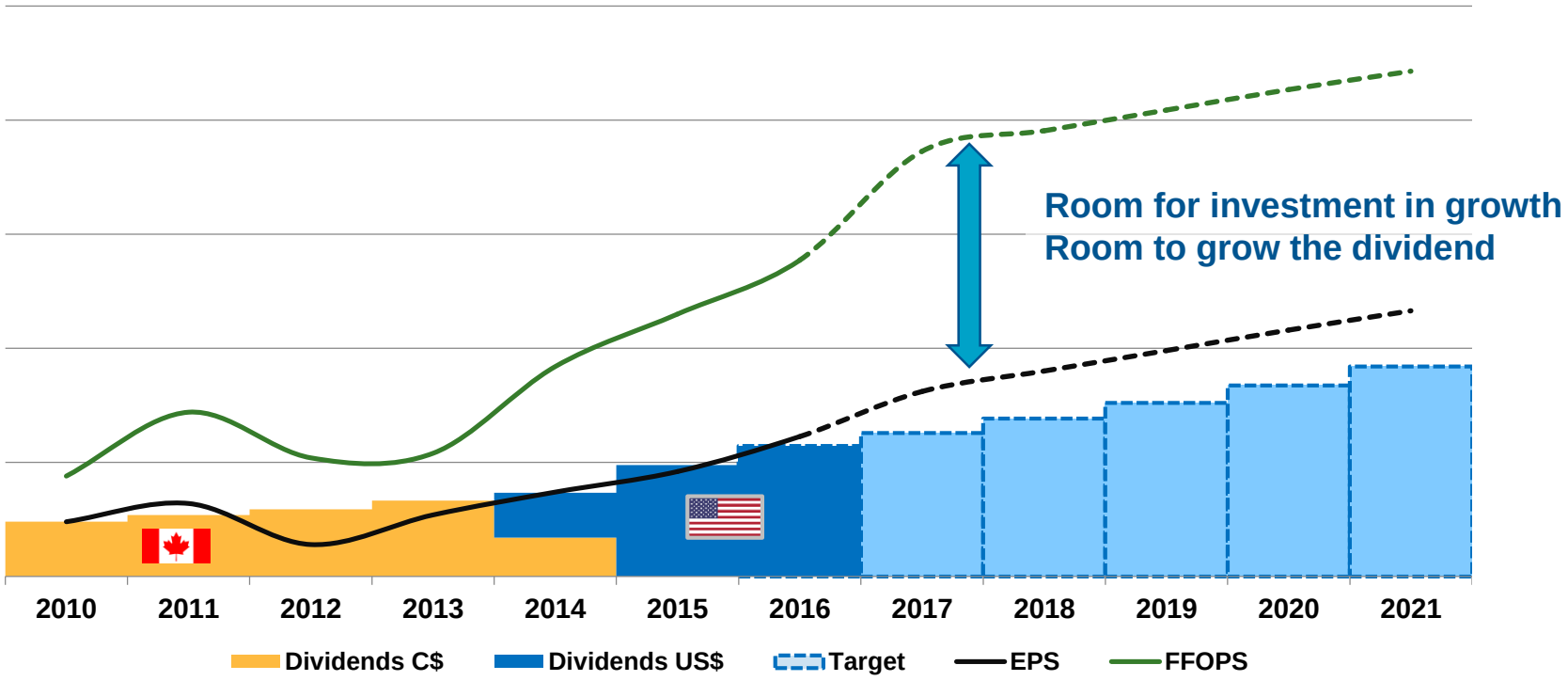
Recent Board appointments

- **Melissa Stapleton Barnes**
  - Eli Lilly SVP, Enterprise Risk Management, and Chief Compliance Officer
  - New perspective on sector

Shareholder alignment through improved governance

- Continued support from ISS and Glass Lewis
- Regional Boards - continuity for acquisitions, local knowledge
- Expanded management functions

Dividend History and Expected Growth



- Six years of steady dividend growth, average growth rate of 15%
- Member of S&P Canadian Dividend Aristocrats Index
- Dividend paid in US$ (or C$ at investor's choice)
- Low payout ratio provides for re-investment and growth

Dividend Strategy

Organization targets

- Dividend payout ratio of:
  - 85% to 100% GAAP earnings
  - 33% to 40% FFO
- Targets drive annual dividend growth of 10%



Strategies for achieving targets

- Optimize existing assets
- Disciplined growth
  - Alignment with strategy
  - Growth through: organic, development, acquisition
  - Accretive transactions
  - Attractive risk-adjusted returns
- Disciplined execution
  - Project management expertise
  - Well-defined processes
  - Proven track record
  - Intelligent risk mitigation

Enterprise Risk Management – The Next Frontier

Maturation of the business with strategic ERM function

- Proactively addresses both risks and opportunities
- Protects business enterprises
- Creates value for stakeholders

Financial flexibility reduces risk

- Low payout ratio is a strategic weapon
- Liquidity provides flexibility
- Multiple sources of capital
  - Successful bond platform
  - Canadian equity markets
  - NYSE listing expands capital access



Financing Considerations



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Key Messages

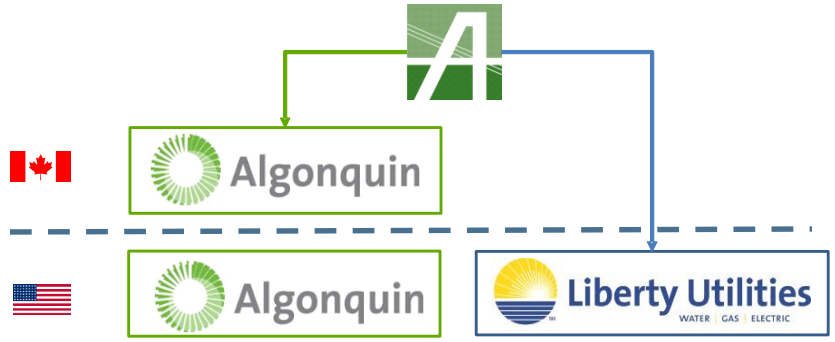
- What is the impact of lower U.S. taxes on APUC's earnings and cash flow?
- Can APUC retain its cross border advantage even with lower U.S. taxes?
- How is APUC broadening its access to capital to fund growth?



APUC Corporate Tax Structure

- **APUC has an efficient corporate tax structure**
  - Maximum flexibility for cross border tax planning
  - Maximum flexibility between regulated/unregulated businesses

- **Growth can defer tax, but profitable companies eventually pay tax**
  - C$ 2.4B of tax attributes exist within APUC
  - APUC expects to begin paying cash taxes in 2019/2020



Algonquin Power & Utilities Corp. (C$ millions)		
Non-capital losses		**C$ 116**
	Generation	**Distribution**
Non-capital losses	C$ 519	C$ 243
PP&E tax shelter	C$ 364	C$ 1,287
	C$ 883	**C$ 1,530**

APUC has an efficient cross border – regulated/unregulated platform

Lower U.S. Taxes – Speculation vs. Reality

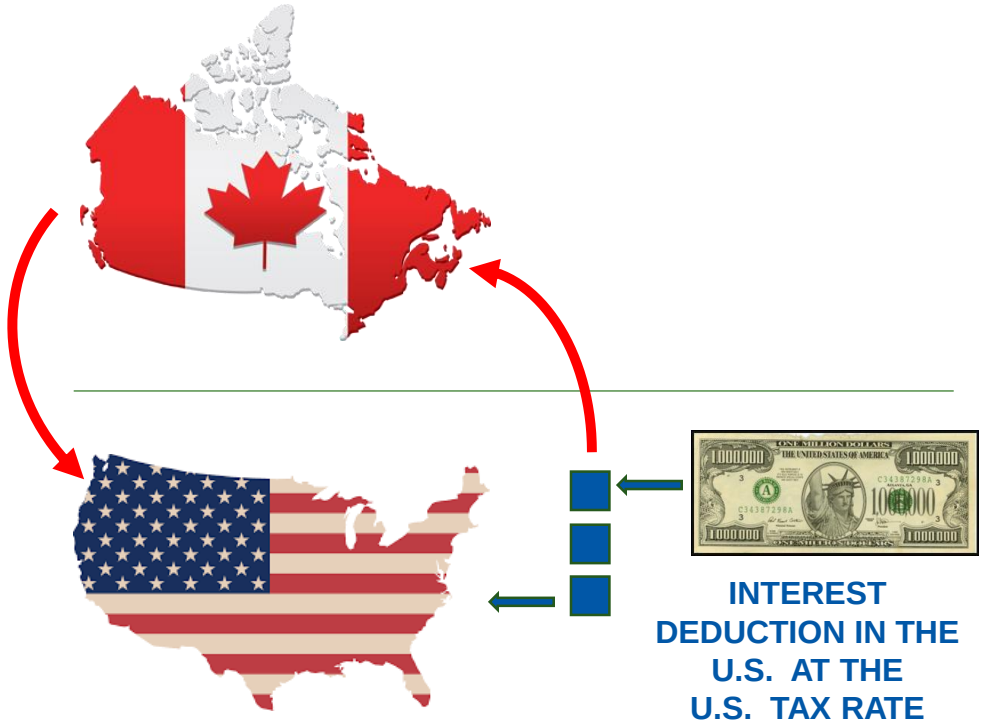
- Lower U.S. taxes will drive long-term EPS growth
- APUC cash from U.S. operations expected to be largely unaffected by lower U.S. tax rates
  - Thin capitalization rules
  - Unregulated business make up >30% of operations post Empire
  - Unregulated businesses will directly benefit from lower U.S. taxes
  - Lower utility rates provide for reinvestment opportunity and rate base growth



Lower U.S. taxes is not expected to have an adverse effect on APUC earnings and cash flow

The Cross Border Advantage

- Most companies investing in the U.S. use cross border financing structures
- Cross border tax structures depend on asymmetry of tax codes, not differential tax rates to drive value
- APUC's cross border tax strategies are independent of lower U.S. tax rates



APUC maintains its cross border structures not impacted by lower U.S. taxes

Funding our Growth in North America

- **New source of capital**
  - NYSE listing
    (access to U.S. markets, equity as currency)

- **Proven sources of capital are still available**
  - U.S. private placements
  - U.S. tax equity
  - Canadian equity markets
  - Canadian public debt markets
  - Canadian preferred share market

AQN LISTED NYSE

AQN LISTED ON TMX Toronto Stock Exchange

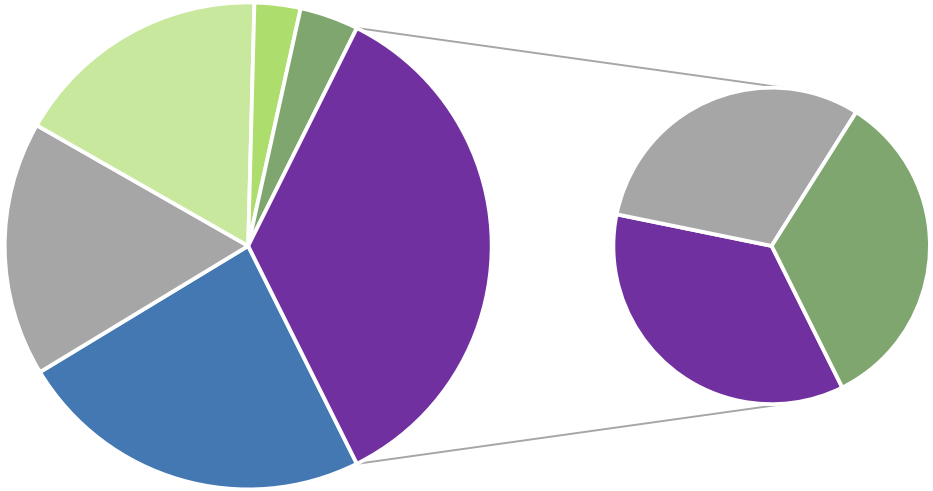
BBB

STANDARD &POOR'S

APUC continues to broaden its access to capital to fund growth

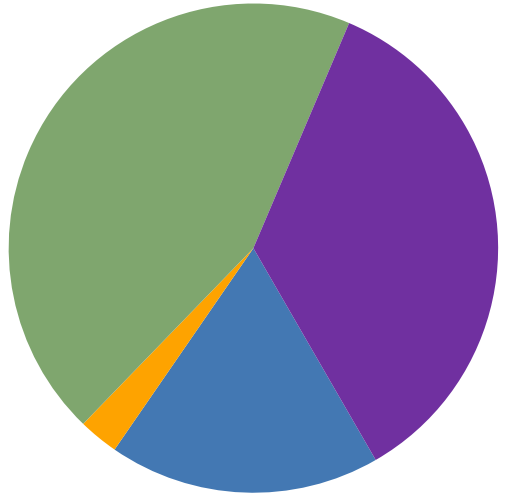
C$ 9.7B of Capital Deployed 2017 - 2021

SOURCES



- Empire
- Free cash flow
- Debt
- Tax equity
- DRIP
- Common equity
- Assumed debt
- New debt
- Common equity

USES



- Distribution
- Transmission
- Generation
- Empire

APUC continues to enjoy a competitive cost of capital with access to diverse sources of capital to fund growth

Growth Profile



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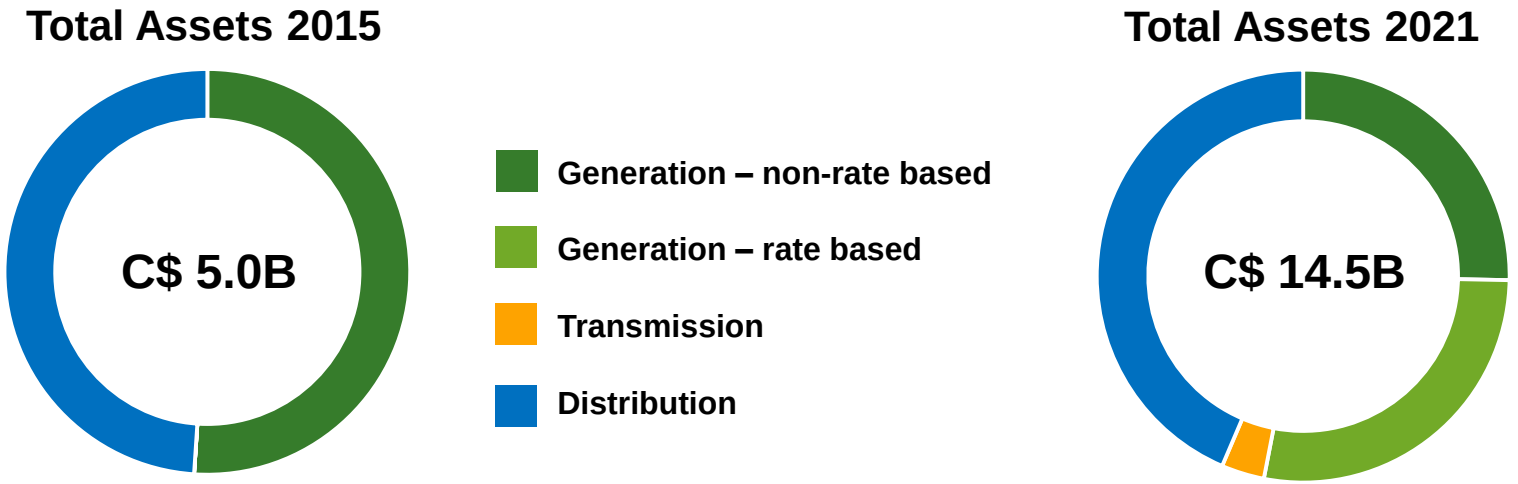
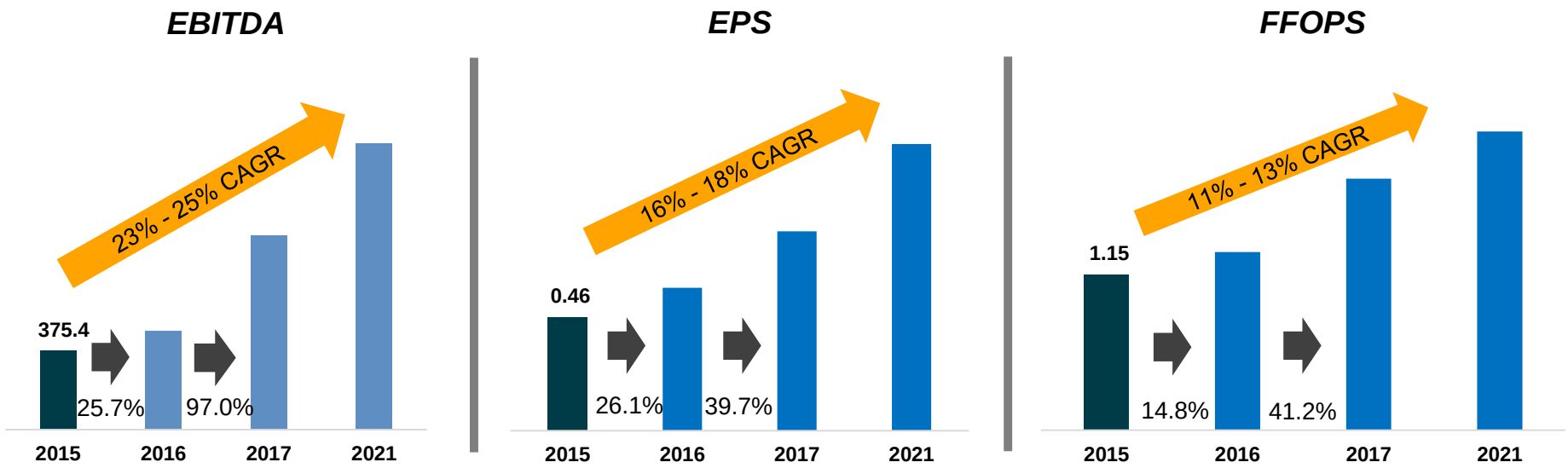
Growth Program – Story Remains Intact and on Strategy

millions of C$	2017 through 2021		
	Organic Investment	Empire District Acquisition	Total
Generation - Non-Rate Base	2,360	0.0	2,360
Generation - Rate Based	1,910	1,670	3,580
Transmission	260	440	700
Distribution	1,740	1,300	3,040
Total	**6,270**	**3,410**	**9,680**



C$ 9.7B investment program delivering 18% - 20% CAGR in net assets through 2021

Creating Value Through Growth



Value accretive growth

- EBITDA growth consistent with asset growth
- Per share accretion based on maintaining (or reducing) leverage

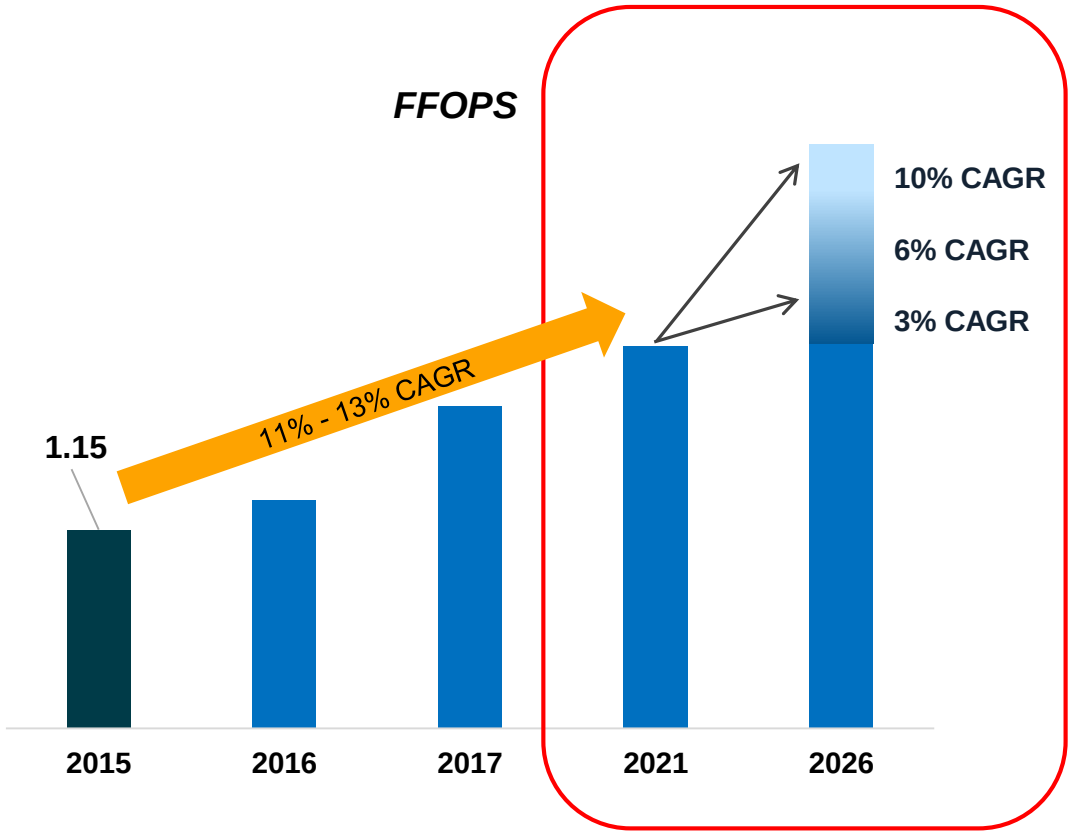
Robust and transparent EBITDA, EPS and FFOPS growth will support targeted 10% DPS growth

Note: FX C$1.35/US$, EBITDA in $C millions and share amounts in $C/share

Post 2021 Outlook

Focus on long-term cash flows

- Growth outlook from 2015 through 2021 provides 11%-13% CAGR FFOPS
- 2021-2026 FFOPS CAGR outlook
  - Reduce debt: ~3%
  - Share buyback: ~6%
  - Continued investment: ~10%
- Current growth initiatives accretive to long-term cash flows



Characteristics of current and future assets will deliver growing cash flows

Note: Share amounts in $C/share

Messages for the Day

Stability and predictability of results

- Demonstrated diversification benefits from a solid foundation of high-quality, long-lived utility assets

Robust and resilient business model

- Well positioned for changing business, political and social environment

Industry leading growth profile intact

- C$ 9.7B investment pipeline will deliver earnings and cash flow growth to support targeted 10% dividend growth target through 2021

New investment channel through Empire transaction

- Greater organizational efficacy and investment opportunity without undue execution risk

Strategically aligned for a changing future through core competencies in renewable energy, smart electrical grids and natural gas delivery infrastructure

Distribution Business Group (DBG)



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Speakers



David Pasieka

President
Distribution Business Group



Peter Eichler

Vice President
Strategic Planning



Todd Mooney

Vice President
Finance & Administration

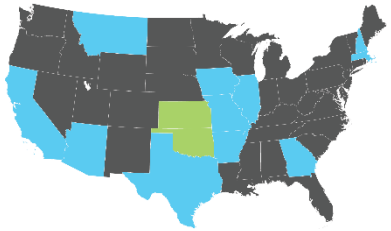
Distribution Utility Key Messages

- **Advantages of diversification** – Diversified utility platform by geography and modality
- **Predictable returns delivered** – Through multiple rate cases across multiple jurisdictions
- **Increased efficacy of scale** – Enabled by Empire transaction
- Demonstrated ability to execute on total investment opportunity of C$ 3.0B



DBG's growth profile supports APUC's target to be a top quartile utility

Scaling the Distribution Platform for Growth

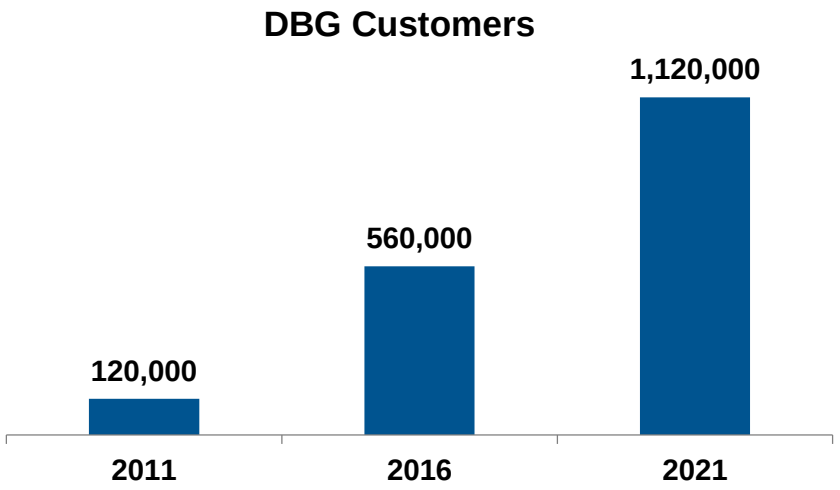
800,000 customers		Local, responsive, and caring service Core customer care competency
Over 2,000 employees		Skilled at managing complex projects Capital investment competency
13 operating states		Provides regulatory diversification Regulatory relationship management competency
100% rate regulated income		Predictable, gradual earnings increases Rate case competency

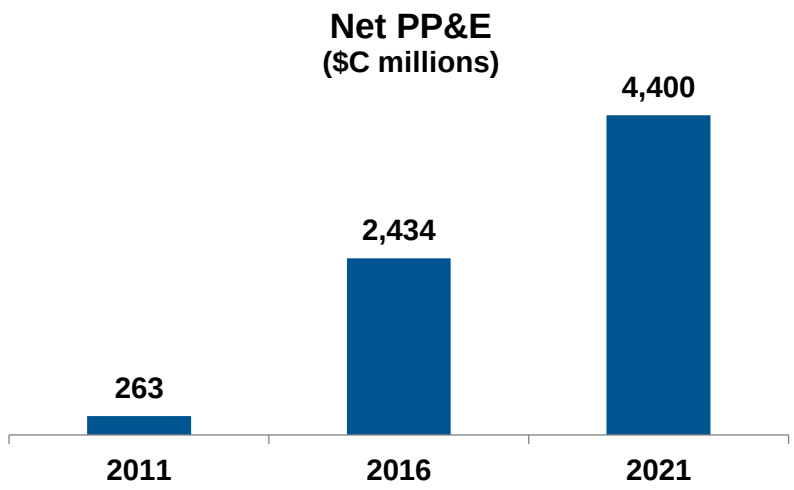
Note: Values include pending Empire transaction.

Corporate Culture Enables Strategy

DBG Narrative

"Demonstrating the proven ability to surface accretive investment opportunities through growing scale."

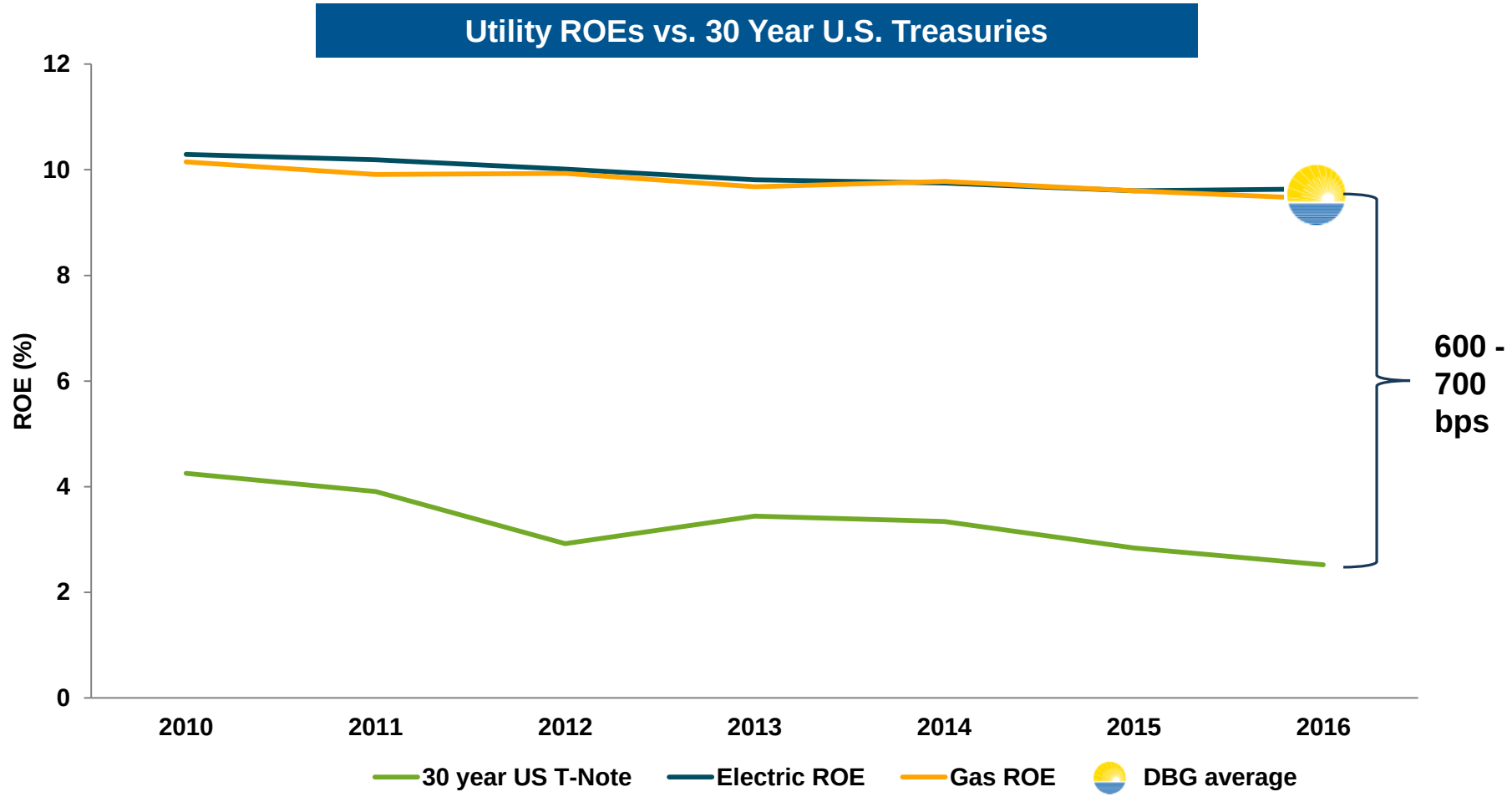




- *Engage and invest locally*
- *Improve continuously*
- *Empower people to expand our capabilities*
- *Pursue rapid growth to deliver sustainable prosperity*

APUC's culture enables our strategy and delivers results

Distribution Utility ROEs vs. Treasury Yields



ROEs have stabilized between 9-10% and have maintained yields to treasury notes

Rate Regulation

Mechanism type	CA	AZ	GA	NH	MA	MO	AR
Revenue assurance	⚡ 💧		◆	◆ ⚡	◆	★	⚡
Accelerated recovery mechanisms	⚡ 💧	💧	◆	◆ ⚡	◆	★ ◆	★ ⚡
Increases between test years	⚡ 💧		◆	◆ ⚡	◆	★ ◆	★ ⚡
Deferred recovery	⚡ 💧	💧	◆		◆	⚡	⚡ 💧

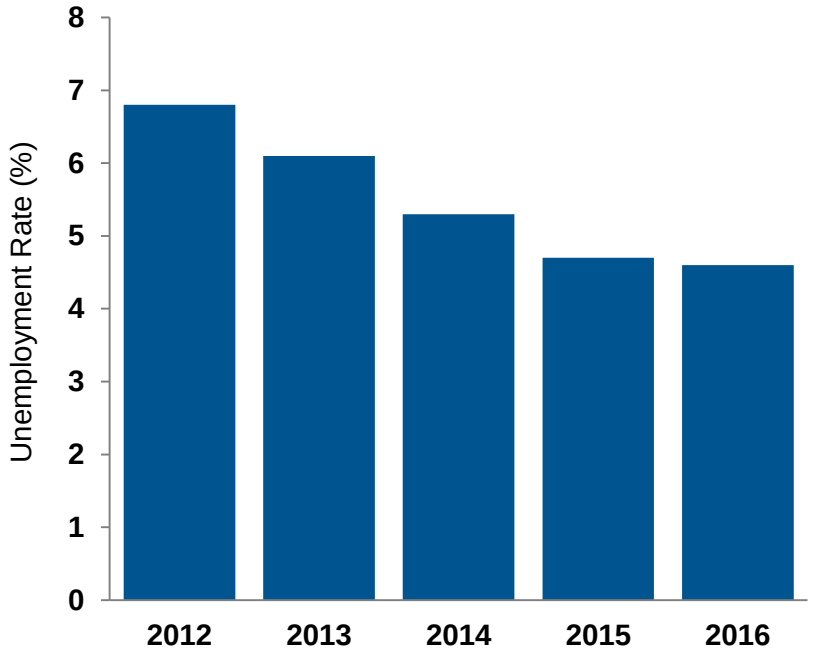
⚡ - electric 💧 - water ◆ - gas ★ - under consideration

Mechanisms enhance DBG's ability to earn its authorized ROE

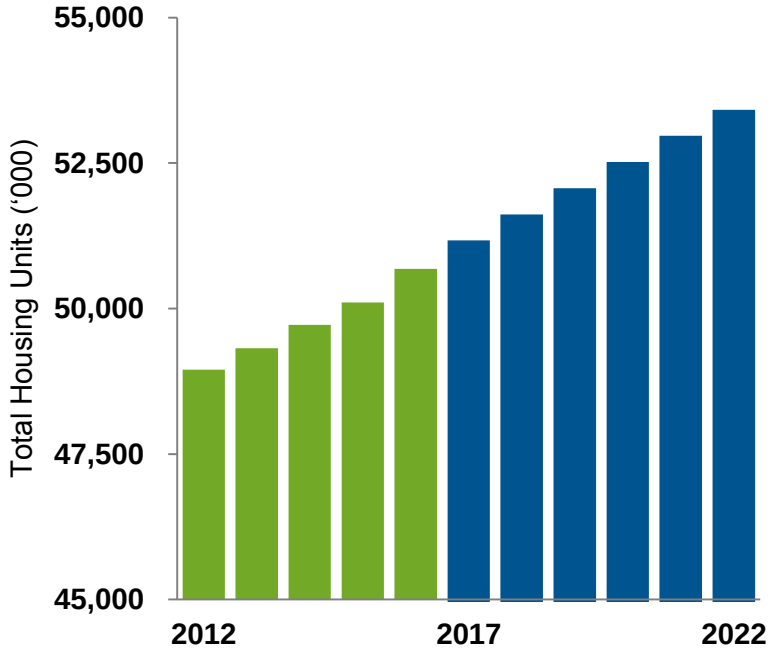
Socioeconomic Characteristics are Favourable

Strong economic indicators across our service territories

Declining Unemployment



Positive Trend in Housing Starts

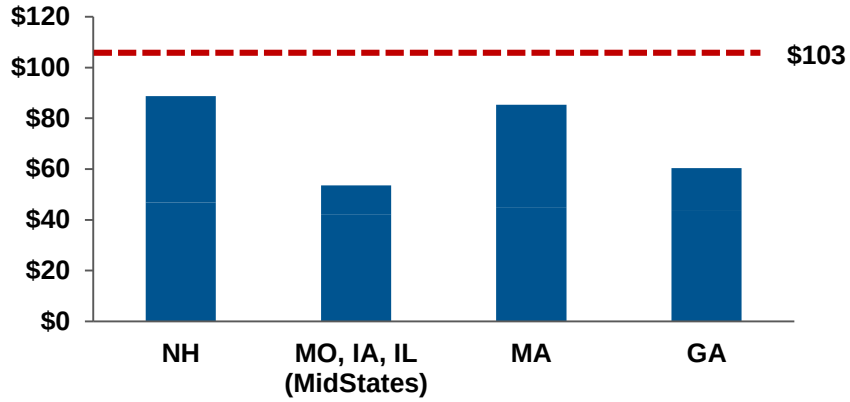


Economic prosperity enables organic growth

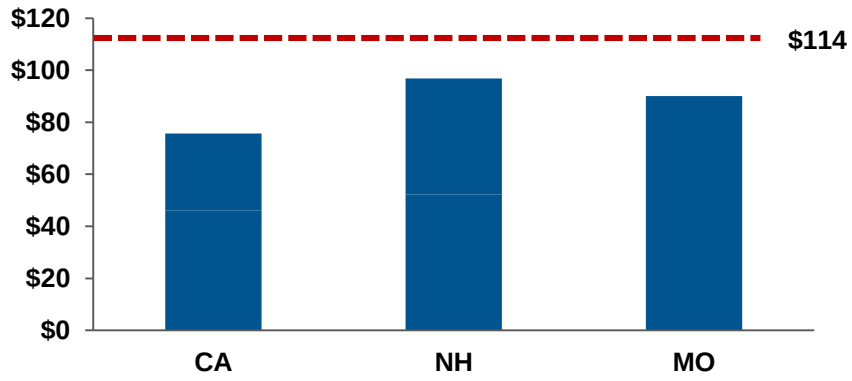
Utility Earnings Growth Influencers

- **Rising market demand** – New housing starts and increasing gas demand
- **Societal goals** – Moving to a reduced carbon footprint creates opportunities
- **Aging utility infrastructure** – Requires replacement
- **Regulators** – Encouraging certain types of investments

Average Gas Bills in our Service Territories



Low Electric Bills in our Service Territories



DBG's growth is influenced by multiple factors

DBG Operations and Strategy



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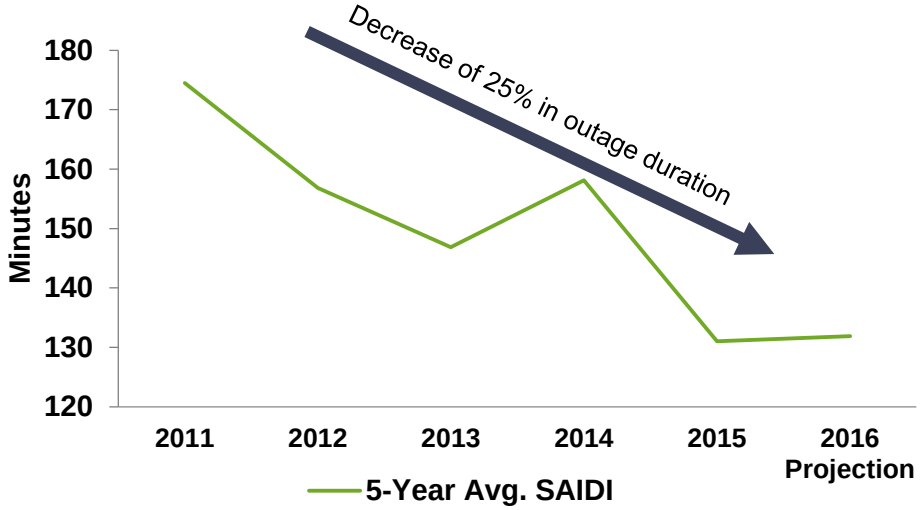
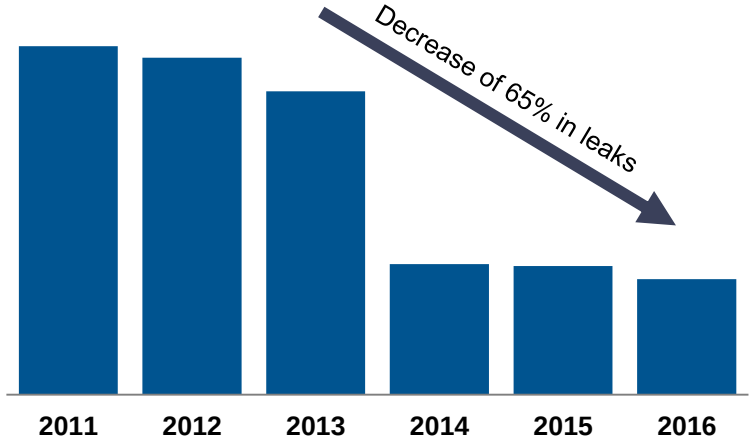
DBG's Service Model Delivers a Better Offering

- Central strategy, regional execution increases customer satisfaction
- Unique operating model delivers better results
- Happy customers result in happy regulators

Electric Reliability Improving



Gas Leaks Decreasing



By providing local, responsive, and caring service, DBG earns the trust of customers, and in turn, regulators

Regulatory Priorities

- Building trust through transparency
- Encouraging progressive ratemaking constructs to reduce regulatory lag
- Utilize IRP process to benefit customers and enable growth

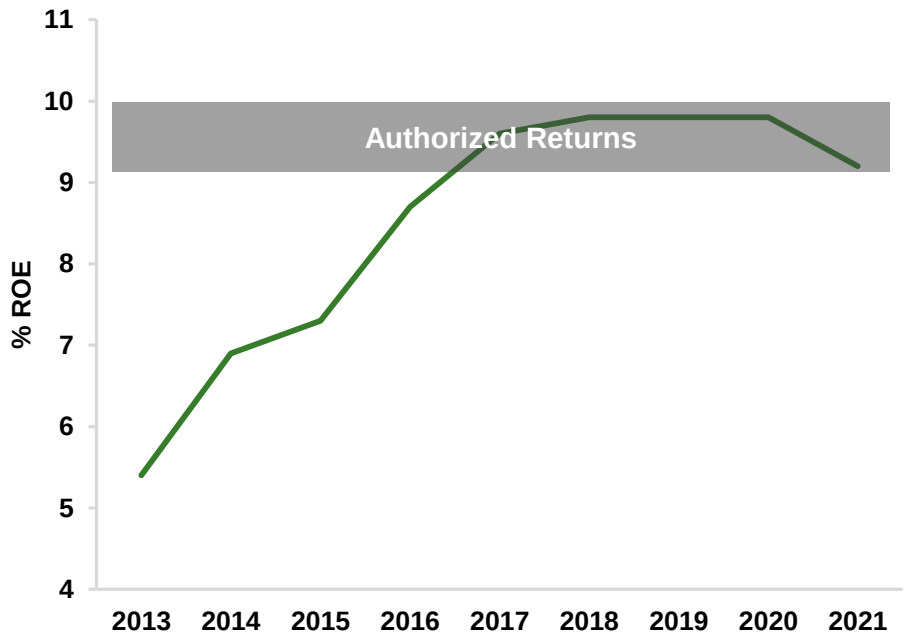


Strong regulatory relationships result in enhanced operating results

Our Operating Model in Action

- Prioritizing capital expenditures to reduce lag
- Reducing operating expenses to increase efficiency
- Utilizing regulatory mechanisms to reduce lag

Significant Improvement in Earned ROEs



DBG has a proven ability to earn its authorized ROE



Growth Within the DBG

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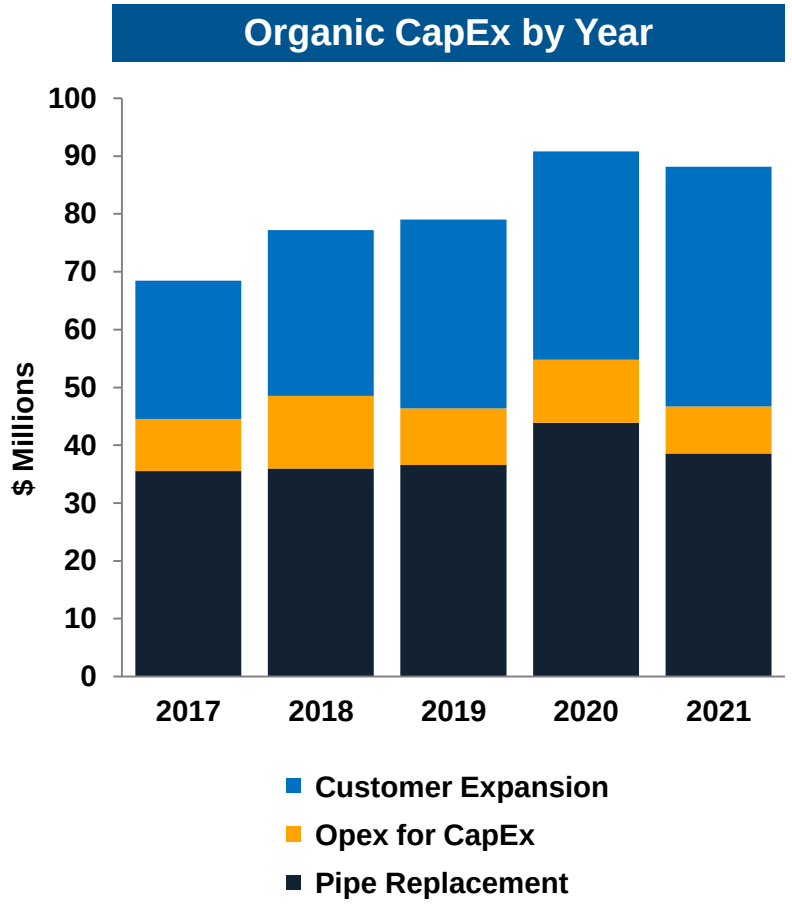
Organic Growth Opportunities

- Aged infrastructure replacement
- OpEx for CapEx
- Customer expansion opportunities
  - Service territory growth
  - Plant the flags
  - Small acquisition opportunities



Organic investment opportunities create CapEx opportunity of over C$ 540M and expands service to 30,000 new customers

Smart Grid

- Modernization of the grid

- Smart Grid benefits include
  - Improved reliability
  - Reduction of costs
  - Integration of distributed resources
  - Improved asset management



- Enables significant investment opportunities

DBG will invest C$ 270M in Smart Grid investments over the next five years

M&A Transactions

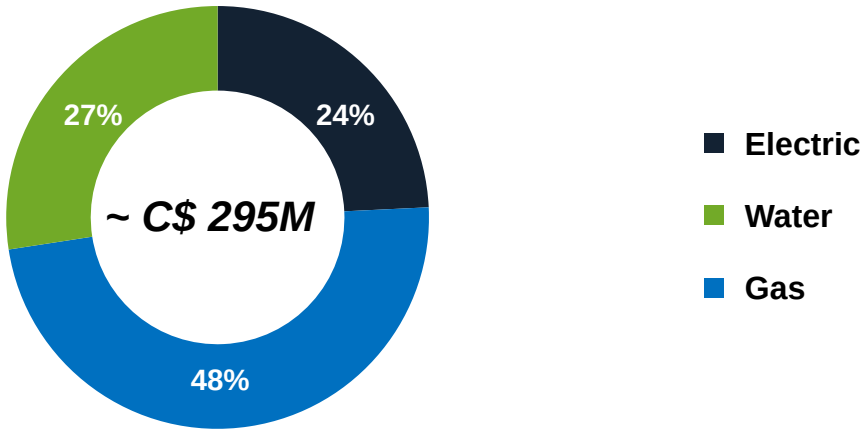
- M&A market remains area of focus
- Given our increased size, we have expanded opportunities
- Disciplined strategy
- Surfacing additional value through increased scale



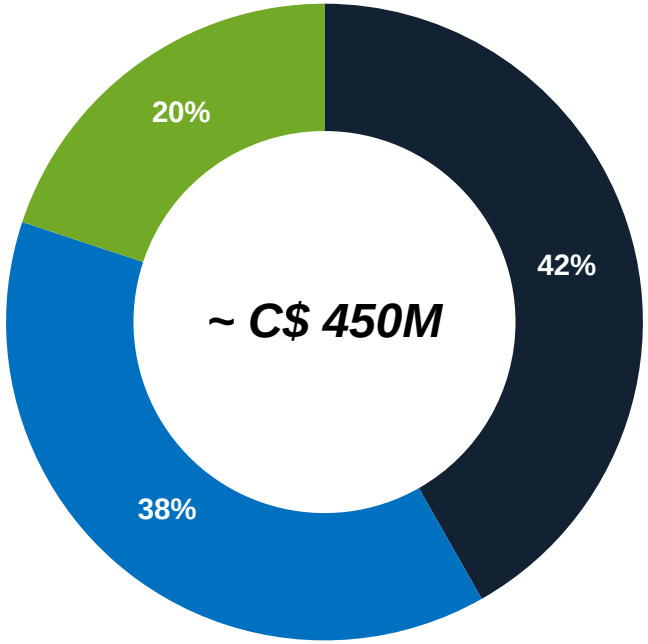
We are confident in our ability to find and unlock value where others do not

Distribution Portfolio Composition

2017 Operating Profit – DBG Excluding Empire



2017 Operating Profit – DBG Including Empire

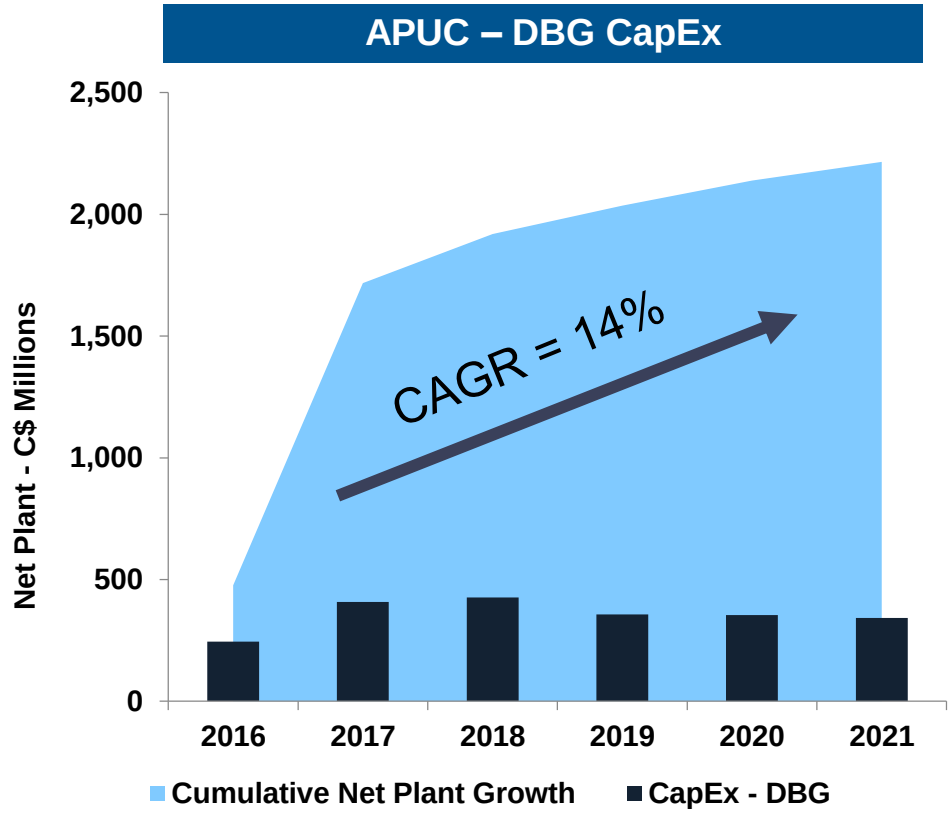


Diversified Distribution portfolio across modalities, geographies, and regulatory regimes decreases risk to APUC of achieving financial goals

Distribution CapEx Growth of C$ 3.0B

- **Significant investment potential** - Growth of $3.0B includes investment opportunities of C$ 1.7B and Empire acquisition of C$ 1.3B

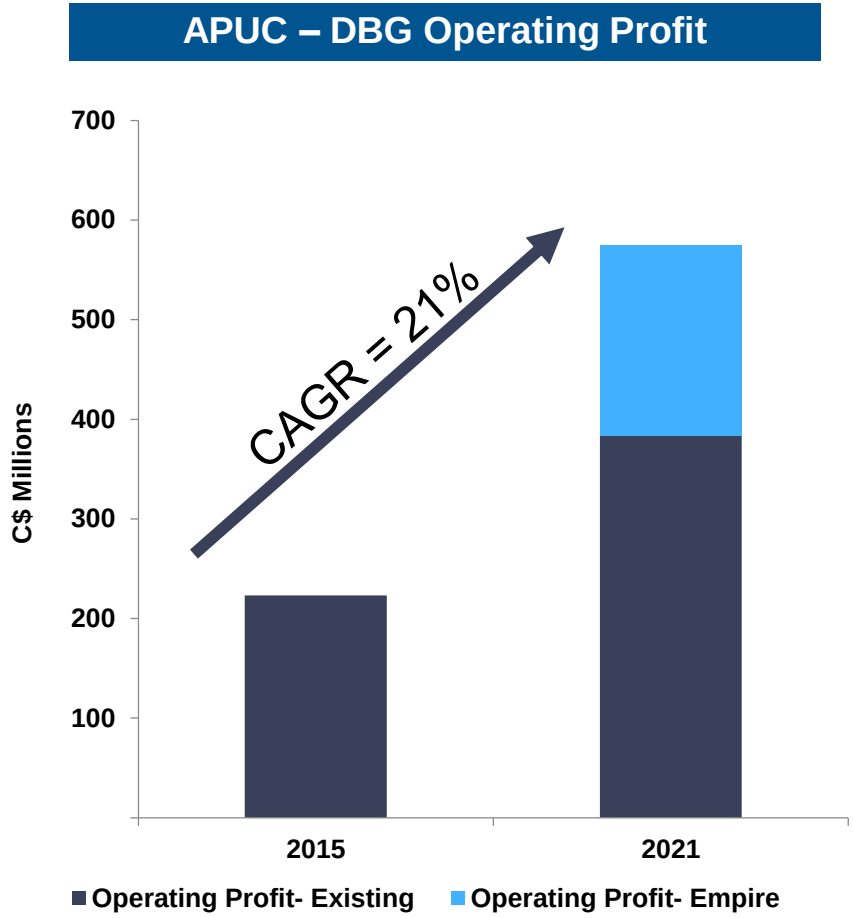
- CAGR for net plant of 14%



Investment in accretive distribution projects supports APUC's dividend growth target

Distribution Operating Profit Growth at a CAGR of 21%

- Empire acquisition and continued investment drives earnings growth
- Operating profit more than doubles by 2021



Optimally timed investment and rate cases drive returns and support APUC's dividend growth target

Summary

- Diversified utility platform by geography and modality
- Predictable returns delivered through multiple rate cases across multiple jurisdictions
- Increased efficacy of scale enabled by Empire transaction
- Demonstrated ability to execute on total capital investment opportunity of C$ 3.0B







DBG's growth profile supports APUC's target to be a top quartile utility

The Empire District Electric Company

The Empire Strikes Back



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Power & Utilities Corp.

Speakers



Gerald Tremblay

Senior Vice President
Operations



Mike Griffin

Senior Director
Strategic Planning



Todd Mooney

Vice President
Finance & Administration

Empire Acquisition – Key Messages

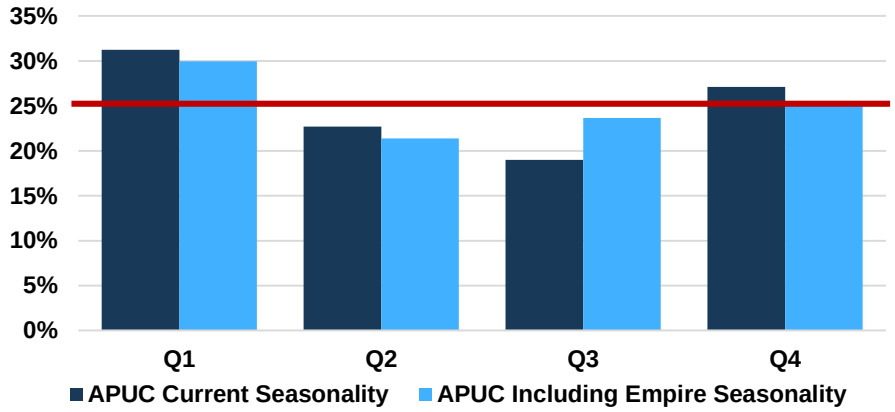
- **Significant potential** – Total investment opportunity of C$ 2.5B over 5 years
- **Focus on creating new stakeholder value**
- **Efficacy through scale** – Larger scale improves effectiveness, reduces risk
- **Enhanced stability** – Seasonal variability improvements

Empire allows opportunities for APUC to deploy additional capital and to become more effective in its operations

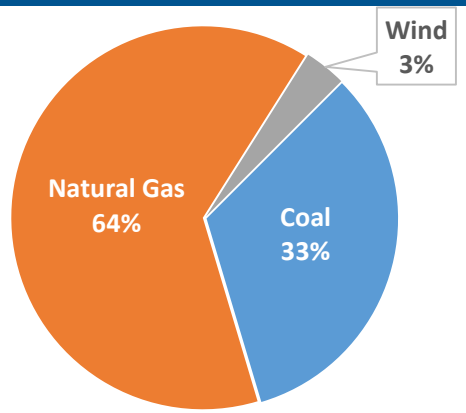
EDE and APUC – Truly Better Together

- Introducing Empire
- Tangible benefits of combined entity
- Common traits facilitate close
- APUC's strengths will unearth new value

Improved Seasonal Profile, Especially in Q3



Empire's Capacity is Gas-weighted



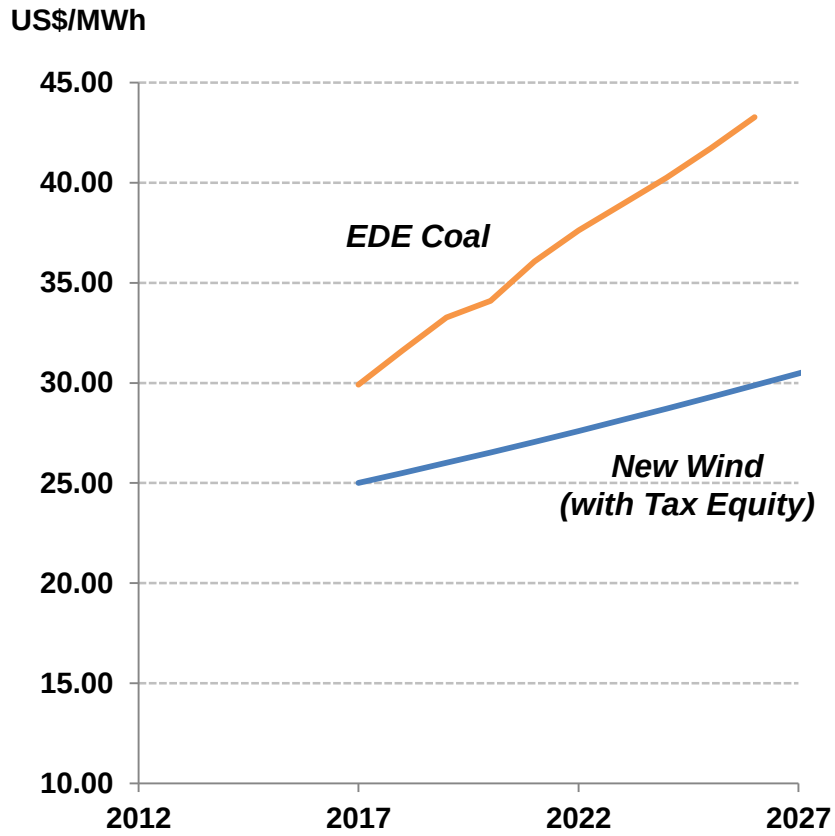
Strengths	EDE	APUC
Geographic	✓	✓
Business lines	✓	✓
Regulatory relationships	✓	✓
Customer approach	✓	✓
Renewable development		✓
Financial flexibility		✓

Highly complementary businesses, and an opportunity to leverage APUC's strengths to deliver value

Macro Factors Provide Supportive Backdrop

- Low cost renewables create opportunity to reduce customer costs
  - Wind (full cost): US$ 20 - 30/MWh
  - Coal (operating cost): US$ 30 - 40/MWh
- Natural gas is plentiful, and low cost
- Social pressure to protect the environment continues to grow

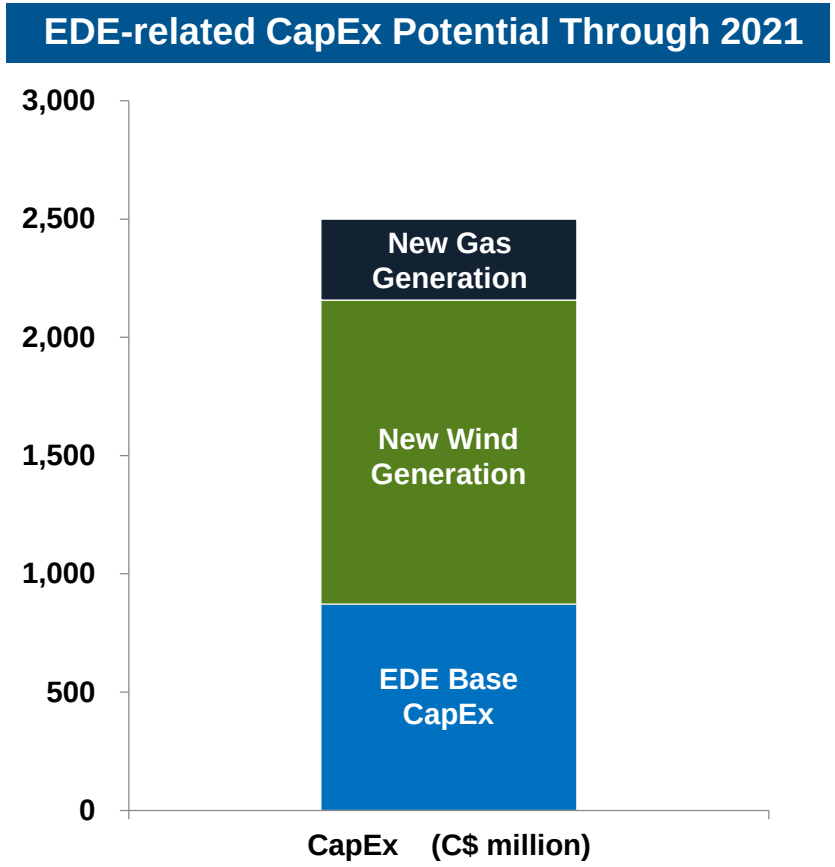
Wind Costs are Lower than Coal



The shift from coal to renewables will continue

Expanding the Empire Opportunity Set

- **New wind generation** – 400 MW
- **Repowering wind generation** – Potential with facility currently under PPA
- **Fast start natural gas generation** – New low cost, flexible capacity
- **New generation, lower cost** – Investment opportunities will reduce energy costs
- Incremental opportunities in post-2021 period



Capital investment opportunities of C$ 2.5B

Leveraging APUC's Development Expertise

- **Depth of experience** – 30 years of renewable energy development experience
- **Dual focus a material differentiator** – Utility presence and development expertise are well aligned
- **Proven collaboration** – APUC development team works actively with DBG to deliver rate regulated capital projects
- **EDE brings new skills** – Expertise in transmission planning and in operation and development of thermal generation

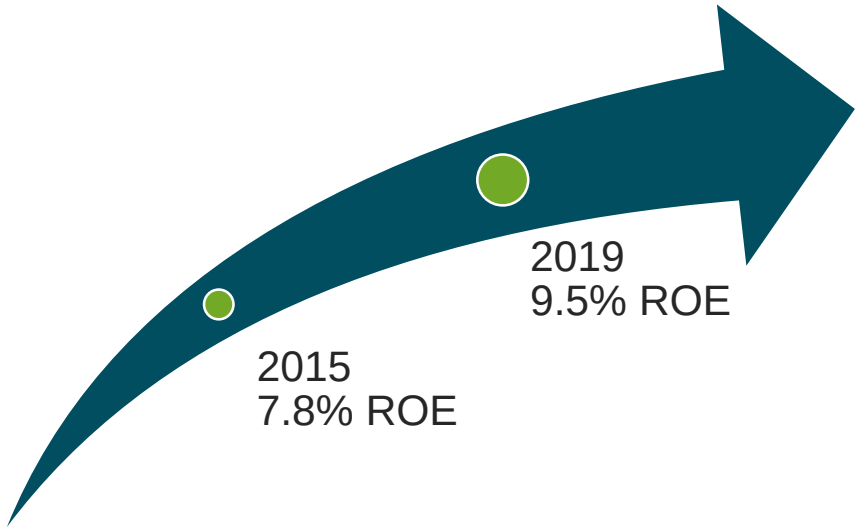


Capitalizing on APUC's core competencies allows for success in development opportunities

Unlocking Shareholder Value – Closing the ROE Gap

- **Using our playbook** – The DBG has proven strategies to unlock additional shareholder value:
  - Capital optimization
  - Managing operating costs

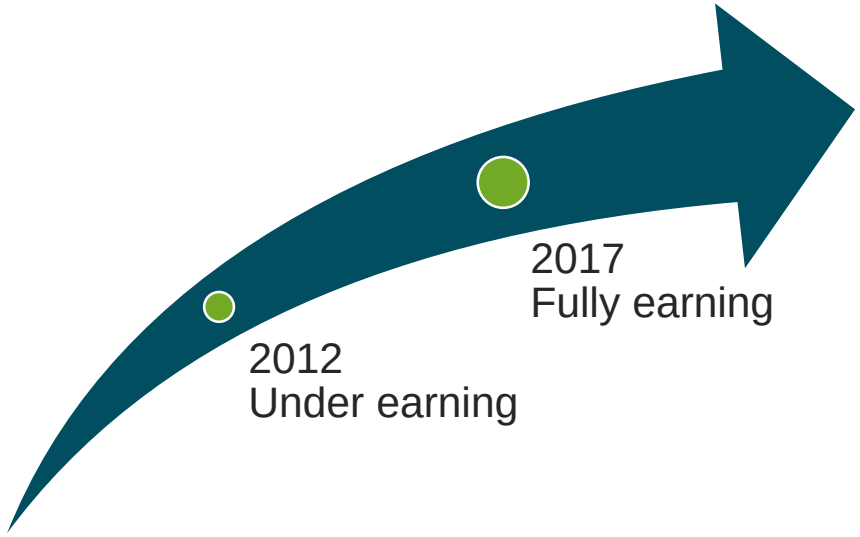
- **Material contributions to earnings** – Achieved through careful execution



Potential improvement of earnings by C$ 15M within current Empire operations

Granite State – Unlocking Additional Value

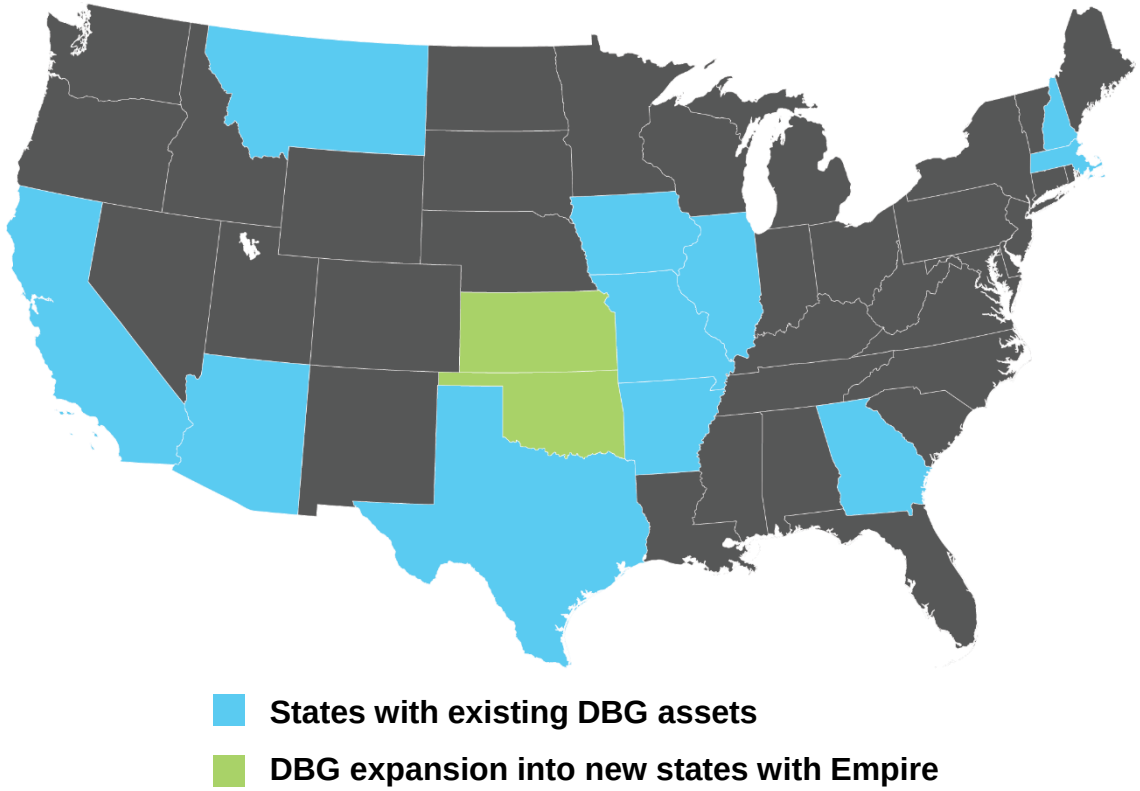
- **Acquired Granite State in 2012**
  - Under earning at the time of purchase
- **Leveraging our skills to build value**
  - Cost controls
  - Capital management
- **The result** – We expect to earn the authorized ROE



Tangible proof of unlocking additional shareholder value

Improved Efficacy and Reduced Risk Through Scale

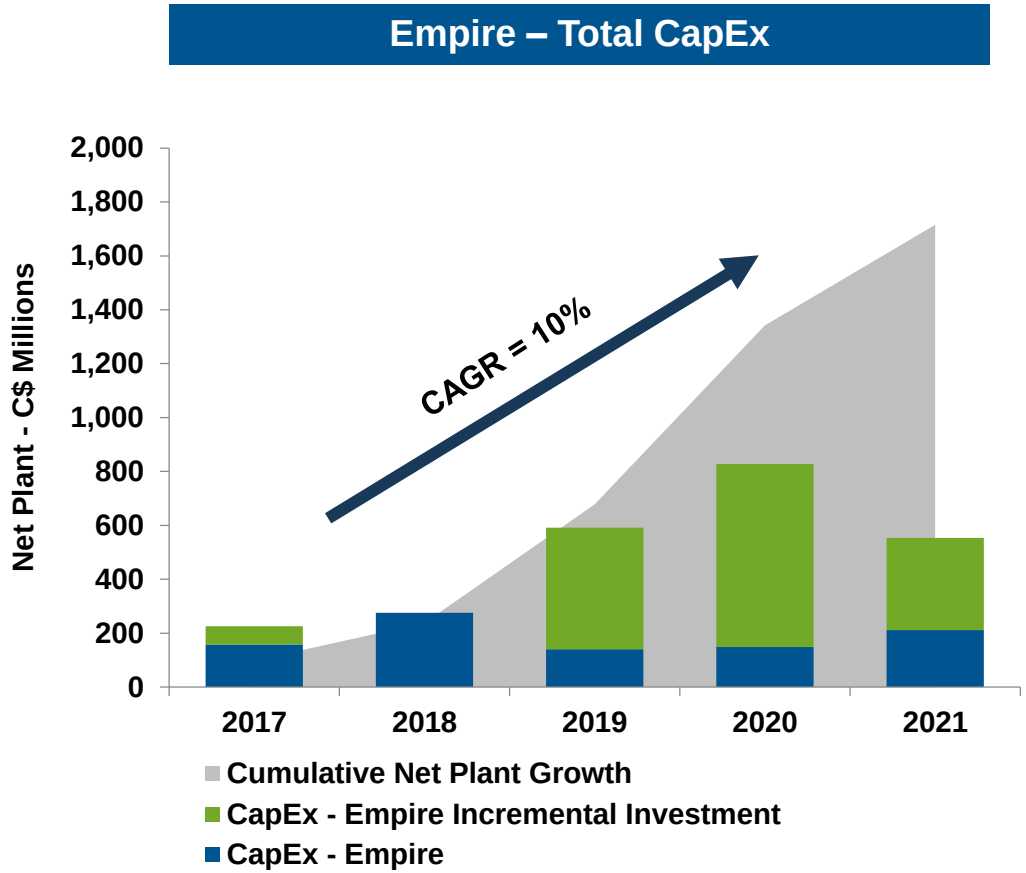
- Increased stability and predictable earnings
- Facilitates delivery of improved customer service
- Brings more management and operational expertise
- Stronger capital access creates flexibility
- Economics and environmental responsibilities are now closely aligned



Increased scale allows for improved operational effectiveness and strengthened access to capital

CapEx Growth of C$ 2.5B over 5 years

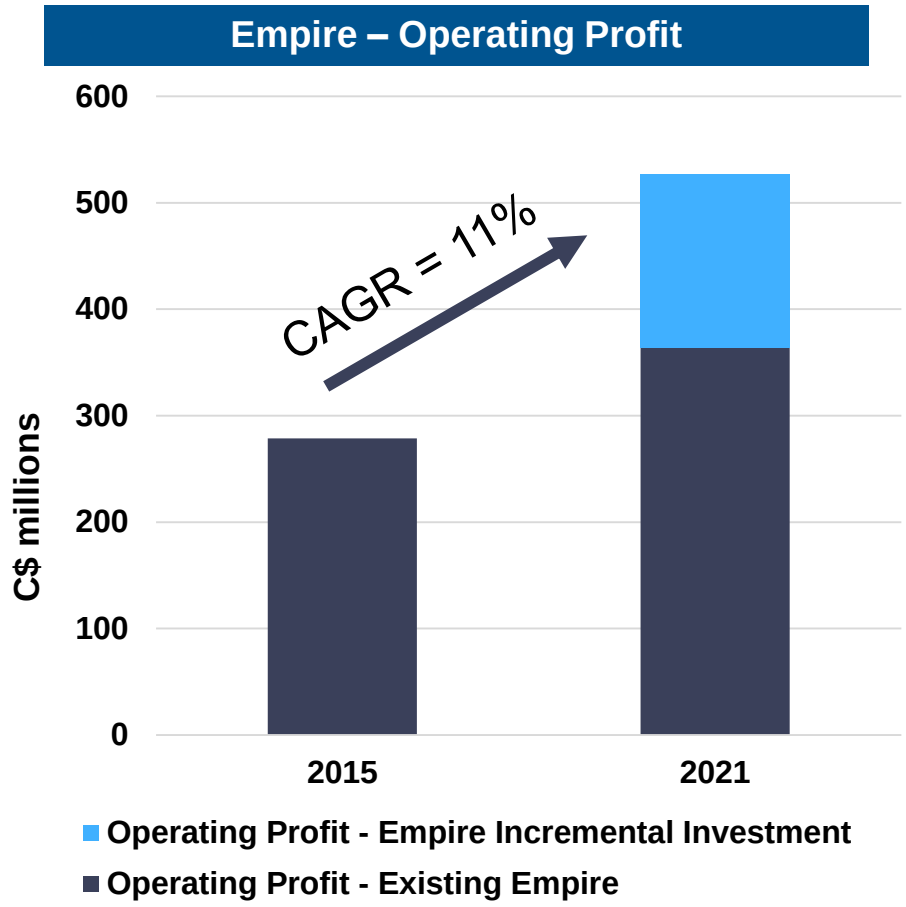
- **Significant investment potential** – Investment opportunities of C$ 2.5B in the next 5 years
- **Improved ability to earn** – Timing of CapEx adjusted to optimize returns



Additional investments will increase CAGR in net plant to 10%

Operating Profit Growth at a CAGR of 11%

- **Strong earnings uplift** – Incremental investment delivers substantial earnings growth
- **Low cost renewables** – Ensure minimal impact on customer rates



Empire delivers expected accretion to per share earnings and cash flows

Summary

- Incremental capital deployment opportunity of C$ 1.6B
- Scale allowing for increased operational effectiveness and reduced risk
- Provides support for APUC strategic goals





Empire allows for additional capital deployment to achieve APUC's overarching strategic objectives



Transmission Business Group (TBG)

Building new links and new value

ALGONQUIN
Power & Utilities Corp.

Speakers



Chico DaFonte

Vice President
Energy Procurement



Mike Griffin

Senior Director
Strategic Planning



Jeff Norman

Vice President
Business Development

APUC's Transmission Business

- **Leveraging our skillsets** – Drawing on distribution and generation expertise / market presence to develop electric and gas transmission opportunities
- GBG's New England natural gas footprint provides foundation for development of gas transmission and storage projects
- Empire augments APUC's transmission planning and operator skillsets, and new, owned transmission assets within SPP



Critical capabilities in place to participate in transmission growth

Growing Natural Gas Demand Continues

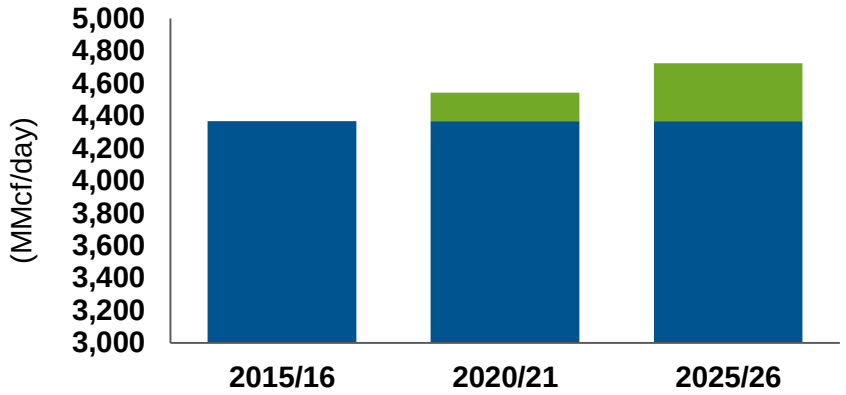
Steady growth in LDC demand

- Design day for New England LDCs increasing by almost 0.4 Bcf by 2025

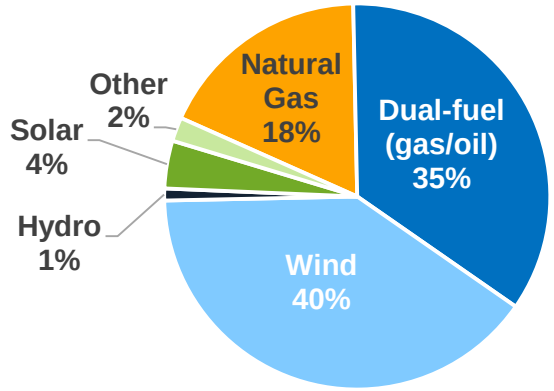
Gas-fired generator demand continues

- 8,300 MW of oil and coal-fired units in New England expected to be retired by 2020
- Natural gas-fired and dual-fuel projects represent 6,400 MW of new capacity additions by 2020

New England LDCs – Design Day Demand



ISO-NE Interconnection Request Queue
Total Net Capacity Additions = 12,000 MW



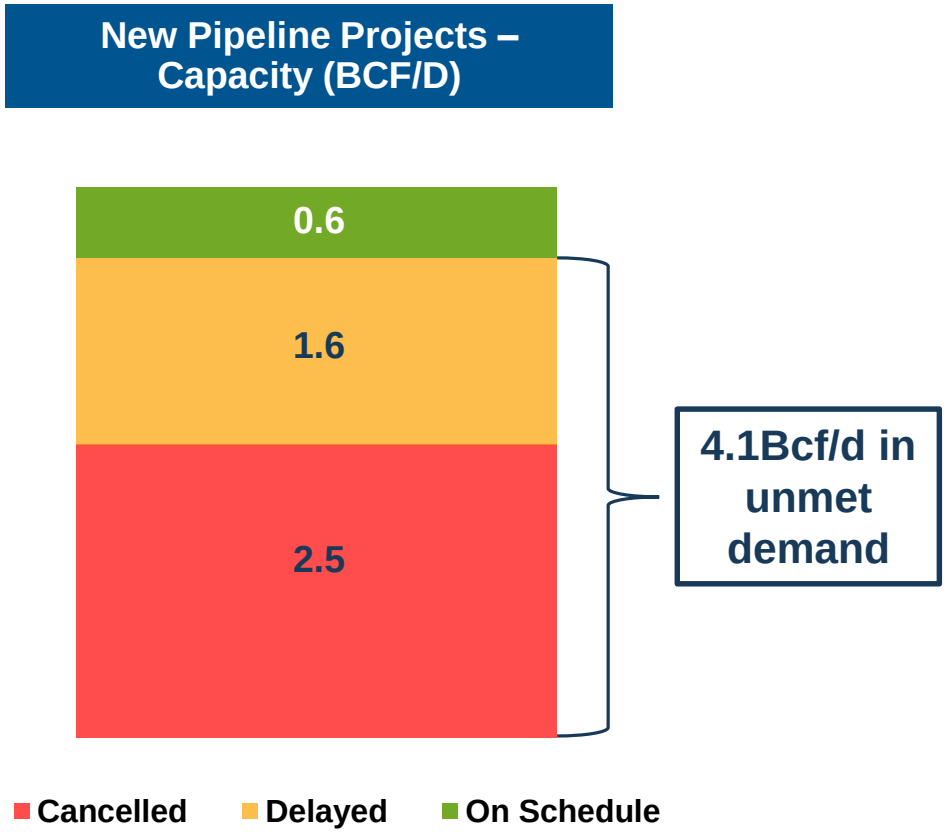
Incremental gas demand in New England is forecast to reach as much as 3 Bcf/day

Sources: ScottMadden and Northeast Gas Association

General Capacity and Supply Environment

Supply / demand imbalance

- **Project headwinds** – Large projects have met with significant opposition
- **Small-scale remains viable** – Smaller, lower cost projects are progressing well
- **Bridging the gap** – Appalachian production and the price spreads to main markets is compelling



Price spreads drive the TBG business model

Source: ScottMadden

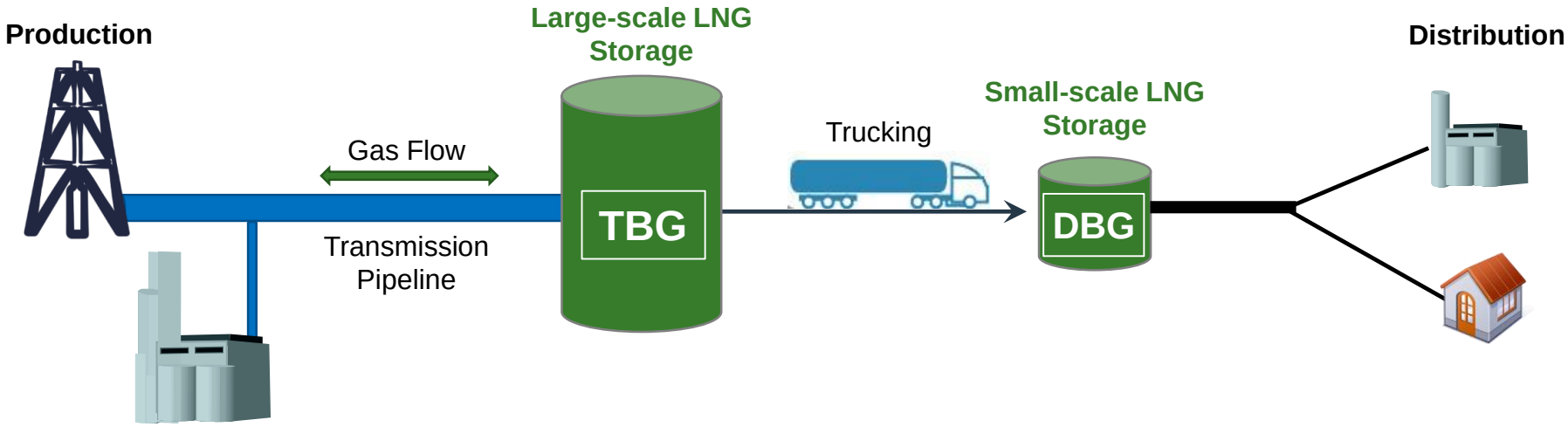
LNG Business Model: Develop Tolling & Rate Base Projects

Long term tolling contracts for LDCs and other customers

- Liquefaction, storage and vaporization services
- Independent services to fit market need

Solve gas transmission constraints within owned utilities

- Satellite distribution system model for owned utilities
  - Four communities already identified for LNG service in NH and MA

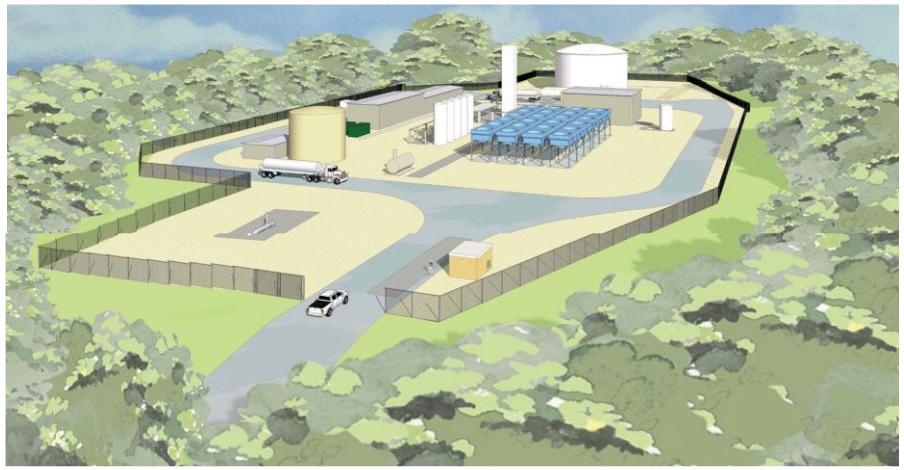


Opportunity exists to develop LNG hub for liquid and vapor services

An Attractive LNG Opportunity Set

- **The NEC facility in MA - C$ 160M**
  - 16,000 Dth/d liquefaction (14,000 Dth/d under long-term contract with National Grid)
  - 120,000 Dth storage
  - 2020 in-service date

- **Larger-scale LNG Projects -**
  - A total of C$ 540M in additional large-scale liquefaction/storage/vaporization opportunities identified



NEC
Northeast Energy Center LLC

Our LNG business model is already in motion

Empire Brings Base of Transmission Assets

Electric Transmission

- **Established presence** - Empire is a transmission owner/operator within SPP
- **A C$ 500M opportunity set** exists within Empire's current integrated plan
- **Congestion relief -** Projects to address known congestion issues are currently with SPP for review

Gas Transmission

- **New generation driving coal retirements** - Low cost gas and renewables driving retirement of baseload coal in SPP
- **Bottlenecks in getting gas to market** - Limited natural gas pipeline capacity in western MO results in relatively high gas transmission costs
- **Market dynamics support development** of new gas transmission opportunities

Opportunities relate to improving reliability and meeting the needs of changing power markets

Strengthening the Transmission System

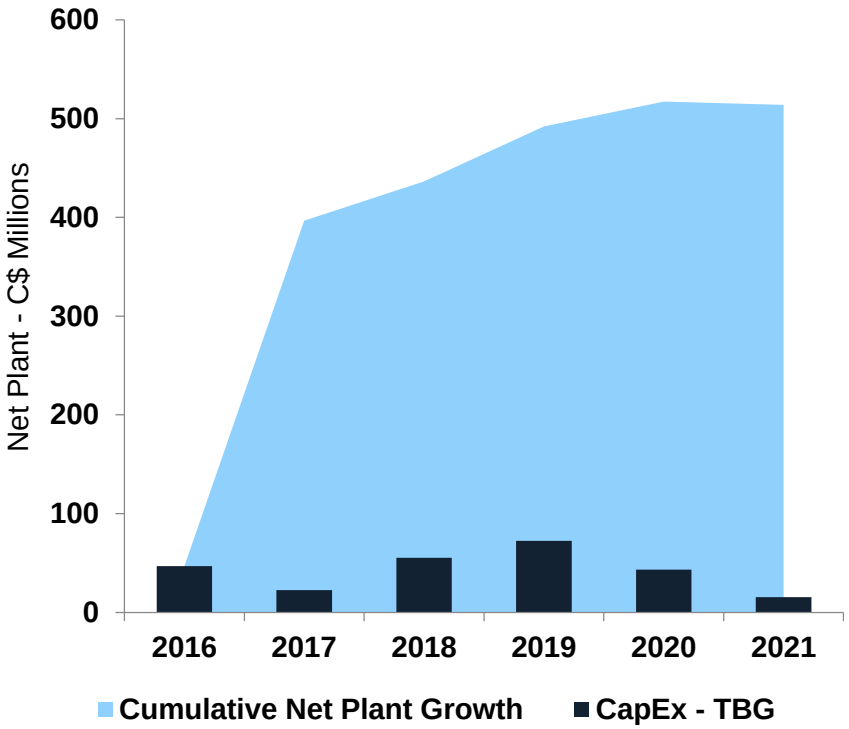
- **Calpeco** – 625/650 transmission projects
- **Tinker** – Transmission capacity upgrade
- **Empire** – Opportunities to upgrade transmission and distribution system



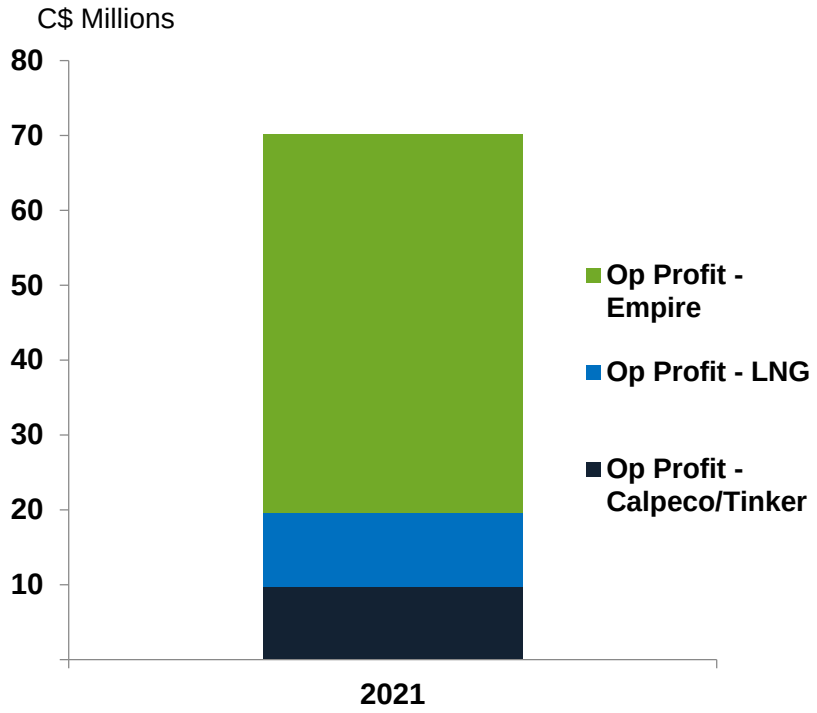
A total of C$ 225M in organic capital investment opportunities

Transmission CapEx Growth of C$ 700M

APUC – TBG CapEx



APUC – TBG Operating Profit



Investment in accretive transmission projects supports APUC's dividend growth target

Generation Business Group (GBG)

An environment ripe for development



ALGONQUIN
Power & Utilities Corp.

Speakers



Mike Snow

President
Generation Business Group



Jeff Norman

Vice President
Business Development



Todd Mooney

Vice President
Finance & Administration

Key Messages

- **Power market transformation –** North American legacy generation fleet is being upgraded
- **Empire adds strength** – Empire is scaling the generation platform for growth
- **We are well positioned** for success in the changing North American marketplace
- **Deep skillset –** Operating and development competencies in wind and solar
- **Significant opportunity –** Development strategy will execute on C$ 6.0B in investment opportunities



GBG's growth profile supports APUC's target to be a top quartile utility

Scaling the Generation Platform for Growth

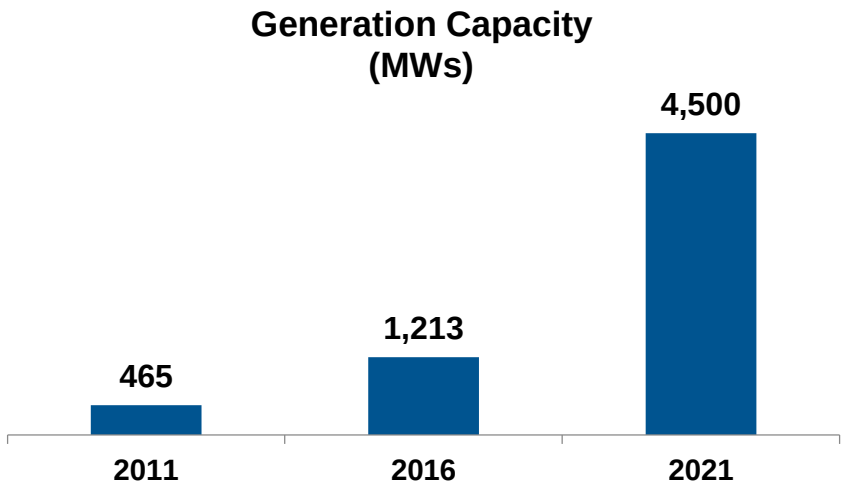
Wind: 1,150 MW		**12 facilities in North America**
Gas: 1,100 MW		**9 facilities including Empire**
Hydro: 130 MW		**18 facilities in North America**
Solar: 40 MW		**3 facilities in California and Ontario**
Coal: 430 MW		**3 facilities in U.S.**
2,860 MW		***45 Facilities***

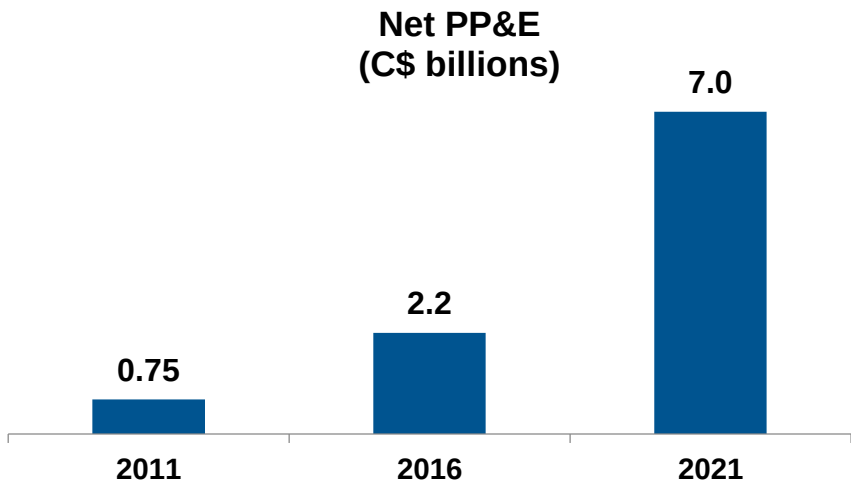
Note: Values include pending Empire transaction.

Corporate Culture Enables Strategy

GBG Narrative

"Demonstrating core competency in on-shore wind and PV solar – the economic choice for a responsible future"



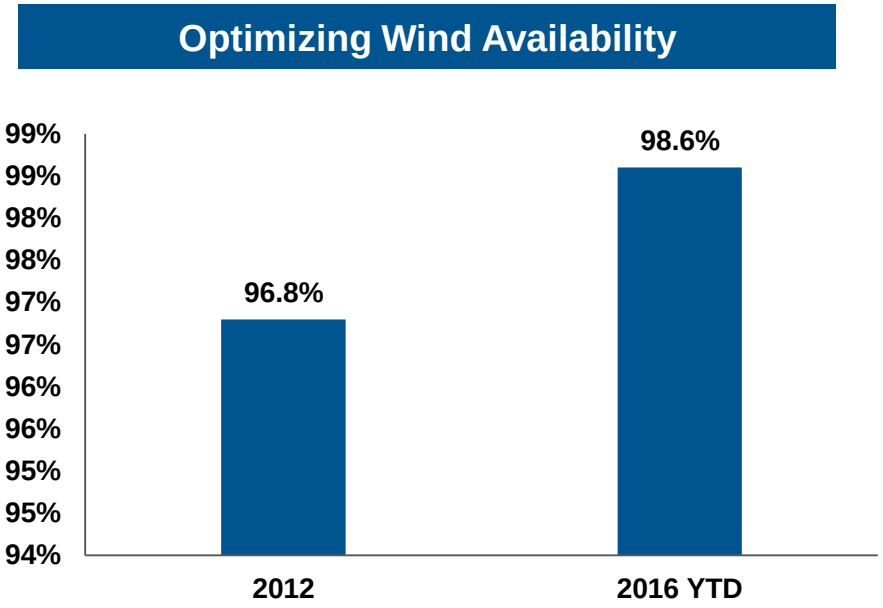


- *Pursue rapid growth to deliver sustainable prosperity*
- *Engage and invest locally*
- *Improve continuously*
- *Empower people to expand our capabilities*

APUC's culture enables our strategy and delivers results

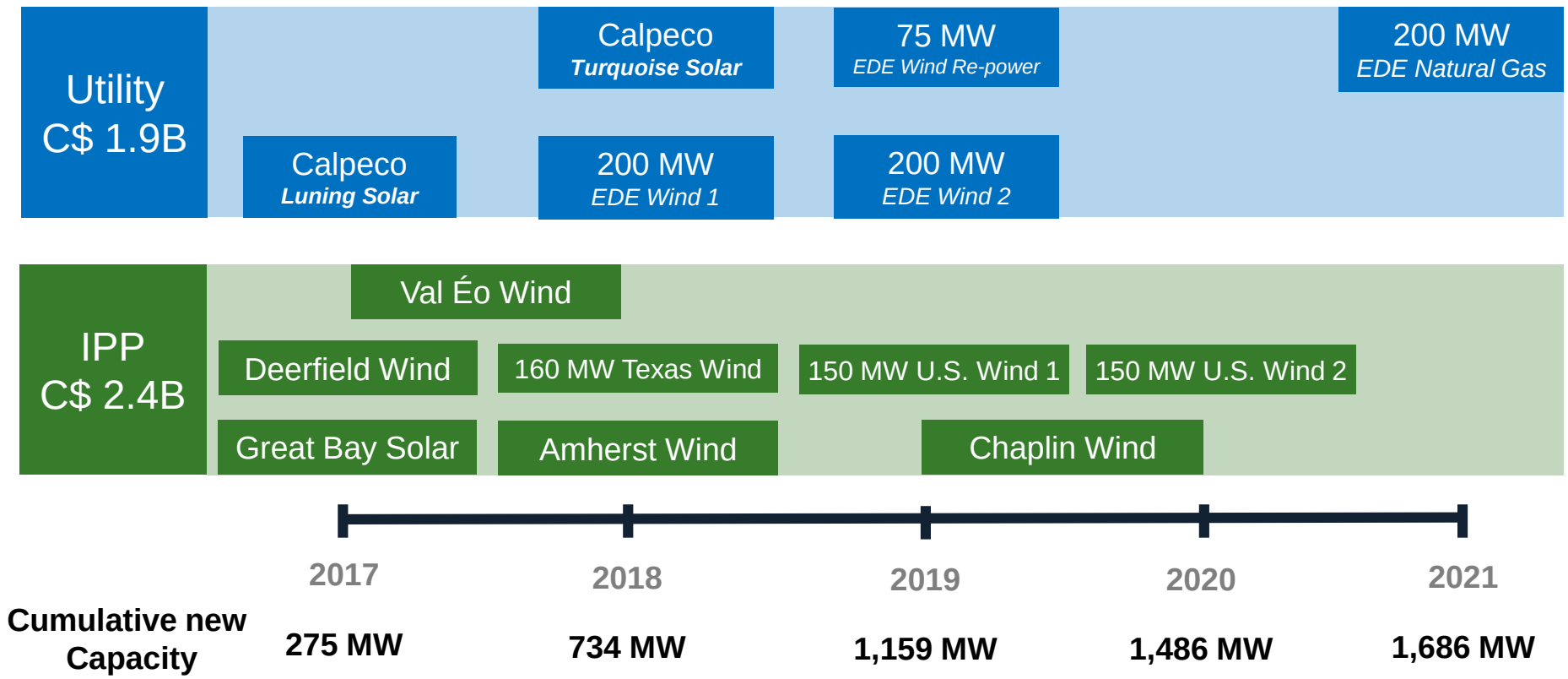
Foundation in Operational Excellence

- **Drive to Zero** – Achieved world-class Lost Time Injury Rate
- Incremental revenue of C$ 2M for every 100 basis point improvement in wind availability
- **Breadth of experience** – Operating expertise in 12 energy markets across North America



Successfully commissioned over 930 MW of wind and solar

Building out C$ 4.3B of New Generation



North American Market

U.S. Market



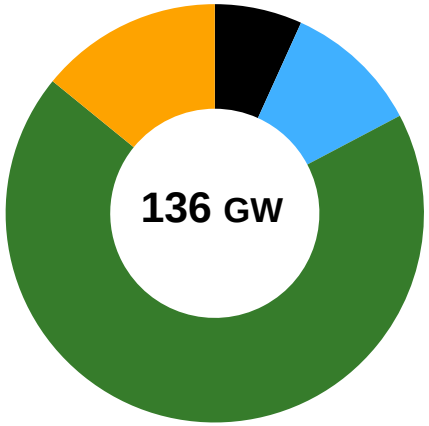
Renewable Installations

2013: 6,100 MW

2014: 11,400 MW

2015: 16,160 MW (2nd in the world)

Canadian Market



Renewable Installations

2013: 2,050 MW

2014: 2,500 MW

2015: 3,050 MW (9th in the world)

Renewables growth accelerating in both the U.S. and Canada

Sources: BNEF, AWEA, SEIA, NREL, CANWEA

North American Market Drivers

Current Market Conditions

Policy drivers

United States:

- Renewable portfolio standards (RPS)
- FERC 1000 – transmission
- PTC/ITC extension

Canada:

- Alberta and Saskatchewan
- Federal government coal facility phase-out by 2030

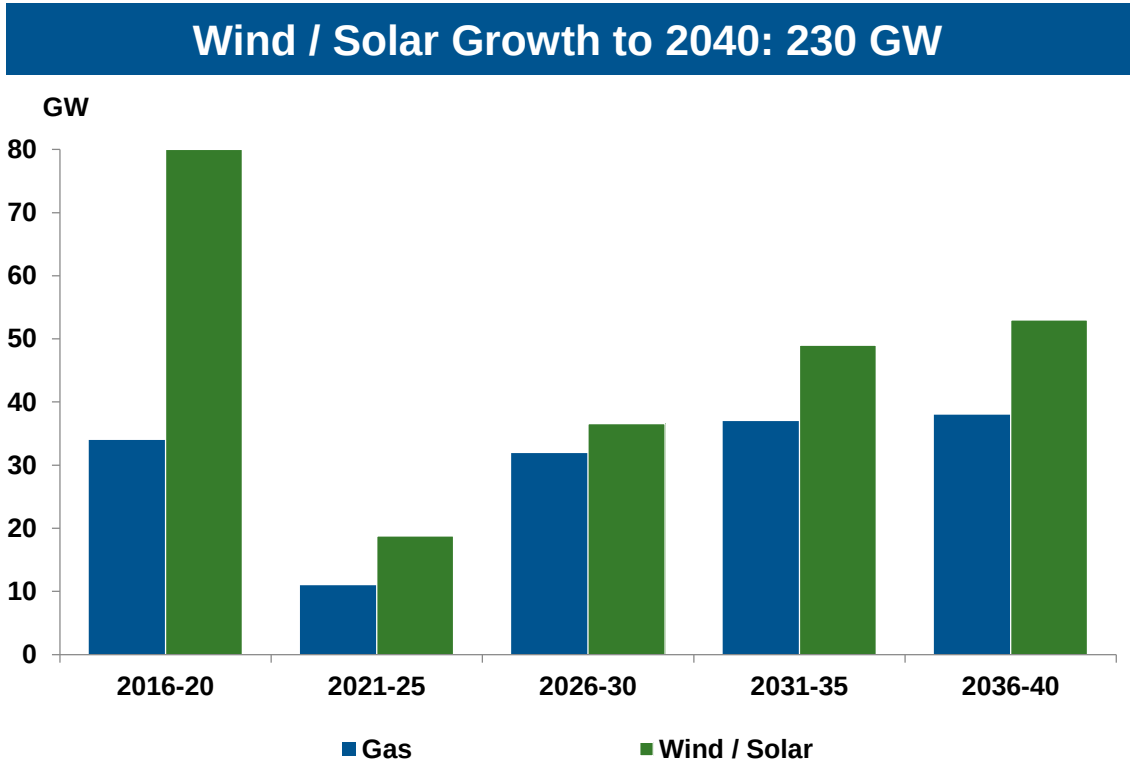
Economic drivers

- Record low gas prices
- Declining wind and solar costs
- Fossil fuel independence with renewable energy

Superior LCOEs are the most powerful driver of renewables growth

Robust Wind and Solar Growth Forecast Beyond 2016

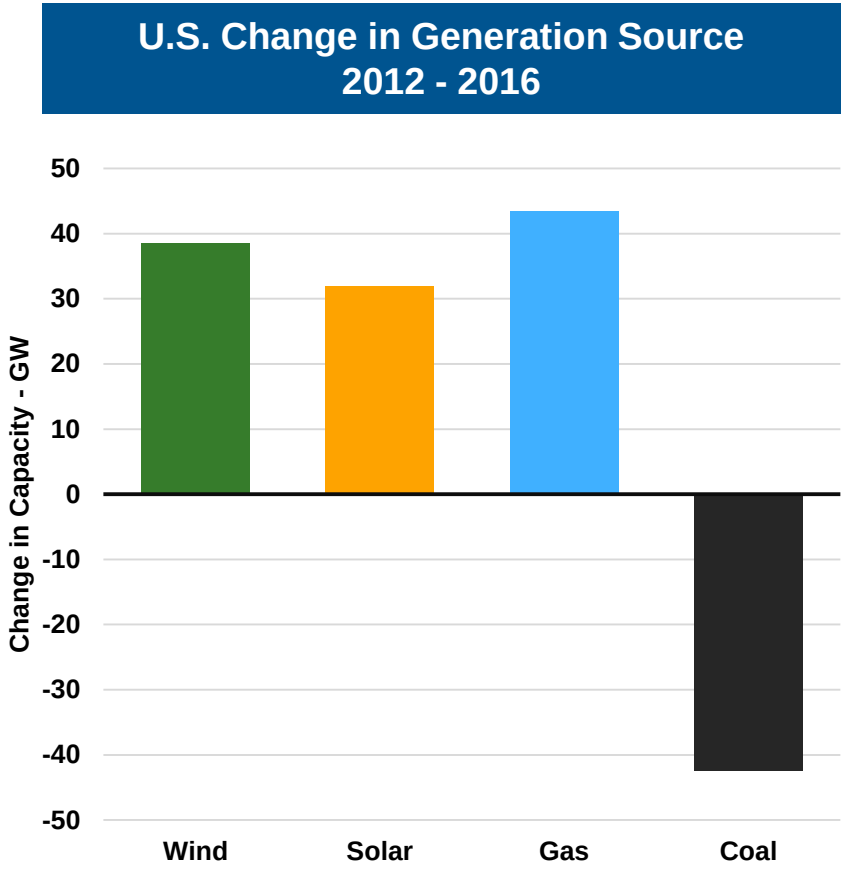
- 230 GW of new wind and solar to 2040 under a “no CPP” outlook
- Solar investment surpasses wind long-term
- Natural gas capacity additions of 150 GW over the period



Source: EIA

Electrical Demand and Markets

- Retirement of legacy fleet drives investment in new generation
- Energy markets are absorbing renewable generation
- Positioned for success in evolving markets

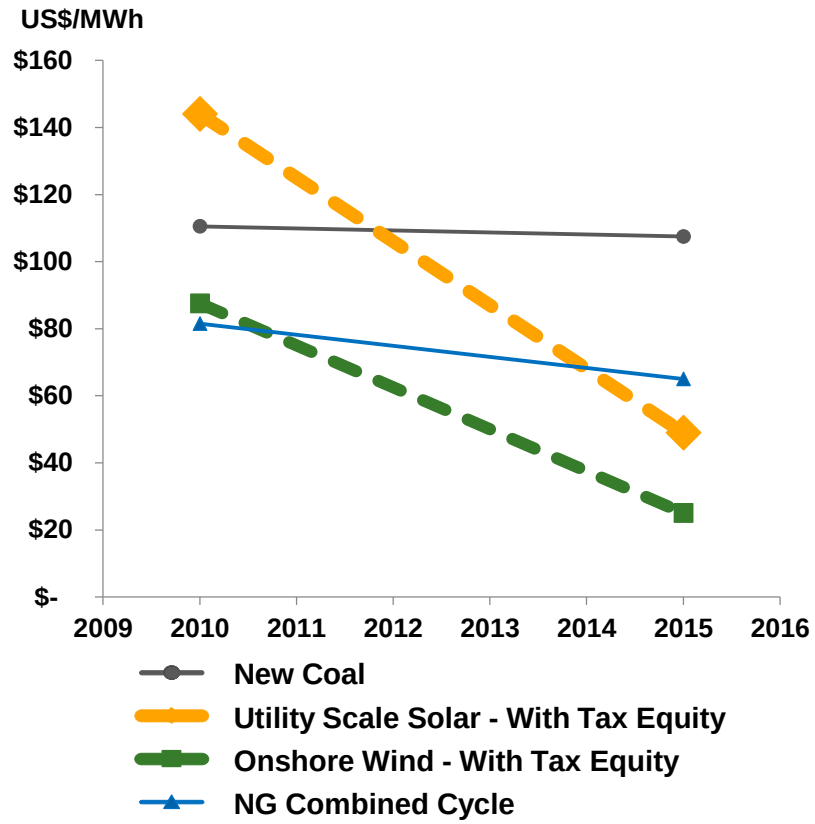


The evolution of generation markets supports APUC's growth strategy

Generation Fleet Turnover

- **Winners and losers –** New technologies changing North American generation
- **Wind –** Low cost and increasing energy capture
- **Solar –** Dramatically dropping costs
- **Natural gas –** Low cost fuel with flexibility to manage intermittency

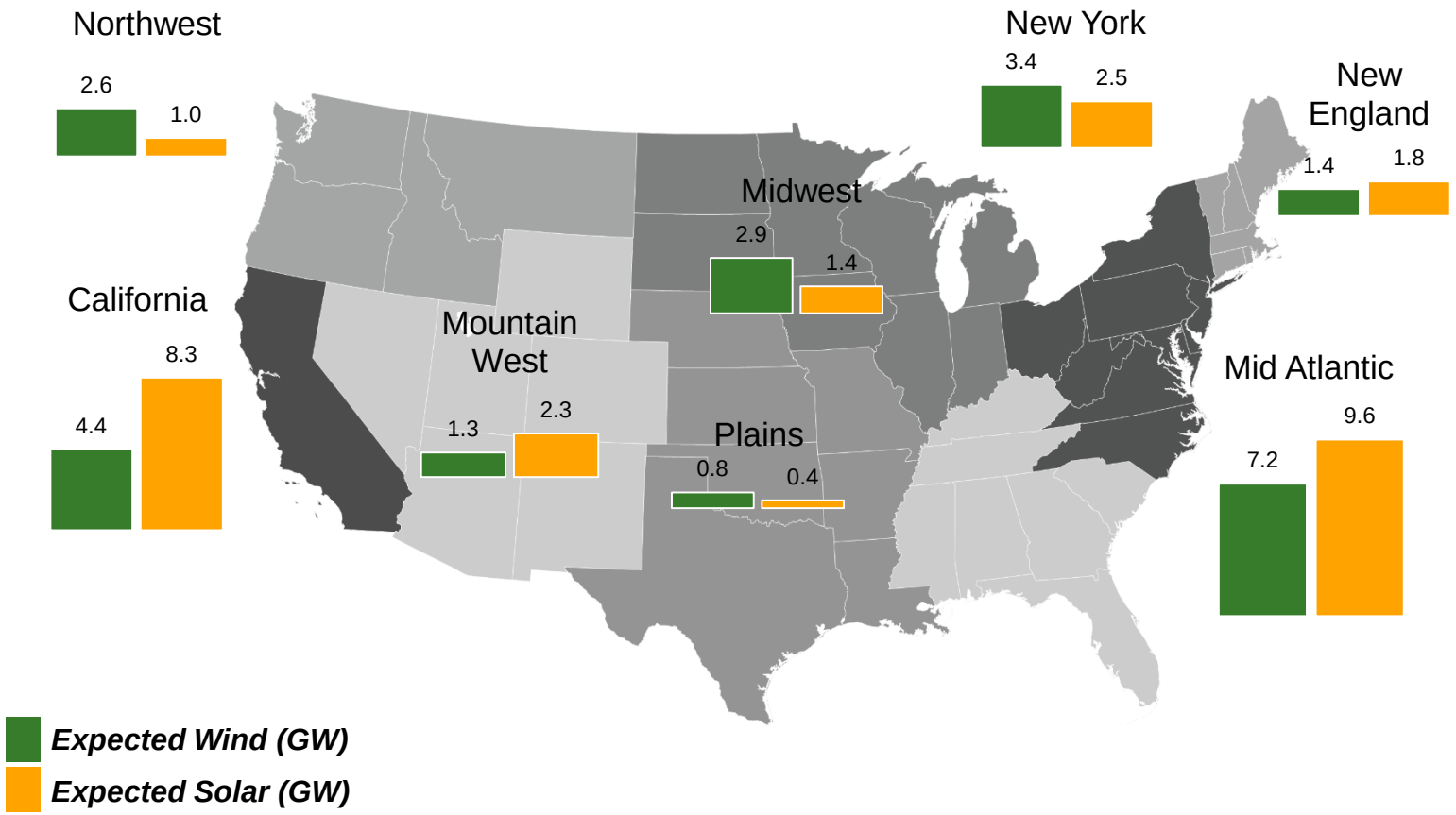
Levelized Cost of Energy Trend 2010 - 2015



Low cost and flexibility underpin the long-term outlook for generation

Source: Lazard

51 GW Wind & Solar RPS Build-Out, 2016 - 2025



Significant renewables development opportunity in the U.S.

Source: AWEA

U.S. Strategy – Wind PTC Support

In 2015, the PTC/ITC program supporting renewable generation was extended

- **Wind** – 5-year phase out
- **Solar** – Step down of ITC from 30% to 10%
- **Full PTC value available** – 2016 projects will get 100% PTC value for 10 years

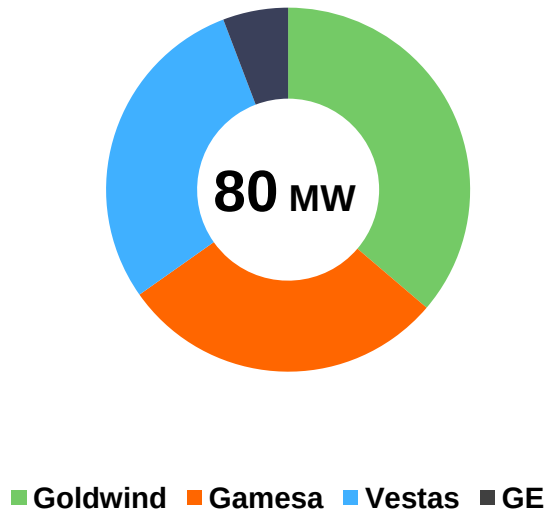
	PTC Value	4-year Construction Period	PTC Period
2016	**100%** = US$ 23.00 per MWh	2017 - 2020	2021 - 2030
2017	**80%** = US$ 18.40 per MWh	2018 - 2021	2022 - 2031
2018	**60%** = US$ 13.80 per MWh	2019 - 2022	2023 - 2032
2019	**40%** = US$ 9.20 per MWh	2020 - 2023	2024 - 2033

Locking-in tax benefits to secure future U.S. growth pipeline

U.S. Strategy – Wind Safe Harbour Components

2016

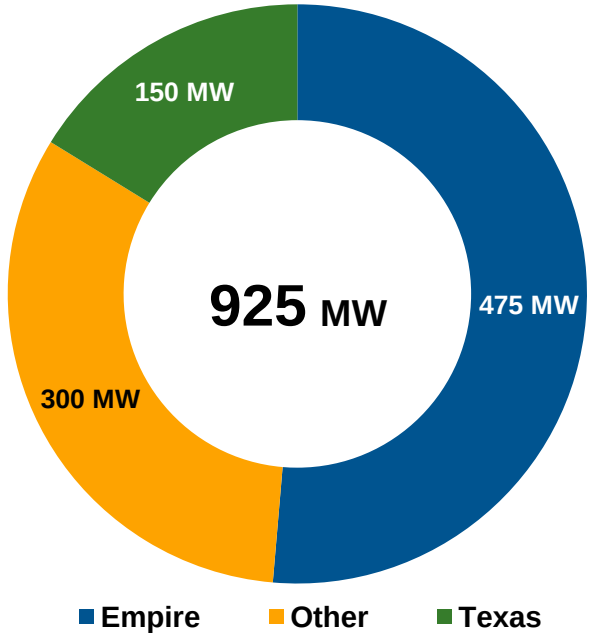
C$ 100M PTC components



20x Value

2017 – 2020

C$ 2B investment opportunity

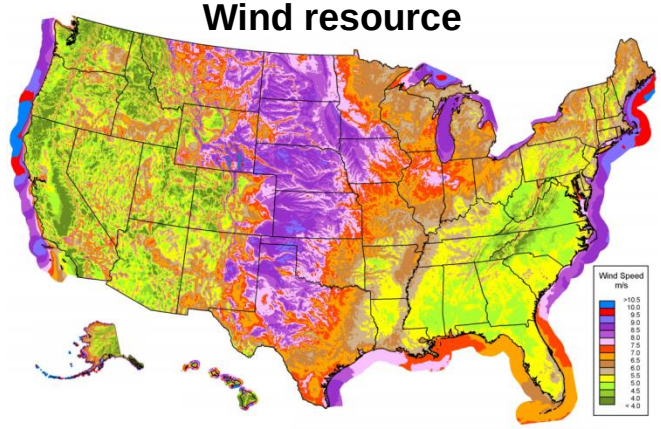


Secures competitive advantage of $5 / MWh

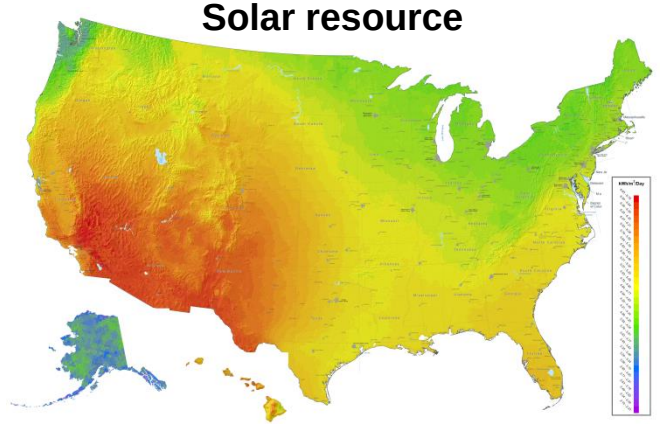
Greenfield Wind and Solar

- **Origination resources allocated between**
  - Wind
  - Solar
- **Focus by development stage**
  - Greenfield
  - Early stage development
  - Late stage development
- **Dual revenue model**
  - Independent power
  - Regulated utility

Wind resource



Solar resource



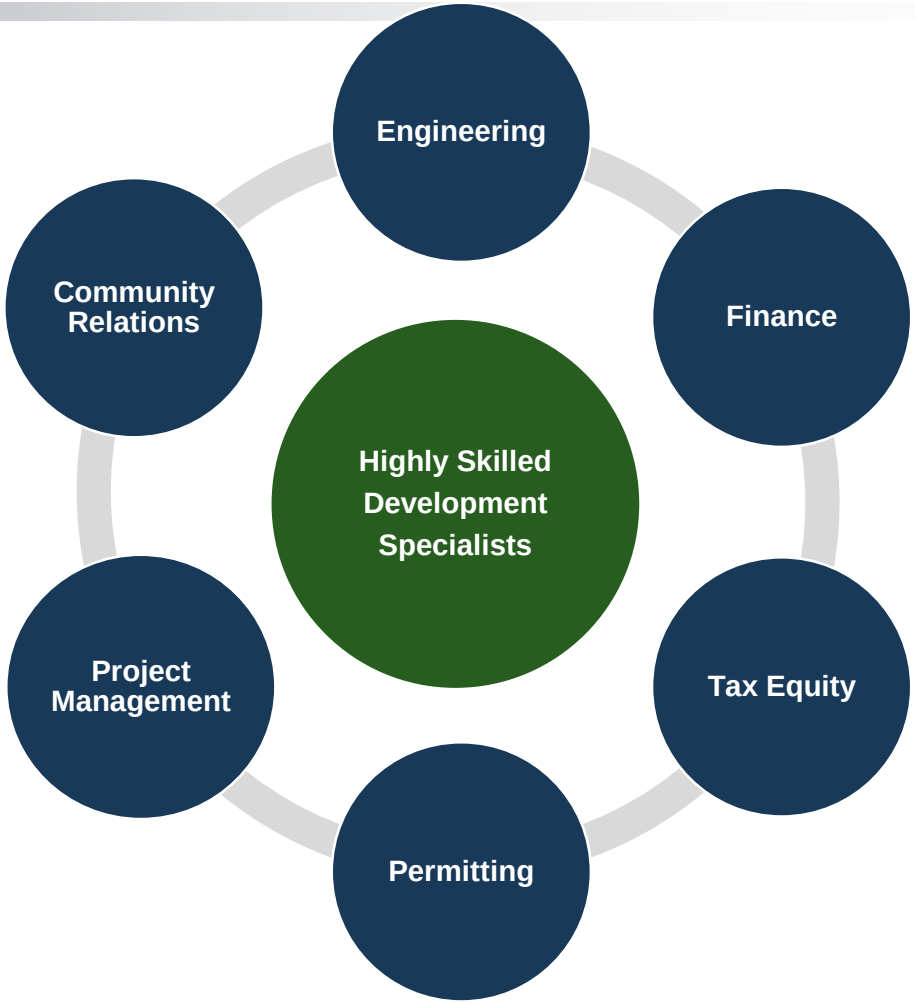
Project IRRs decline while equity returns relatively constant

Source: NREL

Robust Development Team

Focused growth by leveraging expertise:

- Origination, development and construction capabilities
- Deep knowledge of wind and solar markets in the U.S. and Canada



Focus on North American on-shore wind and utility scale solar

410 MW of Construction Projects in 2016



Odell Wind 200 MW COD: July 29, 2016



Deerfield Wind 150 MW COD: Q1 2017



Luning Solar 50 MW COD: Q1 2017

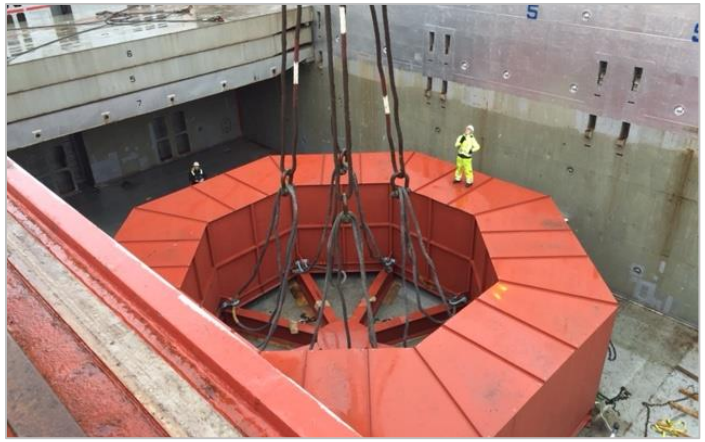


Bakersfield II Solar 10 MW COD: Q4 2016

We will surpass 1,000 MW of wind with the commissioning of Deerfield Wind

Wind Strategy – 75 MW Amherst Island Wind

- Successful ERT decision
- Long-lead items ordered and delivered
- TSA executed with Siemens
- Dock construction imminent
- COD expected 2018





ERT decision affirms investment decision; construction moving ahead as planned

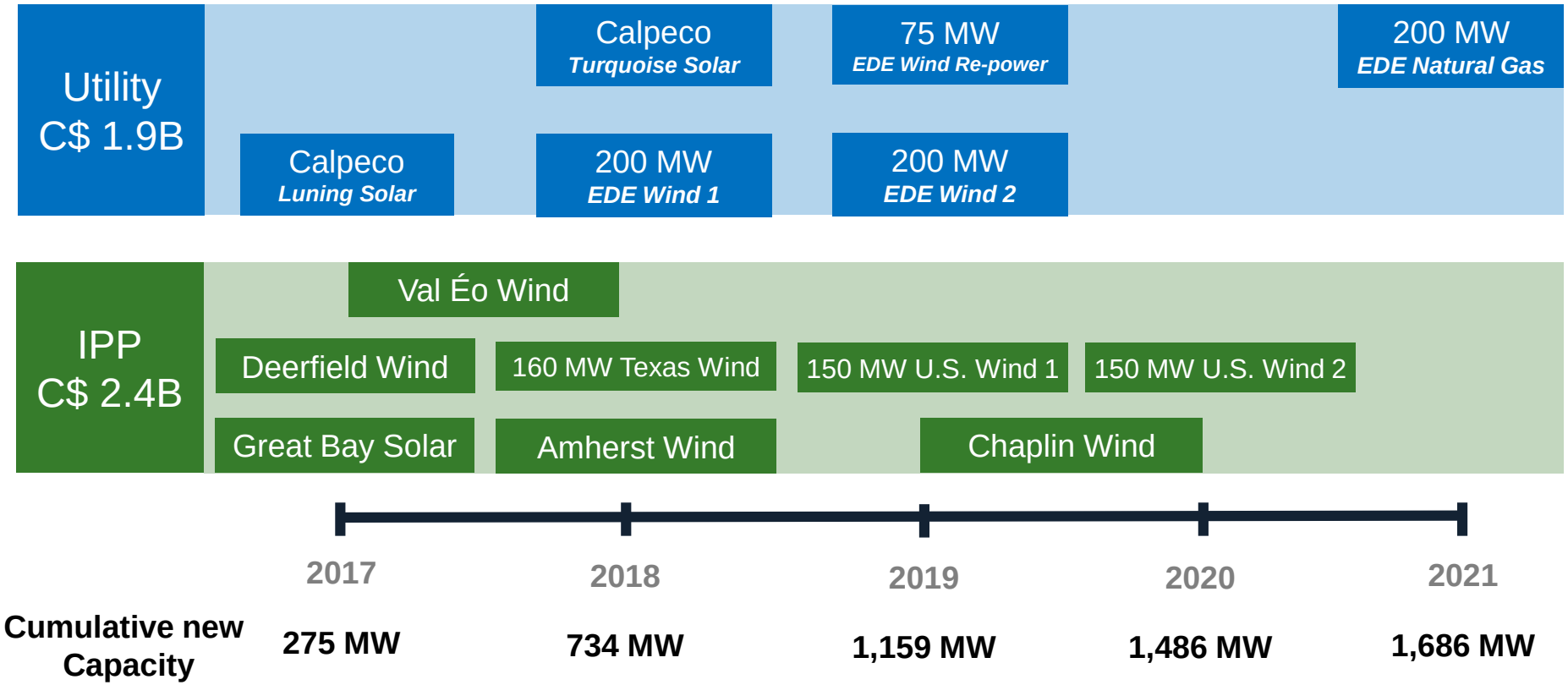
U.S. Strategy – 75 MW Great Bay Solar I

- Long-term PPA with U.S. government
- Transformer ordered
- EPC contract executed
- Construction to begin Q1 2017
- Interconnection for 150 MW



Investment opportunity of C$ 240M, with incremental potential of C$ 200M

Build-out Schedule of C$ 4.3B



Highly visible development pipeline

International Opportunities

Investment criteria:

- Stable legal jurisdiction
- Minimal political risk
- Low currency risk
- Capital repatriation
- Strong local partner



Pursuit of opportunities outside North America on an opportunistic basis

Generation Business Group

Financial Outlook



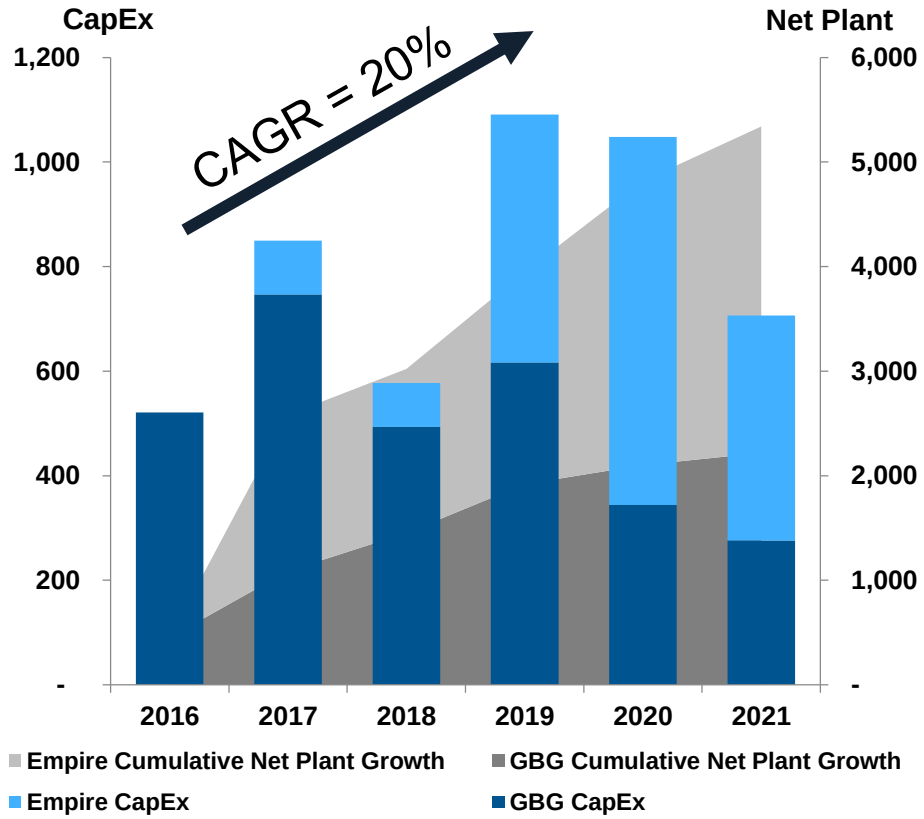
ALGONQUIN
Power & Utilities Corp.

Generation CapEx Growth of C$ 6.0B

- Growth of C$ 6.0B includes investment opportunities of C$ 4.3B and Empire generation assets acquisition of C$ 1.7B

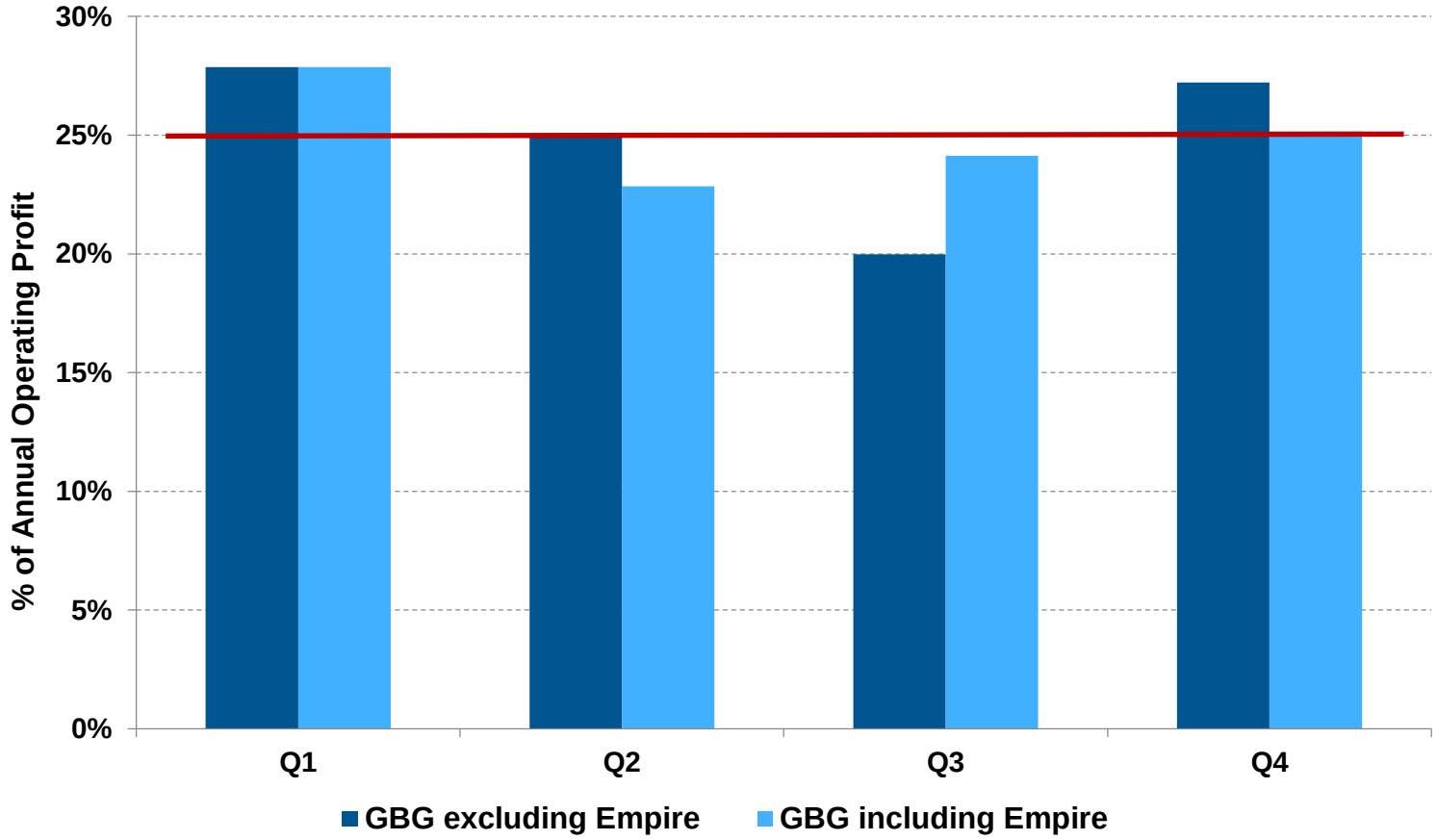
- CAGR for net plant of 20%

APUC – GBG CapEx (in C$ Millions)



Investment in accretive Generation projects supports APUC's dividend growth target

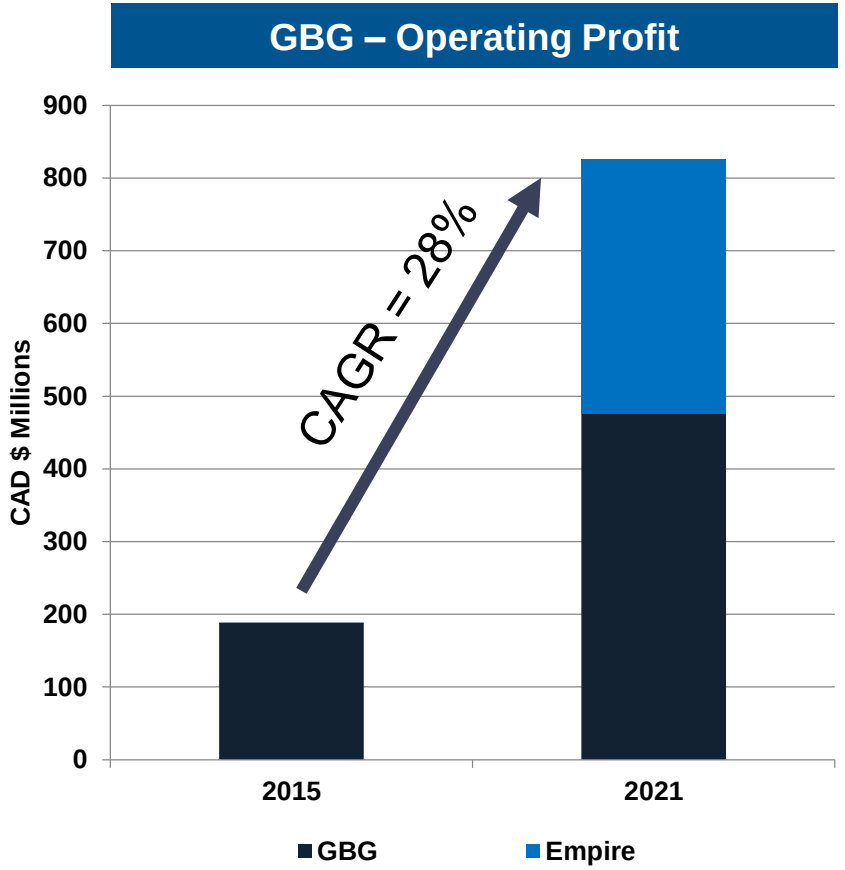
2017 Operating Profit Seasonality – Generation



Diversification due to Empire further mitigates GBG's seasonality

Generation Operating Profit Growth at a CAGR of 28%

- Empire acquisition and continued investment drives earnings growth
- GBG operating profit quadruples by 2021



Investment in accretive Generation projects supports APUC's dividend growth target

Summary

- **Strong positioning -** APUC is well positioned for success in the changing North American marketplace
- **North American fleet transformation -** Legacy generation fleet is being upgraded
- **Leverage core competencies -** Operating and development competencies in wind and solar
- **Empire scales** the generation platform for growth
- **Significant opportunity set** - Incremental capital deployment opportunity of C$ 6.0B





GBG's growth profile supports APUC's target to be a top quartile utility

Closing Remarks



ALGONQUIN
Power & Utilities Corp.

Tracking our “Say Do” Ratio

Generation Business Group	2012 - Installed MW “march to a million (kw)”	✓	**1,100 MW in 2013**
	Asset Growth 15% per year	✓	**Avg. annual. 26% since 2010**
	Operating Profit	✓	**Avg. annual 26% since 2010**
DBG	2012 - Customers “march to a million”	☐	**Est. 782,000 by end of 2017 - 130% growth**
APUC Financial Goals	EBITDA Growth 15% annual	✓	**Avg. annual 24% since 2010**
	EPS Growth Recent target – 15%	✓	**Avg. annual growth, last 3 years = 66%**
	Asset Growth 15% per year	✓	**Avg. annual 26% since 2010**
	AFFO	✓	**Avg. 29% since 2010**

Closing Remarks

- **Empire closing is imminent**
- **No material changes expected from incoming U.S. administration**
- **Continuing the “Creating Value through Growth” theme**
- **For the Generation Business Group**
  - Commitment to continued competitiveness within U.S. energy markets
  - Focused on developing renewable energy assets in North America but willing to explore international opportunities if they meet defined criteria
  - Forecasting operating profit CAGR through 2021 of 28% from existing growth pipeline
- **For the Distribution Business Group**
  - Expect significant organic growth in existing portfolio and Empire
  - Forecasting operating profit CAGR through 2021 of 21% from existing growth pipeline

Closing Remarks

Empire closing is imminent

- Integration planning for closing in early January well underway
- Potential 5 year capital investment program of US$ 1.8B compares with US$ 700M discussed at time of announcement; incremental investment opportunity through customer rate supportive renewable generation

No material changes expected from incoming U.S. administration

- Comfortable that possible changes in income tax rates, national trade protectionism and climate change leadership will not have a significant effect on the APUC business proposition

Continuing the "Creating Value through Growth" theme

- Contributions from EDE and new generating stations expected to deliver significant y-o-y growth in APUC EBITDA (~95%), EPS (~40%) and FFOPS (~40%)
- C$ 9.7B growth program will support more than doubling the size of the company through 2021, with total asset CAGR of 18% - 20%
- Increased EPS (16%-18% CAGR) and FFOPS (11%-13%) will support targeted DPS CAGR of 10%
- Commitment to maintain (or improve) investment grade credit metrics

For the Generation Business Group

- Commitment to continued competitiveness within U.S. energy markets through "safe harbour" wind turbine purchases supporting more than C$ 2B in project development
- Focused on development of renewable energy assets centered primarily on North America but willing to explore initial international opportunities if they meet defined criteria
- Forecasting operating profit CAGR through 2021 of 28% from existing growth pipeline

For the Distribution Business Group

- Expect significant organic growth in existing portfolio and EDE
- Forecasting operating profit CAGR through 2021 of 21% from existing growth pipeline

Corporate Milestones	Double current number of customers served by our national utility Expand installed capacity of generation fleet to more than 5 GW