

Management Discussion & Analysis

(All monetary amounts are in thousands of Canadian dollars, except per share amounts or where otherwise noted.)

Management of Algonquin Power & Utilities Corp. (“APUC” or the “Company”) has prepared the following discussion and analysis to provide information to assist its shareholders’ understanding of the financial results for the three and nine months ended September 30, 2017. The Management Discussion & Analysis (“MD&A”) should be read in conjunction with APUC’s Unaudited Interim Consolidated Financial Statements for the three and nine months ended September 30, 2017 and 2016. The MD&A should also be read in conjunction with APUC’s Annual Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015, and the annual MD&A for the year ended December 31, 2016. This material is available on SEDAR at www.sedar.com and on the APUC website at www.AlgonquinPowerandUtilities.com. Additional information about APUC, including the most recent Annual Information Form (“AIF”) can be found on SEDAR at www.sedar.com.

This MD&A is based on information available to management as of November 14, 2017.

Caution Concerning Forward-looking Statements, Forward-looking Information and non-GAAP Measures

Forward-looking Statements and Forward-looking Information

This MD&A may contain statements that, to the extent that they are not recitations of historical fact, constitute “forward-looking statements” or “forward-looking information” within the meaning of applicable securities legislation, including the *United States Securities Act of 1933*, as amended, the *United States Securities Exchange Act of 1934*, as amended, and applicable Canadian Securities legislation (collectively referred to herein as “forward-looking information” or “forward-looking statements”). All forward-looking information and forward-looking statements are given pursuant to the “safe harbour” provisions of applicable securities legislation. These statements reflect the views of APUC with respect to future events and are based upon assumptions relating to, among others, the performance of APUC’s assets as well as the business, interest and exchange rates, commodity market prices, and the financial and regulatory climate in which it operates. These forward-looking statements include, among others, statements with respect to the expected performance of APUC, its future plans and its dividends to shareholders. Statements containing expressions such as “anticipates”, “believes”, “continues”, “could”, “expect”, “estimates”, “intends”, “may”, “outlook”, “plans”, “project”, “strives”, “will”, and similar expressions generally constitute forward-looking statements.

Since forward-looking statements relate to future events and conditions, by their very nature they require APUC to make assumptions and involve inherent risks and uncertainties. APUC cautions that although it believes its assumptions are reasonable in the circumstances, these risks and uncertainties give rise to the possibility that actual results may differ materially from the expectations set out in the forward-looking statements. Material risk factors include the impact of movements in exchange rates and interest rates; the effects of changes in environmental and other laws and regulatory policy applicable to the energy and utilities sectors; decisions taken by regulators on monetary policy; and the state of the Canadian and the United States (“U.S.”) economies and accompanying business climate. APUC cautions that this list is not exhaustive, and other factors could adversely affect results. Given these risks, undue reliance should not be placed on these forward-looking statements. In addition, such statements are made based on information available and expectations as of the date of this MD&A and such expectations may change after this date. APUC reviews material forward-looking information it has presented, not less frequently than on a quarterly basis. APUC is not obligated to nor does it intend to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by law.

Non-GAAP Financial Measures

The terms “Adjusted Net Earnings”, “Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization” (“Adjusted EBITDA”), “Adjusted Funds from Operations”, “Net Energy Sales”, “Net Utility Sales” and “Divisional Operating Profit” are used throughout this MD&A. The terms “Adjusted Net Earnings”, “Adjusted Funds from Operations”, “Adjusted EBITDA”, “Net Energy Sales”, “Net Utility Sales” and “Divisional Operating Profit” are not recognized measures under GAAP. There is no standardized measure of “Adjusted Net Earnings”, “Adjusted EBITDA”, “Adjusted Funds from Operations”, “Net Energy Sales”, “Net Utility Sales”, and “Divisional Operating Profit”; consequently, APUC’s method of calculating these measures may differ from methods used by other companies and therefore may not be comparable to similar measures presented by other companies. A calculation and analysis of “Adjusted Net Earnings”, “Adjusted EBITDA”, “Adjusted Funds from Operations”, “Net Energy Sales”, “Net Utility Sales”, and “Divisional Operating Profit” can be found throughout this MD&A.

Use of Non-GAAP Financial Measures

Adjusted EBITDA

EBITDA is a non-GAAP measure used by many investors to compare companies on the basis of ability to generate cash from operations. APUC uses these calculations to monitor the amount of cash generated by APUC as compared to the amount of dividends paid by APUC. APUC uses Adjusted EBITDA to assess the operating performance of APUC without the effects of (as applicable): depreciation and amortization expense, income tax expense or recoveries, acquisition costs, litigation expenses, interest expense, gain or loss on derivative financial instruments, write down of intangibles and property, plant and equipment, earnings attributable to non-controlling interests and gain or loss on foreign exchange, earnings or loss from discontinued operations and other typically non-recurring items. APUC adjusts for these factors as they may be non-cash, unusual in nature and are not factors used by management for evaluating the operating performance of the Company. APUC believes that presentation of this measure will enhance an investor's understanding of APUC's operating performance. Adjusted EBITDA is not intended to be representative of cash provided by operating activities or results of operations determined in accordance with GAAP.

Adjusted Net Earnings

Adjusted Net Earnings is a non-GAAP measure used by many investors to compare net earnings from operations without the effects of certain volatile primarily non-cash items that generally have no current economic impact or items such as acquisition expenses or litigation expenses that are viewed as not directly related to a company's operating performance. APUC uses Adjusted Net Earnings to assess its performance without the effects of (as applicable): gains or losses on foreign exchange, foreign exchange forward contracts, interest rate swaps, acquisition costs, litigation expenses and write down of intangibles and property, plant and equipment, earnings or loss from discontinued operations and other typically non-recurring items as these are not reflective of the performance of the underlying business of APUC. APUC believes that analysis and presentation of net earnings or loss on this basis will enhance an investor's understanding of the operating performance of its businesses. It is not intended to be representative of net earnings or loss determined in accordance with GAAP, which can be impacted positively or negatively by these items.

Adjusted Funds from Operations

Adjusted Funds from Operations is a non-GAAP measure used by investors to compare cash flows from operating activities without the effects of certain volatile items that generally have no current economic impact or items such as acquisition expenses that are viewed as not directly related to a company's operating performance. APUC uses Adjusted Funds from Operations to assess its performance without the effects of (as applicable): changes in working capital balances, acquisition expenses, litigation expenses, cash provided by or used in discontinued operations and other typically non-recurring items affecting cash from operations as these are not reflective of the long-term performance of the underlying businesses of APUC. APUC believes that analysis and presentation of funds from operations on this basis will enhance an investor's understanding of the operating performance of its businesses. It is not intended to be representative of cash flows from operating activities as determined in accordance with GAAP, which can be impacted positively or negatively by these items.

Net Energy Sales

Net Energy Sales is a non-GAAP measure used by investors to identify revenue after commodity costs used to generate revenue where such revenue generally increases or decreases in response to increases or decreases in the cost of the commodity used to produce that revenue. APUC uses Net Energy Sales to assess its revenues without the effects of fluctuating commodity costs as such costs are predominantly passed through either directly or indirectly in the rates that are charged to customers. APUC believes that analysis and presentation of Net Energy Sales on this basis will enhance an investor's understanding of the revenue generation of its businesses. It is not intended to be representative of revenue as determined in accordance with GAAP.

Net Utility Sales

Net Utility Sales is a non-GAAP measure used by investors to identify utility revenue after commodity costs, either natural gas or electricity, where these commodity costs are generally included as a pass through in rates to its utility customers. APUC uses Net Utility Sales to assess its utility revenues without the effects of fluctuating commodity costs as such costs are predominantly passed through and paid for by utility customers. APUC believes that analysis and presentation of Net Utility Sales on this basis will enhance an investor's understanding of the revenue generation of its utility businesses. It is not intended to be representative of revenue as determined in accordance with GAAP.

Divisional Operating Profit

Divisional Operating Profit is a non-GAAP measure. APUC uses Divisional Operating Profit to assess the operating performance of its business groups without the effects of (as applicable): depreciation and amortization expense, corporate administrative expenses, income tax expense or recoveries, acquisition costs, litigation expenses, interest expense, gain or loss on derivative financial instruments, write down of intangibles and property, plant and equipment, and gain or loss on foreign exchange, earnings or loss from discontinued operations and other typically non-recurring items. APUC adjusts for these factors as they

may be non-cash, unusual in nature and are not factors used by management for evaluating the operating performance of the divisional units. Divisional Operating Profit is calculated inclusive of Hypothetical Liquidation at Book Value (“HLBV”) income, which represents the value of net tax attributes earned in the period from electricity generated by certain of its U.S. wind power and U.S. solar generation facilities. APUC believes that presentation of this measure will enhance an investor’s understanding of APUC’s divisional operating performance. Divisional Operating Profit is not intended to be representative of cash provided by operating activities or results of operations determined in accordance with GAAP.

Capitalized terms used herein and not otherwise defined will have the meanings assigned to them in the Company’s most recent AIF.

Overview and Business Strategy

APUC is incorporated under the *Canada Business Corporations Act*. APUC owns and operates a diversified portfolio of regulated and non-regulated generation, distribution, and transmission utility assets which deliver predictable earnings and cash flows. APUC seeks to maximize total shareholder value through real per share growth in earnings and cash flows to support a growing dividend and share price appreciation.

APUC’s current quarterly dividend to shareholders is U.S. \$0.1165 per common share or U.S. \$0.4659 per common share per annum. Based on the Bank of Canada’s daily average exchange rate as at November 10, 2017, the quarterly dividend is equivalent to Cdn \$0.1478 per common share or Cdn \$0.5909 per common share per annum. APUC believes its annual dividend payout allows for both an immediate return on investment for shareholders and retention of sufficient cash within APUC to fund growth opportunities. Further increases in the level of dividends paid by APUC are at the discretion of the APUC Board of Directors (the “Board”), with dividend levels being reviewed periodically by the Board in the context of cash available for distribution and earnings together with an assessment of the growth prospects available to APUC. APUC strives to achieve its results in the context of a moderate risk profile consistent with top-quartile North American power and utility operations.

APUC’s operations are organized across two primary North American business units consisting of: the Liberty Power Group which owns and operates a diversified portfolio of non-regulated renewable and thermal electric generation assets; and the Liberty Utilities Group which owns and operates a portfolio of regulated electric, natural gas, water distribution and wastewater collection utility systems, and transmission operations.

Liberty Power Group

The Liberty Power Group generates and sells electrical energy produced by its diverse portfolio of non-regulated renewable power generation and clean power generation facilities located across North America. The Liberty Power Group seeks to deliver continuing growth through development of new greenfield power generation projects and accretive acquisitions of additional electrical energy generation facilities.

The Liberty Power Group owns or has interests in hydroelectric, wind, solar, and thermal facilities with a combined generating capacity of approximately 120 MW, 1,050 MW, 40 MWac, and 335 MW, respectively. Approximately 88% of the electrical output from the hydroelectric, wind, and solar generating facilities is sold pursuant to long term contractual arrangements which have a production-weighted average remaining contract life of 16 years.

Liberty Utilities Group

The Liberty Utilities Group operates a diversified portfolio of regulated utility systems throughout the United States serving approximately 758,000 customers. Liberty Utilities provides safe, high quality, and reliable services to its customers and delivers stable and predictable earnings to APUC. In addition to encouraging and supporting organic growth within its service territories, Liberty Utilities delivers continued growth in earnings through accretive acquisition of additional utility systems.

The Liberty Utilities Group’s regulated electrical distribution utility systems and related generation assets are located in the States of California, New Hampshire, Missouri, Kansas, Oklahoma, and Arkansas. The electric utility systems in total serve approximately 264,000 electric connections and operate a fleet of generation assets with a net capacity of 1,424 MW.

The Liberty Utilities Group’s regulated natural gas distribution utility systems are located in the States of Georgia, Illinois, Iowa, Massachusetts, New Hampshire, and Missouri serving approximately 335,000 natural gas connections.

The Liberty Utilities Group’s regulated water distribution and wastewater collection utility systems are located in the States of Arizona, Arkansas, California, Illinois, Missouri, and Texas which together serve approximately 159,000 connections.

Corporate Development

The Company is presently developing a portfolio of projects that when constructed will add approximately 361 MW of generation capacity from wind and solar powered generating facilities that have a production-weighted average contract life of 22 years.

2017 Major Highlights

Corporate Highlights

Investment in Joint Venture with Abengoa and Purchase of 25% Interest in Atlantica Yield plc

On November 1, 2017, APUC entered into an agreement to create a joint venture ("AAGES") with Seville, Spain-based Abengoa, S.A (MCE: ABG) ("Abengoa") to identify, develop, and construct clean energy and water infrastructure assets with a global focus. Concurrently with the creation of the AAGES joint venture, APUC entered into a definitive agreement to purchase from Abengoa a 25% equity interest in Atlantica Yield plc ("Atlantica") for a total purchase price of approximately U.S. \$608 million, based on a price of U.S. \$24.25 per ordinary share of Atlantica, plus a contingent payment of up to U.S. \$0.60 per-share payable two years after closing, subject to certain conditions. The transaction is expected to close in the first quarter of 2018, subject to regulatory approvals and other closing conditions. No shareholder approvals are required.

\$576 Million Bought Deal Offering of Common Shares

On November 10, 2017, APUC announced that it closed a bought deal offering announced on November 1, 2017, including the exercise in full of the underwriters' over-allotment option. As a result a total of 43,470,000 common shares of APUC were sold at a price of \$13.25 per share for gross proceeds of approximately \$576.0 million.

Net proceeds of the offering are expected to be used, in part, to finance APUC's acquisition of a 25% ownership stake in Atlantica from Abengoa and for general corporate purposes.

Strong Operating Results

APUC recorded strong operating results for the three months of operations relative to the same period last year. The accretion of the Empire acquisition continues to be evident in the Liberty Utilities Group's profit and the Liberty Power Group has benefited from the addition of new generating stations and higher production from its U.S. wind facilities.

(all dollar amounts in \$ millions except per share information)	Three Months Ended September 30		
	2017	2016	Change
Net earnings attributable to shareholders	\$ 59.4	\$ 17.7	236%
Adjusted Net Earnings	\$ 64.9	\$ 26.6	144%
Adjusted EBITDA	\$ 197.5	\$ 91.4	116%
Net earnings per common share	\$ 0.15	\$ 0.06	150%
Adjusted Net Earnings per common share	\$ 0.16	\$ 0.09	78%

Declaration of Canadian Equivalent Fourth Quarter Dividend of Cdn \$0.1478 (U.S. \$0.1165) per Common Share

APUC currently targets 10% annual growth in dividends payable to shareholders underpinned by increases in earnings and cashflow. Management believes that the increase in dividends is consistent with APUC's stated strategy of delivering total shareholder return comprised of an attractive current dividend yield and capital appreciation.

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

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Total
U.S. dollar dividend	\$0.1165	\$0.1165	\$0.1165	\$0.1165	\$0.4660
Canadian dollar equivalent	\$0.1533	\$0.1593	\$0.1480	\$0.1478	\$0.6084

Liberty Utilities Group Highlights

Approval to acquire the Perris Water Distribution System

On August 10, 2017 the Company's board approved the acquisition of two water distribution systems serving approximately 4,095 customers from the City of Perris, California. The anticipated purchase price of U.S. \$11.5 million is expected to be established as rate base during the regulatory approval process. Liberty Utilities was the successful bidder in the city's request for proposal process and in July 2017 the Perris City council voted to approve the sale to Liberty Utilities. The City of Perris residents voted to approve the sale on November 7, 2017. Liberty Utilities will now file an application to acquire the water utility with the California Public Utility Commission. Approval of the acquisition of the utility is expected in 2018.

Acquisition of the St. Lawrence Gas Company, Inc.

On August 31, 2017 the Company entered into a definitive agreement to acquire St. Lawrence Gas Company, Inc. ("SLG"). SLG is a rate-regulated natural gas distribution utility serving approximately 16,000 customers in northern New York State. The total purchase price for the transaction is U.S. \$70.0 million, less total third-party debt of SLG outstanding at closing, and subject to customary working capital adjustments. Closing of the transaction remains subject to regulatory approval and other closing conditions and is expected to occur in late 2018 or early 2019.

2017 Third Quarter Results From Operations

Key Financial Information	Three Months Ended September 30	
	2017	2016
(all dollar amounts in \$ millions except per share information)		
Revenue	\$ 443.3	\$ 221.3
Net earnings attributable to shareholders	59.4	17.7
Cash provided by operating activities	119.1	22.6
Adjusted Net Earnings ¹	64.9	26.6
Adjusted EBITDA ¹	197.5	91.4
Adjusted Funds from Operations ¹	127.0	61.0
Dividends declared to common shareholders	57.5	37.7
Weighted average number of common shares outstanding	386,816,307	273,202,368
Per share		
Basic net earnings	\$ 0.15	\$ 0.06
Diluted net earnings	\$ 0.15	\$ 0.05
Adjusted Net Earnings ^{1,2}	\$ 0.16	\$ 0.09
Dividends declared to common shareholders	\$ 0.15	\$ 0.14

¹ Non-GAAP Financial Measures.

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

For the three months ended September 30, 2017, APUC experienced an average U.S. exchange rate of approximately 1.2526 as compared to 1.3047 in the same period in 2016. As such, any quarter-over-quarter variance in revenue or expenses, in local currency, at any of APUC's U.S. entities is affected by a change in the average exchange rate upon conversion to APUC's reporting currency.

For the three months ended September 30, 2017, APUC reported total revenue of \$443.3 million as compared to \$221.3 million during the same period in 2016, an increase of \$222.0 million. The major factors resulting in the increase in APUC revenue in the three months ended September 30, 2017 as compared to the corresponding period in 2016 are set out as follows:

**Three Months Ended
September 30**

(all dollar amounts in \$ millions)

Comparative Prior Period Revenue	\$ 221.3
LIBERTY POWER GROUP	
Existing Facilities	
Hydro: Decrease primarily due to prior year recognition of a Global Adjustment payment from the Ontario IESO as well as a decline in production in the Maritimes region and lower average market rates in the Western region.	(5.7)
Wind Canada: Increase primarily due to higher production and annual rate increases.	0.1
Wind U.S.: Decrease primarily due to lower production.	(1.2)
Solar U.S.: Decrease primarily due to lower production.	(0.2)
Thermal: Increase primarily due to increased pricing at the Sanger Thermal Facility which is partially offset by a decline in production.	0.4
Other:	(0.5)
	(7.1)
New Facilities	
Wind U.S.: Acquisition of Odell (September 2016) and Deerfield (March 2017) Wind Facilities.	7.1
Solar U.S.: Bakersfield II Solar Facility was placed in service in December 2016.	0.8
	7.9
Foreign Exchange	(1.4)
LIBERTY UTILITIES GROUP	
Existing Facilities	
Electricity: Decrease primarily due to lower cost of energy at the Calpeco Electric System combined with lower volumes at the Granite State Electric System due to decreased cooling degree days.	(1.3)
Gas: Increase primarily due to higher purchased gas costs at the Peach State Gas Systems combined with higher volumes at the Midstates, EnergyNorth and Peach State Gas Systems.	4.3
Water: Decrease primarily due to completion of condemnation proceedings on June 22, 2017 of the Mountain Water System in Montana.	(3.6)
Other: Decrease primarily due to lower contracted services.	(4.5)
	(5.1)
New Facilities	
Electricity: Acquisition of both Empire's electric distribution system (\$214.5 million) on January 1, 2017 and the Luning Solar Facility (\$3.9 million) on February 15, 2017.	218.4
Gas: Acquisition of Empire's gas distribution system on January 1, 2017.	5.9
Water: Acquisition of Empire's water distribution system on January 1, 2017.	0.7
Other: Acquisition of Empire's fiber optic operations on January 1, 2017.	2.1
	227.1
Rate Cases	
Electricity: Implementation of new rates at the Calpeco and Granite State Electric Systems.	3.7
Gas: Implementation of new rates at the EnergyNorth, Peach State, and New England Gas Systems.	1.8
Water: Implementation of new rates at the Park Water (Central Basin), Apple Valley Water, and Rio Rico Water Systems.	1.8
	7.3
Foreign Exchange	(6.7)
Current Period Revenue	\$ 443.3

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

For the three months ended September 30, 2017, net earnings attributable to shareholders totaled \$59.4 million as compared to \$17.7 million during the same period in 2016, an increase of \$41.7 million or 235.6%. The increase was primarily due to a \$103.3 million increase in earnings from operating facilities (including Empire), \$1.0 million decrease in acquisition related costs, \$1.0 million increase in interest, dividend equity and other income, and \$7.5 million increase in net effect of non-controlling interests. These items were partially offset by a \$6.0 million decrease in foreign exchange gain, \$4.4 million decrease in gains from derivative instruments, \$0.6 million decrease in gains on long lived assets, \$2.3 million decrease in other gains, \$2.3 million increase in administration charges, \$31.7 million increase in depreciation and amortization expenses, \$10.8 million increase in interest expense, and \$13.0 million increase in income tax expense (tax explanations are discussed in *APUC: Corporate and Other Expenses*).

During the three months ended September 30, 2017, cash provided by operating activities totaled \$119.1 million as compared to cash provided by operating activities of \$22.6 million during the same period in 2016. During the three months ended September 30, 2017, Adjusted Funds from Operations totaled \$127.0 million compared to Adjusted Funds from Operations of \$61.0 million during the same period in 2016. The change in Adjusted Funds from Operations in the three months ended September 30, 2017 is primarily due to increased earnings from operations (including Empire) as compared to the same period in 2016.

During the three months ended September 30, 2017, Adjusted EBITDA totaled \$197.5 million as compared to \$91.4 million during the same period in 2016, an increase of \$106.1 million or 116.1%. A more detailed analysis of these factors is presented within the reconciliation of Adjusted EBITDA to net earnings set out below (see *Non-GAAP Performance Measures*).

2017 Year-to-Date Results From Operations

Key Financial Information (all dollar amounts in \$ millions except per share information)	Nine Months Ended September 30	
	2017	2016
Revenue	\$ 1,454.5	\$ 785.8
Net earnings attributable to shareholders	133.1	84.6
Cash provided by operating activities	288.0	166.0
Adjusted Net Earnings ¹	206.2	114.0
Adjusted EBITDA ¹	650.0	338.6
Adjusted Funds from Operations ¹	455.4	260.0
Dividends declared to common shareholders	178.5	109.9
Weighted average number of common shares outstanding	372,109,455	271,120,426
Per share		
Basic net earnings	\$ 0.34	\$ 0.28
Diluted net earnings	\$ 0.33	\$ 0.28
Adjusted Net Earnings ^{1,2}	\$ 0.53	\$ 0.40
Dividends declared to common shareholders	\$ 0.46	\$ 0.40
As at		
	September 30, 2017	December 31, 2016
Total assets	\$ 10,306.7	\$ 8,249.5
Long term debt ³	\$ 4,435.1	\$ 4,272.0

¹ Non-GAAP Financial Measures.

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

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

For the nine months ended September 30, 2017, APUC experienced an average U.S. exchange rate of approximately 1.3068 as compared to 1.3224 in the same period in 2016. As such, any year-over-year variance in revenue or expenses, in local currency, at any of APUC's U.S. entities is affected by a change in the average exchange rate upon conversion to APUC's reporting currency. For the nine months ended September 30, 2017, APUC reported total revenue of \$1.5 billion as compared to \$785.8 million during the same period in 2016, an increase of \$668.7 million or 85.1%. The major factors resulting in the increase in APUC revenue for the nine months ended September 30, 2017 as compared to the corresponding period in 2016 are set out as follows:

(all dollar amounts in \$ millions)

Comparative Prior Period Revenue	\$	785.8
LIBERTY POWER GROUP		
Existing Facilities		
Hydro: Decrease primarily due to prior year recognition of a Global Adjustment payment from the Ontario IESO, a decline in production in the Maritimes region and lower average market rates in the Western region.		(7.1)
Wind Canada: Increase primarily due to slight increase in production and annual rate increases.		0.3
Wind U.S.: Decrease primarily due to lower REC pricing partially offset by higher production.		(0.6)
Solar Canada: Decrease due to lower production.		(0.6)
Solar U.S.: Decrease due to business interruption insurance proceeds received in Q1 2016 in excess of current year operating profit for the Bakersfield I Solar Facility.		(0.5)
Thermal: Increase due to higher pass-through costs to customer as a result of higher fuel costs, partially offset by decreased production.		1.2
Other: Decrease primarily due to a new capacity-based contract at the Sanger Thermal Facility.		(1.7)
		(9.0)
New Facilities		
Wind U.S.: Acquisition of Odell (September 2016) and Deerfield (March 2017) Wind Facilities.		29.8
Solar U.S.: Bakersfield II Solar Facility was placed in service in December 2016.		1.9
		31.7
Foreign Exchange		
		(1.4)
LIBERTY UTILITIES GROUP		
Existing Facilities		
Electricity: Decrease primarily related to lower pass through energy costs at the Calpeco Electric System.		(7.7)
Gas: Increase primarily related to higher pass through gas costs at the EnergyNorth, Peach State, and New England Gas Systems, partially offset by decreased pass through costs at the Midstates Gas System.		23.4
Water: Decrease primarily due to completion of condemnation proceedings on June 22, 2017 of the Mountain Water System in Montana.		(3.6)
Other: Decrease primarily due to lower contracted services.		(3.5)
		8.6
New Facilities		
Electricity: Acquisition of both Empire's electric distribution system (\$573.9 million) on January 1, 2017 and the Luning Solar Facility (\$11.7 million) on February 15, 2017.		585.6
Gas: Acquisition of Empire's gas distribution system on January 1, 2017.		32.3
Water: Acquisition of Empire's water distribution system on January 1, 2017.		2.0
Other: Acquisition of Empire's fiber optic operations on January 1, 2017.		6.1
		626.0
Rate Cases		
Electricity: Implementation of new rates at the Calpeco and Granite State Electric Systems.		10.9
Gas: Implementation of new rates at the New England, Peach State, EnergyNorth, and Midstates Gas Systems.		8.4
Water: Implementation of new rates at the Park Water (Central Basin), Bella Vista, Rio Rico, and Black Mountain Waste Water Systems.		4.0
		23.3
Foreign Exchange		
		(10.5)
Current Period Revenue	\$	1,454.5

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

For the nine months ended September 30, 2017, net earnings attributable to shareholders totaled \$133.1 million as compared to \$84.6 million during the same period in 2016, an increase of \$48.5 million. The increase was due to a \$298.8 million increase in earnings from operating facilities, \$2.1 million increase in interest, dividend, equity and other income, \$1.5 million increase in gains on long lived assets, and \$26.2 million increase in net effect of non-controlling interests. These items were partially offset by a \$4.3 million decrease on gains from derivative instruments, \$0.6 million decrease in foreign exchange gains, \$104.1 million increase in depreciation and amortization expenses, \$11.8 million increase in administration charges, \$8.5 million decrease in other gains, \$67.3 million increase in interest expense, \$31.6 million increase in income tax expense (tax explanations are discussed in *APUC: Corporate and Other Expenses*), and \$51.9 million increase in acquisition costs as compared to the same period in 2016.

During the nine months ended September 30, 2017, cash provided by operating activities totaled \$288.0 million as compared to \$166.0 million during the same period in 2016. During the nine months ended September 30, 2017, Adjusted Funds from Operations, a non-GAAP measure, totaled \$455.4 million as compared to \$260.0 million the same period in 2016, an increase of \$195.4 million.

Adjusted EBITDA in the nine months ended September 30, 2017 totaled \$650.0 million as compared to \$338.6 million during the same period in 2016, an increase of \$311.4 million or 92.0%. A detailed analysis of this variance is presented within the reconciliation of Adjusted EBITDA to net earnings set out below (see *Non-GAAP Performance Measures*).

2017 Adjusted EBITDA Summary

Adjusted EBITDA in the three months ended September 30, 2017 totaled \$197.5 million as compared to \$91.4 million during the same period in 2016, an increase of \$106.1 million or 116.1%. Adjusted EBITDA in the nine months ended September 30, 2017 totaled \$650.0 million as compared to \$338.6 million during the same period in 2016, an increase of \$311.4 million or 92.0%. The breakdown of Adjusted EBITDA by the company's main operating segments and a summary of changes are shown below.

Adjusted EBITDA by business units (all dollar amounts in \$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Liberty Power Group Operating Profit	\$ 43.1	\$ 44.8	\$ 180.0	\$ 155.4
Liberty Utilities Group Operating Profit	168.2	57.7	513.5	214.8
Administrative Expenses	(14.4)	(12.1)	(45.7)	(33.9)
Other Income & Expenses	0.6	1.0	2.2	2.3
Total Algonquin Power & Utilities Adjusted EBITDA	\$ 197.5	\$ 91.4	\$ 650.0	\$ 338.6
Change in Adjusted EBITDA (\$)	\$ 106.1		\$ 311.4	
Change in Adjusted EBITDA (%)	116.1%		92.0%	

Change in Adjusted EBITDA (all dollar amounts in \$ millions)	Three Months Ended September 30, 2017			
	Power	Utilities	Corporate	Total
Prior period balances	\$ 44.8	\$ 57.7	\$ (11.1)	\$ 91.4
Existing Facilities	(7.1)	(6.7)	(0.3)	(14.1)
New Facilities	6.4	112.5	—	118.9
Rate Cases	—	7.3	—	7.3
Foreign Exchange Impact	(1.0)	(2.6)	—	(3.6)
Administrative Expenses	—	—	(2.4)	(2.4)
Total change during the period	\$ (1.7)	\$ 110.5	\$ (2.7)	\$ 106.1
Current period balances	\$ 43.1	\$ 168.2	\$ (13.8)	\$ 197.5

Change in Adjusted EBITDA**Nine Months Ended September 30, 2017**

(all dollar amounts in \$ millions)

	Power	Utilities	Corporate	Total
Prior period balances	\$ 155.4	\$ 214.8	\$ (31.6)	\$ 338.6
Existing Facilities	(5.9)	(5.6)	—	(11.5)
New Facilities	31.1	284.5	—	315.6
Rate Cases	—	23.3	—	23.3
Foreign Exchange Impact	(0.6)	(3.5)	—	(4.1)
Administration Expenses	—	—	(11.9)	(11.9)
Total change during the period	\$ 24.6	\$ 298.7	\$ (11.9)	\$ 311.4
Current period balances	\$ 180.0	\$ 513.5	\$ (43.5)	\$ 650.0

LIBERTY POWER GROUP

2017 Electricity Generation Performance

(Performance in GW-hrs sold)	Long Term Average Resource	Three Months Ended September 30		Long Term Average Resource	Nine Months Ended September 30	
		2017	2016		2017	2016
Hydro Facilities:						
Maritime Region	20.7	12.3	28.0	110.6	94.8	122.2
Quebec Region	62.3	55.3	50.2	200.7	203.1	203.5
Ontario Region	28.5	28.1	26.4	104.0	98.9	98.2
Western Region	23.8	16.1	27.4	52.4	49.1	48.0
	135.3	111.8	132.0	467.7	445.9	471.9
Wind Facilities:						
St. Damase	16.9	14.5	15.4	54.2	50.3	54.0
St. Leon	87.9	84.5	81.7	308.8	305.5	286.5
Red Lily ¹	20.4	15.7	16.5	64.4	62.4	57.2
Morse	22.6	20.9	20.2	78.3	73.3	67.1
Sandy Ridge	29.9	20.8	23.8	114.7	111.3	104.0
Minonk	128.7	82.8	87.4	483.9	470.2	450.9
Senate	91.7	84.8	102.4	380.4	366.2	367.7
Shady Oaks	54.5	47.2	47.9	255.1	256.8	219.5
Odell ²	155.1	129.5	86.5	593.8	562.6	86.5
Deerfield ³	106.3	74.5	—	312.6	285.0	—
	714.0	575.2	481.8	2,646.2	2,543.6	1,693.4
Solar Facilities:						
Cornwall	4.8	5.4	5.4	12.5	12.3	13.7
Bakersfield I	17.0	14.4	15.9	43.9	39.6	38.5
Bakersfield II ⁴	8.0	6.5	—	20.3	18.2	—
	29.8	26.3	21.3	76.7	70.1	52.2
Renewable Energy Performance	879.1	713.3	635.1	3,190.6	3,059.6	2,217.5
Thermal Facilities:						
Windsor Locks	N/A ⁵	31.0	45.0	N/A ⁵	90.2	100.1
Sanger	N/A ⁵	18.1	32.0	N/A ⁵	52.5	89.9
		49.1	77.0		142.7	190.0
Total Performance		762.4	712.1		3,202.3	2,407.5

¹ Effective April 12, 2016, APUC, through its subsidiary, exercised its option and acquired a 75% equity interest in the Red Lily Wind Facility. For financial accounting purposes, APUC's majority interest in the Red Lily Wind Facility is accounted for using the equity method. The production figures represent full energy produced by the facility.

² The Odell Wind Facility achieved COD on July 29, 2016 and was treated as an equity investment until September 15, 2016 at which time the Company acquired the remaining 50% ownership in the facility.

³ The Deerfield Wind Facility achieved COD on February 21, 2017 and was treated as an equity investment until March 14, 2017 at which time the Company acquired the remaining 50% ownership in the facility. The LTAR and production noted above represents all production from the date of COD.

⁴ The Bakersfield II Solar Facility achieved COD on January 11, 2017 in accordance with the terms of the PPA. The LTAR and production noted above represents all production from the date of COD.

⁵ Natural gas fired co-generation facility.

2017 Third Quarter Liberty Power Group Performance

For the three months ended September 30, 2017, the Liberty Power Group generated 762.4 GW-hrs of electricity as compared to 712.1 GW-hrs during the same period of 2016.

For the three months ended September 30, 2017, the hydro facilities generated 111.8 GW-hrs of electricity as compared to 132.0 GW-hrs produced in the same period in 2016, a decrease of 15.3%. Electricity generated represented 82.6% of long-term average resources ("LTAR") as compared to 97.6% during the same period in 2016. The decrease is primarily attributable to reduced hydrology in the Maritime Region.

For the three months ended September 30, 2017, the wind facilities produced 575.2 GW-hrs of electricity as compared to 481.8 GW-hrs produced in the same period in 2016, an increase of 19.4%. The higher generation was primarily due to production at the Odell and Deerfield Wind Facilities, which achieved commercial operations ("COD") on July 29, 2016 and February 21, 2017, respectively. These items were partially offset by lower production at the Senate, Minonk and Sandy Ridge Wind Facilities. During the three months ended September 30, 2017, the wind facilities generated electricity equal to 80.6% of LTAR as compared to 89.1% during the same period in 2016. The overall change is primarily attributable to the incremental electricity generated at the Odell and Deerfield Wind Facilities, partially offset by a production decrease at the existing US Wind Facilities.

For the three months ended September 30, 2017, the solar facilities generated 26.3 GW-hrs of electricity as compared to 21.3 GW-hrs of electricity in the same period in 2016, an increase of 23.5%. The increase in production is largely attributable to the new Bakersfield II Solar Facility. Excluding the new facility, the Cornwall and Bakersfield I Solar Facilities had a production decrease of 7.0% as compared to the same period last year.

For the three months ended September 30, 2017, the thermal facilities generated 49.1 GW-hrs of electricity as compared to 77.0 GW-hrs of electricity during the same period in 2016. The decrease is primarily due to a new capacity-based contract at the Sanger Thermal Facility. During the same period, the Windsor Locks Thermal Facility generated 111.8 billion lbs of steam as compared to 103.9 billion lbs of steam during the same period in 2016.

2017 Year-to-Date Liberty Power Performance

For the nine months ended September 30, 2017, the Liberty Power Group generated 3,202.3 GW-hrs of electricity as compared to 2,407.5 GW-hrs during the same period of 2016.

For the nine months ended September 30, 2017, the hydro facilities generated 445.9 GW-hrs of electricity as compared to 471.9 GW-hrs produced in the same period in 2016, a decrease of 5.5%. Electricity generated represented 95.3% of LTAR as compared to 100.9% during the same period in 2016. During the nine months ended September 30, 2017, the Quebec region achieved production above its LTAR, while production in the Maritime, Ontario and Western regions were below their respective LTARs.

For the nine months ended September 30, 2017, the wind facilities produced 2,543.6 GW-hrs of electricity as compared to 1,693.4 GW-hrs produced in the same period in 2016, an increase of 50.2%. During the nine months ended September 30, 2017, the wind facilities generated electricity equal to 96.1% of LTAR as compared to 91.8% during the same period in 2016. The change is primarily attributable to an increase in production across all previously existing U.S. Wind Facilities as well as incremental electricity generated at the Odell and Deerfield Wind Facilities.

For the nine months ended September 30, 2017, the solar facilities generated 70.1 GW-hrs of electricity as compared to 52.2 GW-hrs of electricity produced in the same period in 2016, an increase of 34.3%. The increase in production is primarily attributable to production at the new Bakersfield II Solar Facility which achieved COD on January 11, 2017. Excluding the new facility, production from the Cornwall and Bakersfield I Solar Facilities had a decrease of 0.6% as compared to the same period last year.

For the nine months ended September 30, 2017, the thermal facilities generated 142.7 GW-hrs of electricity as compared to 190.0 GW-hrs of electricity during the same period in 2016. The decrease is primarily due to a new capacity-based contract at the Sanger Thermal Facility. During the same period, the Windsor Locks Thermal Facility generated 422.2 billion lbs of steam as compared to 423.2 billion lbs of steam during the same period in 2016.

2017 Liberty Power Group Operating Results

(all dollar amounts in \$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Revenue ¹				
Hydro	\$ 11.6	\$ 17.9	\$ 44.2	\$ 51.9
Wind	28.6	22.8	117.6	85.6
Solar	5.2	4.7	11.9	11.3
Thermal	11.0	10.9	27.6	27.3
Total Revenue	\$ 56.4	\$ 56.3	\$ 201.3	\$ 176.1
Less:				
Cost of Sales - Energy ²	(1.9)	(1.6)	(4.6)	(3.9)
Cost of Sales - Thermal	(3.4)	(4.4)	(13.1)	(11.1)
Realized loss on hedges ³	—	—	(0.7)	(0.9)
Net Energy Sales	\$ 51.1	\$ 50.3	\$ 182.9	\$ 160.2
Renewable Energy Credits ("REC")	3.3	3.6	11.6	13.9
Other Revenue	0.2	0.6	0.4	1.9
Total Net Revenue	\$ 54.6	\$ 54.5	\$ 194.9	\$ 176.0
Expenses & Other Income				
Operating expenses	(22.5)	(17.4)	(64.7)	(52.2)
Interest, dividend, equity and other income	0.7	2.5	2.6	4.2
HLBV income ⁴	10.3	5.2	47.2	27.4
Divisional Operating Profit⁵	\$ 43.1	\$ 44.8	\$ 180.0	\$ 155.4

¹ While most of the Liberty Power Group's PPAs include annual rate increases, a change to the weighted average production levels resulting from higher average production from facilities that earn lower or higher energy rates can result in a different weighted average energy rate earned by the division as compared to the same period in the prior year.

² Cost of Sales - Energy consists of energy purchases in the Maritime Region to manage the energy sales from the Tinker Hydro Facility which is sold to retail and industrial customers under multi-year contracts.

³ See Unaudited Interim Consolidated Financial Statements note 21(b)(iv).

⁴ HLBV income represents the value of net tax attributes earned by the Liberty Power Group in the period from electricity generated by certain of its U.S. wind power and U.S. solar generation facilities.

⁵ See Non-GAAP Financial Measures.

2017 Third Quarter Operating Results

For the three months ended September 30, 2017, the Liberty Power Group generated \$43.1 million of operating profit as compared to \$44.8 million during the same period in 2016, which represents a decrease of \$1.7 million, excluding corporate administration expenses.

Highlights of the changes are summarized in the following table:

(all dollar amounts in \$ millions)	Three Months Ended September 30
Prior Period Operating Profit	\$ 44.8
Existing Facilities	
Hydro: Decrease primarily due to prior year recognition of a Global Adjustment payment from the Ontario IESO as well as a decline in production in the Maritimes region and lower average market rates in the Western region.	(5.9)
Wind Canada:	(0.1)
Wind U.S.: Decrease primarily due to lower production.	(0.8)
Solar U.S.: Decrease primarily due to lower production.	(0.4)
Thermal: Lower production was offset by lower fuel costs as well as lower operating costs.	1.0
Other: Decrease primarily due to a new capacity based contract at the Sanger Thermal Facility.	(0.9)
	(7.1)
New Facilities	
Wind U.S.: Acquisition of Odell (September 2016) and Deerfield (March 2017) Wind Facilities.	5.1
Solar U.S.: Bakersfield II was placed in service in December 2016.	1.3
	6.4
Foreign Exchange	(1.0)
Current Period Divisional Operating Profit	\$ 43.1

2017 Year-to-Date Operating Results

For the nine months ended September 30, 2017, the Liberty Power Group generated \$180.0 million of operating profit as compared to \$155.4 million during the same period in 2016, which represents an increase of \$24.6 million or 15.8%, excluding corporate administration expenses.

Highlights of the changes are summarized in the following table:

(all dollar amounts in \$ millions)	Nine Months Ended September 30	
Prior Period Operating Profit	\$	155.4
Existing Facilities		
Hydro: Decrease primarily due to prior year recognition of a Global Adjustment payment from the Ontario IESO as well as a decline in production in the Maritime Region.		(7.6)
Wind U.S.: Increase primarily due to higher production and increased HLBV income.		5.6
Solar Canada: Decrease primarily due to lower production.		(0.4)
Solar U.S.: Decrease primarily due to business interruption insurance proceeds received in Q1 2016 in excess of current year operating profit.		(0.7)
Thermal: Decrease primarily attributable to lower production and increased energy costs partially offset by increased rates charged to customers.		(1.0)
Other: Decrease primarily due to a new capacity based contract at the Sanger Thermal Facility.		(1.8)
		(5.9)
New Facilities		
Wind U.S.: Acquisition of Odell and Deerfield Wind facilities.		28.2
Solar U.S.: Bakersfield II was placed in service in December 2016.		2.9
		31.1
Foreign Exchange		(0.6)
Current Period Divisional Operating Profit	\$	180.0

LIBERTY UTILITIES GROUP

The Liberty Utilities Group operates rate-regulated utilities that provide distribution services to approximately 758,000 connections in the natural gas, electric, water and wastewater sectors. On January 1, 2017, Liberty Utilities completed the acquisition of The Empire District Electric Company ("Empire"). Empire is a vertically-integrated utility providing electric, natural gas and water service serving approximately 218,000 customers in Missouri, Kansas, Oklahoma, and Arkansas. The Liberty Utilities Group's strategy is to grow its business organically and through business development activities while using prudent acquisition criteria. The Liberty Utilities Group believes that its business results are maximized by building constructive regulatory and customer relationships and enhancing connections in the communities in which it operates.

Utility System Type	As at September 30			
	2017		2016	
(all dollar amounts in U.S. \$ millions)	Assets	Total Connections ¹	Assets	Total Connections ¹
Electricity	\$ 2,452.1	264,000	\$ 362.9	93,000
Natural Gas	959.9	335,000	816.9	293,000
Water and Wastewater	457.4	159,000	503.0	178,000
Total	\$ 3,869.4	758,000	\$ 1,682.8	564,000
Accumulated Deferred Income Taxes Liability	\$ 693.5		\$ 172.4	

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

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

The electric distribution systems are comprised of regulated electrical distribution utility systems and serve approximately 264,000 connections in the states of California, New Hampshire, Missouri, Kansas, Oklahoma, and Arkansas.

The natural gas distribution systems are comprised of regulated natural gas distribution utility systems and serve approximately 335,000 connections located in the states of Georgia, Illinois, Iowa, Massachusetts, New Hampshire, and Missouri.

The water and wastewater distribution systems are comprised of regulated water distribution and wastewater collection utility systems and serve approximately 159,000 connections located in the states of Arkansas, Arizona, California, Illinois, Missouri, and Texas.

2017 Third Quarter Usage Results

Electric Distribution Systems

	Three Months Ended September 30	
	2017	2016
Average Active Electric Connections For The Period		
Residential	223,700	80,400
Commercial and industrial	39,200	12,400
Total Average Active Electric Connections For The Period	262,900	92,800
Customer Usage (GW-hrs)		
Residential	616.5	136.8
Commercial and industrial	953.7	235.2
Total Customer Usage (GW-hrs)	1,570.2	372.0

For the three months ended September 30, 2017, the electric distribution systems' usage totaled 1,570.2 GW-hrs as compared to 372.0 GW-hrs for the same period in 2016, an increase of 1,198.2 GW-hrs or 322.1%. The addition of Empire accounted for 1,208.9 GW-hrs of the increase. The Calpeco Electric System and Granite State Electric System usage totaled 361.3 GW-hrs, a decrease of 10.7 GW-hrs or 2.9%.

Natural Gas Distribution Systems

	Three Months Ended September 30	
	2017	2016
Average Active Natural Gas Connections For The Period		
Residential	283,000	245,600
Commercial and industrial	30,900	26,000
Total Average Active Natural Gas Connections For The Period	313,900	271,600
Customer Usage (MMBTU)		
Residential	1,101,000	963,000
Commercial and industrial	1,481,000	1,276,000
Total Customer Usage (MMBTU)	2,582,000	2,239,000

For the three months ended September 30, 2017, usage at the natural gas distribution systems totaled 2,582,000 MMBTU as compared to 2,239,000 MMBTU during the same period in 2016, an increase of 343,000 MMBTU or 15.3%. The addition of Empire accounted for 172,000 MMBTU of the increase.

Water and Wastewater Distribution Systems

	Three Months Ended September 30	
	2017	2016
Average Active Connections For The Period		
Wastewater connections	41,000	40,400
Water distribution connections	111,700	131,200
Total Average Active Connections For The Period	152,700	171,600
Gallons Provided		
Wastewater treated (millions of gallons)	547	529
Water sold (millions of gallons)	4,895	6,102
Total Gallons Provided	5,442	6,631

During the three months ended September 30, 2017, the water and wastewater distribution systems provided approximately 4,895 million gallons of water to its customers and treated approximately 547 million gallons of wastewater as compared to 6,102 million gallons of water provided and 529 million gallons of wastewater treated during the same period in 2016. The decrease in water connections and water sold during the period is primarily due to the completion of condemnation proceedings at the Mountain Water System in Montana on June 22, 2017.

2017 Third Quarter Operating Results

	Three Months Ended September 30			
	2017 U.S. \$ (millions)	2016 U.S. \$ (millions)	2017 Cdn \$ (millions)	2016 Cdn \$ (millions)
Revenue				
Utility electricity sales and distribution	\$ 217.4	\$ 41.6	\$ 272.6	\$ 54.2
Less: cost of sales – electricity	(65.2)	(21.7)	(81.9)	(28.4)
Net Utility Sales - electricity	152.2	19.9	190.7	25.8
Utility natural gas sales and distribution	42.8	33.9	53.6	44.2
Less: cost of sales – natural gas	(10.6)	(7.1)	(13.3)	(9.3)
Net Utility Sales - natural gas	32.2	26.8	40.3	34.9
Utility water distribution & wastewater treatment sales and distribution	38.2	39.1	48.0	51.0
Less: cost of sales – water	(2.7)	(2.7)	(3.3)	(3.5)
Net Utility Sales - water distribution & wastewater treatment	35.5	36.4	44.7	47.5
Gas transportation	4.3	3.6	5.4	4.7
Other revenue	3.0	4.8	3.7	6.5
Net Utility Sales	\$ 227.2	\$ 91.5	\$ 284.8	\$ 119.4
Operating expenses	(95.6)	(48.3)	(119.8)	(63.0)
Other income	0.9	1.0	1.2	1.3
HLBV	1.6	—	2.0	—
Divisional Operating Profit¹	\$ 134.1	\$ 44.2	\$ 168.2	\$ 57.7

¹ Certain prior year items have been reclassified to conform with current year presentation.

For the three months ended September 30, 2017, the Liberty Utilities Group reported an operating profit (excluding corporate administration expenses) of U.S. \$134.1 million as compared to U.S. \$44.2 million for the comparable period in the prior year. Measured in Canadian dollars, the Group's operating profit was \$168.2 million as compared to \$57.7 million during the same period in 2016, which represents an increase of \$110.5 million or 192%, excluding corporate administration expenses.

Highlights of the changes are summarized in the following table:

(all dollar amounts in \$ millions)	Three Months Ended September 30
Prior Period Operating Profit	\$ 57.7
Existing Facilities	
Electricity: Decrease primarily due to lower volumes at the Granite State Electric System as a result of fewer cooling degree days as compared to the same period in the prior year.	(0.9)
Gas: Decrease primarily due to higher operating costs at the EnergyNorth and Peach State Gas Systems.	(0.7)
Water: Decrease primarily due to completion of condemnation proceedings on June 22, 2017 of the Mountain Water System in Montana.	(1.6)
Other: Decrease primarily due lower revenues for contracted services.	(3.5)
	(6.7)
New Facilities	
Electricity: Acquisition of both Empire's electric distribution system on January 1, 2017 (\$104.0) and the Luning Solar Facility on February 15, 2017 (\$5.4).	109.4
Gas: Acquisition of Empire's gas distribution system on January 1, 2017.	1.2
Water: Acquisition of Empire's water distribution system on January 1, 2017.	0.3
Other: Acquisition of Empire's fiber optic operations on January 1, 2017.	1.6
	112.5
Rate Cases	
Electricity: Implementation of new rates at the Calpeco and Granite State Electric Systems.	3.7
Gas: Implementation of new rates at the EnergyNorth, New England, and Peach State Gas Systems.	1.8
Water: Implementation of new rates at the Park Water and the Rio Rico Water Systems.	1.8
	7.3
Foreign Exchange	(2.6)
Current Period Divisional Operating Profit	\$ 168.2

2017 Year-to-Date Usage Results

Electric Distribution Systems

Nine Months Ended
September 30

2017 2016

Average Active Electric Connections For The Period		
Residential	223,400	80,300
Commercial and industrial	39,100	12,400
Total Average Active Electric Connections For The Period	262,500	92,700
Customer Usage (GW-hrs)		
Residential	1,748.4	424.5
Commercial and industrial	2,640.8	670.2
Total Customer Usage (GW-hrs)	4,389.2	1,094.7

For the nine months ended September 30, 2017, the electric distribution systems' usage totaled 4,389.2 GW-hrs as compared to 1,094.7 GW-hrs for the same period in 2016, an increase of 3,294.5 GW-hrs. The addition of Empire accounted for 3,294.7 GW-hrs of the increase. Customer usage at the Calpeco Electric System was 15.8 GW-hrs higher and was offset by 16.0 GW-hrs of lower usage at the Granite State Electric System due to lower cooling degree days experienced in the region.

Natural Gas Distribution Systems

Nine Months Ended
September 30

2017 2016

Average Active Natural Gas Connections For The Period		
Residential	287,100	249,300
Commercial and industrial	31,600	26,500
Total Average Active Natural Gas Connections For The Period	318,700	275,800
Customer Usage (MMBTU)		
Residential	12,424,000	11,610,000
Commercial and industrial	8,390,000	7,915,000
Total Customer Usage (MMBTU)	20,814,000	19,525,000

For the nine months ended September 30, 2017, usage at the natural gas distribution systems totaled 20,814,000 MMBTU as compared to 19,525,000 MMBTU during the same period in 2016, an increase of 1,289,000 MMBTU or 6.6%. The addition of Empire accounted for 1,928,000 MMBTU of the increase. The Midstates Gas Systems experienced a lower number of heating degrees days which was partially offset by higher demand at the EnergyNorth Gas System.

Water and Wastewater Distribution Systems

Nine Months Ended
September 30

2017 2016

Average Active Connections For The Period		
Wastewater connections	40,900	41,400
Water distribution connections	124,500	132,500
Total Average Active Connections For The Period	165,400	173,900
Gallons Provided		
Wastewater treated (millions of gallons)	1,670	1,688
Water sold (millions of gallons)	12,996	13,823
Total Gallons Provided	14,666	15,511

During the nine months ended September 30, 2017, the water and wastewater distribution systems provided approximately 12,996 million gallons of water to its customers and treated approximately 1,670 million gallons of wastewater as compared to 13,823 million gallons of water and 1,688 million gallons of wastewater during the same period in 2016. The decrease in water sold during the period is primarily due to the completion of condemnation proceedings at the Mountain Water System

in Montana on June 22, 2017 partially offset by the addition of Empire water distribution system which accounted for 239 million gallons in the period.

2017 Year-to-Date Operating Results

	Nine Months Ended September 30			
	2017 U.S. \$ (millions)	2016 U.S. \$ (millions)	2017 Can \$ (millions)	2016 Can \$ (millions)
Revenue				
Utility electricity sales and distribution	\$ 576.5	\$ 124.8	\$ 751.4	\$ 165.5
Less: cost of sales – electricity	(170.9)	(69.4)	(222.6)	(92.3)
Net Utility Sales - electricity	405.6	55.4	528.8	73.2
Utility natural gas sales and distribution	236.2	191.7	310.7	257.3
Less: cost of sales – natural gas	(88.6)	(65.2)	(116.8)	(88.9)
Net Utility Sales - natural gas	147.6	126.5	193.9	168.4
Utility water distribution & wastewater treatment sales and distribution	108.6	105.7	141.8	139.4
Less: cost of sales – water	(7.1)	(7.0)	(9.2)	(9.2)
Net Utility Sales - water distribution & wastewater treatment	101.5	98.7	132.6	130.2
Gas transportation	21.6	17.3	28.4	23.6
Other revenue	6.7	6.0	8.7	8.0
Net Utility Sales	\$ 683.0	\$ 303.9	\$ 892.4	\$ 403.4
Operating expenses	(297.1)	(145.5)	(388.9)	(192.5)
Other income	2.8	2.9	3.7	3.9
HLBV	4.8	—	6.3	—
Divisional Operating Profit¹	\$ 393.5	\$ 161.3	\$ 513.5	\$ 214.8

¹ Certain prior year items have been reclassified to conform with current year presentation.

For the nine months ended September 30, 2017, the Liberty Utilities Group reported an operating profit (excluding corporate administration expenses) of U.S. \$393.5 million as compared to U.S. \$161.3 million for the comparable period in the prior year. Measured in Canadian dollars, the group's operating profit was \$513.5 million as compared to \$214.8 million during the same period in 2016, which represents an increase of \$298.7 million or 139%, excluding corporate administration expenses.

Highlights of the changes are summarized in the following table:

(all dollar amounts in \$ millions)	Nine Months Ended September 30
Prior Period Operating Profit	\$ 214.8
Existing Facilities	
Electricity: Decrease primarily due to higher operating expenses at the Calpeco Electric System partially offset by higher net utility sales margin at the Granite State Electric System.	(0.4)
Gas: Increase primarily due to increased consumption at the EnergyNorth Gas System partially offset by decreased consumption at Peach State and Midstates Gas Systems.	1.5
Water: Decrease primarily due to completion of condemnation proceedings on June 22, 2017 of the Mountain Water System in Montana.	(3.1)
Other: Decrease primarily due lower revenues for contracted services.	(3.6)
	(5.6)
New Facilities	
Electricity: Acquisition of both Empire's electric distribution system on January 1, 2017 (\$255.5), and the Luning Solar Facility on February 15, 2017 (\$16.6).	272.1
Gas: Acquisition of Empire's gas distribution system on January 1, 2017.	7.6
Water: Acquisition of Empire's water distribution system on January 1, 2017.	1.0
Other: Acquisition of Empire's fiber optic operations on January 1, 2017.	3.8
	284.5
Rate Cases	
Electricity: Implementation of new rates at the Calpeco Electric and the Granite State Electric Systems.	10.9
Gas: Implementation of new rates at the New England, Peach State, EnergyNorth, and Midstates Gas Systems.	8.4
Water: Implementation of new rates at the Park Water, Bella Vista, Rio Rico Water, and Black Mountain Waste Water System.	4.0
	23.3
Foreign Exchange	(3.5)
Current Period Divisional Operating Profit	\$ 513.5

Regulatory Proceedings

The following table summarizes the major regulatory proceedings currently underway within the Liberty Utilities Group:

Utility	State	Regulatory Proceeding Type	Rate Request U.S. \$ (millions)	Current Status
Completed Rate Cases				
Oklahoma Electricity System	Oklahoma	General Rate Case	\$3.0	In lieu of authorizing the proposed rate increase the Commission ordered an immediate increase of \$1.0 million to capture the return on and of major capital investments related to plant upgrades and authorized Liberty Utilities to return in 2018 to seek the remaining proposed increases.
Pending Rate Cases				
EnergyNorth Gas System	New Hampshire	General Rate Case	\$19.9	On April 28, 2017, filed an application seeking a rate increase of U.S. \$13.8 million, plus a step increase of U.S. \$6.1 million to be implemented in May 2018. Temporary rates of U.S. \$7.8 million were requested to be effective as of July 1, 2017. On June 30, 2017, the Commission approved temporary rates of U.S. \$6.8 million (87% of the requested amount) effective July 1, 2017 to be in place until the end of the Company's permanent rate case.
Litchfield Park Water & Sewer	Arizona	General Rate Case	\$5.1	On February 28, 2017, filed an application (test year December 31, 2016) seeking a rate increase of U.S. \$5.1 million. New rates are expected to be effective Q3 2018.
Calpeco Electric	California	Turquoise Solar Project	\$3.5	On December 14, 2016, filed an application seeking approval to include the 10 MWac Turquoise Solar Project in rate base. On June 30, 2017, Liberty Utilities and ORA filed a joint motion to the Commission requesting approval of their filed settlement agreement. The settlement seeks recovery of costs via a Tier 2 advice letter to add the costs to rate base once the project reaches mechanical completion. The project is estimated to reach mechanical completion in mid-2018 and placed into service in the fourth quarter of 2018.
Woodmark/Tall Timbers Wastewater Systems	Texas	General Rate Case	\$1.6	On September 6, 2016, filed an application seeking a U.S. \$2.0 million rate increase. On June 30, 2017, Liberty Utilities filed its rebuttal testimony, which revised its request to U.S. \$1.6 million. In July 2017, a settlement agreement in principle was reached among all parties, which is expected to be filed with the Commission in October, 2017. The settlement is subject to approval of the City of Tyler's council and the Commission. The parties have requested interim rates be effective as of August 1, 2017, with a final decision expected in Q1 2018.
Missouri Gas System	Missouri	General Rate Case	\$7.5	On September 29, 2017, filed an application seeking a U.S. \$7.5 million rate increase for test year ending June 30, 2017 with proforma adjustments through to March 31, 2018. New rates are expected to be effective in Q3 2018.
Georgia Gas System	Georgia	Georgia Rate Adjustment Mechanism (GRAM)	\$1.4	On September 29, 2017, filed a 2018 GRAM application seeking a U.S. \$1.4 million rate increase for Test Year ending August 30, 2018. New rates are expected to be effective February 1, 2018.

Completed Rate Cases

On December 21, 2016, Empire filed an application with the Oklahoma Corporation Commission ("OCC") requesting a rate increase of U.S. \$3.0 million based on historical test year ending June 30, 2016 with known and measurable adjustments through December 31, 2016. On June 9, 2017, the ALJ issued a report and recommendation to the Commission, which includes a revenue requirement of U.S. \$2.6M based on a 9.5% return on equity ("ROE") and 49.7% equity. On August 17, 2017, in lieu of authorizing the proposed rate increase the Commission ordered an immediate increase of \$1.0 million to capture the return on and of major capital investments related to plant upgrades and authorized Liberty Utilities to return in 2018 to seek the remaining proposed increases.

CORPORATE DEVELOPMENT ACTIVITIES

The Company's Corporate Development group is focused on developing and contracting projects, and transitioning recently completed projects to the operations group. The group has successfully developed a number of projects and has been awarded or acquired a number of PPAs. All of the projects contained in the table below meet the following criteria: a proven wind or solar resource, signed PPAs with credit-worthy counterparties, and satisfaction of the Company's investment return objectives. The projects are as follows:

Project Name	Location	Size (MW)	Estimated Capital Cost Range (millions) ¹	Commercial Operation	PPA Term (Years)	Production (GW-hrs)
Projects in Construction						
Amherst Island Wind Project	Ontario	75	\$ 290 - \$ 325	2018	20	235
Great Bay Solar Project ²	Maryland	75	168 - 187	2017	10	146
Total Projects in Construction		150	\$ 458 - \$ 512			381
Projects in Development						
Blue Hill Wind Project	Saskatchewan	177	\$ 315 - \$ 350	2019/20	25	813
Val-Eo Wind Project ³	Quebec	24	60 - 70	2018	20	66
Turquoise Solar Project ⁴	Nevada	10	25 - 31	2018		28
Total Projects in Development		211	\$ 400 - \$ 451			907
Total in Construction and Development		361	\$ 858 - \$ 963			1,288

¹ Estimated capital costs for U.S. based projects have been converted at the exchange rate in effect at the end of the current reporting period.

² The total cost of the project is expected to be approximately \$135 - \$150 million in U.S. dollars.

³ All figures refer solely to Phase I of the Val-Eo Wind Project.

⁴ The Turquoise Solar Project will be included in the Rate Base of the CalPeco Electric System (see Regulatory Proceedings). The total cost of the project is expected to be approximately \$20 - \$25 million in U.S. dollars.

Projects in Construction

Amherst Island Wind Project

The Amherst Island Wind Project is a 75 MW wind powered electric generating development project located on Amherst Island near the village of Stella, approximately 15 kilometers southwest of Kingston, Ontario.

The total costs to complete the project are estimated at approximately \$290.0 million to \$325.0 million. Construction over the spring and summer months has focused primarily on the project's mainland and island docks which are now completed and in regular use for project construction activities.

Manufacturing and delivery of major equipment (turbines, main power transformer) continues on schedule, and are nearing completion. Public road strengthening and access road construction are in progress. Major construction activities are underway, with turbine deliveries targeted to start in November 2017. Subject to receipt of ongoing construction-related permitting, construction is expected to be substantially completed in the second quarter of 2018.

Great Bay Solar

The Great Bay Solar Project is a 75 MWac solar powered electric generating development project located in Somerset County in southern Maryland.

The project received its Certificate of Public Convenience and Necessity from the State of Maryland Public Service Commission and building permits from the Somerset County Building and Zoning Department. Both the balance of plant and high voltage engineering, procurement, and construction contracts have been executed.

The project substation was completed and backfed in August, and the collection system was energized shortly thereafter. Module installation is 90% complete, and inverter installation is 97% complete. Mechanical completion and placed in service activities for two of the four project sites were achieved in September. Commercial operation is expected by the end of 2017.

The total costs to complete the project are estimated at approximately U.S. \$135.0 million to U.S. \$150.0 million. Approximately 40% of the permanent project financing will come from Tax Equity investors. Initial funding of U.S. \$12.5 million and U.S. \$5.0 million was received on September 19, 2017 and October 31, 2017, respectively.

APUC: CORPORATE AND OTHER EXPENSES

(all dollar amounts in \$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Corporate and other expenses:				
Administrative expenses	\$ 14.4	\$ 12.1	\$ 45.7	\$ 33.9
Loss (gain) on foreign exchange	2.6	(3.4)	(1.2)	(1.8)
Interest expense on convertible debentures and acquisition facility due to the acquisition of Empire	—	17.0	17.6	39.4
Interest expense	45.6	17.8	142.6	53.5
Interest, dividend, equity, and other income ¹	(0.6)	(0.7)	(2.2)	(2.3)
Other gains ²	0.8	(2.2)	(4.1)	(11.0)
Acquisition-related costs	1.1	2.1	61.5	9.6
Loss (gain) on derivative financial instruments	—	(4.4)	1.4	(2.9)
Income tax expense	14.8	1.8	57.2	25.6

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

² Includes Other Gains and Loss on long-lived assets, net per the Statement of Operations.

2017 Third Quarter Corporate and Other Expenses

During the three months ended September 30, 2017, administrative expenses totaled \$14.4 million as compared to \$12.1 million in the same period in 2016. The \$2.3 million increase primarily relates to additional costs incurred to administer APUC's operations as a result of the Company's growth, including ongoing administration expenses related to Empire.

For the three months ended September 30, 2017, interest expense totaled \$45.6 million as compared to \$17.8 million in the same period in 2016. The increase is primarily attributable to assumed and incremental debt related to the Empire acquisition, and new debt raised at Liberty Power and Liberty Utilities. (See *Credit Facilities & Debt and Unaudited Interim Consolidated Financial Statements note 7*.)

For the three months ended September 30, 2017, other losses were \$0.8 million as compared to gains of \$2.2 million in the same period in 2016. The prior period gains were primarily due to gains on marketable securities and insurance recoveries.

For the three months ended September 30, 2017, acquisition-related costs totaled \$1.1 million as compared to \$2.1 million in the same period in 2016. The decrease was primarily driven by Empire related acquisition costs recorded in 2016.

For the three months ended September 30, 2017, loss on derivative financial instruments totaled \$nil as compared to a gain of \$4.4 million in the same period in 2016. The prior period gain was primarily driven by mark-to-market gains on foreign currency hedges.

For the three months ended September 30, 2017, income tax expense of \$14.8 million was recorded as compared to income tax expense of \$1.8 million during the same period in 2016. The increase in income tax expense is primarily due to the acquisition of Empire.

2017 Year-to-Date Corporate and Other Expenses

During the nine months ended September 30, 2017, administrative expenses totaled \$45.7 million as compared to \$33.9 million in the same period in 2016. The increase primarily relates to additional costs incurred to administer APUC's operations as a result of the Company's growth, including ongoing administration expenses related to Empire.

For the nine months ended September 30, 2017, interest expense on convertible debentures and bridge financing totaled \$17.6 million (see *Convertible Unsecured Subordinated Debentures and Unaudited Interim Consolidated Financial Statements note 14*).

For the nine months ended September 30, 2017, interest expense totaled \$142.6 million as compared to \$53.5 million in the same period in 2016. The increase in interest expense for the period is primarily attributable to assumed and incremental debt related to the Empire acquisition, and new debt raised at Liberty Power and Liberty Utilities. (See *Credit Facilities & Debt and Unaudited Interim Consolidated Financial Statements note 7*.)

For the nine months ended September 30, 2017, other gains totaled \$4.1 million as compared to a gain of \$11.0 million in the same period in 2016. The current period gain is primarily related to the conclusion of the Mountain Water condemnation (see *Unaudited Interim Consolidated Financial Statements note 19*). The prior period gains primarily resulted from: (i) the

recognition of deferred income on repairs completed for facilities where the insurance proceeds have been received in advance; and (ii) the settlement of litigation and bankruptcy proceedings relating to Trafalgar Power Inc. (see *Unaudited Interim Consolidated Financial Statements note 14*), partially offset by (iii) the write-down of the Company's equity interest in the natural gas development projects which were canceled by the developer.

For the nine months ended September 30, 2017, acquisition related costs totaled \$61.5 million as compared to \$9.6 million in the same period in 2016. The increase is primarily attributable to the Empire acquisition.

For the nine months ended September 30, 2017, the loss on derivative financial instruments totaled \$1.4 million as compared to a gain of \$2.9 million in the same period in 2016.

An income tax expense of \$57.2 million was recorded in the nine months ended September 30, 2017 as compared to an income tax expense of \$25.6 million during the same period in 2016. The increase in income tax expense for the nine months ended September 30, 2017 is primarily due to the acquisition of Empire and the tax effect related to the Mountain Water condemnation.

NON-GAAP PERFORMANCE MEASURES

Reconciliation of Adjusted EBITDA to Net Earnings

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

(all dollar amounts in \$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Net earnings attributable to shareholders	\$ 59.4	\$ 17.7	\$ 133.1	\$ 84.6
Add (deduct):				
Net earnings attributable to the non-controlling interest, exclusive of HLBV	0.6	5.2	2.4	8.3
Income tax expense	14.8	1.8	57.2	25.6
Interest expense on convertible debentures and acquisition financing	—	17.0	17.6	39.4
Interest expense on long-term debt and others	45.6	17.8	142.6	53.5
Other gains	—	(2.3)	(0.1)	(8.6)
Loss (gain) on long-lived assets, net	0.8	0.2	(4.0)	(2.5)
Acquisition-related costs	1.1	2.1	61.5	9.6
Costs related to tax equity financing	1.2	—	1.8	—
Loss (gain) on derivative financial instruments	—	(4.4)	1.4	(2.9)
Realized gain on energy derivative contracts	—	—	(0.7)	(0.9)
Loss (gain) on foreign exchange	2.6	(3.4)	(1.2)	(1.8)
Depreciation and amortization	71.4	39.7	238.4	134.3
Adjusted EBITDA	\$ 197.5	\$ 91.4	\$ 650.0	\$ 338.6

HLBV represents the value of net tax attributes earned during the period from electricity generated by certain U.S. wind power and U.S. solar generation facilities. HLBV earned in the three and nine months ended September 30, 2017 amounted to \$12.3 million and \$53.5 million, respectively.

Reconciliation of Adjusted Net Earnings to Net Earnings

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

The following table shows the reconciliation of net earnings to Adjusted Net Earnings exclusive of these items:

(all dollar amounts in \$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Net earnings attributable to shareholders	\$ 59.4	\$ 17.7	\$ 133.1	\$ 84.6
Add (deduct):				
Loss (gain) on derivative financial instruments	—	(4.4)	1.4	(2.9)
Realized gain on derivative financial instruments	—	—	(0.7)	(0.9)
Loss (gain) on long-lived assets, net	0.8	0.2	(4.0)	(2.5)
Loss (gain) on foreign exchange	2.6	(3.4)	(1.2)	(1.8)
Interest expense on convertible debentures and acquisition financing	—	17.0	17.6	39.4
Acquisition-related costs	1.1	2.1	61.5	9.6
Costs related to tax equity financing	1.2	—	1.8	—
Adjustment for taxes related to above	(0.2)	(2.7)	(3.3)	(11.5)
Adjusted Net Earnings	\$ 64.9	\$ 26.6	\$ 206.2	\$ 114.0
Adjusted Net Earnings per share ¹	\$ 0.16	\$ 0.09	\$ 0.53	\$ 0.40

¹ Per share amount calculated after preferred share dividends and excluding subscription receipts issued for projects or acquisitions not reflected in earnings.

For the three months ended September 30, 2017, Adjusted Net Earnings totaled \$64.9 million as compared to \$26.6 million, an increase of \$38.3 million as compared to the same period in 2016. The increase in Adjusted Net Earnings for the three months ended September 30, 2017 is primarily due to increased earnings from operations partially offset by higher depreciation and interest expense as compared to 2016.

For the nine months ended September 30, 2017, Adjusted Net Earnings totaled \$206.2 million as compared to \$114.0 million, an increase of \$92.2 million as compared to the same period in 2016. The increase in Adjusted Net Earnings for the nine months ended September 30, 2017 is primarily due to increased earnings from operations partially offset by higher depreciation and interest expense as compared to 2016.

Reconciliation of Adjusted Funds from Operations to Cash Flows from Operating Activities

The following table is derived from and should be read in conjunction with the unaudited interim consolidated statements of operations and unaudited interim consolidated statement of cash flows. This supplementary disclosure is intended to more fully explain disclosures related to Adjusted Funds from Operations and provides additional information related to the operating performance of APUC. Investors are cautioned that this measure should not be construed as an alternative to funds from operations in accordance with GAAP.

The following table shows the reconciliation of funds from operations to Adjusted Funds from Operations exclusive of these items:

(all dollar amounts in \$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Cash flows from operating activities	\$ 119.1	\$ 22.6	\$ 288.0	\$ 166.0
Add (deduct):				
Changes in non-cash operating items	6.8	18.7	86.0	43.0
Production based cash contributions from non-controlling interests	—	0.6	10.6	10.6
Interest expense on convertible debentures and acquisition financing fees ¹	—	17.0	9.3	39.4
Acquisition-related costs	1.1	2.1	61.5	9.6
Cash generated from sale of long-lived assets	—	—	—	(8.6)
Adjusted Funds from Operations	\$ 127.0	\$ 61.0	\$ 455.4	\$ 260.0

¹ Exclusive of deferred financing fees of \$8.3 million.

For the nine months ended September 30, 2017, Adjusted Funds from Operations totaled \$455.4 million as compared to Adjusted Funds from Operations of \$260.0 million, an increase of \$195.4 million as compared to the same period in 2016.

SUMMARY OF CAPITAL EXPENDITURES¹

(all dollar amounts in \$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Liberty Power Group:				
Maintenance	\$ 3.8	\$ 8.2	\$ 14.1	\$ 29.5
Investment in Growth Capital Projects ¹	109.6	554.6	600.8	603.0
	\$ 113.4	\$ 562.8	\$ 614.9	\$ 632.5
Liberty Utilities Group:				
Rate Base Maintenance	\$ 50.9	\$ 23.2	\$ 163.7	\$ 75.4
Rate Base Acquisition	—	—	2,764.9	345.3
Rate Base Growth	68.9	39.6	238.3	65.9
	119.8	62.8	\$ 3,166.9	\$ 486.6
Total Capital Expenditures	\$ 233.2	\$ 625.6	\$ 3,781.8	\$ 1,119.1

¹ Includes expenditures on Property Plant & Equipment, equity-method investees, and acquisitions of operating entities that were jointly developed by the company.

2017 Third Quarter Capital Expenditures

During the three months ended September 30, 2017, the Liberty Power Group incurred capital expenditures of \$113.4 million as compared to \$562.8 million during the same period in 2016. The capital expenditures include the construction of the Great Bay Solar, Amherst Wind, and Tinker Transmission Projects, and ongoing maintenance at operating sites. Capital expenditures in the same quarter last year included the acquisition of the Odell Wind Facility.

During the three months ended September 30, 2017, the Liberty Utilities Group incurred capital expenditures of \$119.8 million as compared to \$62.8 million during the same period in 2016. The capital expenditures primarily include reliability enhancements, improvements and replenishment opportunities at the utility systems served.

2017 Year-to-Date Capital Expenditures

During the nine months ended September 30, 2017, the Liberty Power Group incurred capital expenditures of \$614.9 million as compared to \$632.5 million during the same period in 2016. The capital expenditures include the acquisition of the remaining outstanding interest in the Deerfield Wind Facility and construction of the Great Bay Solar, Bakersfield II Solar, and the Tinker Transmission Projects.

During the nine months ended September 30, 2017, the Liberty Utilities Group incurred \$3.2 billion in capital expenditures as compared to \$486.6 million during the same period in 2016. The increase in capital expenditures are primarily due to the acquisition of Empire in January 2017 (U.S. \$2.4 billion), and completion of the Luning Solar Facility located in Mineral County, Nevada, in February 2017 (U.S. \$84.9 million). In the prior year, the Liberty Utilities Group completed the acquisition of the Park Water System in January 2016. Other capital expenditures are primarily due to reliability enhancements, improvements and replenishment opportunities at the utility systems served.

2017 Capital Investments

In 2017, the company plans to spend between \$1.1 billion and \$1.3 billion on capital investment opportunities. Actual expenditures during the course of 2017 may vary due to timing of various project investments and the realized U.S. dollar exchange rate.

Expected 2017 capital investment ranges are as follows:

(all dollar amounts in \$ millions)

Liberty Power Group:	
Maintenance	\$ 40.0 - \$ 50.0
Investment in Growth Capital Projects	500.0 - 580.0
Total Liberty Power Group:	\$ 540.0 - \$ 630.0
Liberty Utilities Group:	
Rate Base Maintenance	\$ 160.0 - \$ 170.0
Rate Base Growth	400.0 - 500.0
Total Liberty Utilities Group:	\$ 560.0 - \$ 670.0
Total 2017 Capital Investments	\$ 1,100.0 - \$ 1,300.0

APUC anticipates that it can generate sufficient liquidity through internally generated operating cash flows, funds committed by tax equity investors, revolving credit facilities, as well as the debt and equity capital markets to finance its 2017 capital investments.

LIQUIDITY AND CAPITAL RESERVES

APUC has revolving credit and letter of credit facilities available for the Corporate, the Liberty Power Group, and the Liberty Utilities Group to manage the liquidity and working capital requirements of each division (collectively the "Bank Credit Facilities").

Bank Credit Facilities

The following table sets out the Bank Credit Facilities available to APUC and its operating groups as at September 30, 2017:

(all dollar amounts in \$ millions)	As at September 30, 2017			As at Dec 31, 2016	
	Corporate	Liberty Power	Liberty Utilities	Total	Total
Committed facilities	\$ 165.0	\$ 587.4	\$ 499.2	\$ 1,251.6	\$ 773.8
Funds drawn on facilities	(115.0)	(391.2)	(147.3)	(653.5)	(242.9)
Letters of credit issued	(11.4)	(89.4)	(28.1)	(128.9)	(234.9)
Liquidity available under the facilities	38.6	106.8	323.8	469.2	296.0
Cash on hand				76.5	110.4
Total Liquidity and Capital Reserves	\$ 38.6	\$ 106.8	\$ 323.8	\$ 545.7	\$ 406.4

As at September 30, 2017, the Company's \$165.0 million senior unsecured bilateral revolving credit facility (the "Corporate Credit Facility") had drawn a total of \$115.0 million and had \$11.4 million of outstanding letters of credit. During the quarter the facility was increased from \$65.0 million to \$165.0 million and the maturity was extended to November 19, 2018.

As at September 30, 2017, the Liberty Power Group's committed bank lines consisted of a \$350.0 million senior unsecured syndicated revolving credit facility, a \$150.0 million senior unsecured bilateral revolving credit facility, and a \$87.4 million letter of credit facility (Cdn \$50.0 million and U.S. \$30.0 million). The bilateral revolving credit facility was entered into on April 19, 2017 with a Canadian Chartered Bank and matures on August 19, 2018. As at September 30, 2017, the Liberty Power Group had drawn a total of \$391.2 million on the facilities and issued \$89.4 million in letters of credit. Subsequent to quarter, on October 6, 2017, the Liberty Power Group's syndicated revolving credit facility was increased to U.S. \$500.0 million and the maturity was extended to October 6, 2022. The senior unsecured bilateral revolving credit facilities drawn balance of \$118.7 million at September 30, 2017 was fully repaid on October 6, 2017.

As at September 30, 2017, the Liberty Utilities Group's committed bank lines consisted of a U.S. \$200.0 million senior unsecured syndicated revolving credit facility at the holding company and a U.S. \$200.0 million revolving credit facility at the Empire District Company ("Empire Facility"). The facilities mature on September 30, 2018 and October 20, 2019 respectively. The Empire Facility is used primarily as a backstop to commercial paper issued by Empire (rated P2 Moody's / A2 S&P). As at September 30, 2017 the Liberty Utilities Group had drawn a total of \$147.3 million and had \$28.1 million of outstanding letters of credit.

Long Term Debt

As at September 30, 2017, the weighted average tenure of APUC's total long term debt is approximately 12 years with an average interest rate of approximately 4.6%.

Credit Ratings

APUC has a long term consolidated corporate credit rating of BBB (flat) from Standard & Poor's ("S&P") and a BBB (low) rating from DBRS Limited ("DBRS"). Algonquin Power Co ("APCo"), the parent company for the Liberty Power Group, has a BBB (flat) issuer rating from S&P and BBB (low) issuer rating from DBRS. Liberty Utilities Finance GP1 ("Liberty Finance"), a special purpose financing entity of Liberty Utilities Co., the parent company for the Liberty Utilities Group, has a BBB (high) issuer rating from DBRS.

Contractual Obligations

Information concerning contractual obligations as of September 30, 2017 is shown below:

(all dollar amounts in \$ millions)	Total	Due less than 1 year	Due 1 to 3 years	Due 4 to 5 years	Due after 5 years
Principal repayments on debt obligations ¹	\$ 4,392.9	\$ 521.7	\$ 863.4	\$ 686.1	\$ 2,321.7
Convertible debentures	2.6	—	—	—	2.6
Advances in aid of construction	76.8	1.5	—	—	75.3
Interest on long-term debt obligations	2,069.3	199.3	313.4	251.4	1,305.2
Purchase obligations	404.1	404.1	—	—	—
Environmental obligations	92.1	3.1	23.1	4.9	61.0
Derivative financial instruments:					
Cross currency swap	71.4	4.2	7.9	63.8	(4.5)
Interest rate swap	10.5	10.5	—	—	—
Commodity contracts	2.1	1.5	0.6	—	—
Purchased power	516.4	62.8	97.0	100.0	256.6
Gas delivery, service and supply agreements	387.7	97.6	126.7	64.5	98.9
Service agreements	678.6	45.4	93.5	94.9	444.8
Capital projects	24.3	24.3	—	—	—
Operating leases	275.5	10.1	18.5	17.7	229.2
Other obligations	177.9	35.5	0.2	0.2	142.0
Total Obligations	\$ 9,182.2	\$ 1,421.6	\$ 1,544.3	\$ 1,283.5	\$ 4,932.8

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

Equity

The common shares of APUC are publicly traded on the Toronto Stock Exchange ("TSX") and the New York Stock Exchange ("NYSE") under the trading symbol "AQN". As at September 30, 2017, APUC had 387,036,183 issued and outstanding common shares.

APUC may issue an unlimited number of common shares. The holders of common shares are entitled to dividends, if and when declared; to one vote for each share at meetings of the holders of common shares; and to receive a pro rata share of any remaining property and assets of APUC upon liquidation, dissolution or winding up of APUC. All shares are of the same class and with equal rights and privileges and are not subject to future calls or assessments.

On November 10, 2017, APUC announced that it closed a bought deal offering announced on November 1, 2017, including the exercise in full of the underwriters' over-allotment option. As a result a total of 43,470,000 common shares of APUC were sold at a price of \$13.25 per share for gross proceeds of approximately \$576.0 million.

Net proceeds of the offering are expected to be used, in part, to finance APUC's acquisition of a 25% ownership stake in Atlantica from Abengoa and for general corporate purposes.

In the first quarter of 2016, in connection with the acquisition of Empire, APUC and its direct wholly-owned subsidiary, Liberty Utilities (Canada) Corp., entered into an agreement with a syndicate of underwriters under which the underwriters agreed to buy, on a bought deal basis, \$1.15 billion aggregate principal amount of 5.00% convertible unsecured subordinated debentures of APUC.

All Debentures were sold on an instalment basis at a price of \$1,000 dollars per Debenture, of which \$333 dollars was paid on the closing of the Offering and the remaining \$667 dollars was payable on a date set by APUC upon satisfaction of all conditions precedent to the closing of APUC's acquisition of Empire (the "Final Instalment Date"), at which time each debenture was convertible to 94.3396 common shares of APUC and bears an interest rate of 0% thereafter.

The Final Instalment Date was established as February 2, 2017, at which time APUC received the Final Instalment payment and concurrently issued 98,022,082 of its common shares as a result of the conversion of \$1,039.0 million of debentures to equity. As of November 13, 2017, \$2.5 million of convertible debentures remain outstanding.

APUC is also authorized to issue an unlimited number of preferred shares, issuable in one or more series, containing terms and conditions as approved by the Board. As at September 30, 2017, APUC had outstanding:

- 4,800,000 cumulative rate reset Series A preferred shares, yielding 4.5% annually for the initial six-year period ending on December 31, 2018;
- 100 Series C preferred shares that were issued in exchange for 100 Class B limited partnership units by St. Leon Wind Energy LP; and
- 4,000,000 cumulative rate reset Series D preferred shares, yielding 5.0% annually for the initial five year period ending on March 31, 2019.

APUC has a shareholder dividend reinvestment plan (the “Reinvestment Plan”) for registered holders of common shares of APUC. As at September 30, 2017, 92,755,569 common shares representing approximately 24% of total common shares outstanding had been registered with the Reinvestment Plan. During the quarter ended September 30, 2017, 1,194,340 common shares were issued under the Reinvestment Plan, and subsequent to quarter, on October 13, 2017, an additional 1,065,834 common shares were issued under the Reinvestment Plan.

Base Shelf Prospectus

On March 17, 2017 APUC filed a base shelf prospectus allowing for the issuance of up to \$2.0 billion of specified securities in both Canada and the U.S..

SHARE BASED COMPENSATION PLANS

For the nine months ended September 30, 2017, APUC recorded \$7.2 million in total share-based compensation expense as compared to \$4.1 million for the same period in 2016. There is no significant tax benefit associated with the share-based compensation expense. The compensation expense is recorded as part of administrative expenses in the unaudited interim consolidated statement of operations. The portion of share-based compensation costs capitalized as cost of construction is insignificant.

As at September 30, 2017, total unrecognized compensation costs related to non-vested options and share unit awards were \$3.6 million and \$8.2 million, respectively, and are expected to be recognized over a period of 1.55 and 2.03 years, respectively.

Stock Option Plan

APUC has a stock option plan that permits the grant of share options to key officers, directors, employees and selected service providers. Except in certain circumstances, the term of an option shall not exceed ten (10) years from the date of the grant of the option.

APUC determines the fair value of options granted using the Black-Scholes option-pricing model. The estimated fair value of options, including the effect of estimated forfeitures, is recognized as expense on a straight-line basis over the options’ vesting periods while ensuring that the cumulative amount of compensation cost recognized at least equals the value of the vested portion of the award at that date. During the nine months ended September 30, 2017, the Company granted 2,328,343 options to executives of the Company. The options allow for the purchase of common shares at a weighted average price of \$12.82, the market price of the underlying common share at the date of grant. In March 2017, executives of the Company exercised 1,469,362 stock options at a weighted average exercise price of \$7.81 in exchange for common shares issued from treasury and 165,139 options were settled at their cash value as payment for tax withholdings related to the exercise of the options.

As at September 30, 2017, a total of 6,738,856 options are issued and outstanding under the plan.

Performance Share Units

APUC issues performance share units (“PSUs”) to certain members of management as part of APUC’s long-term incentive program. During the nine months ended September 30, 2017, the Company granted (including dividends and performance adjustments) 778,585 PSUs to executives and employees of the Company. During the year the Company settled 365,437 PSUs, of which 173,499 PSUs were exchanged for common shares issued from treasury and 182,463 PSUs were settled at their cash value as payment for tax withholdings related to the settlement of the PSUs. Additionally, during the year a total of 21,800 PSUs were forfeited.

As at September 30, 2017, a total of 970,336 PSUs are granted and outstanding under the PSU plan.

Directors Deferred Share Units

APUC has a Directors’ Deferred Share Unit Plan. Under the plan, non-employee directors of APUC receive 50% of their annual compensation in deferred share units (“DSUs”) and may elect to receive any portion of their remaining compensation in DSUs. The DSUs provide for settlement in cash or shares at the election of APUC. As APUC does not expect to settle the DSUs in

cash, these DSUs are accounted for as equity awards. During the nine months ended September 30, 2017, the Company issued 52,416 DSUs (including DSUs in lieu of dividends) to the directors of the Company.

As at September 30, 2017, a total of 277,079 DSUs had been granted under the DSU plan.

Employee Share Purchase Plan

APUC has an Employee Share Purchase Plan (the "ESPP") which allows eligible employees to use a portion of their earnings to purchase common shares of APUC. The aggregate number of shares reserved for issuance from treasury by APUC under this plan shall not exceed 2,000,000 shares. During the nine months ended September 30, 2017, the Company issued 232,093 common shares to employees under the ESPP.

As at September 30, 2017, a total of 728,123 shares had been issued under the ESPP.

RELATED PARTY TRANSACTIONS

Emera Inc.

An executive at Emera was a member of the Board of APUC until June 8, 2017. The Energy Services Business sold electricity to Maine Public Service Company and Bangor Hydro, both of which are subsidiaries of Emera. The portion considered related party transactions during the three and nine months ended September 30, 2017 amounts to U.S. \$nil and \$4.4 million as compared to U.S. \$3.1 million and \$8.0 million during the same period in 2016. The Liberty Utilities Group purchased natural gas from Emera for its gas utility customers. The portion considered related party transactions during the three and nine months ended September 30, 2017 amounts to U.S. \$nil and \$1.0 million as compared to U.S. \$0.5 million and \$2.8 million during the same period in 2016. Both the sale of electricity to Emera and the purchase of natural gas from Emera followed a public tender process, the results of which were approved by the regulator in the relevant jurisdiction.

In 2016, a subsidiary of the Company and Emera Utility Services Inc. entered into a design, engineering, supply, and construction agreement for the Tinker Transmission Upgrade Project. The transmission upgrade was placed in service in Q2 2017 with final completion of the contract work expected in the fourth quarter. The total cost of the contract is estimated at \$9.5 million. The contract followed a market-based request for proposal process.

There was U.S. \$1.7 million included in accruals for the nine months ended September 30, 2017, as compared to U.S. \$0.1 million during the same period in 2016, related to these transactions.

Equity-method investments

The Company provides administrative services to its equity-method investees and is reimbursed for incurred costs. To that effect, for the three and nine months ended September 30, 2017, the Company charged its equity-method investees \$0.7 million and \$1.5 million as compared to \$0.9 million and \$2.5 million during the same period in 2016.

Trafalgar

In 2016, the Company received U.S. \$10.1 million in proceeds from the settlement of the Trafalgar matter, and paid U.S. \$2.9 million to an entity partially and indirectly owned by Senior Executives as its proportionate share. The gain to APUC, net of legal and other liabilities, of approximately U.S. \$6.6 million was recorded in 2016.

Long Sault Hydro Facility

Effective December 31, 2013, APUC acquired the shares of Algonquin Power Corporation Inc. ("APC") which was partially owned by Senior Executives. APC owns the partnership interest in the 18 MW Long Sault Hydro Facility. A final post-closing adjustment related to the transaction is expected to be settled in 2017.

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

ENTERPRISE RISK MANAGEMENT

An enterprise risk management ("ERM") framework is embedded across the organization that systematically and broadly identifies, assesses, and mitigates the key strategic, operational, financial, and compliance risks that may impact the achievement of our objectives. The risks discussed below are not intended as a complete list of all exposures that APUC is encountering or may encounter. A further assessment of APUC and its subsidiaries' business risks is also set out in the most recent AIF and the annual MD&A.

Interest Rate Risk

The majority of debt outstanding in APUC and its subsidiaries is subject to a fixed rate of interest and as such is not subject to interest rate risk. Borrowings subject to variable interest rates are as follows:

- The Corporate revolving credit facility is subject to a variable interest rate and had \$115.0 million outstanding as at September 30, 2017. As a result, a 100 basis point change in the variable rate charged would impact interest expense by \$1.2 million annually;
- The Liberty Power Group revolving credit facility is subject to a variable interest rate and had \$272.5 million outstanding as at September 30, 2017. A 100 basis point change in the variable rate charged would impact interest expense by \$2.7 million annually;
- The Liberty Power Group bilateral revolving credit facility is subject to a variable interest rate and had \$118.7 million outstanding as at September 30, 2017. A 100 basis point change in the variable rate charged would impact interest expense by \$1.2 million annually;
- The Liberty Utilities Group revolving credit facility is subject to a variable interest rate and had \$147.3 million outstanding as at September 30, 2017. As a result, a 100 basis point change in the variable rate charged would impact interest expense by \$1.47 million;
- The Liberty Utilities Group commercial paper program is subject to a variable interest rate and had no amounts outstanding as at September 30, 2017. A 100 basis point change in the variable rate charged would not impact interest expense; and
- The Corporate term credit facility is subject to a variable interest rate and had \$168.5 million (U.S. \$135.0 million) outstanding as at September 30, 2017. A 100 basis point change in the variable rate charged would impact interest expense by \$1.7 million annually.

APUC does not actively manage interest rate risk on its variable interest rate borrowings due to the primarily short term and revolving nature of the amounts drawn.

Litigation Risks and Other Contingencies

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

See further discussion of the litigation claims made by or against APUC or its subsidiaries in *Regulatory and Contractual Risk*.

Market Price Risk

The Liberty Power Group predominantly enters into long term PPAs for its generation assets and hence is not exposed to market risk for this portion of its portfolio. Where a generating asset is not covered by a power purchase contract, the Liberty Power Group may seek to mitigate market risk exposure by entering into financial or physical power hedges requiring that a specified amount of power be delivered at a specified time in return for a fixed price. There is a risk that the Company is not able to generate the specified amount of power at the specified time resulting in production shortfalls under the hedge that then requires the Company to purchase power in the merchant market. To mitigate the risk of production shortfalls under hedges, the Liberty Power Group generally seeks to structure hedges to cover less than 100% of the anticipated production, thereby reducing the risk of not producing the minimum hedge quantities. Nevertheless, due to unpredictability in the natural resource or due to grid curtailments or mechanical failures, production shortfalls may be such that the Liberty Power Group may still be forced to purchase power in the merchant market at prevailing rates to settle against a hedge.

Hedges currently put in place by the Liberty Power Group along with residual exposures to the market are detailed below:

The July 1, 2012 acquisition of the Sandy Ridge Wind Facility included a financial hedge, which commenced on January 1, 2013, for a 10 year period. The financial hedge is structured to hedge 72% of the Sandy Ridge Wind Facility's expected production volume against exposure to PJM Western Hub current spot market rates. The annual unhedged production based on long term projected averages is approximately 44,000 MW-hrs. Therefore, each U.S. \$10 per MW-hr change in the market price would result in a change in revenue of approximately U.S. \$0.4 million for the year.

The December 10, 2012 acquisition of the Senate Wind Facility included a physical hedge, which commenced on January 1, 2013, for a 15 year period. The physical hedge is structured to hedge 64% of the Senate Wind Facility's expected production volume against exposure to ERCOT North Zone current spot market rates. The annual unhedged production based on long term projected averages is approximately 188,000 MW-hrs. Therefore, each U.S. \$10 per MW-hr change in the market price would result in a change in revenue of approximately U.S. \$2.0 million for the year.

The December 10, 2012 acquisition of the Minonk Wind Facility included a financial hedge, which commenced on January 1, 2013, for a 10 year period. The financial hedge is structured to hedge 73% of the Minonk Wind Facility's expected production volume against exposure to PJM Northern Illinois Hub current spot market rates. The annual unhedged production based on long term projected averages is approximately 186,000 MW-hrs. Therefore, each U.S. \$10 per MW-hr change in market prices would result in a change in revenue of approximately U.S. \$2.0 million for the year.

Under each of the above noted hedges, if production is not sufficient to meet the unit quantities under the hedge, the shortfall must be purchased in the open market at market rates. The effect of this risk exposure could be material but cannot be quantified as it is dependent on both the amount of shortfall and the market price of electricity at the time of the shortfall.

In addition to the above noted hedges, from time to time the Liberty Power Group enters into short-term derivative contracts (with terms of one to three months) to further mitigate market price risk exposure due to production variability. As at September 30, 2017, the Liberty Power Group had not entered into any such short-term derivative contracts.

The January 1, 2013 acquisition of the Shady Oaks Wind Facility included a power sales contract, which commenced on June 1, 2012, for a 20 year period. The power sales contract is structured to hedge the preponderance of the Shady Oaks Wind Facility's production volume against exposure to PJM ComEd Hub current spot market rates. For the unhedged portion of production based on expected long term average production, each U.S. \$10 per MW-hr change in market prices would result in a change in revenue of approximately U.S. \$0.5 million for the year.

Regulatory and Contractual Risk

Profitability of APUC businesses is, in part, dependent on regulatory regimes in the jurisdictions in which those businesses operate which may be changed from time-to-time. The Company's renewable energy projects can be subject to contractual obligations including the construction milestones under Power Purchase Agreements. Failure to achieve significant milestones could result in assessment of damages and/or termination of the power purchase agreement for projects under development. In the case of some Liberty Power Group hydroelectric facilities, water rights are generally owned by governments that reserve the right to control water levels, which may affect revenue.

Town of Apple Valley Condemnation Proceedings

The condemnation case initiated by the Town of Apple Valley is currently proceeding in discovery. A ballot measure (Measure V) initiated by citizens and supported by Liberty Apple Valley passed in the November 2016 election. Measure V requires the Town to put to a public vote any debt over \$10.0 million to be issued related to an enterprise fund activity. In response, on March 9, 2017, the Apple Valley Town Council voted to call a special election on June 6, 2017 to approve a ballot measure authorizing the Town to incur U.S. \$150.0 million in bonds for the purpose of funding an attempted taking of the Liberty Apple Valley water system. On June 6, 2017, the measure (Measure F) passed by vote of the Town citizens. Resolution of the condemnation proceedings is expected to take two to three years. At a scheduling conference in July 2017, the Court set a briefing schedule for the related CEQA lawsuit initiated by Liberty Apple Valley with a hearing scheduled for December, 2017. The CEQA decision is expected to be issued within 90 days of the hearing. It is expected that the first phase of the condemnation trial will be set to commence during the second half of 2018, after resolution of the CEQA matter.

Cycles and Seasonality

Liberty Power Group

The Liberty Power Group's hydroelectric operations are impacted by seasonal fluctuations and year to year variability of the available hydrology. These assets are primarily "run-of-river" and as such fluctuate with natural water flows. During the winter and summer periods, flows are generally lower while during the spring and fall periods flows are generally higher. The ability of these assets to generate income may be impacted by changes in water availability or other material hydrologic events within a watercourse. Year to year the level of hydrology varies, impacting the amount of power that can be generated in a year.

The Liberty Power Group's wind generation facilities are impacted by seasonal fluctuations and year to year variability of the wind resource. During the spring and fall periods, winds are generally stronger than during the summer periods. The ability of these facilities to generate income may be impacted by naturally occurring changes in wind patterns and wind strength.

The Liberty Power Group's solar generation facilities are impacted by seasonal fluctuations and year to year variability in the solar radiance. For instance, there are more daylight hours in the summer than there are in the winter, resulting in higher production in the summer months. The ability of these facilities to generate income may be impacted by naturally occurring changes in solar radiance.

The Company attempts to mitigate the above noted natural resource fluctuation risks by acquiring or developing generating stations in different geographic locations.

Liberty Utilities Group

The Liberty Utilities Group's demand for water is affected by weather conditions and temperature. Demand for water during warmer months is generally greater than cooler months due to requirements for irrigation, swimming pools, cooling systems and other outside water use. If there is above normal rainfall or rainfall is more frequent than normal the demand for water may decrease, adversely affecting revenues.

The Liberty Utilities Group's demand for energy from its electric distribution systems is primarily affected by weather conditions and conservation initiatives. The Liberty Utilities Group provides information and programs to its customers to encourage the conservation of energy. In turn, demand may be reduced which could have short term adverse impacts on revenues.

The Liberty Utilities Group's primary demand for natural gas from its natural gas distribution systems is driven by the seasonal heating requirements of its residential, commercial, and industrial customers. The colder the weather, the greater the demand for natural gas to heat homes and businesses. As such, the natural gas distribution systems' demand profiles typically peak in the winter months of January and February and decline in the summer months of July and August. Year to year variability also occurs depending on how cold the weather is in any particular year.

The Company attempts to mitigate the above noted risks by seeking regulatory mechanisms during rate case proceedings. Certain jurisdictions have approved constructs to mitigate demand fluctuations. For example, at the Peach State Gas System in Georgia, a weather normalization adjustment is applied to customer bills during the months of October through May that adjusts commodity rates to stabilize the revenues of the utility for changes in billing units attributable to weather patterns. Not all regulatory jurisdictions in which the Liberty Utilities Group operates have approved mechanisms to mitigate demand fluctuations.

QUARTERLY FINANCIAL INFORMATION

The following is a summary of unaudited quarterly financial information for the eight quarters ended September 30, 2017:

(all dollar amounts in \$ millions except per share information)	4th Quarter 2016	1st Quarter 2017	2nd Quarter 2017	3rd Quarter 2017
Revenue	\$ 310.2	\$ 557.9	\$ 453.2	\$ 443.3
Net earnings attributable to shareholders	46.3	26.0	47.7	59.4
Net earnings per share	0.16	0.07	0.12	0.15
Adjusted Net Earnings	51.4	88.1	53.3	64.9
Adjusted Net Earnings per share	0.18	0.25	0.13	0.16
Adjusted EBITDA	138.3	254.8	197.6	197.5
Total assets	8,249.5	10,880.7	10,528.6	10,306.7
Long term debt ¹	4,272.0	4,773.6	4,418.0	4,435.1
Dividend declared per common share	\$ 0.14	\$ 0.15	\$ 0.16	\$ 0.15
	4th Quarter 2015	1st Quarter 2016	2nd Quarter 2016	3rd Quarter 2016
Revenue	\$ 260.3	\$ 341.7	\$ 222.8	\$ 221.3
Net earnings attributable to shareholders	38.0	42.0	24.8	17.7
Net earnings per share	0.14	0.15	0.08	0.06
Adjusted Net Earnings	39.7	56.1	30.9	26.6
Adjusted Net Earnings per share	0.15	0.21	0.11	0.09
Adjusted EBITDA	109.6	147.9	99.2	91.4
Total assets	4,991.7	5,615.5	5,555.0	6,020.8
Long term debt ¹	1,486.8	2,214.5	2,199.9	2,380.8
Dividend declared per common share	\$ 0.13	\$ 0.13	\$ 0.14	\$ 0.14

¹ Includes current portion of long-term debt, long-term debt and convertible debentures.

The quarterly results are impacted by various factors including seasonal fluctuations and acquisitions of facilities as noted in this MD&A.

Quarterly revenues have fluctuated between \$221.3 million and \$557.9 million over the prior two year period. A number of factors impact quarterly results including acquisitions, seasonal fluctuations, and winter and summer rates built into the PPAs. In addition, a factor impacting revenues year over year is the fluctuation in the strength of the Canadian dollar relative to the U.S. dollar which can result in significant changes in reported revenue from U.S. operations.

Quarterly net earnings attributable to shareholders have fluctuated between net earnings attributable to shareholders of \$17.7 million and net earnings of \$59.4 million over the prior two year period. Earnings have been significantly impacted by non-cash factors such as deferred tax recovery and expense, impairment of intangibles, property, plant and equipment and mark-to-market gains and losses on financial instruments.

DISCLOSURE CONTROLS

As of September 30, 2017, APUC carried out an evaluation, under the supervision of and with the participation of APUC's management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), of the effectiveness of the design and operations of APUC's disclosure controls and procedures (as defined in Rule 13a – 15(e) and Rule 15d – 15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on that evaluation, the CEO and the CFO have concluded that as of September 30, 2017, APUC's disclosure controls and procedures are effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management, including the CEO and the CFO, is responsible for establishing and maintaining internal control over financial reporting. Management, as at the end of the period covered by this interim filing, designed internal controls over financial reporting to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. The control framework management used to design the issuer's internal control over financial reporting is that established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

APUC acquired Empire during the nine months ended September 30, 2017. The financial information for this acquisition is included in this MD&A and in note 3 to the unaudited interim consolidated financial statements. National Instrument 52-109 and the U.S. Securities and Exchange Commission provide an exemption whereby companies undergoing acquisitions can exclude the acquired business in the year of acquisition from the scope of testing and assessment of design and operational effectiveness of controls over financial reporting. Due to the complexity associated with assessing internal controls during integration efforts, the Company plans to utilize the scope exemption as it relates to this acquisition in its management report on internal controls over financial reporting for the year ending December 31, 2017.

For the nine months ended September 30, 2017, there has been no change in APUC's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, APUC's internal control over financial reporting. APUC continues to apply its internal control structure over the operations of the acquired business discussed above.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

APUC prepared its unaudited interim consolidated financial statements in accordance with U.S. GAAP. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates relate to the useful lives and recoverability of long-lived assets, intangibles, and goodwill, recoverability of deferred tax assets, rate-regulation, unbilled revenue, pension and post-employment benefits, fair value of derivatives and fair value of assets and liabilities acquired in a business combination. Actual results may differ from these estimates.

APUC's significant accounting policies and new accounting standards are discussed in notes 1 and 2 to the unaudited interim consolidated financial statements, respectively.