

Management Discussion & Analysis

Management of Algonquin Power & Utilities Corp. (“APUC” or the “Company” or the “Corporation”) has prepared the following discussion and analysis to provide information to assist its shareholders’ understanding of the financial results for the three and six months ended June 30, 2020. This Management Discussion & Analysis (“MD&A”) should be read in conjunction with APUC’s unaudited interim consolidated financial statements for the three and six months ended June 30, 2020 and 2019. This MD&A should also be read in conjunction with APUC’s audited consolidated financial statements for the years ended December 31, 2019 and 2018. This material is available on SEDAR at www.sedar.com, on EDGAR at www.sec.gov/edgar, and on the APUC website at www.AlgonquinPowerandUtilities.com. Additional information about APUC, including the most recent Annual Information Form (“AIF”), can be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov/edgar.

Unless otherwise indicated, financial information provided for the three and six months ended June 30, 2020 and 2019 has been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”). As a result, the Company’s financial information may not be comparable with financial information of other Canadian companies that provide financial information on another basis.

All monetary amounts are in U.S. dollars, except where otherwise noted. We denote any amounts denominated in Canadian dollars with “C\$” immediately prior to the stated amount.

This MD&A is based on information available to management as of August 13, 2020.

Contents

| | |
|--|----|
| Caution Concerning Forward-Looking Statements, Forward-Looking Information and non-GAAP Measures | 2 |
| Overview and Business Strategy | 5 |
| Major Highlights | 7 |
| COVID-19 | 8 |
| Outlook | 9 |
| 2020 Second Quarter Results From Operations | 10 |
| 2020 Year-to-Date Results From Operations | 12 |
| 2020 Adjusted EBITDA Summary | 15 |
| Regulated Services Group | 16 |
| Renewable Energy Group | 23 |
| APUC: Corporate and Other Expenses | 28 |
| Non-GAAP Financial Measures | 30 |
| Corporate Development Activities | 32 |
| Summary of Property, Plant and Equipment Expenditures | 33 |
| Liquidity and Capital Reserves | 35 |
| Share-Based Compensation Plans | 37 |
| Related Party Transactions | 38 |
| Enterprise Risk Management | 39 |
| Quarterly Financial Information | 42 |
| Disclosure Controls and Internal Controls Over Financial Reporting | 42 |
| Critical Accounting Estimates and Policies | 43 |

Caution Concerning Forward-Looking Statements, Forward-Looking Information and Non-GAAP Measures

Forward-Looking Statements and Forward-Looking Information

This document may contain statements that constitute "forward-looking information" within the meaning of applicable securities laws in each of the provinces of Canada and the respective policies, regulations and rules under such laws or "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking information"). The words "anticipates", "believes", "budget", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. Specific forward-looking information in this document includes, but is not limited to, statements relating to: expected future growth and results of operations, including expectations regarding 2020 Adjusted Net Earnings per share; liquidity, capital resources and operational requirements; rate reviews, including resulting decisions and rates and expected impacts and timing; sources of funding, including adequacy and availability of credit facilities, debt maturation and future borrowings; expectations regarding the impact of the 2019 novel coronavirus ("COVID-19") on the Company's business, operations, financial condition, cash flows and results of operations; expectations regarding the use of proceeds from equity financing; ongoing and planned acquisitions, projects and initiatives, including expectations regarding costs, financing, results, regulatory matters, in-service dates and completion dates; expectations regarding the anticipated closing of APUC's acquisitions of Ascendant and New York American Water (each as defined herein); expectations regarding the Company's corporate development activities and the results thereof including the expected business mix between the Regulated Services Group and Renewable Energy Group; expectations regarding regulatory hearings, motions, filings and approvals; expectations regarding the resumption of normal collection procedures; expectations regarding the cost of operations, capital spending and maintenance, and the variability of those costs; expected future capital investments, including expected timing, investment plans, sources of funds and impacts; expectations regarding generation availability, capacity and production; expectations regarding the outcome of existing or potential legal and contractual claims and disputes; expectations regarding the ability to access the capital market on reasonable terms; strategy and goals; expectations regarding expense reductions; contractual obligations and other commercial commitments; environmental liabilities; dividends to shareholders; expectations regarding the maturity and redemption of APUC's outstanding subordinated notes; expectations regarding the impact of tax reforms; credit ratings; anticipated growth and emerging opportunities in APUC's target markets; accounting estimates; interest rates; currency exchange rates; and commodity prices. All forward-looking information is given pursuant to the "safe harbor" provisions of applicable securities legislation.

The forecasts and projections that make up the forward-looking information contained herein are based on certain factors or assumptions which include, but are not limited to: the receipt of applicable regulatory approvals and requested rate decisions; the absence of material adverse regulatory decisions being received and the expectation of regulatory stability; the absence of any material equipment breakdown or failure; availability of financing on commercially reasonable terms and the stability of credit ratings of the Corporation and its subsidiaries; the absence of unexpected material liabilities or uninsured losses; the continued availability of commodity supplies and stability of commodity prices; the absence of sustained interest rate increases or significant currency exchange rate fluctuations; the absence of significant operational, financial or supply chain disruptions or liability due to natural disasters, diseases or other force majeure events; the continued ability to maintain systems and facilities to ensure their continued performance; the absence of a severe and prolonged downturn in general economic, credit, social and market conditions; the successful and timely development and construction of new projects; the closing of pending acquisitions substantially in accordance with the expected timing for the same; the absence of material capital project or financing cost overruns; sufficient liquidity and capital resources; the continuation of observed weather patterns and trends; the absence of significant counterparty defaults; the continued competitiveness of electricity pricing when compared with alternative sources of energy; the realization of the anticipated benefits of the Corporation's acquisitions and joint ventures; the absence of a change in applicable laws, or political conditions, public policies or directions by governments, materially negatively affecting the Corporation; the ability to obtain and maintain licenses and permits; the absence of a material decrease in market energy prices; the absence of material disputes with taxation authorities or changes to applicable tax laws; continued maintenance of information technology infrastructure and the absence of a material breach of cybersecurity; favourable relations with external stakeholders; and favourable labour relations. Given the uncertainty and evolving circumstances surrounding the COVID-19 pandemic and related response from governments, regulatory authorities, businesses and customers, there is more uncertainty associated with the Corporation's assumptions and expectations as compared to periods prior to the onset of COVID-19. For a discussion of the COVID-19 pandemic and its impact on the Company, including certain additional assumptions related to the COVID-19 pandemic, see *COVID-19* and *Outlook*.

The forward-looking information contained herein is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. Factors which could cause results or events to differ materially from current expectations include, but are not limited to: changes in general economic, credit, social and market conditions; changes in customer energy usage patterns and energy demand; global climate

change; the incurrence of environmental liabilities; natural disasters, diseases and other force majeure events; the failure of information technology infrastructure and cybersecurity; the loss of key personnel and/or labour disruptions; seasonal fluctuations and variability in weather conditions and natural resource availability; reductions in demand for electricity, gas and water due to developments in technology; reliance on transmission systems owned and operated by third parties; issues arising with respect to land use rights and access to the Corporation's facilities; critical equipment breakdown or failure; terrorist attacks; fluctuations in commodity prices; capital expenditures; reliance on subsidiaries; the incurrence of an uninsured loss; a credit rating downgrade; an increase in financing costs or limits on access to credit and capital markets; sustained increases in interest rates; currency exchange rate fluctuations; restricted financial flexibility due to covenants in existing credit agreements; an inability to refinance maturing debt on commercially reasonable terms; disputes with taxation authorities or changes to applicable tax laws; failure to identify, acquire, develop or timely place in service projects to maximize the value of production tax credit qualified equipment; requirement for greater than expected contributions to post-employment benefit plans; default by a counterparty; inaccurate assumptions, judgments and/or estimates with respect to asset retirement obligations; failure to maintain required regulatory authorizations; changes to health and safety laws, regulations or permit requirements; failure to comply with and/or changes to environmental laws, regulations and other standards; compliance with new foreign laws or regulations; failure to identify attractive acquisition or development candidates necessary to pursue the Corporation's growth strategy; delays and cost overruns in the design and construction of projects, including as a result of COVID-19; loss of key customers; failure to realize the anticipated benefits of acquisitions or joint ventures, including Atlantica (as defined herein) or the Corporation's joint venture with Abengoa S.A ("Abengoa"), Abengoa-Algonquin Global Energy Solutions ("AAGES"), acting in a manner contrary to the Corporation's interests; a drop in the market value of Atlantica's ordinary shares; facilities being condemned or otherwise taken by governmental entities; increased external-stakeholder activism adverse to the Corporation's interests; fluctuations in the price and liquidity of the Corporation's common shares; and the severity and duration of the COVID-19 pandemic and its collateral consequences, including the disruption of economic activity, volatility in capital and credit markets and legislative and regulatory responses. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Some of these and other factors are discussed in more detail under the heading *Enterprise Risk Management* in this MD&A and in the Corporation's management discussion and analysis for the three and twelve months ended December 31, 2019 (the "Annual MD&A"), and under the heading *Enterprise Risk Factors* in the Corporation's most recent AIF.

Forward-looking information contained herein is made as of the date of this document and based on the plans, beliefs, estimates, projections, expectations, opinions and assumptions of management on the date hereof. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information. While subsequent events and developments may cause the Corporation's views to change, the Corporation disclaims any obligation to update any forward-looking information or to explain any material difference between subsequent actual events and such forward-looking information, except to the extent required by law. All forward-looking information contained herein is qualified by these cautionary statements.

Non-GAAP Financial Measures

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

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP measure used by many investors to compare companies on the basis of ability to generate cash from operations. APUC uses these calculations to monitor the amount of cash generated by APUC as compared to the amount of dividends paid by APUC. APUC uses Adjusted EBITDA to assess the operating performance of APUC without the effects of (as applicable): depreciation and amortization expense, income tax expense or recoveries, acquisition costs, litigation expenses, interest expense, gain or loss on derivative financial instruments, write down of intangibles and property, plant and equipment, earnings attributable to non-controlling interests, non-service pension and post-employment costs, cost related to tax equity financing, costs related to management succession and executive retirement, costs related to prior period adjustments due to U.S. Tax Reform, costs related to condemnation proceedings, gain or loss on foreign exchange, earnings or loss from discontinued operations, changes in value of investments carried at fair value, and other typically non-recurring items. APUC adjusts for these factors as they may be non-cash, unusual in nature and are not factors used by management

for evaluating the operating performance of the Company. APUC believes that presentation of this measure will enhance an investor's understanding of APUC's operating performance. Adjusted EBITDA is not intended to be representative of cash provided by operating activities or results of operations determined in accordance with U.S. GAAP, and can be impacted positively or negatively by these items.

Adjusted Net Earnings

Adjusted Net Earnings is a non-GAAP measure used by many investors to compare net earnings from operations without the effects of certain volatile primarily non-cash items that generally have no current economic impact or items such as acquisition expenses or litigation expenses that are viewed as not directly related to a company's operating performance. APUC uses Adjusted Net Earnings to assess its performance without the effects of (as applicable): gains or losses on foreign exchange, foreign exchange forward contracts, interest rate swaps, acquisition costs, one-time costs of arranging tax equity financing, litigation expenses and write down of intangibles and property, plant and equipment, earnings or loss from discontinued operations, unrealized mark-to-market revaluation impacts (other than those realized in connection with the sales of development assets), costs related to management succession and executive retirement, costs related to prior period adjustments due to U.S. Tax Reform, costs related to condemnation proceedings, changes in value of investments carried at fair value, and other typically non-recurring items as these are not reflective of the performance of the underlying business of APUC. The Non-cash accounting charge related to the revaluation of U.S. deferred income tax assets and liabilities as a result of implementation of the effects of the Tax Cuts and Jobs Act ("U.S. Tax Reform") is adjusted as it is also considered a non-recurring item not reflective of the performance of the underlying business of APUC. APUC believes that analysis and presentation of net earnings or loss on this basis will enhance an investor's understanding of the operating performance of its businesses. Adjusted Net Earnings is not intended to be representative of net earnings or loss determined in accordance with U.S. GAAP, and can be impacted positively or negatively by these items.

Adjusted Funds from Operations

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

Net Energy Sales

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

Net Utility Sales

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

Divisional Operating Profit

Divisional Operating Profit is a non-GAAP measure. APUC uses Divisional Operating Profit to assess the operating performance of its business groups without the effects of (as applicable): depreciation and amortization expense, corporate administrative expenses, income tax expense or recoveries, acquisition costs, litigation expenses, interest expense, gain or loss on derivative financial instruments, write down of intangibles and property, plant and equipment, gain or loss on foreign exchange, earnings or loss from discontinued operations, non-service pension and post-employment costs, and other typically non-recurring items. APUC adjusts for these factors as they may be non-cash, unusual in nature and are not factors used by management for evaluating the operating performance of the divisional units. Divisional Operating Profit is calculated inclusive of interest, dividend and equity income earned from indirect investments, and Hypothetical Liquidation at Book Value ("HLBV") income,

which represents the value of net tax attributes earned in the period from electricity generated by certain of its U.S. wind power and U.S. solar generation facilities. APUC believes that presentation of this measure will enhance an investor's understanding of APUC's divisional operating performance. Divisional Operating Profit is not intended to be representative of cash provided by operating activities or results of operations determined in accordance with U.S. GAAP.

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

Overview and Business Strategy

APUC is incorporated under the *Canada Business Corporations Act*. APUC owns and operates a diversified portfolio of regulated and non-regulated generation, distribution, and transmission utility assets which are expected to deliver predictable earnings and cash flows. APUC seeks to maximize total shareholder value through real per share growth in earnings and cash flows to support a growing dividend and share price appreciation. APUC strives to achieve these results while also seeking to maintain a business risk profile consistent with its BBB flat investment grade credit ratings and a strong focus on Environmental, Social and Governance factors.

APUC's current quarterly dividend to shareholders is \$0.1551 per common share or \$0.6204 per common share per annum. Based on exchange rates as at August 12, 2020, the quarterly dividend is equivalent to C\$0.2056 per common share or C\$0.8224 per common share per annum. APUC believes its annual dividend payout allows for both an immediate return on investment for shareholders and retention of sufficient cash within APUC to fund growth opportunities. Changes in the level of dividends paid by APUC are at the discretion of the APUC Board of Directors (the "Board"), with dividend levels being reviewed periodically by the Board in the context of APUC's financial performance and growth prospects.

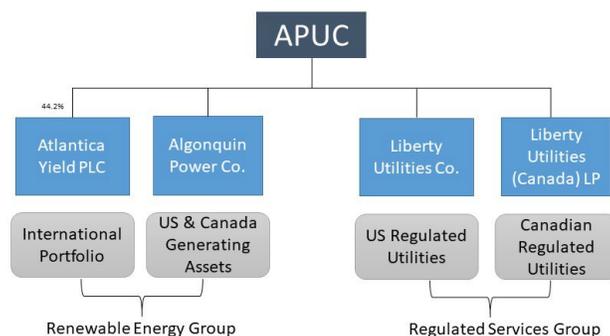
APUC's operations are organized across two primary business units consisting of: the Regulated Services Group, which primarily owns and operates a portfolio of regulated assets in the United States and Canada, and the Renewable Energy Group, which primarily owns and operates a diversified portfolio of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

APUC pursues investment opportunities with an objective of maintaining the current business mix between its Regulated Services Group and Renewable Energy Group and with leverage consistent with its current credit ratings¹. The business mix target may from time to time require APUC to grow its Regulated Services Group or implement other strategies in order to pursue investment opportunities within its Renewable Energy Group.

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

Summary Organizational Structure

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



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

Regulated Services Group

The Regulated Services Group operates a diversified portfolio of regulated utility systems throughout the United States and Canada serving approximately 807,000 connections. The Regulated Services Group seeks to provide safe, high quality, and reliable services to its customers and to deliver stable and predictable earnings to APUC. In addition to encouraging and supporting organic growth within its service territories, the Regulated Services Group seeks to deliver continued growth in earnings through accretive acquisitions of additional utility systems.

The Regulated Services Group's regulated electrical distribution utility systems and related generation assets are located in the States of California, New Hampshire, Missouri, Kansas, Oklahoma, and Arkansas, which together serve approximately 267,000 electric connections. The group also owns and operates generating assets with a gross capacity of approximately 1.5 GW and has investments in generating assets with approximately 0.3 GW of net generation capacity.

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

The Regulated Services Group's regulated water distribution and wastewater collection utility systems are located in the States of Arizona, Arkansas, California, Illinois, Missouri, and Texas, which together serve approximately 170,000 connections.

Renewable Energy Group

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

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

In addition to directly owned and operated assets, APUC also holds a 44.2% interest in Atlantica Yield PLC ("Atlantica"). Atlantica owns and operates a portfolio of international clean energy and water infrastructure assets under long term contracts with a Cash Available for Distribution (CAFD) weighted average remaining contract life of approximately 18 years as of December 31, 2019.

Major Highlights

Quarterly Operating Results

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

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

¹ See *Non-GAAP Financial Measures*.

Declaration of 2020 Third Quarter Dividend of \$0.1551 (C\$0.2056) per Common Share

APUC currently targets annual growth in dividends payable to shareholders underpinned by increases in earnings and cash flow. In setting the appropriate dividend level, the Board of APUC considers the Company's current and expected growth in earnings per share as well as a dividend payout ratio as a percentage of earnings per share and cash flow per share.

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

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

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

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

Common Equity Financing

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

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

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

Missouri Water Acquisition

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

Renewable Energy Development Framework Agreement

On July 30, 2020, Chevron U.S.A Inc. ("Chevron") and APUC announced an agreement seeking to co-develop renewable power projects that will provide electricity to strategic assets across Chevron's global portfolio. Under the four-year

agreement, Chevron plans to generate more than 500 MWs of its existing and future electricity demand from renewable sources.

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

COVID-19

Impact of COVID-19 on Quarterly Operating Results

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

Uninterrupted Utility Operations Maintained

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

Accounts Receivable Collections and Bad Debt Expense

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

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

Regulated Mechanisms in Response to COVID-19

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

Major Project Construction

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

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

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

Outlook

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

2020 Adjusted Net Earnings Per Share Guidance

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

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

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

Capital Investment Expectations

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

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

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

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

Change in customer demand

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

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

Cost containment strategies

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

2020 Second Quarter Results From Operations

Key Financial Information

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

¹ See *Non-GAAP Financial Measures*.

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

For the three months ended June 30, 2020, APUC experienced an average exchange rate of Canadian to U.S. dollars of approximately 0.7216 as compared to 0.7477 in the same period in 2019. As such, any quarter over quarter variance in revenue or expenses, in local currency, at any of APUC's Canadian entities is affected by a change in the average exchange rate upon conversion to APUC's reporting currency.

For the three months ended June 30, 2020, APUC reported total revenue of \$343.6 million as compared to \$343.6 million during the same period in 2019. The major factors impacting APUC's revenue in the three months ended June 30, 2020 as compared to the corresponding period in 2019 are set out as follows:

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

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

For the three months ended June 30, 2020, net earnings attributable to shareholders totaled \$286.2 million as compared to \$156.6 million during the same period in 2019, an increase of \$129.6 million or 82.8%. The increase was due to a \$7.0 million increase in earnings from operating facilities, a \$188.4 million change in fair value of investments carried at fair value, a \$1.0 million decrease in interest expense, a \$1.5 million decrease in foreign exchange loss, a \$0.1 million decrease in pension and post-employment non-service costs, a \$1.0 million increase in gains from derivative instruments, and a \$3.9 million increase in net effect of non-controlling interests. These items were partially offset by a \$14.3 million decrease in

interest, dividend, equity and other income, a \$5.9 million increase in administrative expenses, a \$5.9 million increase in depreciation and amortization expenses, an \$21.1 million increase in other net losses, and a \$26.1 million increase in income tax expense (tax explanations are discussed in *APUC: Corporate and Other Expenses*) as compared to the same period in 2019.

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

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

2020 Year-to-Date Results From Operations

Key Financial Information

| (all dollar amounts in \$ millions except per share information) | Six Months Ended June 30 | |
|--|--------------------------|------------------------------|
| | 2020 | 2019 |
| Revenue | \$ 808.5 | \$ 820.8 |
| Net earnings attributable to shareholders | 222.4 | 243.0 |
| Cash provided by operating activities | 209.8 | 255.7 |
| Adjusted Net Earnings ¹ | 150.7 | 148.6 |
| Adjusted EBITDA ¹ | 418.5 | 421.5 |
| Adjusted Funds from Operations ¹ | 272.9 | 301.2 |
| Dividends declared to common shareholders | 158.5 | 133.1 |
| Weighted average number of common shares outstanding | 527,634,250 | 491,811,210 |
| Per share | | |
| Basic net earnings | \$ 0.41 | \$ 0.49 |
| Diluted net earnings | \$ 0.41 | \$ 0.48 |
| Adjusted Net Earnings ^{1,2} | \$ 0.28 | \$ 0.29 |
| Dividends declared to common shareholders | \$ 0.30 | \$ 0.27 |
| | As at | |
| | June 30, 2020 | December 31, 2019 |
| Total assets | 11,188.0 | 10,911.5 |
| Long term debt ³ | 4,155.1 | 3,932.2 |

¹ See *Non-GAAP Financial Measures*.

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

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

For the six months ended June 30, 2020, APUC experienced an average exchange rate of Canadian to U.S. of approximately 0.7325 as compared to 0.7500 in the same period in 2019. As such, any year-over-year variance in revenue or expenses, in local currency, at any of APUC's Canadian entities is affected by a change in the average exchange rate upon conversion to APUC's reporting currency.

For the six months ended June 30, 2020, APUC reported total revenue of \$808.5 million as compared to \$820.8 million during the same period in 2019, a decrease of \$12.3 million or 1.5%. The major factors resulting in the decrease in APUC revenue for the six months ended June 30, 2020 as compared to the corresponding period in 2019 are set out as follows:

Six Months Ended
June 30

(all dollar amounts in \$ millions)

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

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

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

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

During the six months ended June 30, 2020, Adjusted EBITDA totaled \$418.5 million as compared to \$421.5 million during the same period in 2019, a decrease of \$3.0 million or 0.7%. A detailed analysis of this variance is presented within the reconciliation of Adjusted EBITDA to net earnings set out below (see *Non-GAAP Financial Measures*).

2020 Adjusted EBITDA Summary

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

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

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

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

REGULATED SERVICES GROUP

The Regulated Services Group operates rate-regulated utilities that provide distribution services to approximately 807,000 connections in the natural gas, electric, and water and wastewater sectors which is an increase of approximately 37,000 connections as compared to the prior year. On October 1, 2019, with the acquisition of the New Brunswick Gas System, the Regulated Services Group expanded its footprint into Canada and added an additional 12,000 connections. On November 1, 2019, with the acquisition of the St. Lawrence Gas System, the Regulated Services Group added an additional 17,000 connections in New York State. The Regulated Services Group's strategy is to grow its business organically and through business development activities while using prudent acquisition criteria. The Regulated Services Group believes that its business results are maximized by building constructive regulatory and customer relationships, and enhancing connections in the communities in which it operates.

Utility System Type

| (all dollar amounts in \$ millions) | As at June 30 | | | |
|---|-------------------|--------------------------------|-------------------|--------------------------------|
| | 2020 | | 2019 | |
| | Assets | Total Connections ¹ | Assets | Total Connections ¹ |
| Electricity | 2,646.0 | 267,000 | 2,792.4 | 266,000 |
| Natural Gas | 1,412.3 | 370,000 | 1,377.3 | 339,000 |
| Water and Wastewater | 531.7 | 170,000 | 513.6 | 165,000 |
| Other | 105.3 | | 71.0 | |
| Total | \$ 4,695.3 | 807,000 | \$ 4,754.4 | 770,000 |
| Accumulated Deferred Income Taxes Liability | 484.8 | | \$ 446.6 | |

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

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

The electric distribution systems are comprised of regulated electrical distribution utility systems and serve approximately 267,000 connections in the States of California, New Hampshire, Missouri, Kansas, Oklahoma, and Arkansas.

The natural gas distribution systems are comprised of regulated natural gas distribution utility systems and serve approximately 370,000 connections located in the States of New Hampshire, Illinois, Iowa, Missouri, Georgia, Massachusetts, and New York, and in the Province of New Brunswick.

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

2020 Usage Results

Electric Distribution Systems

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

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

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

Natural Gas Distribution Systems

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

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

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

Water and Wastewater Distribution Systems

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

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

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

2020 Regulated Services Group Operating Results

| (all dollar amounts in \$ millions) | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|-------------------------------|-----------------|-----------------------------|-----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenue | | | | |
| Utility electricity sales and distribution | \$ 163.6 | \$ 176.0 | \$ 344.3 | \$ 381.1 |
| Less: cost of sales – electricity | (42.8) | (50.3) | (100.0) | (119.9) |
| Net Utility Sales - electricity ¹ | 120.8 | 125.7 | 244.3 | 261.2 |
| Utility natural gas sales and distribution | 71.0 | 64.3 | 242.0 | 229.2 |
| Less: cost of sales – natural gas | (19.3) | (21.3) | (82.9) | (100.9) |
| Net Utility Sales - natural gas ¹ | 51.7 | 43.0 | 159.1 | 128.3 |
| Utility water distribution & wastewater treatment sales and distribution | 34.9 | 32.7 | 62.7 | 59.5 |
| Less: cost of sales – water | (3.2) | (1.8) | (5.5) | (3.2) |
| Net Utility Sales - water distribution & wastewater treatment ¹ | 31.7 | 30.9 | 57.2 | 56.3 |
| Gas transportation | 6.9 | 6.2 | 20.9 | 18.6 |
| Other revenue | 2.9 | 2.4 | 5.9 | 4.2 |
| Net Utility Sales¹ | 214.0 | 208.2 | 487.4 | 468.6 |
| Operating expenses | (104.8) | (102.1) | (213.2) | (204.1) |
| Other income | 1.8 | 1.9 | 5.3 | 3.1 |
| HLBV ² | 1.8 | 1.5 | 3.5 | 3.0 |
| Divisional Operating Profit^{1,3} | \$ 112.8 | \$ 109.5 | \$ 283.0 | \$ 270.6 |

¹ See *Non-GAAP Financial Measures*.

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

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

2020 Second Quarter Operating Results

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

Highlights of the changes are summarized in the following table:

| (all dollar amounts in \$ millions) | Three Months Ended June 30 | |
|--|-------------------------------|--------------|
| Prior Period Operating Profit | \$ | 109.5 |
| Existing Facilities | | |
| Electricity: Increase is primarily due to operating cost savings at the Empire Electric System. | | 1.5 |
| Gas: Increase is primarily due to lower commodity costs at the EnergyNorth and New England Gas Systems, as well as operating cost savings at the EnergyNorth Gas System. | | 2.8 |
| Water: Increase is primarily due to higher consumption in residential usage at the Litchfield Park and White Hall Water Systems, driven by warmer than normal weather. | | 0.5 |
| Other | | (0.7) |
| | | 4.1 |
| New Facilities | | |
| Gas: Acquisitions of New Brunswick Gas (October 2019) and St. Lawrence Gas (November 2019). | | 4.8 |
| | | 4.8 |
| Rate Reviews | | |
| Electricity: Implementation of temporary rates at the Granite State Electric System as well as a rate increase as a result of adding the Turquoise Solar Facility to the rate base at the CalPeco Electric System. | | 3.4 |
| Water: Implementation of interim rates at the Park Water System. | | 0.6 |
| | | 4.0 |
| Estimated Impact of COVID-19 | | (9.6) |
| Current Period Divisional Operating Profit¹ | \$ | 112.8 |

¹ See *Non-GAAP Financial Measures*.

2020 Year-to-Date Operating Results

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

Highlights of the changes are summarized in the following table:

| (all dollar amounts in \$ millions) | Six Months Ended June 30 |
|---|-----------------------------|
| Prior Period Operating Profit | \$ 270.6 |
| Existing Facilities | |
| Electricity: Decrease is primarily due to lower consumption driven by weather that resulted in 12% fewer heating degree days and 4% fewer cooling degree days compared to the same period in the prior year, partially offset by operating expense savings at the Empire Electric System. | (6.5) |
| Gas: Increase is primarily due to lower commodity costs at the EnergyNorth and the New England Gas Systems, as well as savings in operating expenses at the EnergyNorth Gas System, partially offset by lower consumption driven by unfavorable weather at the Empire Gas System. | 3.1 |
| Water: Decrease is primarily due to higher operating costs. | (0.6) |
| Other: Increase is primarily due to fees earned from the San Antonio Water System investment. | 2.3 |
| | (1.7) |
| New Facilities | |
| Gas: Acquisitions of New Brunswick Gas (October 2019) and St. Lawrence Gas (November 2019). | 18.1 |
| | 18.1 |
| Rate Reviews | |
| Electricity: Implementation of temporary rates at the Granite State Electric System as well as a rate increase as a result of adding the Turquoise Solar Facility to the rate base at the CalPeco Electric System. | 4.6 |
| Water: Implementation of interim rates at the Park Water System. | 1.2 |
| | 5.8 |
| Estimated Impact of COVID-19 | (9.8) |
| Current Period Divisional Operating Profit¹ | \$ 283.0 |

¹ See *Non-GAAP Financial Measures*.

Regulatory Proceedings

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

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

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

Plant-In-Service Accounting

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

Impact on Regulatory Proceedings resulting from COVID-19

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

Regulatory Proceedings related to Acquisitions:

Bermuda Electric Light Company

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

New York American Water

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

RENEWABLE ENERGY GROUP

2020 Electricity Generation Performance

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

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

² Natural gas fired co-generation facility.

2020 Second Quarter Renewable Energy Group Performance

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

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

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

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

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

2020 Year-to-Date Renewable Energy Group Performance

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

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

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

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

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

2020 Renewable Energy Group Operating Results

| (all dollar amounts in \$ millions) | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|----------------------------|----------------|--------------------------|-----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenue ¹ | | | | |
| Hydro | \$ 10.0 | \$ 11.5 | \$ 19.8 | \$ 22.5 |
| Wind | 38.0 | 36.3 | 84.6 | 75.5 |
| Solar | 5.9 | 5.8 | 9.4 | 9.3 |
| Thermal | 5.9 | 6.2 | 12.3 | 16.0 |
| Total Revenue | \$ 59.8 | \$ 59.8 | \$ 126.1 | \$ 123.3 |
| Less: | | | | |
| Cost of Sales - Energy ² | (0.6) | (0.7) | (1.8) | (2.1) |
| Cost of Sales - Thermal | (1.9) | (2.0) | (4.7) | (7.5) |
| Realized gain/(loss) on hedges ³ | (0.6) | — | (0.7) | (0.2) |
| Net Energy Sales⁸ | \$ 56.7 | \$ 57.1 | \$ 118.9 | \$ 113.5 |
| Renewable Energy Credits ⁴ | 3.7 | 2.1 | 5.7 | 4.5 |
| Other Revenue | 0.6 | 0.1 | 1.1 | 0.4 |
| Total Net Revenue | \$ 61.0 | \$ 59.3 | \$ 125.7 | \$ 118.4 |
| Expenses & Other Income | | | | |
| Operating expenses | (16.4) | (18.2) | (35.9) | (36.3) |
| Dividend, interest, equity and other income ⁵ | 22.5 | 37.0 | 46.3 | 60.5 |
| HLBV income ⁸ | 15.5 | 15.3 | 33.7 | 34.0 |
| Divisional Operating Profit^{6,7} | \$ 82.6 | \$ 93.4 | \$ 169.8 | \$ 176.6 |

¹ Many of the Renewable Energy Group's power purchase agreements ("PPAs") include annual rate increases. However, a change to the weighted average production levels resulting from higher average production from facilities that earn lower energy rates can result in a lower weighted average energy rate earned by the division as compared to the same period in the prior year.

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

³ See Note 21(b)(iv) in the unaudited interim consolidated financial statements.

⁴ Qualifying renewable energy projects receive RECs for the generation and delivery of renewable energy to the power grid. The energy credit certificates represent proof that 1 MW-hr of electricity was generated from an eligible energy source.

⁵ Includes dividends received from Atlantica and related parties (see Note 6 and 13 in the unaudited interim consolidated financial statements).

⁶ Certain prior year items have been reclassified to conform to current year presentation.

⁷ See *Non-GAAP Financial Measures*.

⁸ HLBV Income and PTCs

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

PTCs are earned as wind energy is generated based on a dollar per kW-hr rate prescribed in applicable federal and state statutes. For the three and six months ended June 30, 2020, the Renewable Energy Group's eligible facilities generated 643.1 and 1,386.6 GW-hrs representing approximately \$16.1 million and \$34.7 million in PTCs earned as compared to 642.8 and 1,357.1 GW-hrs representing \$15.4 million and \$32.6 million in PTCs earned during the same period in 2019. The majority of the PTCs have been allocated to tax equity investors to monetize the value to APUC of the PTCs and other tax attributes which are being recognized as HLBV income.

2020 Second Quarter Operating Results

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

Highlights of the changes are summarized in the following table:

| (all dollar amounts in \$ millions) | Three Months Ended June 30 |
|--|-------------------------------|
| Prior Period Operating Profit | \$ 93.4 |
| Existing Facilities and Investments | |
| Hydro: Decrease is primarily due to overall lower production as well as unfavorable pricing in the Western Region. | (1.3) |
| Wind Canada: Increase is primarily due to higher production. | 0.8 |
| Wind U.S.: Increase is primarily due to favorable pricing on RECs, partially offset by lower production and an increase in operating costs. | 0.3 |
| Solar: Decrease is primarily due to lower HLBV income recorded in the current year. | (0.6) |
| Thermal: Increase is primarily due to lower overall cost of fuel as well as lower operating costs, partially offset by unfavorable capacity pricing. | 0.1 |
| Investments: Decrease is primarily due to timing of a dividend received in the second quarter of 2019 related to Algonquin's investment in Atlantica Yield Energy Solutions Canada Inc. ("AYES Canada") ¹ | (13.2) |
| Other: Increase is primarily due to lower expenses. | 2.4 |
| | (11.5) |
| New Facilities and Investments | |
| Solar: Great Bay II Solar Facility achieved partial COD in April 2020. | 0.9 |
| | 0.9 |
| Foreign Exchange | (0.2) |
| Current Period Divisional Operating Profit² | \$ 82.6 |

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

² See Non-GAAP Financial Measures.

2020 Year-to-Date Operating Results

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

Highlights of the changes are summarized in the following table:

| (all dollar amounts in \$ millions) | Six Months Ended June 30 |
|---|-----------------------------|
| Prior Period Operating Profit | \$ 176.6 |
| Existing Facilities | |
| Hydro: Decrease is primarily due to overall lower production as well as unfavorable pricing in the Western and Maritime Region. | (1.9) |
| Wind Canada | (0.1) |
| Wind U.S.: Increase is primarily due to overall higher production, higher HLBV income, combined with favorable pricing on RECs, partially offset by overall higher operating costs. | 2.3 |
| Solar: Decrease is primarily due to lower HLBV income. | (2.5) |
| Thermal: Decrease is primarily due to unfavorable capacity pricing and lower REC revenue, partially offset by overall lower cost of fuel. | (0.9) |
| Investments: Decrease is primarily due to timing of a dividend received in the second quarter of 2019 related to Algonquin's investment in AYES Canada ¹ | (7.6) |
| Other: Increase is primarily due to lower expenses. | 1.6 |
| | (9.1) |
| New Facilities and Investments | |
| Solar: Great Bay II Solar Facility achieved partial COD in April 2020. | 0.9 |
| | 0.9 |
| Foreign Exchange | 1.4 |
| Current Period Divisional Operating Profit² | \$ 169.8 |

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

² See Non-GAAP Financial Measures.

APUC: CORPORATE AND OTHER EXPENSES

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

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

2020 Second Quarter Corporate and Other Expenses

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

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

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

For the three months ended June 30, 2020, change in investments carried at fair value totaled a gain of \$309.8 million as compared to a gain of \$121.4 million in 2019. The Company records certain of its investments, including Atlantica, using the fair value method and accordingly any change in the fair value of the investment is recorded in the Statement of Operations (see *Note 6* in the unaudited interim consolidated financial statements).

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

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

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

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

2020 Year-to-Date Corporate and Other Expenses

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

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

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

For the six months ended June 30, 2020, change in investments carried at fair value totaled a gain of \$119.1 million as compared to a gain of \$115.6 million in the same period in 2019. The Company records certain of its investments, including Atlantica, using the fair value method and accordingly any change in the fair value of the investment is recorded in the Statement of Operations (see *Note 6* in the interim unaudited consolidated financial statements).

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

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

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

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

Management Succession and Executive Retirements

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

NON-GAAP FINANCIAL MEASURES

Reconciliation of Adjusted EBITDA to Net Earnings

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

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

¹ HLBV represents the value of net tax attributes earned during the period primarily from electricity generated by certain U.S. wind power and U.S. solar generation facilities. HLBV earned in the three and six months ended June 30, 2020 amounted to \$17.3 million and \$37.2 million as compared to \$18.3 million and \$37.0 million during the same period in 2019.

² See Note 6 in the unaudited interim consolidated financial statements

³ See Note 16 in the unaudited interim consolidated financial statements

Reconciliation of Adjusted Net Earnings to Net Earnings

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

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

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

¹ See Note 6 in the unaudited interim consolidated financial statements

² See Note 16 in the unaudited interim consolidated financial statements

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

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

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

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

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

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

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

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

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

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

CORPORATE DEVELOPMENT ACTIVITIES

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

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

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

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

SUMMARY OF PROPERTY, PLANT, AND EQUIPMENT EXPENDITURES

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

¹ Property, Plant & Equipment acquired through acquisitions

² Includes expenditures on Property Plant & Equipment, equity-method investees, and acquisitions of operating entities that may have been jointly developed by the Company with another third party developer.

2020 Second Quarter Property Plant and Equipment Expenditures

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

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

2020 Year-to-Date Property Plant and Equipment Expenditures

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

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

2020 Capital Investments

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

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

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

(all dollar amounts in \$ millions)

| | | |
|---------------------------------------|----|--------------------------------|
| Regulated Services Group: | | |
| Rate Base Maintenance | \$ | 200.0 - \$ 250.0 |
| Rate Base Growth | | 400.0 - 500.0 |
| Rate Base Acquisitions ¹ | | 475.0 - 550.0 |
| Total Regulated Services Group: | | \$1,075.0 - \$1,300.0 |
| Renewable Energy Group: | | |
| Maintenance | \$ | 25.0 - \$ 50.0 |
| Investment in Capital Projects | | 150.0 - 325.0 |
| International Investments | | 50.0 - 75.0 |
| Total Renewable Energy Group: | \$ | 225.0 - \$ 450.0 |
| Total 2020 Capital Investments | | \$ 1,300.0 - \$ 1,750.0 |

¹ Includes international investments in utilities.

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

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

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

LIQUIDITY AND CAPITAL RESERVES

APUC has revolving credit and letter of credit facilities as well as separate credit facilities for the Regulated Services Group, and the Renewable Energy Group to manage the liquidity and working capital requirements of each division (collectively the "Bank Credit Facilities").

Bank Credit Facilities

The following table sets out the Bank Credit Facilities available to APUC and its operating groups as at June 30, 2020:

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

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

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

Corporate

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

Given the uncertainty around the length and extent of public health measures to address the COVID-19 pandemic and uncertainty around the extent of the impact this could have on capital markets, the Company and its subsidiaries secured additional liquidity as an additional margin of safety intended to ensure the Company can continue to move forward with its 2020 capital expenditure program and committed acquisitions independent of the state of the capital markets. The additional liquidity is in the form of (i) a \$865.0 million delayed draw non-revolving term credit facility with a syndicate of banks entered into on April 9, 2020 and maturing on April 8, 2021; and (ii) a \$135.0 million bilateral delayed draw non-revolving term facility entered into on April 13, 2020 and maturing on April 12, 2021. As at June 30, 2020, there were no amounts drawn on these facilities. The Regulated Services Group also entered into a \$600.0 million delayed draw non-revolving term credit facility with a syndicate of banks that matures on April 9, 2021. As at June 30, 2020, there was \$400.0 million drawn on this facility.

Regulated Services Group

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

Renewable Energy Group

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

Long Term Debt

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

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

Credit Ratings

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

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

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

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

Contractual Obligations

Information concerning contractual obligations as of June 30, 2020 is shown below:

| (all dollar amounts in \$ millions) | Total | Due in less than 1 year | Due in 1 to 3 years | Due in 4 to 5 years | Due after 5 years |
|---|-------------------|-------------------------|---------------------|---------------------|-------------------|
| Principal repayments on debt obligations ^{1,2} | \$ 4,157.7 | \$ 881.4 | \$ 361.0 | \$ 531.7 | \$ 2,383.6 |
| Advances in aid of construction | 62.7 | 1.2 | — | — | 61.5 |
| Interest on long-term debt obligations ² | 1,796.2 | 190.5 | 309.9 | 241.4 | 1,054.4 |
| Purchase obligations | 300.4 | 300.4 | — | — | — |
| Environmental obligations | 59.9 | 17.7 | 19.6 | 1.2 | 21.4 |
| Derivative financial instruments: | | | | | |
| Cross currency and forward starting interest rate swaps | 116.9 | 45.6 | 42.2 | 6.4 | 22.7 |
| Energy derivative and commodity contracts | 2.4 | 1.1 | 0.4 | 0.9 | — |
| Purchased power | 249.1 | 29.0 | 23.1 | 23.6 | 173.4 |
| Gas delivery, service and supply agreements | 395.4 | 78.7 | 104.6 | 82.5 | 129.6 |
| Service agreements | 496.7 | 50.7 | 84.5 | 92.8 | 268.7 |
| Capital projects | 543.2 | 543.2 | — | — | — |
| Land easements | 229.1 | 6.6 | 13.4 | 13.7 | 195.4 |
| Other obligations | 157.7 | 38.0 | 2.1 | 2.7 | 114.9 |
| Total Obligations | \$ 8,567.4 | \$ 2,184.1 | \$ 960.8 | \$ 996.9 | \$ 4,425.6 |

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

² The Company's subordinated unsecured notes have a maturity in 2078 and 2079, respectively. However, the Company currently anticipates repaying in 2023 and 2029 upon exercising its redemption right.

Equity

The common shares of APUC are publicly traded on the Toronto Stock Exchange ("TSX") and the New York Stock Exchange ("NYSE") under the trading symbol "AQN". As at August 12, 2020, APUC had 592,272,258 issued and outstanding common shares.

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

APUC is also authorized to issue an unlimited number of preferred shares, issuable in one or more series, containing terms and conditions as approved by the Board. As at June 30, 2020, APUC had outstanding:

- 4,800,000 cumulative rate reset Series A preferred shares, yielding 5.162% annually for the five-year period ending on December 31, 2023;
- 100 Series C preferred shares that were issued in exchange for 100 Class B limited partnership units by St. Leon Wind Energy LP; and
- 4,000,000 cumulative rate reset Series D preferred shares, yielding 5.091% annually for the five year period ending on March 31, 2024.

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

At-The-Market Equity Program

On May 15, 2020, APUC re-established its ATM program that allows the Company to issue up to \$500 million of common shares from treasury to the public from time to time, at the Company's discretion, at the prevailing market price when issued on the TSX, the NYSE, or any other existing trading market for the common shares of the Company in Canada or the United States. During the three months ended June 30, 2020, the Company issued 8,664,563 common shares under the ATM program at an average price of \$13.92 per common share for gross proceeds of \$120.6 million (\$119.1 million net of commissions). Other related costs, primarily related to the re-establishment of the ATM program, were \$0.8 million.

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

Dividend Reinvestment Plan

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

SHARE-BASED COMPENSATION PLANS

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

As at June 30, 2020, total unrecognized compensation costs related to non-vested options and share unit awards were \$1.6 million and \$13.5 million, respectively, and are expected to be recognized over a period of 1.08 and 1.37 years, respectively.

Stock Option Plan

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

APUC determines the fair value of options granted using the Black-Scholes option-pricing model. The estimated fair value of options, including the effect of estimated forfeitures, is recognized as an expense on a straight-line basis over the options' vesting periods while ensuring that the cumulative amount of compensation cost recognized at least equals the value of the vested portion of the award at that date. During the six months ended June 30, 2020, the Company granted 948,347 options to executives of the Company. The options allow for the purchase of common shares at a weighted average price of C\$16.70, the market price of the underlying common share at the date of grant. During the six months ended June 30, 2020, executives of the Company exercised 2,386,275 stock options at a weighted average exercise price of C\$12.52 in exchange for 748,786 common shares issued from treasury and 1,637,489 options were settled at their cash value as payment for the exercise price and tax withholdings related to the exercise of the options.

As at June 30, 2020, a total of 2,058,833 options were issued and outstanding under the stock option plan.

Performance Share Units

APUC issues performance share units ("PSUs") and restricted share units ("RSUs") to certain employees as part of APUC's long-term incentive program. During the six months ended June 30, 2020, the Company granted (including dividends and performance adjustments) 836,005 PSUs and RSUs to employees of the Company. During the six months ended June 30, 2020, the Company settled 825,859 PSUs, of which 441,342 PSUs were exchanged for common shares issued from treasury and 384,517 PSUs were settled at their cash value as payment for tax withholdings related to the settlement of the PSUs. Additionally, during the six months ended June 30, 2020, a total of 29,729 PSUs were forfeited.

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

Directors' Deferred Share Units

APUC has a Directors' Deferred Share Unit Plan. Under the plan, non-employee directors of APUC receive all or any portion of their annual compensation in deferred share units ("DSUs") and may elect to receive any portion of their remaining compensation in DSUs. The DSUs provide for settlement in cash or shares at the election of APUC. As APUC does not expect to settle the DSUs in cash, these DSUs are accounted for as equity awards. During the six months ended June 30, 2020, the Company issued 43,954 DSUs (including DSUs in lieu of dividends) to the directors of the Company.

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

Bonus Deferral Restricted Share Units

The Company has a bonus deferral RSU program that is available to certain employees. The eligible employees have the option to receive a portion or all of their annual bonus payment in RSUs in lieu of cash. The RSUs provide for settlement in shares, and therefore these RSUs are accounted for as equity awards. During the six months ended June 30, 2020, 119,458 RSUs were issued (including RSUs in lieu of dividends) to employees of the Company. During the six months ended June 30, 2020, the Company settled 13,778 bonus RSUs, of which 6,401 were exchanged for common shares issued from treasury and 7,377 RSUs were settled at their cash value as payment for tax withholdings related to the settlement of the RSUs.

Employee Share Purchase Plan

APUC has an Employee Share Purchase Plan (the "ESPP") which allows eligible employees to use a portion of their earnings to purchase common shares of APUC. The aggregate number of common shares reserved for issuance from treasury by APUC under this plan shall not exceed 2,000,000 shares. During the six months ended June 30, 2020, the Company issued 147,834 common shares to employees under the ESPP.

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

RELATED PARTY TRANSACTIONS

Equity-method investments

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

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

Redeemable non-controlling interest held by related party

Redeemable non-controlling interest held by related party represents a preference share in a consolidated subsidiary of the Company acquired by AAGES in 2018 for \$305.0 million (see *Note 13* in the unaudited interim consolidated financial statements). Redemption is not considered probable as at June 30, 2020. The Company incurred non-controlling interest attributable to AAGES of \$3.4 million and \$7.2 million during the three and six months ended June 30, 2020 as compared to \$7.1 million and \$13.9 million during the same period in 2019 and recorded distributions of \$3.6 million and \$6.9 million during the three and six months ended June 30, 2020 as compared to \$3.8 million and \$10.9 million during the same period in 2019 (see *Note 14* in the unaudited interim consolidated financial statements).

Non-controlling interest held by related party

Non-controlling interest held by related party represents interest in a consolidated subsidiary of the Company acquired by a subsidiary of Atlantica in May 2019. The Company recorded distributions of \$4.8 million and \$9.0 million during the three and six months ended June 30, 2020 as compared to \$18.0 million and \$18.0 million during the same periods in 2019.

Long Sault Hydro Facility

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

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

ENTERPRISE RISK MANAGEMENT

The Corporation is subject to a number of risks and uncertainties, certain of which are described below. A risk is the possibility that an event might happen in the future that could have a negative effect on the financial condition, financial performance or business of the Corporation. The actual effect of any event on the Corporation's business could be materially different from what is anticipated or described below. The description of risks below does not include all possible risks.

Led by the Chief Compliance and Risk Officer, the Corporation has an established enterprise risk management, or ("ERM"), framework. The Corporation's ERM framework follows the guidance of ISO 31000 and the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") Enterprise Risk Management - Integrated Framework. The Corporation's ERM framework is intended to systematically identify, assess, and mitigate the key strategic, operational, financial, and compliance risks that may impact the achievement of the Corporation's current objectives, as well as those inherent to strategic alternatives available to the Corporation. The Corporation's Board-approved ERM policy details the Corporation's risk management processes, risk appetite, and risk governance structure.

As part of the risk management process, risk registers have been developed across the organization through ongoing risk identification and risk assessment exercises facilitated by the Corporation's internal ERM team. Key risks and associated mitigation strategies are reviewed by the executive-level Enterprise Risk Management Council and are presented to the Board's Risk Committee periodically.

Risks are evaluated consistently across the Corporation using a standardized risk scoring matrix to assess impact and likelihood. Financial, strategic, reputational and safety implications are among those considered when determining the impact of a potential risk. Risk treatment priorities are established based upon these risk assessments and incorporated into the development of the Corporation's strategic and business plans.

The risks discussed below are not intended as a complete list of all exposures that APUC, its subsidiaries and affiliates are encountering or may encounter. Please see the Company's most recent AIF and Annual MD&A available on SEDAR and EDGAR for a more detailed discussion of risk factors to which the company is subject. To the extent of any inconsistency, the risks discussed below are intended to provide an update on those that were previously disclosed.

Risks Related to COVID-19

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

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

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

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

Risks Related to Changes in Laws and Regulations

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

Treasury Risk Management

Interest Rate Risk

The majority of debt outstanding in APUC and its subsidiaries is subject to a fixed rate of interest and as such is not subject to significant interest rate risk in the short to medium term time horizon.

Borrowings subject to variable interest rates can vary significantly from month to month, quarter to quarter and year to year. APUC does not actively manage interest rate risk on its variable interest rate borrowings due to the primarily short term and revolving nature of the amounts drawn.

Based on amounts outstanding as at June 30, 2020, the impact to interest expense from changes in interest rates are as follows:

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

QUARTERLY FINANCIAL INFORMATION

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

| (all dollar amounts in \$ millions except per share information) | 3rd Quarter 2019 | 4th Quarter 2019 | 1st Quarter 2020 | 2nd Quarter 2020 |
|--|---------------------|---------------------|---------------------|---------------------|
| Revenue | \$ 364.4 | \$ 439.7 | \$ 464.9 | \$ 343.6 |
| Net earnings (loss) attributable to shareholders | 115.8 | 172.1 | (63.8) | 286.2 |
| Net earnings (loss) per share | 0.23 | 0.34 | (0.13) | 0.54 |
| Diluted net earnings (loss) per share | 0.23 | 0.33 | (0.13) | 0.53 |
| Adjusted Net Earnings ¹ | 69.0 | 103.6 | 103.3 | 47.4 |
| Adjusted Net Earnings per share ¹ | 0.14 | 0.20 | 0.19 | 0.09 |
| Adjusted EBITDA ¹ | 185.8 | 231.5 | 242.2 | 176.3 |
| Total assets | 10,618.9 | 10,911.5 | 10,900.6 | 11,188.0 |
| Long term debt ² | 4,276.6 | 3,932.2 | 4,205.1 | 4,155.1 |
| Dividend declared per common share | \$ 0.14 | \$ 0.14 | \$ 0.14 | \$ 0.16 |
| | 3rd Quarter 2018 | 4th Quarter 2018 | 1st Quarter 2019 | 2nd Quarter 2019 |
| Revenue | \$ 365.6 | \$ 421.9 | \$ 477.2 | \$ 343.6 |
| Net earnings attributable to shareholders | 57.9 | 44.0 | 86.4 | 156.6 |
| Net earnings per share | 0.12 | 0.09 | 0.17 | 0.31 |
| Diluted net earnings per share | 0.12 | 0.09 | 0.17 | 0.31 |
| Adjusted Net Earnings ¹ | 49.7 | 70.5 | 94.1 | 54.5 |
| Adjusted Net Earnings per share ¹ | 0.10 | 0.14 | 0.19 | 0.11 |
| Adjusted EBITDA ¹ | 166.0 | 198.9 | 231.5 | 190.0 |
| Total assets | 9,072.6 | 9,389.6 | 9,671.3 | 10,034.3 |
| Long term debt ² | 3,561.3 | 3,337.3 | 3,651.9 | 3,782.3 |
| Dividend declared per common share | \$ 0.13 | \$ 0.13 | \$ 0.13 | \$ 0.14 |

¹ See *Non-GAAP Financial Measures*

² Includes current portion of long-term debt, long-term debt and convertible debentures.

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

Quarterly revenues have fluctuated between \$343.6 million and \$477.2 million over the prior two year period. A number of factors impact quarterly results including acquisitions, seasonal fluctuations, and winter and summer rates built into the PPAs. In addition, a factor impacting revenues year over year is the fluctuation in the strength of the Canadian dollar relative to the U.S. dollar which can result in significant changes in reported revenue from Canadian operations.

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

DISCLOSURE CONTROLS AND PROCEDURES

APUC's management carried out an evaluation as of June 30, 2020, under the supervision of and with the participation of APUC's CEO and CFO, of the effectiveness of the design and operations of APUC's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15 (e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, the CEO and the CFO have concluded that as of June 30, 2020, APUC's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by APUC in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

MANAGEMENT REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

For the six months ended June 30, 2020, there has been no change in the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

INHERENT LIMITATIONS ON EFFECTIVENESS OF CONTROLS

Due to its inherent limitations, disclosure controls and procedures or internal control over financial reporting may not prevent or detect all misstatements based on error of fraud. Further, the effectiveness of internal control is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may change.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

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

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