Docket 11-0559
Motion to Strike
Attachment B
Filed on March 08, 2012

From:	Patrick Huver, Esq.
To:	"VonQualen, Janis"; "McNeill, Megan"
Cc:	ab@zpwlaw.com
Subject:	11-0559, word versions
Date:	Wednesday, January 25, 2012 7:57:23 PM
Attachments:	Exhibit 9.0.docx Exhibit 10.0.docx Fee Calculation.xlsx Exhibit 9.9 APUC allocation template.xlsx Exhibit 9.1.docx Exhibit 9.2.docx Cost Allocation Manual 012212.docx IL - Liberty NH ASA with Midstates.docx IL - APUC ASA with Midstates.docx IL - Liberty Utilities Co. ASA with Midstates.docx IL - LUC ASA with Midstates.docx

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Dear Jan and Megan:

Per my earlier email, attached find word versions of the testimony and any Excel Workbooks. The Joint Applicant's will be be providing Staff with an annotated blackline of the updated ASAs and CAM.

I also wanted to mention that the proprietary versions of Exhibits 9.3 and 9.4 are confidential to Liberty and is not being shared with Atmos.

Best regards,
Patrick Huver

The Excel worksheets and Exhibits 9.0, 9.1, 9.2 and 10.0 have been omitted from Attachment B.

ALGONQUIN POWER & UTILITIES CORP. DIRECT CHARGE AND COST ALLOCATIONS MANUAL

This document outlines the methods of direct charge and cost allocations: (i) between Algonquin Power & Utilities Corp. and its affiliates Algonquin Power Company and Liberty Utilities (Canada) Corp.; (ii) between Liberty Utilities (Canada) Corp. and its regulated utility subsidiaries; and (iii) between Liberty Utilities (Canada) Corp.'s service companies and its regulated utility subsidiaries.

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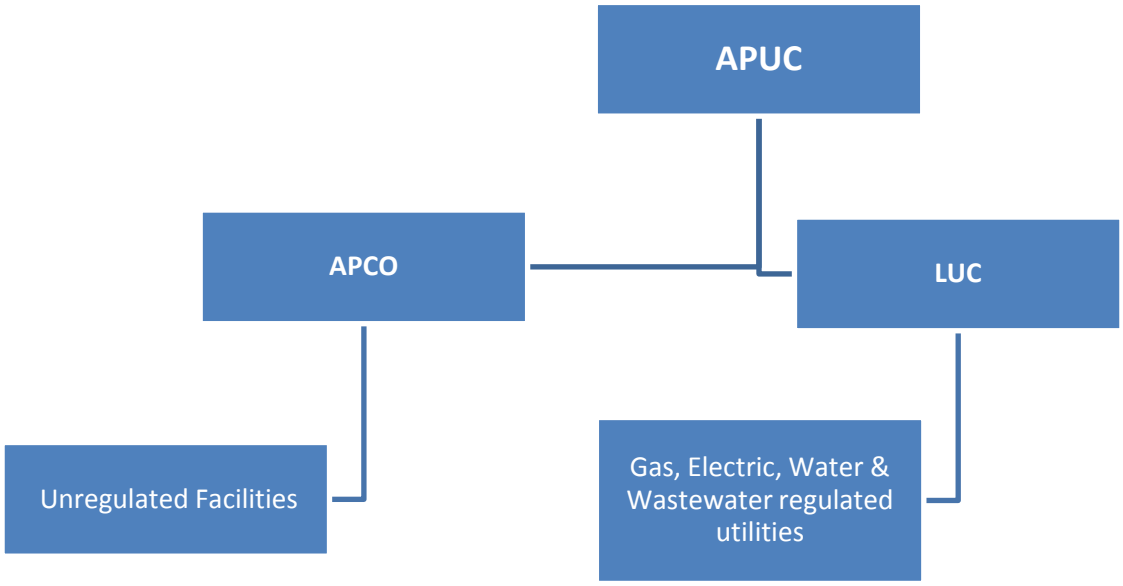
I. INTRODUCTION

The purpose of this paper is to provide a detailed explanation of services provided by Algonquin Power & Utilities Corp ("APUC"), Liberty Utilities (Canada) Corp. ("LUC"), and LUC's service companies (the "Service Companies") to the regulated utility assets and to describe the Direct Charge and Cost Allocation Methodologies used by APUC, LUC and the Service Companies. The following organization chart describes the relationships between the separate entities:



The following Cost Allocation Manual ("CAM") has been completed in accordance and conformance with the "NARUC Guidelines for Cost Allocations and Affiliate Transactions". More specifically, the founding principles of this Cost Allocation Manual is to a) directly charge as much as possible to the entity that procures any specific service, and b) to ensure that inappropriate subsidization of unregulated activities by regulated activities and vice versa does not occur. For ease of reference, the NARUC Guidelines are attached as Appendix 1.

Costs charged and allocated pursuant to this CAM shall include direct labor, direct materials, direct purchased services associated with the related asset or services, and overhead amounts.

i. Tariffed rates or other pricing mechanisms established by rate setting authorities shall be used to provide all regulated services.

ii. Services not covered by (ii) shall be charged by the providing party to the receiving party at fully distributed cost.

iii. Facilities and administrative services rendered to a rate-regulated subsidiary shall be charged on the following basis:

(1) the prevailing price for which the service is provided for sale to the general public by the providing party (i.e., the price charged to non-affiliates if such transactions with non-affiliates constitute a substantial portion of the providing party's total revenues from such transactions) or, if no such prevailing price exists, (2) an amount not to exceed the fully distributed cost incurred by the providing party in providing such service to the receiving party.

II. THE APUC CORPORATE STRUCTURE

APUC's primary business is direct interest or equity ownership in renewable and thermal power generating facilities and regulated utilities. APUC owns a widely diversified portfolio of independent power production facilities and regulated utilities consisting of water distribution and wastewater treatment facilities and electric and gas utilities in Canada and the United States. APUC is publicly traded on the Toronto Stock Exchange. Its structure as a publicly traded holding company provides substantial benefits to its regulated utilities through access to capital markets and access to engineers, technicians, professional managers, and administrative staff, including trained plant operators and field supervisors.

APUC is the ultimate corporate parent and affiliate that provides financial, strategic management, corporate governance, administrative and support services to LUC and its subsidiaries as well as to the numerous unregulated utility assets held by APCo. The services provided by APUC are necessary for LUC and its subsidiaries to have access to capital markets for capital projects and operations, and are necessary in providing a high level of shared services at the lowest cost. These services are expensed at APUC and are performed for the benefit of APCo and LUC and their respective businesses.

APUC and its affiliates capitalize on APUC's expertise and access to the capital markets through the use of certain shared services, which maximizes economies of scale and minimizes redundancy. In short, it provides for maximum expertise at lower costs. Further, the use of shared expertise allows each of the entities to receive a benefit they may not be able to achieve on a standalone basis such as strategic management advise and access to capital at more competitive rates.

III. SCOPE OF SERVICES PROVIDED BY APUC TO ITS SUBSIDIARIES AND HOW THOSE COSTS ARE ALLOCATED

A. Non-Labor Services and Cost Allocation from APUC to LUC and APCo

APUC's non-labor services include Financing Services and Administrative Services. As used herein "Financing Services" means the selling of units to public investors in order to generate the funding and capital necessary for LUC and APCo as well as providing legal and treasury services in connection with the issuance of public debt. As used herein "Administrative Services" includes the following types of services: strategic management services, corporate governance, and administration and management services such as consultation on management and administration of all aspects of utility business, including economic and strategic analysis.

The capital and funds obtained from the sale of shares in APUC are used by LUC and APCo for current and future capital investments. The services provided by APUC are critical and necessary to LUC and APCo because without those services they would not have a readily available source of capital funding. Put another way, absent the services provided by APUC, each business, including each utility, would be forced to operate as stand-alone utilities, with resulting higher costs and operating expenses incurred by customers. In addition, the utilities would bare much greater risk due to a potential inability to obtain capital on a standalone basis.

The services provided by APUC specifically optimize performance of LUC, keeping rates low for customers while ensuring access to capital is available. If the utilities did not have access to the services provided by APUC, then they would be forced to incur associated costs for financing, capital investment, audits, taxes and other similar services on a stand-alone basis, which would substantially increase such costs. Simply put, without incurring these costs, APUC would not be able to invest capital in its subsidiaries, including the regulated utilities.

In connection with the provision of Financing and Administrative Services, APUC incurs the following types of costs: (i) strategic management costs (board of director, third-party legal services, accounting services, tax planning and filings, insurance, and required auditing); (ii) capital access costs (communications, trustee fees, escrow and transfer agent fees); (iii) financial control costs (audit and tax expenses); and (iv) administrative (rent, depreciation, general office costs. See Appendix 2 for a more detailed discussion of the costs incurred by APUC.

Non-labor costs, including corporate capital, are pooled and allocated to LUC and APCo using a Three Factor Methodology. The three factors in the Three Factors

Methodology are revenue, expenses, and plant-in-service. Each of the three factors are given equal weight, or 33.3%. Notwithstanding the above, if a charge is related either solely to the regulated utility business, *i.e.*, LUC, or to the power generation business, *i.e.*, APCo, then all of those costs will be allocated to the business segment for which they are incurred. Furthermore, costs directly attributable to a specific region ("Regional Costs") are identified as such and allocated by LUC to the utilities in that region using the Utility Four Factor Methodology, as defined in Section IV. Lastly, if a cost can be directly attributable to a specific entity, it will be directly charged to that entity. For an example of how an invoice would be allocated, please see Appendix 3.

Certain costs, which are incurred for the benefit of APUC's businesses, are not allocated to any subsidiary. These include costs such as donations, certain corporate travel, and certain overheads.

B. Labor Services And Cost Allocation From APUC To LUC and APCo

As described above, APUC provides benefits to the utilities it owns by use of certain shared services. Labor for services such as executive management, corporate accounting, treasury services, investor relations, and corporate finance are provided by APUC to LUC and APCo.

APUC charges labor rates at cost, which is the dollar hourly rate per employee as recorded in APUC's payroll systems, grossed up for burdens such as payroll taxes, health benefits, retirement plans, and other insurance provided to employees. APUC allocates these costs to LUC and APCo using the Three Factor Methodology. As discussed in Section IV, LUC then allocates these costs to its regulated utilities using the Utility Four Factor Methodology.

C. Labor Services And Cost Allocation From APCo To LUC

From time to time, APCo may provide Engineering and Technical Labor to Liberty Utilities. These charges plus an allocation for corporate overheads such as rent, materials/supplies, etc. are capitalized and directly charged to the relevant utility.

IV. SCOPE OF SERVICES PROVIDED BY LUC TO ITS SUBSIDIARIES AND APUC AND APCO AND HOW THOSE COSTS ARE ALLOCATED

LUC provides its regulated utilities with the following services: accounting, corporate finance, human resources, information technology, rates and regulatory

affairs, environment, health and safety, and security, customer service, procurement, and utility planning. The following are examples of those services: (i) budgeting, forecasting, and financial reporting services including preparation of reports and preservation of records, cash management (including electronic fund transfers, cash receipts processing, managing short-term borrowings and investments with third parties); (ii) development of customer service policies and procedures; (iii) development of human resource policies and procedures; (iv) selection of information systems and equipment for accounting, engineering, administration, customer service, emergency restoration and other functions and implementation thereof; (v) development, placement and administration of insurance coverages and employee benefit programs, including group insurance and retirement annuities, property inspections and valuations for insurance; (vi) purchasing services including preparation and analysis of product specifications, requests for proposals and similar solicitations; and vendor and vendor-product evaluations; (vii) energy procurement oversight and load forecasting; and (viii) development of regulatory strategy.

Unless a charge can be directly attributable to a specific utility, LUC allocates its direct labor and direct non-labor costs, including capital costs, to its regulated utilities using a Utility Four Factor Methodology. LUC uses the Utility Four Factor Methodology to allocate Regional Costs to the utilities in that region and to allocate costs incurred for the benefit of all of its regulated assets ("System-Wide Costs") to all of its utilities.

The "Four Factor Utility Methodology" allocates costs by relative size of the utilities. The methodology used by LUC involves (1) Utility Plant, (2) Total Customers, (3) Non-Labor Expenses, and (4) Labor as allocating factors, with each factor assigned a specific weight. LUC uses the following weights under this Four Factor Utility Methodology:

Utility Plant	50%
Customer Count	40%
Non-Labor Expenses	5%
Labor	5%
Total	**100%**

LUC also uses the Utility Four Factor Methodology to allocate to its regulated utilities the System-Wide indirect labor and indirect non-labor costs allocated to LUC from APUC. As discussed in Section III(A), Regional Costs charged to LUC from APUC are allocated to the utilities in that region using the Utility Four Factor Methodology.

The following simplified hypothetical example demonstrates how the Utility Four Factor Methodology would be calculated based on ownership of only two hypothetical utilities:

FACTOR	Utility 1	Utility 2	TOTAL ALL UTILTIES	UTILITY 1 % OF TOTAL	FACTOR WEIGHT	UTILITY 1 ALLOCATION
UTILITY PLANT	727	371	1098	66%	50%	33%
CUSTOMER COUNT	6000	1000	7000	86%	40%	34%
LABOR COSTS	57	32	89	64%	5%	3%
EXPENSES	108	41	149	72%	5%	4%
TOTAL ALLOCATION						74%

As can be seen from these hypothetical numbers, Utility 1 would be allocated 74% of total Administrative/Overhead Costs incurred by LUC, based on its relative size and application of the Utility Four Factor Methodology in comparison to Utility 2. Utility 2 would be allocated the remaining 26%. LUC has developed and utilized this methodology to better allocate costs, recognizing that larger utilities require more time and management attention and incur greater costs than smaller ones.

In addition, LUC provides information technology and some human resource services to APCo and APUC. These costs are directly charged to APCo and APUC.

V. SERVICE COMPANY SERVICES AND COST ALLOCATION

Some of LUC's regulated utilities may receive services such as: billing and customer service; operations and engineering; environment, health and safety, and security; finance; information technology; regulatory; legal; and administrative services, *e.g.*, rent, insurance, and office services, from a Service Company.

Unless a charge can be directly attributable to a specific utility, billing and customer service costs are allocated on customer count. For an example of how this allocation works please see Appendix 4. Operations and engineering costs are directly charged based on timesheets to the relevant regulated utility. Unless a charge can be directly attributable to a specific utility, both labor and non-labor (including capital) environment, health and safety, and security, finance, information technology, regulatory, legal, and administrative costs are allocated using the Utility Four Factor Methodology.

VI. ALLOCATION OF GAS PROCUREMENT SERVICES PROVIDED BY LIBERTY ENERGY UTILITIES (NEW HAMPSHIRE) CORP TO THE NATURAL GAS UTIILITY SUBSIDIARIES OF LUC AND HOW THOSE COSTS ARE ALLOCATED

LUC's natural gas utilities receive gas procurement services from a shared group that is housed out of New Hampshire. The group's non-labor costs are directly charged to specific assets. The gas procurement employees directly charge their time to specific assets as well. Any shared services that are provided, such as development of an overall hedging strategy, are allocated based on natural gas volumes.

I. Appendix

Appendix 1: NARUC Guidelines for Cost Allocations

Guidelines for Cost Allocations and Affiliate Transactions:

The following Guidelines for Cost Allocations and Affiliate Transactions (Guidelines) are intended to provide guidance to jurisdictional regulatory authorities and regulated utilities and their affiliates in the development of procedures and recording of transactions for services and products between a regulated entity and affiliates. The prevailing premise of these Guidelines is that allocation methods should not result in subsidization of non-regulated services or products by regulated entities unless authorized by the jurisdictional regulatory authority. These Guidelines are not intended to be rules or regulations prescribing how cost allocations and affiliate transactions are to be handled. They are intended to provide a framework for regulated entities and regulatory authorities in the development of their own policies and procedures for cost allocations and affiliated transactions. Variation in regulatory environment may justify different cost allocation methods than those embodied in the Guidelines.

The Guidelines acknowledge and reference the use of several different practices and methods. It is intended that there be latitude in the application of these guidelines, subject to regulatory oversight. The implementation and compliance with these cost allocations and affiliate transaction guidelines, by regulated utilities under the authority of jurisdictional regulatory commissions, is subject to Federal and state law. Each state or Federal regulatory commission may have unique situations and circumstances that govern affiliate transactions, cost allocations, and/or service or product pricing standards. For example, The Public Utility Holding Company Act of 1935 requires registered holding company systems to price "at cost" the sale of goods and services and the undertaking of construction contracts between affiliate companies.

The Guidelines were developed by the NARUC Staff Subcommittee on Accounts in compliance with the Resolution passed on March 3, 1998 entitled "Resolution Regarding Cost Allocation for the Energy Industry" which directed the Staff Subcommittee on Accounts together with the Staff Subcommittees on Strategic Issues and Gas to prepare for NARUC's consideration, "Guidelines for Energy Cost Allocations." In addition, input was requested from other industry parties. Various levels of input were obtained in the development of the Guidelines from the Edison Electric Institute, American Gas Association, Securities and Exchange Commission, the Federal Energy Regulatory Commission, Rural Utilities Service and the National

Rural Electric Cooperatives Association as well as staff of various state public utility commissions.

In some instances, non-structural safeguards as contained in these guidelines may not be sufficient to prevent market power problems in strategic markets such as the generation market. Problems arise when a firm has the ability to raise prices above market for a sustained period and/or impede output of a product or service. Such concerns have led some states to develop codes of conduct to govern relationships between the regulated utility and its non-regulated affiliates. Consideration should be given to any "unique" advantages an incumbent utility would have over competitors in an emerging market such as the retail energy market. A code of conduct should be used in conjunction with guidelines on cost allocations and affiliate transactions.

A. DEFINITIONS

1. Affiliates - companies that are related to each other due to common ownership or control.

2. Attestation Engagement - one in which a certified public accountant who is in the practice of public accounting is contracted to issue a written communication that expresses a conclusion about the reliability of a written assertion that is the responsibility of another party.

3. Cost Allocation Manual (CAM) - an indexed compilation and documentation of a company's cost allocation policies and related procedures.

4. Cost Allocations - the methods or ratios used to apportion costs. A cost allocator can be based on the origin of costs, as in the case of cost drivers; cost-causative linkage of an indirect nature; or one or more overall factors (also known as general allocators).

5. Common Costs - costs associated with services or products that are of joint benefit between regulated and non-regulated business units.

6. Cost Driver - a measurable event or quantity which influences the level of costs incurred and which can be directly traced to the origin of the costs themselves.

7. Direct Costs - costs which can be specifically identified with a particular service or product.

8. Fully Allocated costs - the sum of the direct costs plus an appropriate share of indirect costs.

9. Incremental pricing - pricing services or products on a basis of only the additional costs added by their operations while one or more pre-existing services or products support the fixed costs.

10. Indirect Costs - costs that cannot be identified with a particular service or product. This includes but not limited to overhead costs, administrative and general, and taxes.

11. Non-regulated - that which is not subject to regulation by regulatory authorities.

12. Prevailing Market Pricing - a generally accepted market value that can be substantiated by clearly comparable transactions, auction or appraisal.

13. Regulated - that which is subject to regulation by regulatory authorities.

14. Subsidization - the recovery of costs from one class of customers or business unit that are attributable to another.

B. COST ALLOCATION PRINCIPLES

The following allocation principles should be used whenever products or services are provided between a regulated utility and its non-regulated affiliate or division.

1. To the maximum extent practicable, in consideration of administrative costs, costs should be collected and classified on a direct basis for each asset, service or product provided.

2. The general method for charging indirect costs should be on a fully allocated cost basis. Under appropriate circumstances, regulatory authorities may consider incremental cost, prevailing market pricing or other methods for allocating costs and pricing transactions among affiliates.

3. To the extent possible, all direct and allocated costs between regulated and non-regulated services and products should be traceable on the books of the applicable regulated utility to the applicable Uniform System of Accounts. Documentation should be made available to the appropriate regulatory authority upon request regarding transactions between the regulated utility and its affiliates.

4. The allocation methods should apply to the regulated entity's affiliates in order to prevent

subsidization from, and ensure equitable cost sharing among the regulated entity and its affiliates, and vice versa.

5. All costs should be classified to services or products which, by their very nature, are either regulated, non-regulated, or common to both.

6. The primary cost driver of common costs, or a relevant proxy in the absence of a primary cost driver, should be identified and used to allocate the cost between regulated and non-regulated services or products.

7. The indirect costs of each business unit, including the allocated costs of shared services, should be spread to the services or products to which they relate using relevant cost allocators.

C. COST ALLOCATION MANUAL (NOT TARIFFED)

Each entity that provides both regulated and non-regulated services or products should maintain a cost allocation manual (CAM) or its equivalent and notify the jurisdictional regulatory authorities of the CAM's existence. The determination of what, if any, information should be held confidential should be based on the statutes and rules of the regulatory agency that requires the information. Any entity required to provide notification of a CAM(s) should make arrangements as necessary and appropriate to ensure competitively sensitive information derived therefrom be kept confidential by the regulator. At a minimum, the CAM should contain the following:

1. An organization chart of the holding company, depicting all affiliates, and regulated entities.

2. A description of all assets, services and products provided to and from the regulated entity and each of its affiliates.

3. A description of all assets, services and products provided by the regulated entity to non-affiliates.

4. A description of the cost allocators and methods used by the regulated entity and the cost allocators and methods used by its affiliates related to the regulated services and products provided to the regulated entity.

D. AFFILIATE TRANSACTIONS (NOT TARIFFED)

The affiliate transactions pricing guidelines are based on two assumptions. First, affiliate transactions raise the concern of self-dealing where market forces do not necessarily drive prices. Second, utilities have a natural business incentive to shift costs from non-regulated competitive operations to regulated monopoly operations since recovery is more certain with captive ratepayers. Too much flexibility will lead

to subsidization. However, if the affiliate transaction pricing guidelines are too rigid, economic transactions may be discouraged.

The objective of the affiliate transactions' guidelines is to lessen the possibility of subsidization in order to protect monopoly ratepayers and to help establish and preserve competition in the electric generation and the electric and gas supply markets. It provides ample flexibility to accommodate exceptions where the outcome is in the best interest of the utility, its ratepayers and competition. As with any transactions, the burden of proof for any exception from

the general rule rests with the proponent of the exception.

1. Generally, the price for services, products and the use of assets provided by a regulated entity to its non-regulated affiliates should be at the higher of fully allocated costs or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the regulator.

2. Generally, the price for services, products and the use of assets provided by a non-regulated affiliate to a regulated affiliate should be at the lower of fully allocated cost or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the regulator.

3. Generally, transfer of a capital asset from the utility to its non-regulated affiliate should be at the greater of prevailing market price or net book value, except as otherwise required by law or regulation. Generally, transfer of assets from an affiliate to the utility should be at the lower of prevailing market price or net book value, except as otherwise required by law or regulation. To determine prevailing market value, an appraisal should be required at certain value thresholds as determined by regulators.

4. Entities should maintain all information underlying affiliate transactions with the affiliated utility for a minimum of three years, or as required by law or regulation.

E. AUDIT REQUIREMENTS

1. An audit trail should exist with respect to all transactions between the regulated entity and its affiliates that relate to regulated services and products. The regulator should have complete access to all affiliate records necessary to ensure that cost allocations and affiliate transactions are conducted in accordance with the guidelines. Regulators should have complete access to affiliate records, consistent with state statutes, to ensure that the regulator has access to all relevant information necessary to

evaluate whether subsidization exists. The auditors, not the audited utilities, should determine what information is relevant for a particular audit objective. Limitations on access would compromise the audit process and impair audit independence.

2. Each regulated entity's cost allocation documentation should be made available to the company's internal auditors for periodic review of the allocation policy and process and to any jurisdictional regulatory authority when appropriate and upon request.

3. Any jurisdictional regulatory authority may request an independent attestation engagement of the CAM. The cost of any independent attestation engagement associated with the CAM, should be shared between regulated and non-regulated operations consistent with the allocation of similar common costs.

4. Any audit of the CAM should not otherwise limit or restrict the authority of state regulatory authorities to have access to the books and records of and audit the operations of jurisdictional utilities.

5. Any entity required to provide access to its books and records should make arrangements as necessary and appropriate to ensure that competitively sensitive information derived therefrom be kept confidential by the regulator.

F. REPORTING REQUIREMENTS

1. The regulated entity should report annually the dollar amount of non-tariffed transactions

associated with the provision of each service or product and the use or sale of each asset for the following:

a. Those provided to each non-regulated affiliate.

b. Those received from each non-regulated affiliate.

c. Those provided to non-affiliated entities.

2. Any additional information needed to assure compliance with these Guidelines, such as cost of service data necessary to evaluate subsidization issues, should be provided.

Source:
://www.naruc.org/Publications/Guidelines%20for%20Cost%20Allocations%20and%20Affiliate%20Transactions.

Appendix 2 – Detailed Explanation of APUC Costs

1. APUC Strategic Management Costs

Strategic management decisions are critical for any public utility. The need for strategic management is even more pronounced for APUC as a publicly traded company, which depends on access to capital funding through public sales of units. APUC seeks to hire talented strategic managers that aid in running each facility owned by the company as efficiently and effectively as possible. This ensures the long term health of each utility and ensures that rates are kept as low as possible without compromising the level of service. It also facilitates each regulated utility's access to necessary capital funding at reduced costs. The costs included in Strategic Management Costs fall into the following categories.

a. Board of Directors

The Board of Directors provides strategic oversight on all company affairs including high level approvals of strategy, operation and maintenance budgets, capital budgets, etc. In addition, the Board of Directors provides corporate governance and ensures that capital and costs are incurred prudently, which ultimately protects ratepayers.

b. General Legal Services

General legal services involve legal matters not specific to any single facility, including review of audited financial statements, annual information filings, Sedar filings, review of contracts with credit facilities, incorporation, tax issues of a legal nature, market compliance, and other similar legal costs. These legal services are required in order for APUC to provide capital funding to individual utilities, without which the utilities could not provide adequate service. Additionally, the services ensure that APUC's subsidiaries remain compliant in all aspects of operations and prevents those entities from being exposed to unnecessary risks.

c. Professional Services

Professional Services including strategic plan reviews, capital market advisory services, ERP System maintenance, benefits consulting, and other similar professional services. By providing these services at a parent level, the subsidiaries are able to benefit from economies of scale. Additionally, some of these services improve APUC's access to capital which benefits all of its subsidiaries.

2. ACCESS TO CAPITAL MARKETS

One of APUC's primary functions is to ensure its subsidiaries have access to quality capital. APUC is listed on the Toronto Stock Exchange, a leading financial market. In order to allow it subsidiaries to have continued access to those capital markets, APUC incurs the following costs. These services and costs are a prerequisite to the subsidiaries continued access to those capital markets.

a. License and Permit Fees

In connection with APUC's participation in the Toronto Stock Exchange, APUC incurs certain license and permit fees such as Sedar fees, annual filing fees, licensing fees, etc. These licensing and permit fees are required in order to sell units on the Toronto Stock Exchange, which in turn provides funding for utility operations.

b. Escrow Fees

In connection with the payment of dividends to unit holders, APUC incurs escrow fees. Escrow fees are incurred to ensure continued access to capital and ensure continuing and ongoing investments by shareholders. Without such escrow fees, APUC's subsidiaries would not have a readily available source of capital funding.

c. Unitholder Communications

Unit holder communication costs are incurred to comply with filing and regulatory requirements of the Toronto Stock Exchange and meet the expectations of shareholders. These costs include items such as news releases and unit holder conference calls. In the absence of shareholder communication costs, investors would not invest in the units of APUC, and in turn, APUC would not have capital to invest in its subsidiaries. With such communications services, the subsidiaries would not have a readily available source of capital funding.

3. APUC FINANCIAL CONTROLS

Financial control costs incurred by APUC include costs for audit services and tax services. These costs are necessary to ensure that the subsidiaries are operating in a manner that meets audit standards and regulatory requirements, which have strong financial and operational controls, and financial transactions are recorded accurately and prudently. Without these services, the regulated utilities would not have a readily available source of capital funding.

a. Audit Fees

Audits are done on a yearly basis and reviews are performed quarterly on all facilities owned by APUC on an aggregate level. These corporate parent level audits reduce the cost of the standalone audits significantly for utilities which must perform its own separate audits. Where standalone audits are not required, ratepayers receive benefits of additional financial rigor, as well as access to capital, and financial soundness checks by third parties. Finally, during rate cases, the existence of audits provides staff and intervenors additional reliance on the company records, thus reducing overall rate case costs. The aggregate audit is necessary for the regulated utilities to have continued access to capital markets and unit holders.

b. Tax Services

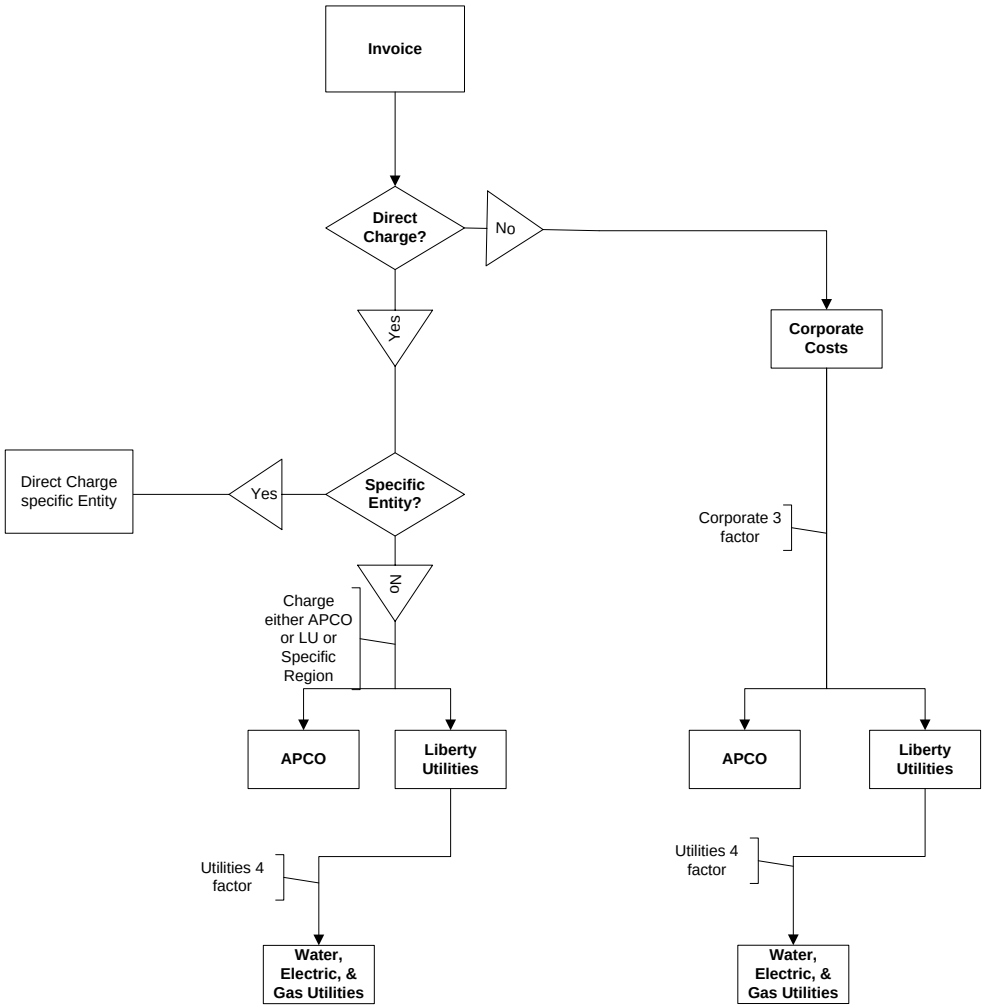
Taxes are paid on behalf of the regulated utilities at the parent level as part of a consolidated United States tax return. Tax services such as planning and filing are provided by third parties. Filing tax returns on a consolidated basis benefits each regulated utility by reducing the costs that otherwise would be incurred by such utility in filing its own separate tax return.

4. APUC ADMINISTRATIVE COSTS

Finally, administrative costs incurred by APUC such as rent, depreciation of office furniture, depreciation of computers, and general office costs are required to house all the services mentioned above. Without these administrative costs, the employees of APUC could not perform their work and provide the necessary services to the regulated utilities. These administrative costs also include training for corporate employees. The Three Factor Methodology is used to allocate these costs.

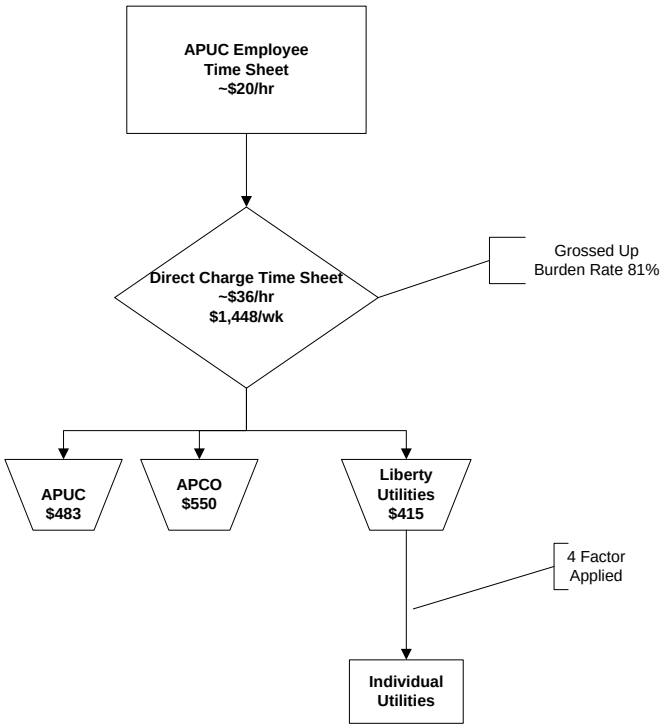
APPENDIX 3 – LIFE OF AN INVOICE

A hypothetical example is being provided of an invoice received by APUC for services to be allocated to its subsidiaries. The below diagram is intended to visually communicate APUC's allocation to APCo and Liberty Utilities.



APPENDIX 4 – LABOR ALLCOATION EXAMPLE

The following simplified example demonstrates how an APUC employee's labor costs would be allocated to the regulated utilities:



AFFILIATE SERVICES AGREEMENT – Liberty NH

This Affiliate Services Agreement (this "Agreement") is entered into as of the ___ day of _____, 2012, by and between Liberty Energy Utilities (New Hampshire) Corp. ("Liberty NH") (the "Provider Company"), which company is engaged, in part, in the rendering of services to companies in the APUC holding company system, and Liberty Energy (Midstates) Corp., (the "Receiving Company"), (both parties to this Agreement otherwise collectively referred to as the "parties" or individually referred to as a "party").

WHEREAS, the organization, conduct of business and method of cost allocation of the Provider Company is designed to result in the performance of services and the provision of goods economically and efficiently for the benefit of the Receiving Company at costs which are fairly and equitably allocated.

THEREFORE, the parties further agree as follows:

Section 1 – Provision of Services

Section 1.1 *Consultants* The Provider Company has and will maintain a staff trained and experienced in the provision of services of a general and administrative nature. In addition to the services of their own staff, the Provider Company will, from time to time, arrange for services of non-affiliated experts, consultants, accountants and attorneys.

Section 1.2 *Liberty Energy Utilities (New Hampshire) Corp.* Liberty NH agrees to provide and Receiving Company agrees to accept gas procurement and gas control services.

Section 2 – Records and Charges

Section 2.1 *Records* All services rendered under this Agreement will be provided at actual cost thereof. Records will be maintained for each department and division of the Provider Company in order to accumulate all costs of doing business and to determine the cost of service. These costs will include wages and salaries of employees and related expenses such as insurance, taxes, pensions and other employee welfare expenses, and rent, light, heat, telephone, supplies, and other housekeeping costs. In addition, records will be maintained of general administrative expenses, which will include the costs of operating the Provider Company as a corporate entity.

Each party shall maintain adequate books and records with respect to the transactions subject to this Agreement to specifically identify costs subject to allocation, particularly with respect to their origin. In addition, the records must be adequately supported in a manner sufficient to justify recovery of the costs in the rates of the Receiving Company. Each party shall be responsible for maintaining internal controls to ensure the costs associated with transactions covered by the Agreement are properly and

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consistently allocated and billed in accordance with the terms and provisions of this Agreement.

Section 2.2 *Charges* Charges for services rendered and related expenses will be charged to all recipients, regardless of whether a recipient is a party to this Agreement, according to the procedures set forth in the Cost Allocation Manual attached hereto as Schedule I.

Section 3 - Term

Section 3.1 *Term* The effective date of this Agreement shall be the date noted above and shall continue unless terminated by either the Receiving Company or the Provider Company giving thirty days' written notice to the other of such termination at the end of any month. Any such termination shall not affect the terminating party's accrued rights and obligations under this Agreement arising prior to the effective date of termination. This Agreement shall not be amended except by a written instrument signed by an authorized representative of each of the parties hereto.

Section 4 – Confidential Information

Section 4.1 *Confidential Information* Each party shall treat in confidence all information that it shall have obtained regarding the other parties and their respective businesses during the course of the performance of this Agreement. Such information shall not be communicated to any person other than the parties to this Agreement, except to the extent disclosure of such information is required by a governmental authority. If a party is required to disclose confidential information to a governmental authority, such party shall take reasonable steps to make such disclosure confidential under the rules of such governmental authority. Information provided hereunder shall remain the sole property of the party providing such information. The obligation of a party to treat such information in confidence shall not apply to any information which (i) is or becomes available to such party from a source other than the party providing such information, or (ii) is or becomes available to the public other than as a result of disclosure by such party or its agents.

Section 5 – Miscellaneous

Section 5.1 *Rider* Any state specific terms and/or conditions and/or services are specified in Schedule II to this Agreement.

Section 5.2 *Compliance with Governing Law* This Agreement will be subject to termination or modification at any time to the extent its performance may conflict with any federal or state law or any rule, regulation or order of a federal or state regulatory body having jurisdiction. This Agreement shall be subject to approval of any federal or state regulatory body whose approval is a legal prerequisite to its execution and performance. Cost allocations and the methods of allocation provided herein may also be

subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") under Section 1275 of the Energy Policy Act of 2005 and the rules promulgated thereunder and, to the extent applicable, FERC determinations regarding the allocation of costs shall be dispositive. Any number of counterparts of this Agreement may be executed, and each shall have the same force and effect as an original instrument, as if all parties to all counterparts had signed the same instrument.

Section 5.3 *Limitation of Liability* Each party acknowledges and agrees that any services provided by the Provider Company hereunder are so provided WITHOUT ANY WARRANTY (WHETHER EXPRESS, IMPLIED OR STATUTORY AND NOTWITHSTANGING ANY ORAL OR WRITTEN STATEMENT BY A PARTY'S EMPLOYEES, REPRESENTATIVES OR AGENTS TO THE CONTRARY) WHATSOEVER. ALL SUCH WARRANTIES INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) ARE HEREBY DISCLAIMED AND EXCLUDED.

Section 5.4 *Exclusive Benefit* This Agreement is intended for the exclusive benefit of the parties hereto and is not intended and shall not be deemed or construed, to crease any rights in, or responsibilities to, third parties.

Section 5.5 *Assignment* This Agreement may not be assigned by any party without the prior written consent of all parties.

Section 5.6 *Severability* Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or enforceable provision or provisions or any other provisions hereof, unless such a construction would be unreasonable.

Section 5.7 *Waiver* Failure by any party to insist upon strict performance of any term or condition herein shall not be deemed a waiver of any rights or remedies that such party may have against any other party nor in any way affect the validity of this Agreement or any part hereof or the right of such party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other subsequent breach.

Section 5.8 *Entirety* This Agreement including Schedules I and II attached hereto constitute the entire Agreement between the parties pertaining to the subject matter hereof and supersedes all prior Agreements, understandings, negotiations and discussions, whether oral or written between the parties with respect to the subject matter hereof. In the event of a conflict or inconsistency between the terms of this Agreement and Schedules I and II, Schedules I and II shall prevail.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above mentioned.

LIBERTY ENERGY UTILITIES (NEW HAMPSHIRE) CORP.

By: _____
Name:
Title:

LIBERTY ENERGY (MIDSTATES) CORP.

By: _____
Name:
Title:

SCHEDULE I

ALGONQUIN POWER & UTILITIES CORP. DIRECT CHARGE AND COST ALLOCATIONS MANUAL

[Remainder of page left intentionally blank.]

SCHEDULE II

ILLINOIS RIDER

This Rider is attached to and hereby made a part of the _____, 2012 Affiliate Services Agreement ("Agreement") by and between Liberty Energy Utilities (New Hampshire) Corp. ("Liberty NH"), a Delaware Company (the "Provider Company") and Liberty Energy (Midstates) Corp., a Missouri Company (the "Receiving Company").

1. This Agreement is intended to cover all transactions between the Receiving Company and the Provider Company for which Illinois Commerce Commission ("ICC") approval is or may be required, other than such transactions that are the subject of separate arrangements or agreements that are part of a competitive process under Administrative Code parts 310.60 and 310.70 (or any successor code parts or other laws) or that the Parties explicitly state are not subject to this Agreement. This Agreement shall be limited in its application to transactions that affect Liberty Energy (Midstates) Corp. costs subject to the regulatory oversight of the Illinois Commerce Commission ("ICC") and shall remain in effect until otherwise ordered by the ICC. This Agreement should be construed so as to comply with all applicable law, including the Illinois Public Utilities Act. This Agreement shall be interpreted in accordance with such purposes and intent.

2. Any request for services from the Receiving Company to the Provider Companies will be available for review by the ICC.

3. The Receiving Company will notify the ICC within thirty days of any termination by means of an information filing with the Chief Clerk of the ICC and a copy of the information filing shall be sent to the Manager of Accounting of the ICC.

4. ICC notification is required for the addition of any new receiving companies to this Agreement. ICC approval is required for the addition of any new provider companies to this Agreement.

5. During the term of the Agreement and for a period of seven years after its expiration or termination as to a Provider Company, the ICC shall have access to such Records of the Provider Company as they relate to transactions between such party and the Receiving Company's Illinois operation to the extent allowed under Section 7-101 of the Public Utilities Act (220 ILCS 5/7-101) and subject to Section 5-108 of the Illinois Public Utilities Act.

6. The ASA shall be construed to apply to both services and facilities.

7. An internal audit of the charges covered by the Agreement during the preceding

calendar year shall be provided to the Accounting Department Manager no later than July 1 of each calendar year. The first such report shall cover the first calendar year beginning after the year in which the proposed transaction closes. The internal audit report shall reflect the results of an internal audit that tests compliance with the processes outlined in the Agreement. The internal audit shall also include a review of the allocation factors and the calculation of each to verify that they are updated and calculated in accordance with the Agreement.

8. A study evaluating the correlation between cost causation factors and the cost allocation factors contained in the Cost Allocation Manual set forth in Schedule I ("Cost Allocation Study") shall be performed every three years. The first study will cover the initial three full calendar years post closing. A report on the Cost Allocation Study shall be provided to the Accounting Department Manager no later than July 1 of the year following the initial three-year period.

9. Receiving Company shall annually file, by May 1 of the following year a billing report on the ICC's e-Docket system in Docket No. 11-0559 with a copy to the ICC's Accounting Department Manager and to the Office of the Chief Clerk of the ICC. The billing report shall summarize the monthly charges to the Receiving Company from affiliated provider companies under the ASA.

10. Costs allocated pursuant to this Agreement shall be subject to ICC review based on the following standard: the Receiving Company must be able to demonstrate that such service or cost category is reasonable for the performance of its regulated operations, is not duplicative of administrative services already performed at the Receiving Company level, and is reasonable and prudent.

11. Late payments for services shall bear interest at a rate equal to prime rate reported in the *Wall Street Journal* and shall be based on the period of time that the payment is late.

AFFILIATE SERVICES AGREEMENT - APUC

This Affiliate Services Agreement (this "Agreement") is entered into as of the ___ day of _____, 2012, by and between Algonquin Power & Utilities Corp. ("APUC"), a Canadian Corporation (the "Provider Company"), which company is engaged, in part, in the rendering of services to companies in the APUC holding company system, and Liberty Energy (Midstates) Corp. ("Liberty Midstates") (the "Receiving Company"), (all parties to this Agreement otherwise collectively referred to as the "parties" or individually referred to as a "party").

WHEREAS, the organization, conduct of business and method of cost allocation of the Provider Company is designed to result in the performance of services and the provision of goods economically and efficiently for the benefit of the Receiving Company at costs which are fairly and equitably allocated.

THEREFORE, the parties further agree as follows:

Section 1 – Provision of Services

Section 1.1 *Consultants* The Provider Company has and will maintain a staff trained and experienced in the provision of services of a general and administrative nature. In addition to the services of their own staff, the Provider Company will, from time to time, arrange for services of non-affiliated experts, consultants, accountants and attorneys.

Section 1.2 *Algonquin Power & Utilities Corp.* APUC agrees to provide and Receiving Company agrees to accept Financing Services and Administrative Services. As used herein "Financing Services" means the selling of units to public investors in order to generate the funding and capital necessary for the Receiving Company to provide utility services as well as providing legal and treasury services in connection with the issuance of public debt. As used herein "Administrative Services" includes the following types of services: strategic management services, financial controls, corporate governance, and administration and management services such as consultation on management and administration of all aspects of utility business, including economic and strategic analysis. APUC will also furnish, if available, such additional services as the Receiving Company may request, including but not limited to the services detailed or described in the "Algonquin Power & Utilities Corp. Direct Charge and Cost Allocations Manual" attached as Schedule I.

Section 2 – Records and Charges

Section 2.1 *Records* All services rendered under this Agreement will be provided at actual cost thereof. Records will be maintained for each department and division of the Provider Company in order to accumulate all costs of doing business and to determine the cost of service. These costs will include wages and salaries of employees and related expenses such as insurance, taxes, pensions and other employee

welfare expenses, and rent, light, heat, telephone, supplies, and other housekeeping costs. In addition, records will be maintained of general administrative expenses, which will include the costs of operating the Provider Company as a corporate entity.

Each party shall maintain adequate books and records with respect to the transactions subject to this Agreement to specifically identify costs subject to allocation, particularly with respect to their origin. In addition, the records must be adequately supported in a manner sufficient to justify recovery of the costs in the rates of the Receiving Company. Each party shall be responsible for maintaining internal controls to ensure the costs associated with transactions covered by the Agreement are properly and consistently allocated and billed in accordance with the terms and provisions of this Agreement.

Section 2.2 *Charges* Charges for services rendered and related expenses will be charged to all recipients, regardless of whether a recipient is a party to this Agreement, according to the procedures set forth in the Cost Allocation Manual attached hereto as Schedule I.

Section 3 - Term

Section 3.1 *Term* The effective date of this Agreement shall be the date noted above and shall continue unless terminated by either the Receiving Company or the Provider Company giving thirty days' written notice to the other of such termination at the end of any month. Any such termination shall not affect the terminating party's accrued rights and obligations under this Agreement arising prior to the effective date of termination. This Agreement shall not be amended except by a written instrument signed by an authorized representative of each of the parties hereto.

Section 4 – Confidential Information

Section 4.1 *Confidential Information* Each party shall treat in confidence all information that it shall have obtained regarding the other parties and their respective businesses during the course of the performance of this Agreement. Such information shall not be communicated to any person other than the parties to this Agreement, except to the extent disclosure of such information is required by a governmental authority. If a party is required to disclose confidential information to a governmental authority, such party shall take reasonable steps to make such disclosure confidential under the rules of such governmental authority. Information provided hereunder shall remain the sole property of the party providing such information. The obligation of a party to treat such information in confidence shall not apply to any information which (i) is or becomes available to such party from a source other than the party providing such information, or (ii) is or becomes available to the public other than as a result of disclosure by such party or its agents.

Section 5 – Miscellaneous

Section 5.1 *Rider* Any state specific terms and/or conditions and/or services are specified in Schedule II to this Agreement.

Section 5.2 *Compliance with Governing Law* This Agreement will be subject to termination or modification at any time to the extent its performance may conflict with any federal or state law or any rule, regulation or order of a federal or state regulatory body having jurisdiction. This Agreement shall be subject to approval of any federal or state regulatory body whose approval is a legal prerequisite to its execution and performance. Cost allocations and the methods of allocation provided herein may also be subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") under Section 1275 of the Energy Policy Act of 2005 and the rules promulgated thereunder and, to the extent applicable, FERC determinations regarding the allocation of costs shall be dispositive. Any number of counterparts of this Agreement may be executed, and each shall have the same force and effect as an original instrument, as if all parties to all counterparts had signed the same instrument.

Section 5.3 *Limitation of Liability* Each party acknowledges and agrees that any services provided by the Provider Company hereunder are so provided WITHOUT ANY WARRANTY (WHETHER EXPRESS, IMPLIED OR STATUTORY AND NOTWITHSTANGING ANY ORAL OR WRITTEN STATEMENT BY A PARTY'S EMPLOYEES, REPRESENTATIVES OR AGENTS TO THE CONTRARY) WHATSOEVER. ALL SUCH WARRANTIES INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) ARE HEREBY DISCLAIMED AND EXCLUDED.

Section 5.4 *Exclusive Benefit* This Agreement is intended for the exclusive benefit of the parties hereto and is not intended and shall not be deemed or construed, to crease any rights in, or responsibilities to, third parties.

Section 5.5 *Assignment* This Agreement may not be assigned by any party without the prior written consent of all parties.

Section 5.6 *Severability* Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or enforceable provision or provisions or any other provisions hereof, unless such a construction would be unreasonable.

Section 5.7 *Waiver* Failure by any party to insist upon strict performance of any term or condition herein shall not be deemed a waiver of any rights or remedies that such party may have against any other party nor in any way affect the validity of this Agreement or any part hereof or the right of such party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to

constitute a waiver of any other subsequent breach.

Section 5.8 *Entirety* This Agreement including Schedules I and II attached hereto constitute the entire Agreement between the parties pertaining to the subject matter hereof and supersedes all prior Agreements, understandings, negotiations and discussions, whether oral or written between the parties with respect to the subject matter hereof. In the event of a conflict or inconsistency between the terms of this Agreement and Schedules I and II, Schedules I and II shall prevail.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above mentioned.

ALOGONQUIN POWER AND UTILITIES CORP.

By: _____
Name:
Title:

LIBERTY ENERGY (MIDSTATES) CORP.

By: _____
Name:
Title:

SCHEDULE I

ALGONQUIN POWER & UTILITIES CORP. DIRECT CHARGE AND COST ALLOCATIONS MANUAL

[Remainder of page left intentionally blank.]

SCHEDULE II

ILLINOIS RIDER

This Rider is attached to and hereby made a part of the _____, 2012 Affiliate Services Agreement ("Agreement") by and between Algonquin Power & Utilities Corp. ("APUC"), a Canadian Corporation, (the "Provider Company" or "Provider") and Liberty Energy (Midstates) Corp., a Missouri Company (the "Receiving Company").

1. This Agreement is intended to cover all transactions between the Receiving Company and the Provider Company for which Illinois Commerce Commission ("ICC") approval is or may be required, other than such transactions that are the subject of separate arrangements or agreements that are part of a competitive process under Administrative Code parts 310.60 and 310.70 (or any successor code parts or other laws) or that the Parties explicitly state are not subject to this Agreement. This Agreement shall be limited in its application to transactions that affect Liberty Energy (Midstates) Corp. costs subject to the regulatory oversight of the Illinois Commerce Commission ("ICC") and shall remain in effect until otherwise ordered by the ICC. This Agreement should be construed so as to comply with all applicable law, including the Illinois Public Utilities Act. This Agreement shall be interpreted in accordance with such purposes and intent.

2. Any request for services from the Receiving Company to the Provider Companies will be available for review by the ICC.

3. The Receiving Company will notify the ICC within thirty days of any termination by means of an information filing with the Chief Clerk of the ICC and a copy of the information filing shall be sent to the Manager of Accounting of the ICC.

4. ICC notification is required for the addition of any new receiving companies to this Agreement. ICC approval is required for the addition of any new provider companies to this Agreement.

5. During the term of the Agreement and for a period of seven years after its expiration or termination as to a Provider Company, the ICC shall have access to such Records of the Provider Company as they relate to transactions between such party and the Receiving Company's Illinois operation to the extent allowed under Section 7-101 of the Public Utilities Act (220 ILCS 5/7-101) and subject to Section 5-108 of the Illinois Public Utilities Act.

6. The ASA shall be construed to apply to both services and facilities.

7. An internal audit of the charges covered by the Agreement during the preceding

calendar year shall be provided to the Accounting Department Manager no later than July 1 of each calendar year. The first such report shall cover the first calendar year beginning after the year in which the proposed transaction closes. The internal audit report shall reflect the results of an internal audit that tests compliance with the processes outlined in the Agreement. The internal audit shall also include a review of the allocation factors and the calculation of each to verify that they are updated and calculated in accordance with the Agreement.

8. A study evaluating the correlation between cost causation factors and the cost allocation factors contained in the Cost Allocation Manual set forth in Schedule I ("Cost Allocation Study") shall be performed every three years. The first study will cover the initial three full calendar years post closing. A report on the Cost Allocation Study shall be provided to the Accounting Department Manager no later than July 1 of the year following the initial three-year period.

9. Receiving Company shall annually file, by May 1 of the following year a billing report on the ICC's e-Docket system in Docket No. 11-0559 with a copy to the ICC's Accounting Department Manager and to the Office of the Chief Clerk of the ICC. The billing report shall summarize the monthly charges to the Receiving Company from affiliated provider companies under the ASA.

10. Costs allocated pursuant to this Agreement shall be subject to ICC review based on the following standard: the Receiving Company must be able to demonstrate that such service or cost category is reasonable for the performance of its regulated operations, is not duplicative of administrative services already performed at the Receiving Company level, and is reasonable and prudent.

11. Late payments for services shall bear interest at a rate equal to prime rate reported in the *Wall Street Journal* and shall be based on the period of time that the payment is late.

AFFILIATE SERVICES AGREEMENT – Liberty Utilities Co.

This Affiliate Services Agreement (this "Agreement") is entered into as of the ___ day of _____, 2012, by and between Liberty Utilities Co., a Delaware corporation (the "Provider Company"), which company is engaged, in part, in the rendering of services to companies in the APUC holding company system, and Liberty Energy (Midstates) Corp. (the "Receiving Company"), (all parties to this Agreement otherwise collectively referred to as the "parties" or individually referred to as a "party").

WHEREAS, the organization, conduct of business and method of cost allocation of the Provider Company is designed to result in the performance of services and the provision of goods economically and efficiently for the benefit of the Receiving Company at costs which are fairly and equitably allocated.

THEREFORE, the parties further agree as follows:

Section 1 – Provision of Services

Section 1.1 *Consultants* The Provider Company has and will maintain a staff trained and experienced in the provision of services of a general and administrative nature. In addition to the services of their own staff, the Provider Company will, from time to time, arrange for services of non-affiliated experts, consultants, accountants and attorneys.

Section 1.2 *Liberty Utilities Co.* Liberty Utilities Co. agrees to provide and Receiving Company agrees to accept financing including guarantees, short-term loans, and long-term capital debt financing on terms and conditions that the parties memorialize in a written agreement or agreements, which are separately subject to any federal or state law or any rule, regulation or order of a federal or state regulatory body having jurisdiction, including the approval of any federal or state regulatory body that is a legal prerequisite to the execution and performance of the agreement(s).

Section 2 – Records and Charges

Section 2.1 *Records* All services rendered under this Agreement will be provided at actual cost thereof. Records will be maintained for each department and division of the Provider Company in order to accumulate all costs of doing business and to determine the cost of service. These costs will include wages and salaries of employees and related expenses such as insurance, taxes, pensions and other employee welfare expenses, and rent, light, heat, telephone, supplies, and other housekeeping costs. In addition, records will be maintained of general administrative expenses, which will include the costs of operating the Provider Company as a corporate entity.

Each party shall maintain adequate books and records with respect to the transactions subject to this Agreement to specifically identify costs subject to allocation, particularly with respect to their origin. In addition, the records must be adequately

supported in a manner sufficient to justify recovery of the costs in the rates of the Receiving Company. Each party shall be responsible for maintaining internal controls to ensure the costs associated with transactions covered by the Agreement are properly and consistently allocated and billed in accordance with the terms and provisions of this Agreement.

Section 2.2 *Charges* Charges for services rendered and related expenses will be charged to all recipients, regardless of whether a recipient is a party to this Agreement, according to the procedures set forth in the Cost Allocation Manual attached hereto as Schedule I.

Section 3 - Term

Section 3.1 *Term* The effective date of this Agreement shall be the date noted above and shall continue unless terminated by either the Receiving Company or the Provider Company giving thirty days' written notice to the other of such termination at the end of any month. Any such termination shall not affect the terminating party's accrued rights and obligations under this Agreement arising prior to the effective date of termination. This Agreement shall not be amended except by a written instrument signed by an authorized representative of each of the parties hereto.

Section 4 – Confidential Information

Section 4.1 *Confidential Information* Each party shall treat in confidence all information that it shall have obtained regarding the other parties and their respective businesses during the course of the performance of this Agreement. Such information shall not be communicated to any person other than the parties to this Agreement, except to the extent disclosure of such information is required by a governmental authority. If a party is required to disclose confidential information to a governmental authority, such party shall take reasonable steps to make such disclosure confidential under the rules of such governmental authority. Information provided hereunder shall remain the sole property of the party providing such information. The obligation of a party to treat such information in confidence shall not apply to any information which (i) is or becomes available to such party from a source other than the party providing such information, or (ii) is or becomes available to the public other than as a result of disclosure by such party or its agents.

Section 5 – Miscellaneous

Section 5.1 *Rider* Any state specific terms and/or conditions and/or services are specified in Schedule II to this Agreement.

Section 5.2 *Compliance with Governing Law* This Agreement will be subject to termination or modification at any time to the extent its performance may conflict with any federal or state law or any rule, regulation or order of a federal or state regulatory

body having jurisdiction. This Agreement shall be subject to approval of any federal or state regulatory body whose approval is a legal prerequisite to its execution and performance. Cost allocations and the methods of allocation provided herein may also be subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") under Section 1275 of the Energy Policy Act of 2005 and the rules promulgated thereunder and, to the extent applicable, FERC determinations regarding the allocation of costs shall be dispositive. Any number of counterparts of this Agreement may be executed, and each shall have the same force and effect as an original instrument, as if all parties to all counterparts had signed the same instrument.

Section 5.3 *Limitation of Liability* Each party acknowledges and agrees that any services provided by the Provider Company hereunder are so provided WITHOUT ANY WARRANTY (WHETHER EXPRESS, IMPLIED OR STATUTORY AND NOTWITHSTANGING ANY ORAL OR WRITTEN STATEMENT BY A PARTY'S EMPLOYEES, REPRESENTATIVES OR AGENTS TO THE CONTRARY) WHATSOEVER. ALL SUCH WARRANTIES INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) ARE HEREBY DISCLAIMED AND EXCLUDED.

Section 5.4 *Exclusive Benefit* This Agreement is intended for the exclusive benefit of the parties hereto and is not intended and shall not be deemed or construed, to crease any rights in, or responsibilities to, third parties.

Section 5.5 *Assignment* This Agreement may not be assigned by any party without the prior written consent of all parties.

Section 5.6 *Severability* Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or enforceable provision or provisions or any other provisions hereof, unless such a construction would be unreasonable.

Section 5.7 *Waiver* Failure by any party to insist upon strict performance of any term or condition herein shall not be deemed a waiver of any rights or remedies that such party may have against any other party nor in any way affect the validity of this Agreement or any part hereof or the right of such party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other subsequent breach.

Section 5.8 *Entirety* This Agreement including Schedules I and II attached hereto constitute the entire Agreement between the parties pertaining to the subject matter hereof and supersedes all prior Agreements, understandings, negotiations and discussions, whether oral or written between the parties with respect to the subject matter hereof. In the event of a conflict or inconsistency between the terms of this Agreement and Schedules I and II, Schedules I and II shall prevail.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above mentioned.

LIBERTY UTILITIES CO.

By: _____
Name:
Title:

LIBERTY ENERGY (MIDSTATES) CORP.

By: _____
Name:
Title:

SCHEDULE I

ALGONQUIN POWER & UTILITIES CORP. DIRECT CHARGE AND COST ALLOCATIONS MANUAL

[Remainder of page left intentionally blank.]

SCHEDULE II

ILLINOIS RIDER

This Rider is attached to and hereby made a part of the _____, 2012 Affiliate Services Agreement ("Agreement") by and between Liberty Utilities Co., a Delaware Company ("Provider Company") and Liberty Energy (Midstates) Corp., a Missouri Company (the "Receiving Company").

1. This Agreement is intended to cover all transactions between the Receiving Company and the Provider Company for which Illinois Commerce Commission ("ICC") approval is or may be required, other than such transactions that are the subject of separate arrangements or agreements that are part of a competitive process under Administrative Code parts 310.60 and 310.70 (or any successor code parts or other laws) or that the Parties explicitly state are not subject to this Agreement. This Agreement shall be limited in its application to transactions that affect Liberty Energy (Midstates) Corp. costs subject to the regulatory oversight of the Illinois Commerce Commission ("ICC") and shall remain in effect until otherwise ordered by the ICC. This Agreement should be construed so as to comply with all applicable law, including the Illinois Public Utilities Act. This Agreement shall be interpreted in accordance with such purposes and intent.

2. Any request for services from the Receiving Company to the Provider Companies will be available for review by the ICC.

3. The Receiving Company will notify the ICC within thirty days of any termination by means of an information filing with the Chief Clerk of the ICC and a copy of the information filing shall be sent to the Manager of Accounting of the ICC.

4. ICC notification is required for the addition of any new receiving companies to this Agreement. ICC approval is required for the addition of any new provider companies to this Agreement.

5. During the term of the Agreement and for a period of seven years after its expiration or termination as to a Provider Company, the ICC shall have access to such Records of the Provider Company as they relate to transactions between such party and the Receiving Company's Illinois operation to the extent allowed under Section 7-101 of the Public Utilities Act (220 ILCS 5/7-101) and subject to Section 5-108 of the Illinois Public Utilities Act.

6. The ASA shall be construed to apply to both services and facilities.

7. An internal audit of the charges covered by the Agreement during the preceding calendar year shall be provided to the Accounting Department Manager no later

than July 1 of each calendar year. The first such report shall cover the first calendar year beginning after the year in which the proposed transaction closes. The internal audit report shall reflect the results of an internal audit that tests compliance with the processes outlined in the Agreement. The internal audit shall also include a review of the allocation factors and the calculation of each to verify that they are updated and calculated in accordance with the Agreement.

8. A study evaluating the correlation between cost causation factors and the cost allocation factors contained in the Cost Allocation Manual set forth in Schedule I ("Cost Allocation Study") shall be performed every three years. The first study will cover the initial three full calendar years post closing. A report on the Cost Allocation Study shall be provided to the Accounting Department Manager no later than July 1 of the year following the initial three-year period.

9. Receiving Company shall annually file, by May 1 of the following year a billing report on the ICC's e-Docket system in Docket No. 11-0559 with a copy to the ICC's Accounting Department Manager and to the Office of the Chief Clerk of the ICC. The billing report shall summarize the monthly charges to the Receiving Company from affiliated provider companies under the ASA.

10. Costs allocated pursuant to this Agreement shall be subject to ICC review based on the following standard: the Receiving Company must be able to demonstrate that such service or cost category is reasonable for the performance of its regulated operations, is not duplicative of administrative services already performed at the Receiving Company level, and is reasonable and prudent.

AFFILIATE SERVICES AGREEMENT - LUC

This Affiliate Services Agreement (this "Agreement") is entered into as of the ___ day of _____, 2012, by and between Liberty Utilities (Canada) Corp. ("LUC"), a Canadian Corporation (the "Provider Company"), which is engaged, in part, in the rendering of services to companies in the APUC holding company system, and Liberty Energy (Midstates) Corp. (the "Receiving Company"), (all parties to this Agreement otherwise collectively referred to as the "parties" or individually referred to as a "party").

WHEREAS, the organization, conduct of business and method of cost allocation of the Provider Company is designed to result in the performance of services and the provision of goods economically and efficiently for the benefit of the Receiving Company at costs which are fairly and equitably allocated.

THEREFORE, the parties further agree as follows:

Section 1 – Provision of Services

Section 1.1 *Consultants* The Provider Company has and will maintain a staff trained and experienced in the provision of services of a general and administrative nature. In addition to the services of their own staff, the Provider Company will, from time to time, arrange for services of non-affiliated experts, consultants, accountants and attorneys.

Section 1.2 *Liberty Utilities (Canada) Corp.* LUC agrees to provide and Receiving Company agrees to accept the following types of services upon the terms and conditions set forth herein: accounting, corporate finance, human resources, information technology, rates and regulatory affairs, environment, health and safety, and security, customer service, procurement, and utility planning. The following are examples of those services: (i) budgeting, forecasting, and financial reporting services including preparation of reports and preservation of records, cash management (including electronic fund transfers, cash receipts processing, managing short-term borrowings and investments with third parties); (ii) development of customer service policies and procedures; (iii) development of human resource policies and procedures; (iv) selection of information systems and equipment for accounting, engineering, administration, customer service, emergency restoration and other functions and implementation thereof; (v) development, placement and administration of insurance coverages and employee benefit programs, including group insurance and retirement annuities, property inspections and valuations for insurance; (vi) purchasing services including preparation and analysis of product specifications, requests for proposals and similar solicitations; and vendor and vendor-product evaluations; (vii) energy procurement oversight and load forecasting; and (viii) development of regulatory strategy.

Section 2 – Records and Charges

Section 2.1 *Records* All services rendered under this Agreement will be

provided at actual cost thereof. Records will be maintained for each department and division of the Provider Company in order to accumulate all costs of doing business and to determine the cost of service. These costs will include wages and salaries of employees and related expenses such as insurance, taxes, pensions and other employee welfare expenses, and rent, light, heat, telephone, supplies, and other housekeeping costs. In addition, records will be maintained of general administrative expenses, which will include the costs of operating the Provider Company as a corporate entity.

Each party shall maintain adequate books and records with respect to the transactions subject to this Agreement to specifically identify costs subject to allocation, particularly with respect to their origin. In addition, the records must be adequately supported in a manner sufficient to justify recovery of the costs in the rates of the Receiving Company. Each party shall be responsible for maintaining internal controls to ensure the costs associated with transactions covered by the Agreement are properly and consistently allocated and billed in accordance with the terms and provisions of this Agreement.

Section 2.2 *Charges* Charges for services rendered and related expenses will be charged to all recipients, regardless of whether a recipient is a party to this Agreement, according to the procedures set forth in the Cost Allocation Manual attached hereto as Schedule I.

Section 3 - Term

Section 3.1 *Term* The effective date of this Agreement shall be the date noted above and shall continue unless terminated by either the Receiving Company or the Provider Company giving thirty days' written notice to the other of such termination at the end of any month. Any such termination shall not affect the terminating party's accrued rights and obligations under this Agreement arising prior to the effective date of termination. This Agreement shall not be amended except by a written instrument signed by an authorized representative of each of the parties hereto.

Section 4 – Confidential Information

Section 4.1 *Confidential Information* Each party shall treat in confidence all information that it shall have obtained regarding the other parties and their respective businesses during the course of the performance of this Agreement. Such information shall not be communicated to any person other than the parties to this Agreement, except to the extent disclosure of such information is required by a governmental authority. If a party is required to disclose confidential information to a governmental authority, such party shall take reasonable steps to make such disclosure confidential under the rules of such governmental authority. Information provided hereunder shall remain the sole property of the party providing such information. The obligation of a party to treat such information in confidence shall not apply to any information which (i) is or becomes available to such party from a source other than the party providing such information, or (ii) is or becomes available to the public other than as a result of disclosure by such party

or its agents.

Section 5 – Miscellaneous

Section 5.1 *Rider* Any state specific terms and/or conditions and/or services are specified in Schedule II to this Agreement.

Section 5.2 *Compliance with Governing Law* This Agreement will be subject to termination or modification at any time to the extent its performance may conflict with any federal or state law or any rule, regulation or order of a federal or state regulatory body having jurisdiction. This Agreement shall be subject to approval of any federal or state regulatory body whose approval is a legal prerequisite to its execution and performance. Cost allocations and the methods of allocation provided herein may also be subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") under Section 1275 of the Energy Policy Act of 2005 and the rules promulgated thereunder and, to the extent applicable, FERC determinations regarding the allocation of costs shall be dispositive. Any number of counterparts of this Agreement may be executed, and each shall have the same force and effect as an original instrument, as if all parties to all counterparts had signed the same instrument.

Section 5.3 *Limitation of Liability* Each party acknowledges and agrees that any services provided by the Provider Company hereunder are so provided WITHOUT ANY WARRANTY (WHETHER EXPRESS, IMPLIED OR STATUTORY AND NOTWITHSTANGING ANY ORAL OR WRITTEN STATEMENT BY A PARTY'S EMPLOYEES, REPRESENTATIVES OR AGENTS TO THE CONTRARY) WHATSOEVER. ALL SUCH WARRANTIES INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) ARE HEREBY DISCLAIMED AND EXCLUDED.

Section 5.4 *Exclusive Benefit* This Agreement is intended for the exclusive benefit of the parties hereto and is not intended and shall not be deemed or construed, to crease any rights in, or responsibilities to, third parties.

Section 5.5 *Assignment* This Agreement may not be assigned by any party without the prior written consent of all parties.

Section 5.6 *Severability* Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or enforceable provision or provisions or any other provisions hereof, unless such a construction would be unreasonable.

Section 5.7 *Waiver* Failure by any party to insist upon strict performance of any term or condition herein shall not be deemed a waiver of any rights or remedies that

such party may have against any other party nor in any way affect the validity of this Agreement or any part hereof or the right of such party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other subsequent breach.

Section 5.8 *Entirety* This Agreement including Schedules I and II attached hereto constitute the entire Agreement between the parties pertaining to the subject matter hereof and supersedes all prior Agreements, understandings, negotiations and discussions, whether oral or written between the parties with respect to the subject matter hereof. In the event of a conflict or inconsistency between the terms of this Agreement and Schedules I and II, Schedules I and II shall prevail.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above mentioned.

LIBERTY UTILITIES (CANADA) CORP.

By: _____
Name;
Title:

LIBERTY ENERGY (MIDSTATES) CORP.

By: _____
Name:
Title:

SCHEDULE I

ALGONQUIN POWER & UTILITIES CORP. DIRECT CHARGE AND COST ALLOCATIONS MANUAL

[Remainder of page left intentionally blank.]

SCHEDULE II

ILLINOIS RIDER

This Rider is attached to and hereby made a part of the _____, 2012 Affiliate Services Agreement ("Agreement") by and between Liberty Utilities (Canada) Corp. ("LUC"), a Canadian Corporation ("Provider Company") and Liberty Energy (Midstates) Corp., a Missouri Company (the "Receiving Company").

1. This Agreement is intended to cover all transactions between the Receiving Company and the Provider Company for which Illinois Commerce Commission ("ICC") approval is or may be required, other than such transactions that are the subject of separate arrangements or agreements that are part of a competitive process under Administrative Code parts 310.60 and 310.70 (or any successor code parts or other laws) or that the Parties explicitly state are not subject to this Agreement. This Agreement shall be limited in its application to transactions that affect Liberty Energy (Midstates) Corp. costs subject to the regulatory oversight of the Illinois Commerce Commission ("ICC") and shall remain in effect until otherwise ordered by the ICC. This Agreement should be construed so as to comply with all applicable law, including the Illinois Public Utilities Act. This Agreement shall be interpreted in accordance with such purposes and intent.

2. Any request for services from the Receiving Company to the Provider Companies will be available for review by the ICC.

3. The Receiving Company will notify the ICC within thirty days of any termination by means of an information filing with the Chief Clerk of the ICC and a copy of the information filing shall be sent to the Manager of Accounting of the ICC.

4. ICC notification is required for the addition of any new receiving companies to this Agreement. ICC approval is required for the addition of any new provider companies to this Agreement.

5. During the term of the Agreement and for a period of seven years after its expiration or termination as to a Provider Company, the ICC shall have access to such Records of the Provider Company as they relate to transactions between such party and the Receiving Company's Illinois operation to the extent allowed under Section 7-101 of the Public Utilities Act (220 ILCS 5/7-101) and subject to Section 5-108 of the Illinois Public Utilities Act.

6. The ASA shall be construed to apply to both services and facilities.

7. An internal audit of the charges covered by the Agreement during the preceding calendar year shall be provided to the Accounting Department Manager no later

than July 1 of each calendar year. The first such report shall cover the first calendar year beginning after the year in which the proposed transaction closes. The internal audit report shall reflect the results of an internal audit that tests compliance with the processes outlined in the Agreement. The internal audit shall also include a review of the allocation factors and the calculation of each to verify that they are updated and calculated in accordance with the Agreement.

8. A study evaluating the correlation between cost causation factors and the cost allocation factors contained in the Cost Allocation Manual set forth in Schedule I ("Cost Allocation Study") shall be performed every three years. The first study will cover the initial three full calendar years post closing. A report on the Cost Allocation Study shall be provided to the Accounting Department Manager no later than July 1 of the year following the initial three-year period.

9. Receiving Company shall annually file, by May 1 of the following year a billing report on the ICC's e-Docket system in Docket No. 11-0559 with a copy to the ICC's Accounting Department Manager and to the Office of the Chief Clerk of the ICC. The billing report shall summarize the monthly charges to the Receiving Company from affiliated provider companies under the ASA.

10. Costs allocated pursuant to this Agreement shall be subject to ICC review based on the following standard: the Receiving Company must be able to demonstrate that such service or cost category is reasonable for the performance of its regulated operations, is not duplicative of administrative services already performed at the Receiving Company level, and is reasonable and prudent.

11. Late payments for services shall bear interest at a rate equal to prime rate reported in the *Wall Street Journal* and shall be based on the period of time that the payment is late.