7. MARKET FOR SECURITIES

7.1 Trading Price and Volume

(a) Common Shares

APUC's Common Shares are listed and posted for trading on the TSX under the symbol "AQN". The following table sets forth the high and low closing prices and the aggregate volume of trading of the Common Shares and trust units for the periods indicated (as quoted by the TSX).

2012	High ($)	Low ($)	Volume (000's)
January	6.45	5.99	11,783
February	6.22	6.01	8,365
March	6.43	5.76	12,505
April	6.35	5.68	12,802
May	6.40	6.11	6,360
June	6.70	6.20	8,209
July	6.88	6.49	5,381
August	6.84	6.57	4,899
September	6.69	6.47	11,377
October	6.97	6.64	5,166
November	6.89	6.60	10,842
December	6.89	6.58	7,152

(b) Preferred Shares

APUC's Series A Shares became listed and started trading under the symbol "AQN.PR.A" on November 9, 2012.

The following table sets forth the high and low closing prices and the aggregate volume of trading of the Series A Shares for the periods indicated (as quoted by the TSX).

2012	High ($)	Low ($)	Volume (000's)
November	25.00	24.91	666

December	25.28	24.90	255

(c) **Series 2A Debentures**

Series 2A Debentures were listed and posted for trading on the TSX under the symbol “AQN.DB.A”. On the Series 2A Redemption Date, the remaining Series 2A Debentures were redeemed. As a result, there are no Series 2A Debentures outstanding subsequent to the Series 2A Redemption Date.

The following table sets forth the high and low closing prices and the aggregate volume of trading of the Series 2A Debentures for the periods indicated (as quoted by the TSX).

2012	**High ($)**	**Low ($)**	**Volume (000's)**
January	108.50	102.50	11,013
February 1 – 24	106.52	103.13	17,679

(d) **Series 3 Debentures**

Series 3 Debentures were listed and posted for trading on the TSX under the symbol "AQN.DB.B". On the Series 3 Redemption Date, the remaining Series 3 Debentures were redeemed. As a result, there are no Series 3 Debentures outstanding subsequent to the Series 3 Redemption Date.

The following table sets forth the high and low closing prices and the aggregate volume of trading of the Series 3 Debentures for the periods indicated (as quoted by the TSX).

2012	High ($)	Low ($)	Volume (000's)
January	154.11	144.05	8,929
February	149.19	144.00	2,706
March	153.14	140.17	939
April	151.66	136.76	4,815
May	153.20	147.04	9,571
June	159.28	150.52	1,721
July	165.00	156.52	562
August	163.15	158.18	493
September	160.37	154.49	15,731
October	167.50	160.89	340
November	166.00	156.98	22,532
December	165.00	137.40	4,873

7.2 Prior Sales

During the year ended December 31, 2010, 1,160,204 options were granted to senior executives of APUC which allow for the purchase of common shares at a price of $4.05. One-third of the options vested on each of January 1, 2011, 2012 and 2013.

During the year ended December 31, 2011, the Board approved the following grant of options:

- On March 22, 2011, 892,107 options were granted to senior executives of APUC which allow for the purchase of common shares at a price of $5.23;
-

- On June 21, 2011, 171,642 options were granted to a senior executive of APCo which allow for the purchase of common shares at a price of $5.64;

- On July 28, 2011, 90,909 options were granted to a senior executive of APUC which allow for the purchase of common shares at a price of $5.74; and

- On September 13, 2011, 172,242 options were granted to a senior executive of Liberty Utilities which allow for the purchase of common shares at a price of $5.65.

In each case, one-third of the options vest on each of January 2012, 2013, and 2014.

On March 14, 2012, 1,194,606 options were granted to senior executives of APUC and senior managers which allow for the purchase of common shares at a price of $6.22. One-third of the options vest on each of January 1, 2013, 2014 and 2015.

On March 14, 2013, 816,402 options were granted to senior executives of APUC and senior managers which allow for the purchase of common shares at a price of $7.72. One-third of the options vest on each of January 2014, 2015, and 2016.

All options were issued using the five day volume weighted average price of the underlying common shares at the date of the grant. In all cases, Options may be exercised up to eight years following the date of grant. During the year ended December 31, 2012, no options were exercised. As at December 31, 2012, APUC had 3,750,726 options issued and outstanding. As at December 31, 2012, 1,215,770 options were exercisable. No share options were exercised in 2012 or 2011.

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term
Balance at January 1, 2012	2,487,104	$ 4.76	6.56
Granted	1,263,622	6.24	8.00
Balance at December 31, 2012	3,750,726	$ 5.26	7.04
Exercisable at December 31, 2012	1,215,770	$ 4.53	6.28

In addition, APUC issued Common Shares to Emera upon the conversion of subscription receipts in 2012 and 2013 and issued Common Shares to Emera upon a private placement in March 2013 as described under "*Description of Capital Structure – Private Placements of Subscription Receipts and Common Shares to Emera*".

7.3 Escrowed Securities and Securities Subject to Contractual Restrictions on Transfer

The following securities of APUC are subject to contractual restrictions on transfer as of the date of this AIF:

Description	Number of Securities held in escrow	Percentage of class
Common Shares	50,126,766	**24.51%**

The Common Shares noted above are owned by Emera. Holdings of Common Shares by Emera up to 15% of the outstanding common shares are subject to certain restrictions on transfer and certain voting covenants until January 1, 2014 contained in a subscription and unitholder agreement dated April 22, 2009, as amended, between Emera and APUC. Holdings of Common Shares by Emera greater than 15% and up to 25% of the outstanding common shares are subject to a limited restriction on transfer and certain voting covenants contained in the Strategic Investment Agreement.

8. DIRECTORS AND OFFICERS

8.1 Name, Occupation and Security Holdings

The following table sets forth certain information with respect to the directors and executive officers of APUC, and information on their history with APCo. Unless otherwise indicated, the individuals have been in their principal occupations for more than five years.

Name and Place of Residence	Principal Occupation	Served as Director or Officer of APUC from	Number of Common Shares	Number of Deferred Share Units
CHRISTOPHER J. BALL Toronto, Ontario, Canada Age: 62	Christopher Ball is the Executive Vice President of Corpfinance International Limited, and President of CFI Capital Inc., both of which are investment banking boutique firms. From 1982 to 1988, Mr. Ball was Vice President at Standard Chartered Bank of Canada with responsibilities for the Canadian branch operation. Prior to that, Mr. Ball held various managerial positions with the Canadian Imperial Bank of Commerce. He is also a member of the Hydrovision International Advisory Board, and was a director of Clean Energy BC, with his term ending in June 2011.	Director of APUC since October 27, 2009. Trustee of APCo since October 22, 2002	24,200	11,238
KENNETH MOORE Toronto, Ontario, Canada Age: 54	Kenneth Moore is the Managing Partner of NewPoint Capital Partners Inc., an investment banking firm. From 1993 to 1997, Mr. Moore was a senior partner at Crosbie & Co., a Toronto mid-market investment banking firm. Prior to investment banking, he was a Vice-President at Barclays Bank where he was responsible for a number of leveraged acquisitions and restructurings. Mr. Moore holds a Chartered Financial Analyst designation. Additionally, he has completed the Chartered Director program of the Directors College (McMaster University) and has the certification of Ch. Dir. (Chartered Director).	Director of APUC since October 27, 2009. Trustee of APCo since December 18, 1998	18,000	26,078
GEORGE L. STEEVES Aurora, Ontario, Canada Age: 62	George Steeves is the principal of True North Energy, an energy consulting firm. From January 2001 to April 2002, Mr. Steeves was a division manager of Earthtech Canada Inc. Prior to January 2001, he was the president of Cumming Cockburn Limited, an engineering firm, and has extensive financial expertise in acting as a chair, director and/or audit committee member of public and private companies, including the Corporation, and formerly Borealis Hydroelectric Holdings Inc. and KMS Power Income Fund. Mr. Steeves received a Bachelor and Masters of Engineering from Carleton University and holds the Professional Engineering designation in Ontario and British Columbia. Additionally he has completed the Chartered Director program of the Directors College (McMaster University) and has the certification of Ch. Dir. (Chartered Director).	Director of APUC since October 27, 2009. Trustee of APCo since September 8, 1997	17,241[(1)]	12,854

Name and Place of Residence	Principal Occupation	Served as Director or Officer of APUC from	Number of Common Shares	Number of Deferred Share Units
CHRISTOPHER HUSKILSON Wellington, Nova Scotia, Canada Age: 55	Christopher Huskilson has been the President and Chief Executive Officer of Emera, a North American energy and services company, since November 2004. He was Chair of the Technology and Development Committee until its dissolution in February 2012. He is also Chair of Bangor Hydro Electric Company, a Director of Nova Scotia Power Inc. and serves as the Chair or as a Director of a number of other Emera affiliated companies. Mr. Huskilson has held a number of positions within Nova Scotia Power Inc. and its predecessor, Nova Scotia Power Corporation, since June 1980. Mr. Huskilson holds a Bachelor of Science in Engineering and a Master of Science in Engineering from the University of New Brunswick.	Director of APUC since October 27, 2009. Trustee of APCo since July 27, 2009	nil (2)	nil (2)
DAVID BRONICHESKI Oakville, Ontario, Canada Age: 53	Mr. Bronicheski is the Chief Financial Officer ("**CFO**") of APUC. He has held various senior management positions including Executive Vice President and CFO of a publicly traded income trust providing local telephone, cable television and internet service. He was also CFO for a large public hospital in Ontario. Mr. Bronicheski holds a Bachelor of Arts in economics (cum laude), a Bachelor of Commerce degree and an MBA. He is also a Chartered Accountant.	Officer of APUC since October 27, 2009. Officer of APCo since September 17 2007 (3) (4)	40,000 (7) (8) (9)(12)	N/A
CHRISTOPHER K. JARRATT (5) (6) Oakville, Ontario, Canada Age: 54	Christopher Jarratt is the Vice Chair of the Corporation. Mr. Jarratt is a founder and principal of Algonquin Power Corporation Inc., a private independent power developer formed in 1988 which was a predecessor organization to APUC. Mr. Jarratt has over 25 years of experience in the development of independent electric power generating projects both in North America and internationally. Mr. Jarratt was also a founder and principal of a consulting firm specializing in renewable energy project development. Mr. Jarratt is a water resources engineer and holds a Professional Engineering designation through his Honours Bachelor of Science degree from the University of Guelph. Additionally, he has completed the Chartered Director program of the Directors College (McMaster University) and has the certification of Ch. Dr. (Chartered Director).	Director of APUC since June 23, 2010.	410,309 (7) (8) (9)(11)(12)	N/A

Name and Place of Residence	Principal Occupation	Served as Director or Officer of APUC from	Number of Common Shares	Number of Deferred Share Units
IAN E. ROBERTSON(5) (6) Oakville, Ontario, Canada Age: 53	Ian Robertson is the Chief Executive Officer of the Corporation. Mr. Robertson is a founder and principal of Algonquin Power Corporation Inc., a private independent power developer formed in 1988 which was a predecessor organization to APUC. Mr. Robertson has over 23 years of experience in the development of electric power generating projects. Mr. Robertson is an electrical engineer and holds a Professional Engineering designation through his Bachelor of Applied Science degree awarded by the University of Waterloo. Mr. Robertson earned a Master of Business Administration degree from York University and holds a Chartered Financial Analyst designation. Additionally, he has completed the Chartered Director program of the Directors College (McMaster University) and has the certification of Ch. Dir. (Chartered Director).	Director of APUC since June 23, 2010.	427,905(7) (8) (9)(12)	N/A
LINDA BEAIRSTO Oakville, Ontario, Canada Age: 52	Ms. Beairsto has been Chief General Counsel and Corporate Secretary for APUC since June 2011. Previously, she held various diverse roles including Commercial Real Estate Lawyer at Fasken Martineau, Special Counsel at E.I. du Pont Canada Inc., Director of Legal Services at Patheon Inc., Executive Vice-President & Chief Legal Counsel at ABC Group of Companies and Special Counsel at Allergan Inc. Linda holds a Bachelor of Arts Degree from the University of British Columbia and a Bachelor of Laws Degree from the University of New Brunswick. She was called to the bar in Ontario in 1990.	Officer of APUC since June 6, 2011	1,504(9) (10)(12)	N/A

Notes:

(1) Mr. Steeves' directly owns 14,327 Common Shares and Mr. Steeves' spouse owns 2,914 Common Shares. Mr. Steeves exercises control and direction over the Common Shares owned by his spouse.
(2) Mr. Huskilson does not own any Common Shares or Deferred Share Units.
(3) Mr. Bronicheski became an officer of APCo on September 17, 2007.
(4) Prior to becoming an officer of APCo in September 2007, Mr. Bronicheski was the CFO of Amtelecom Income Fund from July 2003 to July 2007.
(5) Messrs. Jarratt and Robertson, together with others, collectively own all of the issued and outstanding shares of APMI.
(6) As consideration for payment of APUC's acquisition of APMI's interest in the management agreement, Mr. Robertson and Mr. Jarratt following shareholder approval at the Meeting each received 295,045 Common Shares.
(7) Messrs. Jarratt, Robertson, and Bronicheski hold 436,224, 494,388, and 229,593 stock options respectively, granted on August 12, 2010. The stock options allow for the purchase of Common Shares at a price of $4.05. One-third of the stock options vested on each of January 1, 2011, 2012 and 2013. Stock options may be exercised up to eight years following the date of grant.

(8) Messrs. Jarratt, Robertson, and Bronicheski hold 335,423, 380,146, and 176,538 stock options respectively, granted on March 22, 2011. The stock options allow for the purchase of Common Shares at a price of $5.23. One-third of the stock options vests on each of January 1, 2012, 2013 and 2014. Stock options may be exercised up to eight years following the date of grant.

(9) Ms. Beairsto and Messrs. Jarratt, Robertson, and Bronicheski hold 85,000, 267,963, 350,413, and 162,917 stock options respectively, granted on March 14, 2012. The stock options allow for the purchase of Common Shares at a price of $6.22. One-third of the stock options vests on each of January 1, 2013, 2014, and 2015. Stock options may be exercised up to eight years following the date of grant.

(10) Ms. Beairsto holds 90,909 stock options granted on July 28, 2011, that allow for the purchase of Common Shares at a price of $5.74. One-third of the stock options vests on January 1, 2012, 2013, and 2014. Stock options may be exercised up to eight years following the date of grant.

(11) Messr Jarratt holds 38,548 stock options, granted on June 19, 2012. The stock options allow for the purchase of Common Shares at a price of $6.56. One third of the stock options vest on each of January 1, 2013, 2014, and 2015.

(12) Ms. Beairsto and Messrs. Jarratt, Robertson, and Bronicheski hold 65,854, 228,293, 285,366, and 91,463 stock options respectively, granted on March 14, 2013. The stock options allow for the purchase of Common Shares at a price of $7.72. One-third of the stock options vests on each of January 1, 2014, 2015, and 2016. Stock options may be exercised up to eight years following the date of grant.

Each director will serve as a director of APUC until the next annual meeting of shareholders or until his or her successor is elected in accordance with the by-laws of APUC (the "**By-Laws**").

As of March 26, 2013, approximately 895,712 Common Shares representing 0.45% of the issued and outstanding Common Shares are beneficially owned, directly or indirectly, by Senior Executives and approximately 955,153 Common Shares representing 0.48% of the issued and outstanding Common Shares are beneficially owned, directly or indirectly, by the directors and executive officers of the Corporation.

8.2 Audit Committee

Under the By-Laws, the directors may appoint from their number, committees to effect the administration of the director's duties. The directors have established an Audit Committee comprised of three directors of APUC, Mr. Ball (Chairman), Mr. Moore and Mr. Steeves, all of whom are independent and financially literate for purposes of National Instrument 52-110 – *Audit Committees*. The Audit Committee is responsible for reviewing significant accounting, reporting and internal control matters, reviewing all published quarterly and annual financial statements and recommending their approval to the Directors and assessing the performance of APUC's auditors.

(a) Audit Committee Charter

The charter for APUC's audit committee (the "**Audit Committee**") is attached as Schedule E to this AIF.

(b) Relevant Education and Experience

The following is a description of the education and experience, apart from their roles as Directors of APUC, of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee.

Mr. Ball has extensive financial experience, with over 30 years of domestic and international lending experience. He is Executive Vice-President of Corpfinance International Limited, a privately owned long-term debt and securitization financier. Mr. Ball was formerly a Vice-President at Standard Chartered Bank of Canada with responsibilities for the Canadian branch operation. Prior to that, Mr. Ball held numerous positions with Canadian Imperial Bank of Commerce, including credit function responsibilities. Mr. Ball is the Chair of the Audit Committee.

Mr. Moore has extensive financial experience and is the Managing Partner of NewPoint Capital Partners Inc., a boutique financial advisory firm focused on mergers and acquisitions. He was formerly a Vice-President at a Canadian Chartered Bank. Mr. Moore holds a Chartered Financial Analyst and a Chartered Director designation.

Mr. Steeves received a Bachelor and Masters of Engineering from Carleton University. Mr. Steeves is the former president of Cumming Cockburn Limited and has extensive financial experience in acting as a Chairman, director and/or audit committee member of public and private companies, including APCo, Borealis Hydroelectric Holdings Inc. and KMS Power Income Fund. Mr. Steeves has completed the Chartered Director program of the Directors College (McMaster University and the Conference Board) and has the certification of Ch. Dir. (Chartered Director). He received a Bachelor and Masters of Engineering from Carleton University and holds the Professional Engineering designation in Ontario and British Columbia.

(c) **Pre-Approval Policies and Procedures**

All non-audit services proposed to be provided by APUC's auditors must be approved by the Directors prior to the auditors providing such services.

For the financial year ended December 31, 2012 and December 31, 2011, KPMG LLP charged the following fees to APUC:

Services	2012 Fees ($)	2011 Fees ($)
Audit Fees(1)	1,346,100	1,330,000
Audit-Related Fees(2)	316,925	278,000
Tax Compliance Fees(3)	614,700	475,150
Other Tax Fees(4)	481,371	432,700
All Other Fees	25,000	Nil

Notes:

(1) For professional services rendered for audit or review or services in connection with statutory or regulatory filings or engagements. The 2012 fees include additional costs related to APCo private placement and APUC equity offering.
(2) For assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and not reported under Audit Fees, including accounting advice and French translation services.
(3) For preparation of income and other tax filings.
(4) For tax advice and planning services

8.3 Corporate Governance and Compensation Committees

The directors have also established a Corporate Governance Committee ("**CGC**") comprised of three of the directors of APUC, Mr. Steeves (Chair), Mr. Huskilson and Mr. Moore. The CGC includes two members of management by invitation, Mr. Robertson and Mr. Jarratt. The mandate of the CGC includes:

- Review APUC's corporate governance practices;

- Consider and make recommendations to the board from time to time regarding the effectiveness of the Directors and whether an increase to the number of directors is warranted;
- Conduct periodic reviews of the mandates of the Board and its committees, including recommending to the Board amendments to such mandates;
- Annually approve a Statement of Corporate Governance; and
- Recommend procedures to permit the Board to function independently of management.

The directors have also put in place a Compensation Committee ("**CC**"), comprised of Directors Mr. Huskilson (Chair) and Mr. Ball. The CC includes two members of management by invitation, Mr. Robertson and Mr. Jarratt.

The CC shall exercise the responsibilities and duties set forth below, including but not limited to:

- Selecting and appointing the CEO of the Corporation;
- Approving executive compensation plan (including philosophy and guidelines);
- Recommending to the Board compensation arrangements for the CEO and reviewing and approving compensation arrangements for Designated Employees and Directors;
- Reviewing and approving management succession plans; and
- Approving the grant of stock options.

8.4 Bankruptcies

Mr. Moore was a director of Telephoto Technologies Inc., a private sports and entertainment media. Telephoto Technologies Inc. was placed into receivership in August, 2010 by Venturelink Funds. Mr. Moore resigned from the board of directors of Telephoto Technologies Inc. in April, 2010.

David Pasieka, the President of Liberty Energy Utilities Co., a wholly-owned indirect subsidiary of APUC, was a director of Luxell Technologies Inc. when it filed a proposal under the *Bankruptcy and Insolvency Act (Canada)* on September 27, 2006. Luxell Technologies Inc. received a Certificate of Full Performance of Proposal under such legislation through a letter issued by its trustee in bankruptcy on January 14, 2008.

8.5 Potential Material Conflicts of Interest

Other than as set out below or disclosed elsewhere in this AIF and APUC's financial statements and management's discussion and analysis for the fiscal year ended December 31, 2012, APUC is not aware of any existing or potential material conflicts of interest between APUC or a subsidiary and any current director or officer of APUC or a subsidiary. Mr. Huskilson is a director of APUC but also the President and CEO of Emera. Emera is a major shareholder of APUC. Emera has a strategic relationship with APUC, see "*Material Contracts*". Mr. Huskilson does not vote in Board meetings on matters involving APUC's relationship with Emera nor on matters involving a potential conflict between APUC and Emera.

9. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

9.1 Legal Proceedings

Except as disclosed elsewhere in this AIF, the only legal proceedings involving APUC or its subsidiaries that were material in 2012 are as follows:

(a) Trafalgar

As reported in previous public filings of APUC, APCo owns debt on seven hydroelectric facilities owned by Trafalgar. In 1997, an affiliate of APMI moved to foreclose on the assets, and subsequently Trafalgar went into bankruptcy. Trafalgar was previously awarded a U.S. $10.0 million claim in respect of a lawsuit related to faulty engineering in the design of these facilities, and these funds are held in the bankruptcy estate. As previously disclosed, Trafalgar, APUC and an affiliate of APMI are involved in litigation over, among other things, a civil proceeding on the foreclosure on the assets and in bankruptcy proceedings. APMI funded the initial $2 million in legal fees. An agreement was reached in 2004 between APMI and APUC whereby APUC would reimburse APMI 50% of the legal costs to date in an amount of approximately $1 million, and going forward APUC would fund the legal fees, third party costs and other liabilities with the proceeds from the lawsuits being shared after reimbursement of legal fees, third party costs and other liabilities. The Board has determined that any proceeds from the lawsuit will be shared between APMI and APUC proportionally to the quantum of such costs funded by each party.

With respect to the civil proceedings, the Second Circuit Court of Appeal dismissed all the claims against APCo in the civil proceedings and remanded one issue to the District Court. On April 3, 2012, the District Court granted APUC summary judgment on its counter-claims against Trafalgar. The District Court found that Trafalgar was in default of the indenture and the loan agreements and that APUC was entitled to proceed to enforce its rights against its collateral. Trafalgar has filed a notice of appeal of the Memorandum-Decision and Order. Algonquin filed its brief on October 19, 2012 with a hearing dated anticipated in the first quarter of 2013. The bankruptcy proceedings are continuing with a Second Circuit Court of Appeal hearing scheduled for December 12, 2012 to hear the appeal of the District Court's October 25, 2011 decision holding that Algonquin does not have a security interest in the monies transferred by Trafalgar before it filed for bankruptcy protection.

With respect to the bankruptcy proceedings, on January 30, 2013, the U.S Second Circuit Court of Appeals held that APCo did have a security interest in Trafalgar's engineering malpractice claim and its proceeds. On February 20, 2013, Trafalgar filed a petition for a rehearing with the U.S. Second Circuit Court of Appeals.

(b) Côte Ste-Catherine Water Lease Dues

On October 21, 2011 the Québec Court of Appeal ordered a subsidiary of APUC to pay approximately $5.4 million (including interest) to the government of Québec relating to water lease payments that the APUC subsidiary has been paying to the Seaway Management under its water lease with Seaway Management in prior years.

The water lease with Seaway Management contains an indemnification clause which management believes mitigates this claim and management intends to vigorously defend its position. As a result, the probability of loss, if any, and its quantification cannot be estimated at this time but could range from $nil to $5.8 million. In 2012, the subsidiary of APUC paid an amount of $1.884 million (2011 – $ nil) to the government of Québec in relation to the early years covered by the claim in order to mitigate the impact of accruing interests on any amount ultimately determined to be payable or recoverable. The parties are attempting to resolve this matter through good faith negotiations.

9.2 Regulatory Actions

Except as disclosed elsewhere in this AIF, during the financial year ended December 31, 2012, there have been:

(a) no penalties or sanctions imposed against APUC by a court relating to securities legislation or by a securities regulatory authority;

(b) no other penalties or sanctions imposed by a court or regulatory body against APUC that would likely be considered important to a reasonable investor in making an investment decision; or

(c) no settlement agreements that APUC has entered into with a court relating to securities legislation or with a securities regulatory authority.

10. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed elsewhere in this AIF, and as disclosed in APUC's annual financial statements and management's discussion and analysis as at and for the periods ended December 31, 2012, 2011, and 2010, management has no material interest, direct or indirect, in any transaction occurring within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect APUC.

11. TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the Common Shares and the Series A Shares is CIBC Mellon Trust Company, at its offices in Toronto, Montréal, Vancouver, Calgary, and Halifax. Canadian Stock Transfer Company Inc. acts as the Administrative Agent for CIBC Mellon Trust Company.

12. MATERIAL CONTRACTS

Except for certain contracts entered into in the ordinary course of business of APUC and its subsidiaries, the contracts described below are the only contracts entered into by APUC or its subsidiaries during 2012 (or prior to 2011 in the case of contracts that are still in effect) that are material to APUC. It is worthy of note that Transfer Agreements dated December 21, 2009 with each of the principals of APMI that transferred their interests in the Management Agreement (as discussed in the Management Information Circular dated June 1, 2010) were approved in 2010 by the Shareholders at the Meeting as well as the TSX. The previously disclosed material contracts with Management have all been terminated as they pertain to APUC. These are the Management Agreement, the Operations Supervisory Agreement, the Administration Agreement, the Governance Agreement and the Direct Operations Agreements.

(a) **U.S. Wind Farm Portfolio:** Third Amended and Restated Membership Interest Purchase and Sale Agreement entered into as of October 9, 2012 (amending and restating the 51% Membership Interest Purchase and Sale Agreement dated December 30, 2011, as previously amended and restated as of March 8, 2012 and as of June 29, 2012), by and among APFA and Gamesa USA ("**MIPA**"). Amendment and Waiver to the MIPA, entered into as of December 10, 2012, by and among APFA and Gamesa USA. 51% MIPA Guarantee dated as of March 8, 2012 made by APUC in favor of Gamesa USA. 51% MIPA Guarantee dated as of March 8, 2012 made by Gamesa Corporación Technológica, S.A. in favor of APFA.

Second Amended and Restated Indemnification Agreement entered into as of October 9, 2012 (amending and restating the Indemnification Agreement entered into as of dated March 8, 2012, as previously amended and restated as of June 29, 2012), by and among Gamesa USA, Gamesa Corporación Technológica, S.A., Wind Portfolio Sponsorco, LLC, and APFA

(b) **Midwest Gas Utilities Acquisition:** An Asset Purchase Agreement entered into on May 12, 2011 between Atmos Energy Corporation, as seller, and Liberty Midstates, as buyer to acquire certain regulated natural gas distribution utility systems located in the States of Missouri, Iowa, and Illinois. Guaranty dated as of May 12, 2011 made by APUC as guarantor, in favour of Atmos. The transaction was completed on August 1, 2012.

(c) **Georgia Utility Acquisition:** An Asset Purchase Agreement entered into on August 8, 2012 between Atmos, as seller, and Liberty Georgia, as buyer to acquire certain regulated natural gas distribution utility systems located in the State of Georgia. Guaranty dated as of August 8, 2012 made by APUC as guarantor, in favour of Atmos. Closing is expected to occur on or about April 1, 2013.

(d)

APCo debentures: APCo Trust Indenture between APCo and BNY Trust Company of Canada dated July 25, 2011 providing for the issuance of senior unsecured debentures from time to time. A First Supplemental Trust Indenture between APCo and BNY Trust Company of Canada dated July 25, 2011 providing for the issuance of $135,000,000 5.50% senior unsecured debentures due July 25, 2018. The notes are interest only until maturity. The funds were used to repay the Airsource Senior Debt and to reduce outstanding indebtedness under the APCo Credit Facility. Second Supplemental Trust Indenture between APCo and BNY Trust Company of Canada dated December 3rd, 2012 providing for the issuance of $150,000,000 4.82% senior unsecured debentures due February 15, 2021.

(e) **Emera Strategic Investment Agreement:** Strategic Investment Agreement between APUC and Emera dated April 29, 2011 which establishes how APUC and Emera will work together to pursue specific strategic investments of mutual benefit. The Strategic Investment Agreement was approved by shareholders at the annual and special general meeting held on June 21, 2011.

(f) **LU credit agreement:** Credit Agreement dated January 18, 2012 between Liberty Utilities as Borrower and JP Morgan Chase Bank N.A. as Lender and Administrative Agent, and the other Lenders party thereto, providing for a three year, unsecured, as amended as of March 30, 2012 U.S. $100 million operating line of credit to Liberty Utilities to support the working capital and operating needs of Liberty Utilities and its subsidiaries.

(g) **National Grid Transaction Documents:** Two Stock Purchase Agreements each entered into on December 8, 2010 and amended and restated January 21, 2011 between National Grid, as seller, and Liberty Energy, as buyer. One agreement is for the purchase of all issued and outstanding shares of Granite State Electric Utility, and the other is for all the issued and outstanding shares of EnergyNorth Gas Utility. The obligations of the Buyer under each are guaranteed pursuant to a Guaranty dated as of December 8, 2010 by APUC as guarantor, in favour of National Grid. The interests of Buyer in the agreements have been transferred to Liberty Energy NH. The transactions were completed on July 3, 2012.

(h) **APCo Credit Facility:** Fifth amended and restated credit agreement between APCo, APUC, National Bank of Canada as administrative agent and certain financial institutions dated November 16, 2012 providing for a $200 million senior unsecured credit facility with a maturity date of November 16, 2015.

(i) **U.S. Debt Private Placements:** Trust Indenture dated July 2, 2012 between Liberty Utilities Finance GP1 and The Bank of New York Mellon providing for the issuance of senior unsecured debentures. First Supplemental Indenture Dated July 2, 2012 between Liberty Utilities Finance GP1, Liberty Utilities Co. and The Bank of New York Mellon in the connection with a U.S. $225 million private placement of senior notes maturing between July 31, 2017 and July 30, 2027.

(j) **U.S. $100 million Acquisition Term Facility:** Term Loan Agreement dated March 14, 2013 between Liberty Utilities and J.P. Morgan Chase Bank, N.A. providing for a U.S. $100 million term loan maturing on December 31, 2013.

13. INTERESTS OF EXPERTS

KPMG LLP is the external auditor of the Corporation and have confirmed that they are independent with respect to the Corporation within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation, and that they are independent accountants with respect to the Corporation under all relevant U.S. professional and regulatory standards.

14. ADDITIONAL INFORMATION

Additional information relating to APUC may be found on SEDAR at www.sedar.com. Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of APUC’s securities and securities authorized for issuance under equity compensation plans is contained in APUC’s information circular for its most recent annual meeting. Additional financial information is provided in APUC’s financial statements and management discussion and analysis for the year ended December 31, 2012.

SCHEDULE A

Renewable – Hydroelectric and Wind Facilities

Generating Facility/Owner	Generating Capacity (kilowatts)	Location	Electricity Purchaser/ 2013 Power Purchase Rates(1)	Annual Average Expected Energy Production (MW-hrs)	Year of Expiry of PPA
Renewable Ontario Facilities					
Facility: Long Sault Rapids Facility (Hydroelectric) **Owner**: Algonquin Power (Long Sault) Partnership and N-R Power Partnership	18,000	Abitibi River near Cochrane, Ontario	**Electricity Purchaser:** OEFC **Rates**: $0.097065/kW-hr (average estimate)	111,600	2047
Facility: Hurdman Dam Facility (Hydroelectric) **Owner**: APFC	570	Mattawa River near Mattawa, Ontario	**Electricity Purchaser:** Ontario Power Authority **Rates**: $0.08308/kW-hr Paid on Hydroelectric Contract Incentive rate	3,150	2031
Facility: Campbellford Facility (Hydroelectric) **Owner**: Campbellford LP	4,000	Trent River near Campbellford, Ontario	**Electricity Purchaser:** OEFC **Rates**: $0.04354/kW-hr (average estimate)	26,250	2019
Renewable Québec Facilities					
Facility: Saint-Alban Facility (Hydroelectric) **Owner**: SLI	8,200	Ste-Anne River near the Village of Saint-Alban, Québec	**Electricity Purchaser:** Hydro-Québec **Rates**: $0.08075/kW-hr (Jan – Nov) $0.08317/kW-hr (Dec)	37,650	2016
Facility: Glenford Facility (Hydroelectric) **Owner**: Glenford Partnership	4,950	Ste-Anne River near the Village of Ste-Christine d'Auvergne, Québec	**Electricity Purchaser:** Hydro-Québec **Rates**: $0.08075/kW-hr (Jan – Nov) $0.08317/kW-hr (Dec)	24,000	2020
Facility: Rawdon Facility (Hydroelectric) **Owner**: APFC	2,500	Ouareau River near the Village of Rawdon, Québec	**Electricity Purchaser:** Hydro-Québec **Rates**: $0.08075/kW-hr (Jan – Nov) $0.08317/kW-hr (Dec)	15,400	2014

Generating Facility/Owner	Generating Capacity (kilowatts)	Location	Electricity Purchaser/ 2013 Power Purchase Rates(1)	Annual Average Expected Energy Production (MW-hrs)	Year of Expiry of PPA
Facility: Côte Ste-Catherine Facility (Hydroelectric) **Owner**: Mont-Laurier Partnership	11,120	St. Lawrence River near the Town of Ste.-Catherine, Québec	**Electricity Purchaser:** Hydro-Québec **Rates**: Phase I Energy $0.04973/kW-hr Phase II Energy $0.06889/kW-hr Capacity $169.08/kW * Phase III Energy $0.07173/kW-hr Capacity $177.28/kW* * calculated over the average kilowatt output over the period December to March	Phase 1: 15,500 Phase II: 35,100 Phase III: 34,750	Phase 1: 2021 Phase II: 2018 Phase III: 2021
Facility: Ste-Raphaël Facility (Hydroelectric) **Owner**: APFC	3,500	Rivière de Sud near Québec City, Québec	**Electricity Purchaser:** Hydro-Québec **Rates**: $0.08075/kW-hr (Jan – Nov) $0.08317/kW-hr (Dec)	22,550	2014
Facility: Mont Laurier Facility (Hydroelectric) **Owner**: Mont-Laurier Partnership	2,725	Rivière-du-Lièvre in the Town of Mont Laurier, Québec	**Electricity Purchaser:** Hydro-Québec **Rates**: $0.06013/kW-hr	20,000	2027
Facility : Rivière-du-Loup Facility (Hydroelectric) **Owner**: APFC	2,600	Rivière-du-Loup near the Town of Rivière-du-Loup, Québec	**Electricity Purchaser:** Hydro-Québec **Rates**: $0.08075/kW-hr (Jan – Nov) $0.08317/kW-hr (Dec)	17,250	2015
Facility: Hydraska Facility (Hydroelectric) **Owner**: APT	2,250	Yamaska River near the Town of St.-Hyacinthe, Québec	**Electricity Purchaser:** Hydro-Québec **Rates**: Summer Energy $0.06791/kW-hr Winter Energy $0.12827/kW-hr	9,100	2014
Facility: Ste-Brigitte Facility (Hydroelectric) **Owner**: APFC	4,200	Nicolet River in the Municipality of Ste-Brigitte-des-Saults, Québec	**Electricity Purchaser:** Hydro-Québec\ **Rates**: $0.08075/kW-hr (Jan – Nov) $0.08317/kW-hr (Dec)	12,750	2014

Generating Facility/Owner	Generating Capacity (kilowatts)	Location	Electricity Purchaser/ 2013 Power Purchase Rates(1)	Annual Average Expected Energy Production (MW-hrs)	Year of Expiry of PPA
Facility: Belleterre Facility (Hydroelectric) **Owner**: APFC	2,200	Winneway River in the Municipality of Laforce, Québec	**Electricity Purchaser:** Hydro-Québec **Rates**: Contract under negotiation with Hydro Quebec	11,250	2013
Facility: Donnacona Facility (Hydroelectric) **Owner**: Donnacona Partnership	4,800	Jacques Cartier River near Donnacona, Québec	**Electricity Purchaser:** Hydro-Québec **Rates**: $0.08075/kW-hr (Jan – Nov) $0.08317/kW-hr (Dec)	20,550	2022
Facility: Arthurville Facility (Hydroelectric) **Owner**: APT	650	Riviere du Sud downstream from Ste-Raphaël	**Electricity Purchaser:** Hydro-Québec **Rates**: $0.08075/kW-hr (Jan – Nov) $0.08317/kW-hr (Dec)	0(4)	2013
Renewable New York Facilities					
Facility: Ogdensburg Facility (Hydroelectric) **Owner**: Trafalgar(2)	3,675	Oswegatchie River near Ogdensburg, New York	**Electricity Purchaser:** National Grid **Rates**: US$0.04035/kW-hr (est)(3)	11,100	2016
Facility: Forestport Facility (Hydroelectric) **Owner**: Trafalgar(2)	3,300	Black River near Boonville, New York	**Electricity Purchaser:** National Grid **Rates**: US$0.03990/kW-hr (est) (3)	11,500	2016
Facility: Herkimer Facility (Hydroelectric) **Owner**: Trafalgar(2)	1,680	West Canada Creek near Herkimer, New York	**Electricity Purchaser:** National Grid **Rates**: No target rate as the site is expected to be offline	0(4)	2016
Facility: Christine Falls Facility (Hydroelectric) **Owner**: Christine Falls Corporation (2)	850	Sacandaga River near Clifton, New York	**Electricity Purchaser:** National Grid **Rates**: US $0.04004/kW-hr (est) (3)	3,300	2028
Facility: Cranberry Lake (Hydroelectric)	500	Oswegatchie River near	**Electricity Purchaser:** National Grid	1,800	2016

Owner: Trafalgar[(2)]	Clifton, New York	**Rates**: US$0.04060/kW-hr (est) [(3)]

Generating Facility/Owner	Generating Capacity (kilowatts)	Location	Electricity Purchaser/ 2013 Power Purchase Rates(1)	Annual Average Expected Energy Production (MW-hrs)	Year of Expiry of PPA
Facility: Kayuta Lake Facility (Hydroelectric) **Owner**: Trafalgar[(2)]	400	Black River near Boonville, New York	**Electricity Purchaser:** National Grid **Rates**: US$0.00993/kW-hr (est)	1,800	2028
Facility: Adams Facility (Hydroelectric) **Owner**: Trafalgar[(2)]	350	Sandy Creek near Adams, New York	**Electricity Purchaser:** National Grid **Rates**: No target rate as the site is expected to be offline	0[(4)]	2028
Facility: Phoenix Facility [7] (Hydroelectric) **Owner**: Oswego Hydro Partners L.P.	3,500	Oswego River in Phoenix, New York	**Electricity Purchaser:** National Grid **Rates**: US$0.09205/kW-hr Flat Rate	0	2026
Facility: Beaver Falls Facility [7] (Hydroelectric) **Owner**: Algonquin Power (Beaver Falls) LLC	2,500	Beaver River in Beaver Falls, New York	**Electricity Purchaser:** National Grid **Rates**: US$0.02852/kW-hr (est)	0	2019
New England Facilities					
Facility: Greggs Falls Facility [7] (Hydroelectric) **Owner**: Greggs Falls Partnership	3,500	Piscataquog River near the Town of Goffstown, New Hampshire	**Electricity Purchaser:** Public Service Company of New Hampshire (“**PSNH**”) **Rates**: US$0.05407/kW-hr (est) [(5)]	0	60 day written notice
Facility: Pembroke Facility[7] (Hydroelectric) **Owner**: Pembroke Hydro Associates Limited Partnership	2,600	Suncook River near the Town of Pembroke, New Hampshire	**Electricity Purchaser:** PSNH **Rates**: US$0.05461/kW-hr (est) [(5)]	0	60 day written notice
Facility: Clement Facility[7] (Hydroelectric) **Owner**: Clement Dam Hydroelectric LLC	2,400	Winnipisaukee River near the Town of Tilton, New Hampshire	**Electricity Purchaser:** PSNH **Rates**: US$0.05551/kW-hr (est) [(5)]	0	60 day written notice

Generating Facility/Owner	Generating Capacity (kilowatts)	Location	Electricity Purchaser/ 2013 Power Purchase Rates(1)	Annual Average Expected Energy Production (MW-hrs)	Year of Expiry of PPA
Facility: Franklin Facility[7] (Hydroelectric) **Owner**: Franklin Power LLC	River Bend 1,600 Steven's Mill 200	Winnipesaukee River near the Town of Franklin, New Hampshire	**Electricity Purchaser:** PSNH **Rates**: River Bend US$0.05291/kW-hr (est)[(5)] Steven's Mill US$0.05609/kW-hr (est)[(5)]	River Bend 0 Steven's Mill 0	60 day written notice – both sites
Facility: Lochmere Facility[7] (Hydroelectric) **Owner**: HDI Partnership	1,200	Winnipesaukee River near Lochmere, New Hampshire	**Electricity Purchaser:** PSNH **Rates**: US$0.05560/kW-hr (est)[(5)]	0	60 day written notice
Facility: Lakeport Facility[7] (Hydroelectric) **Owner**: Lakeport Corporation	600	Winnipesaukee River near Laconia, New Hampshire	**Electricity Purchaser:** PSNH **Rates**: US$0.05530/kW-hr (est)[(5)]	0	60 day written notice
Facility: Mine Falls Facility[7] (Hydroelectric) **Owner**: Mine Falls Limited Partnership	3,000	Nashua River near the City of Nashua, New Hampshire	**Electricity Purchaser:** PSNH **Rates**: US $0.05483/kW-hr (est)[(5)]	0	60 day written notice
Facility: Great Falls Facility[7] (Hydroelectric) **Owner**: Great Falls Partnership	10,950	Passaic River near the City of Paterson, New Jersey	**Electricity Purchaser:** Public Service Electric and Gas Company **Rates**: US $0.05470/kW-hr (est)	0	60 day written notice
Facility: Moretown Facility[8] (Hydroelectric) **Owner**: Moretown Partnership	1,200	Mad River near Moretown, Vermont	**Electricity Purchaser:** Vermont Power Exchange, Inc. **Rates**: $0.10780/kW-hr (average estimate)	0	2018
Renewable – Western Canada Facility					
Facility: Dickson Dam Facility (Hydroelectric) **Owner:** APOT	15,000	Innisfail, Alberta	**Electricity Purchaser:** AESO **Rates**: Market Rates Energy: $0.06117/kW-hr (estimate)	65,000	NA

Generating Facility/Owner	Generating Capacity (kilowatts)	Location	Electricity Purchaser/ 2013 Power Purchase Rates(1)	Annual Average Expected Energy Production (MW-hrs)	Year of Expiry of PPA
Renewable – Maritime Facilities					
Facility: Tinker Facility (Hydroelectric) **Owner**: APT	33,500	Perth-Andover, New Brunswick	**Electricity Purchaser:** AES Town of Perth-Andover **Rates:** AES ~ U.S. \$0.0435/kWhr Town of Perth Andover: ~ CDN \$.0825/kWhr	142,000	Perth-Andover Contract through 2021 AES contract through 2013
Facility: Caribou Facility (Hydroelectric) **Owner**: Maine Gen Co.	900	Caribou, Maine	**Electricity Purchaser:** AES **Rates**: Energy – ~U.S. \$0.0435/kWhr	5,300	n/a
Facility: Squa Pan Facility (Hydroelectric) **Owner**: Maine Gen Co.	1,400	Squa Pan Lake, near Caribou Maine	**Electricity Purchaser:** AES **Rates**: Energy – ~U.S. \$0.04815/kWhr	850	n/a
Facility: Rattle Brook Facility (Hydroelectric) **Owner**: Rattlebrook Partnership	4,000	Rattle Brook near Jackson's Arm, Newfoundland	**Electricity Purchaser:** Newfoundland and Labrador Hydro **Rates**: Summer \$0.07148/kW-hr Winter \$0.09693/kW-hr	15,950	2024
Renewable – Solar Facility					
Facility: Cornwall Solar (Solar)	10,000	Cornwall, Ontario	**Electricity Purchaser:** (Under Development – OPA)	13,400	n/a
Renewable – Wind Facilities					
Facility: Minonk	200,000	Minonk, Illinois	**Electricity Purchaser:** PJM North Illinois	674,000	2027[6]
Facility: Chaplin Wind (Wind)	177,000	Chaplin, Saskatchewan	**Electricity Purchaser:** (Under Development – SaskPower)	247,000	n/a
Facility: Senate	150,000	Graham, Texas	**Electricity Purchaser:** ERCOT North markets	520,000	2022[6]
Facility: Shady Oaks (Wind)[9]	109,500	Counties of Lee &, Brooklyn, Illinois	**Electricity Purchaser:** Commonwealth Edison	364,000	2032

Generating Facility/Owner	Generating Capacity (kilowatts)	Location	Electricity Purchaser/ 2013 Power Purchase Rates(1)	Annual Average Expected Energy Production (MW-hrs)	Year of Expiry of PPA
Facility: St. Leon Facility (Wind)	104,000	St. Leon, Manitoba	**Electricity Purchaser:** Manitoba Hydro	372,000	2025 + one 5 year extension
Owner: St. Leon LP					
Facility: Amherst Island (Wind)	75,000	Stella, Ontario	**Electricity Purchaser:** (Under Development – OPA)	247,000	n/a
Facility: Sandy Ridge (Wind)	50,000	Tyrone, Pennsylvania	**Electricity Purchaser:** PJM West	158,000	2022[6]
Facility: Red Lily (Wind)	26,400	Saskatchewan	**Electricity Purchaser:** SaskPower	88,000	2036
Owner: Concord Pacific Group					
Facility: Morse (Wind)	25,000	Morse, Saskatchewan	**Electricity Purchaser:** (Under Development – SaskPower)	93,000	n/a
Facility: Saint-Damase (Wind)	24,000	Saint-Damase, Québec	**Electricity Purchaser:** (Under Development – Hydro-Quebec)	78,000	n/a
Facility: Val-Éo (Wind)	24,000	Saint-Gédéon, Québec	**Electricity Purchaser:** (Under Development – Hydro-Quebec)	66,000	n/a
Facility: St. Leon II Facility (Wind)	16,500	St. Leon, Manitoba	**Electricity Purchaser:** Manitoba Hydro	58,000	2037

Notes:

(1) 2013 PPA rates have been rounded to four decimals and are not representative of long term power purchase rates under the applicable PPAs. Long-term rates under different agreements will be both higher and lower than current rates. Seasonal periods and daily periods vary from project to project.
(2) APC provides Trafalgar with certain operational services in respect of the Trafalgar facilities.
(3) These rates reflect the estimated Avoided Costs of National Grid.
(4) Scheduled to be offline in 2013. No decision has been made as to the timing of repairing these facilities.
(5) PSNH purchases the energy produced by these generating stations at the ISO-NE. market rates. These agreements are cancellable on 60 days written notice.
(6) Financial and physical hedges with respect to these facilities came into effect January 1, 2013.
(7) On March 14, 2013, APCo entered into an agreement to sell 10 small U.S. hydroelectric generating facilities that were no longer considered strategic to the ongoing operations of APCo.
(8) On August 31, 2012, APCo entered into an agreement to sell the Moretown hydro Facility
(9) Acquired on January 1, 2013

SCHEDULE B

Thermal – Biomass, Cogeneration, Steam, Diesel and Energy From Waste Facilities

Generating Facility/Owner	Generating Capacity (kilowatts)	Location	Electricity Purchaser/ 2013 Power Purchase Rates	Annual Average Expected Energy Production (MW-hrs)	Year of Expiry of PPA	Year of Expiry of Lease
Thermal – Biomass Facility						
Facility: Valley Power Facility (Biomass) **Owner**: Valley Power L.P.	12,000	Drayton Valley, Alberta	**Electricity Purchaser:** TransAlta Utilities Corporation **Rates**: Energy: $0.0709/kW-hr	0[1]	2014	Owned
Thermal – Cogeneration Facilities						
Facility: Sanger Facility (Cogeneration) **Owner**: Algonquin Power Sanger LLC	56,000	Sanger, California	**Electricity Purchaser:** PG&E **Rates:** US$ 0. 045/ kW-hr (estimated average)* * subject to gas price indexing **Capacity** – Approximately $254,800/month January-April & November-December Approximately $935,300/month May-October	143,300	2021	Owned
Facility: Windsor Locks Facility (Cogeneration) **Owner**: Algonquin Power Windsor Locks LLC	70,000	Windsor Locks, Connecticut	**Electricity Purchaser:** ISO New England Ahlstrom **Rates:** ISO New England-Market Rates , included hourly energy, forward capacity and forward reserve payments CT Class III REC ~US$0.1/kW-hr Mill/NGC – US$0.0509/kW-hr* Capacity $207,700** Steam – DNM/NGC – US$7.54/1000lbs* Capacity $130,000 * Estimated average rate, includes variable component based on natural gas prices. ** Estimated average monthly rate, charges are CPI indexed. Capacity Market and Spot Market – market prices	 41,000 87,000	 Merchant 2018	2018
Facility: Brampton Cogeneration Inc. (Cogeneration) **Owner**: APOT	N/A	Brampton, Ontario	**Electricity Purchaser:** N/A **Rates**: Steam – Normapac $6.90/1000lbs* Capacity $104,700** * Estimated average rate, includes variable	624 million lbs of steam	2024	N/A

component based on natural gas prices.

** Estimated average monthly rate, charges are partially CPI indexed.

Generating Facility/Owner	Generating Capacity (kilowatts)	Location	Electricity Purchaser/ 2013 Power Purchase Rates	Annual Average Expected Energy Production (MW-hrs)	Year of Expiry of PPA	Year of Expiry of Lease
Facility: EFW Facility (Energy from Waste) **Owner**: Algonquin Power Energy from Waste Inc.	10,100	Brampton, Ontario	**Electricity Purchaser:** OEFC **Rates**: ~$0.030/kW-hr (average estimated rate)	5,600	NA	Owned
Thermal – Diesel Facilities						
Facility: Tinker Facility (Diesel) **Owner**: Tinker Gen Co.	1,000	Perth-Andover, New Brunswick	**Electricity Purchaser:** Not Under Contract **Rates**: Capacity only	0	NA	Owned
Facility: Caribou Facility (Diesel) **Owner**: Maine Gen Co.	7,000	Caribou, Maine	**Electricity Purchaser:** AES **Rates**: Capacity only	0	NA	Owned

Notes:

(1) Available to provide capacity only. The thermal facilities located in Northern Maine and New Brunswick are not considered strategic to APUC. As a result APUC is taking steps to shutdown these facilities.

SCHEDULE C

Wastewater and Water Distribution Facilities

Utility	Owner	Location	Type of Utility	December 31, 2012 Connections	Rates[1]
Black Mountain	Black Mountain Sewer Corporation	Carefree, Arizona	Wastewater	2,190	Pursuant to ACC decision 71865
Gold Canyon	Gold Canyon Sewer Company	Gold Canyon Arizona	Wastewater	7,520	Pursuant to ACC decision 69664
Bella Vista	Bella Vista Water Co., Inc.	Sierra Vista, Arizona	Water Distribution	9,220	Pursuant to ACC decision 72251
Tall Timbers	Tall Timbers Utility Company, Inc.	Tyler, Texas	Wastewater	2,200	Pursuant to TCEQ decision 2009-1381-UCR and SOAH decision 582-10-0350
Woodmark	Woodmark Utilities, Inc.	Tyler, Texas	Wastewater	1,750	Pursuant to TCEQ decision on Jan 1, 2010
Litchfield Park	Litchfield Park Service Company	Litchfield, Park, Arizona	Wastewater Water Distribution	19,490 17,540	Pursuant to ACC decision 72026
Fox River	AWRI	Sheridan, Illinois	Wastewater Water Distribution	220 220	Per customer agreement[3] US $240.08 US $141.61
Timber Creek	AWRM	DeSoto, Missouri	Wastewater Water Distribution	20 25	Pursuant to MOPSC decision WR-2006-4025
Holiday Hills	AWRM	Branson, Missouri	Water Distribution	485	Per MOPSC Case WR-2006-4025
Ozark Mountain	AWRM	Kimberling City, Missouri	Wastewater Water Distribution	240 260	Pursuant to MOPSC decision WR-2006-4025
Holly Lake Ranch	AWRT	Hawkins, Texas	Wastewater Water Distribution	150 1,940	Pursuant to TCEQ decision 2009-2087-UCR & SOAH decision 582-10-2369
Big Eddy	AWRT	Flint, Texas	Wastewater Water Distribution	410 680	Pursuant to TCEQ decision 2009-2087-UCR & SOAH decision 582-10-2369

Utility	Owner	Location	Type of Utility	December 31, 2012 Connections	Rates[1]
Piney Shores	AWRT	Conroe, Texas	Wastewater Water Distribution	270 275	Pursuant to TCEQ decision 2009-2087-UCR & SOAH decision 582-10-2369
Hill Country	AWRT	New Braunfels, Texas	Wastewater Water Distribution	400 230	Pursuant to TCEQ decision 2009-2087-UCR & SOAH decision 582-10-2369
Rio Rico	Rio Rico Utilities Inc.	Rio Rico, Arizona	Wastewater Water Distribution	2,205 6,785	Pursuant to ACC decision 72059
Northern Sunrise	Northern Sunrise Water Company Inc.	Sierra Vista, Arizona	Water Distribution	360	Pursuant to ACC decision 72251
Southern Sunrise	Southern Sunrise Water Company Inc.	Sierra Vista, Arizona	Water Distribution	870	Pursuant to ACC decision 72251
Entrada Del Oro (2)	Entrada Del Oro Sewer Company	Gold Canyon , Arizona	Wastewater	340	Pursuant to decision 68306
Seaside Resort	AWRT	Galveston, Texas	Water Distribution Wastewater	160 160	Per customer agreement[3] US $166.68 US $165.45
Noel	AWRM	Noel, Missouri	Water Distribution	705	Pursuant to MOPSC decision WR-2009-0395
KMB	AWRM	Jefferson, Franklin and Cape Girardeau counties in Missouri	Wastewater Water Distribution	185 545	Pursuant to MOPSC decision WO-2010-0345
Total connections				**78,050**	

Notes:

1. See www.libertyutilities.com for complete rate tariffs.
2. Liberty Water Co. currently holds a beneficial interest in the shares of the company pending regulatory approval of its acquisition.
3. Rates charged per agreement with developer

SCHEDULE D

Electrical Distribution Facilities

Utility	Owner	Location	Type of Utility	December 31, 2012 Connections / Customers	Rates[1]
California Utility	California Pacific Electric Company, LLC	Lake Tahoe, California	Electricity Distribution	Residential – 41,063 Commercial & Industrial – 7,708	Rates pursuant to CPUC decision 12-11-030
Granite State Electric Utility	Granite State Electric Company	Salem, New Hampshire	Electricity Distribution	Residential – 35,450 Commercial & Industrial – 7,800	Rates pursuant to NHPUC decision DE 13-018

Notes:

1. See www.libertyutilities.com for complete rate tariffs.

SCHEDULE E

Natural Gas Distribution Facilities[1]

Utility	Owner	Location	Type of Utility	December 31, 2010 Connections	Rates[1]
EnergyNorth Gas Utility	EnergyNorth Natural Gas, Inc.	Manchester, New Hampshire	Natural Gas Distribution	Residential – 76,350 Commercial & Industrial – 11,300	Rates pursuant to NHPUC decision DE12-265
Midstates Gas Utilities-Illinois	Liberty Energy (Midstates) Corp.	Salem, Virden, Vandalia, Xenia, Metropolis, Illinois	Natural Gas Distribution	Residential – 20,071 Commercial & Industrial – 2,073	Rates pursuant to ICC decision IL-11-0559
Midstates Gas Utilities – Iowa	Liberty Energy (Midstates) Corp.	Keokuk, Iowa	Natural Gas Distribution	Residential – 3,860 Commercial & Industrial – 468	Rates pursuant to IUB decision SPU-2011-0008

Utility	Owner	Location	Type of Utility	December 31, 2010 Connections	Rates[1]
Midstates Gas Utilities-Missouri	Liberty Energy (Midstates) Corp.	Jackson, Sikeston, Butler, Kirksville, Hannibal, Missouri	Natural Gas Distribution	Residential –48,605 Commercial & Industrial –6,687	Rates pursuant to MPSC decision GM-2012-0037

Notes:

1. See www.libertyutilities.com for complete rate tariffs.

SCHEDULE F

ALGONQUIN POWER & UTILITIES CORP.

MANDATE OF THE AUDIT COMMITTEE

By appropriate resolution of the board of directors (the "**Board**") of Algonquin Power & Utilities Corp., the Audit Committee (the "**Committee**") has been established as a standing committee of the Board with the terms of reference set forth below. Unless the context requires otherwise, the term "Corporation" refers to Algonquin Power & Utilities Corp. and its subsidiaries.

1. PURPOSE

1.1 The Committee's purpose is to:

(a) assist the Board's oversight of:

(i) the integrity of the Corporation's financial statements, Management's Discussion and Analysis ("**MD&A**") and other financial reporting;

(ii) the Corporation's compliance with legal and regulatory requirements;

(iii) the external auditor's qualifications, independence and performance;

(iv) the performance of the Corporation's internal audit function and internal auditor;

(v) the communication among management of the Corporation and its subsidiary entities and the Corporation's Chief Executive Officer and its Chief Financial Officer (collectively, "**Management**"), the external auditor, the internal auditor and the Board;

(vi) the review and approval of any related party transactions; and

(vii) any other matters as defined by the Board;

(b) prepare and/or approve any report that is required by law or regulation to be included in any of the Corporation's public disclosure documents relating to the Committee.

2. COMMITTEE MEMBERSHIP

2.1 Number of Members – The Committee shall consist of not fewer than three members.

2.2 Independence of Members – Each member of the Committee shall:

(a) be a director of the Corporation;

(b) not be an officer or employee of the Corporation or any of the Corporation's subsidiary entities or affiliates;

(c) be an unrelated director for the purposes of the Toronto Stock Exchange (the "**TSX**") Corporate Governance Policy; and

(d) satisfy the independence requirements applicable to members of audit committees under each of the rules of National Instrument 52 110 – Audit Committees of the Canadian Securities Administrators ("**NI 52 110**") and other applicable laws and regulations.

2.3 Financial Literacy – Each member of the Committee shall satisfy the financial literacy requirements applicable to members of audit committees under the TSX Corporate Governance Policy, NI 52 110 and other applicable laws and regulations.

2.4 Annual Appointment of Members – The Committee and its Chair shall be appointed annually by the Board and each member of the Committee shall serve at the pleasure of the Board until he or she resigns, is removed or ceases to be a director.

3. COMMITTEE MEETINGS

3.1 Time and Place of Meetings – The time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; provided, however, that the Committee shall meet at least quarterly, a majority of the members of the Committee shall constitute a quorum and the Committee shall maintain minutes or other records of its meetings and activities.

3.2 In Camera Meetings – As part of each meeting of the Committee at which it approves, or if applicable, recommends that the Board approve, the annual audited financial statements of the Corporation or at which the Committee reviews the interim financial statements of the Corporation, and at such other times as the Committee deems appropriate, the Committee shall meet separately with each of the persons set forth below to discuss and review specific issues as appropriate:

(a) representatives of Management;

(b) the external auditor; and

(c) the internal audit personnel.

3.3 Attendance at Meetings – The external auditors are entitled to attend and be heard at each Committee meeting. In addition, the Committee may invite to a meeting any officers or employees of the Corporation, legal counsel, advisor and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities.

4. COMMITTEE AUTHORITY AND RESOURCES

4.1 Direct Channels of Communication – The Committee shall have direct channels of communication with the Corporation's internal and external auditors to discuss and review specific issues as appropriate.

4.2 Retaining and Compensating Advisors – The Committee, or any member of the Committee with the approval of the Committee, may retain at the expense of the Corporation such independent legal, accounting (other than the external auditor) or other advisors on such terms as the Committee may consider appropriate and shall not be required to obtain any other approval in order to retain or compensate any such advisors.

4.3 Funding – The Corporation shall provide for appropriate funding, as determined by the Committee, for payment of compensation of the external auditor and any advisor retained by the Committee under Section 4.2 of this Charter.

4.4 Investigations – The Committee shall have unrestricted access to the personnel and documents of the Corporation and the Corporation's subsidiary entities and shall be provided with the resources necessary to carry out its responsibilities.

5. REMUNERATION OF COMMITTEE MEMBERS

5.1 Director Fees Only – No member of the Committee may accept, directly or indirectly, fees from the Corporation or any of its subsidiary entities other than remuneration for acting as a director or member of the Committee or any other committee of the Board.

5.2 Other Payments – For greater certainty, no member of the Committee shall accept any consulting, advisory or other compensatory fee from the Corporation. For purposes of Section 5.1, the indirect acceptance by a member of the Committee of any fee includes acceptance of a fee by an immediate family member or a partner, member or executive officer of, or a person who occupies a similar position with, an entity that provides accounting, consulting, legal, investment banking or financial advisory services to the Corporation or any of its subsidiaries, other than limited partners, non–managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity.

6. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

6.1 Overview – The Committee's principal responsibility is one of oversight. Management is responsible for preparing the Corporation's financial statements and the external auditor is responsible for auditing those financial statements.

6.2 The Committee's specific duties and responsibilities are as follows:

(a) Financial and Related Information

(i) Annual Financial Statements – The Committee shall review and discuss with Management and the external auditor the Corporation's annual financial statements and related MD&A and if applicable, report thereon to the Board as a whole before they approve such statements and MD&A.

(ii) Interim Financial Statements – The Committee shall review and discuss with Management and the external auditor the Corporation's interim financial statements and related MD&A and if applicable, report thereon to the Board as a whole before they approve such statements and MD&A.

(iii) Prospectuses and Other Documents – The Committee shall review and discuss with Management and the external auditor the financial information, financial statements and related MD&A appearing in any prospectus, annual report, annual information form, management information circular or any other public disclosure document prior to its public release or filing and if applicable, report thereon to the Board as a whole.

(iv) Accounting Treatment – Prior to the completion of the annual external audit, and at any other time deemed advisable by the Committee, the Committee shall review and discuss with Management and the external auditor (and shall arrange for the documentation of such discussions in a manner it deems appropriate) the quality and not just the acceptability of the Corporation's accounting principles and financial statement presentation, including, without limitation, the following:

(A) all critical accounting policies and practices to be used, including, without limitation, the reasons why certain estimates or policies are or are not considered critical and how current and anticipated future events impact those determinations and an assessment of Management's disclosures along with any significant proposed modifications by the auditors that were not included;

(B) all alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with Management, including, without limitation, ramification of the use of such alternative disclosure and treatments, and the treatment preferred by the external auditor, which discussion should address recognition, measurement and disclosure consideration related to the accounting for specific transactions as well as general accounting policies. Communications regarding specific transactions should identify the underlying facts, financial statement accounts impacted and applicability of existing corporate accounting policies to the transaction. Communications regarding general accounting policies should focus on the initial selection of, and changes in, significant accounting policies, the impact of the Management's judgments and accounting estimates and the external auditor's judgments about the quality of the Corporation's accounting principles. Communications regarding specific transactions and general accounting policies should include the range of alternatives available under generally accepted accounting principles discussed by Management and the auditors and the reasons for selecting the chosen treatment or policy. If the external auditor's preferred accounting treatment or accounting policy is not selected, the reasons therefore should also be reported to the Committee;

(C) other material written communications between the external auditor and Management, such as any management letter, schedule of unadjusted differences, listing of adjustments and reclassifications not recorded, management representation letter, report on observations and recommendations on internal controls, engagement letter and independence letter;

(D) major issues regarding financial statement presentations;

(E) any significant changes in the Corporation's selection or application of accounting principles;

(F) the effect of regulatory and accounting initiatives, as well as off balance sheet structures, on the financial statements of the Corporation; and

(G) the adequacy of the Corporation's internal controls and any special audit steps adopted in light of control deficiencies.

(v) Disclosure of Other Financial Information – The Committee shall:

(A) review, and discuss generally with Management, the type and presentation of information to be included in, all public disclosure by the Corporation containing audited, unaudited or forward-looking financial information in advance of its public release by the Corporation, including, without limitation, earnings guidance and financial information based on unreleased financial statements;

(B) discuss generally with Management the type and presentation of information to be included in earnings and any other financial information given to analysts and rating agencies, if any; and

(C) satisfy itself that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements, other than the Corporation's financial statements, MD&A and earnings press releases, and shall periodically assess the adequacy of those procedures.

(b) External Auditor

(i) Authority with Respect to External Auditor – As representative of the Corporation's shareholders and as a committee of the Board, the Committee shall be directly responsible for the appointment, compensation, retention, termination and oversight of the work of the external auditor (including, without limitation, resolution of disagreements between Management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation. In this capacity, the Committee shall have sole authority for recommending the person to be proposed to the Corporation's shareholders for appointment as external auditor, whether at any time the incumbent external auditor should be removed from office, and the compensation of the external auditor. The Committee shall require the external auditor to confirm in an engagement letter to the Committee each year that the external auditor is accountable to the Board and the Committee as representatives of shareholders and that it will report directly to the Committee.

(ii) Approval of Audit Plan – The Committee shall approve, prior to the external auditor's audit, the external auditor's audit plan (including, without limitation, staffing), the scope of the external auditor's review and all related fees.

(iii) Independence – The Committee shall satisfy itself as to the independence of the external auditor. As part of this process:

(A) The Committee shall require the external auditor to submit on a periodic basis to the Committee a formal written statement confirming its independence under applicable laws and regulations and delineating all relationships between the auditor and the Corporation and the Committee shall actively engage in a dialogue with the external auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the external auditor and take, or, if applicable, recommend that the Board take, any action the Committee considers appropriate in response to such report to satisfy itself of the external auditor's independence.

(B) In accordance with applicable laws and regulations, the Committee shall pre–approve any non–audit services (including, without limitation, fees therefore) provided to the Corporation or its subsidiaries by the external auditor or any auditor of any such subsidiary and shall consider whether these services are compatible with the external auditor's independence, including, without limitation, the nature and scope of the specific non–audit services to be performed and whether the audit process would require the external auditor to review any advice rendered by the external auditor in connection with the provision of non-audit services. The Chair may approve additional non audit services that arise between Committee meetings, provided that the Chair reports any such approvals to the Committee at the next scheduled meeting.

(C) The Committee shall establish a policy setting out the restrictions on the Corporation's subsidiary entities hiring partners, employees, former partners and former employees of the Corporation's external auditor or former external auditor.

(iv) Rotating of Auditor Partner – The Committee shall evaluate the performance of the external auditor and whether it is appropriate to adopt a policy of rotating lead or responsible partners of the external auditors.

(v) Review of Audit Problems and Internal Audit – The Committee shall review with the external auditor:

(A) any problems or difficulties the external auditor may have encountered, including, without limitation, any restrictions on the scope of activities or access to required information, and any disagreements with Management and any management letter provided by the auditor and the Corporation's response to that letter;

(B) any changes required in the planned scope of the internal audit; and

(C) the internal audit department's responsibilities, budget and staffing.

(vi) Review of Proposed Audit and Accounting Changes – The Committee shall review major changes to the Corporation's auditing and accounting principles and practices suggested by the external auditor.

(vii) Regulatory Matters – The Committee shall discuss with the external auditor the matters required to be discussed by CAS 260 of the CICA Handbook – Assurance relating to the conduct of the audit.

(c) Internal Audit Function – Controls

(i) Regular Reporting – Internal audit personnel shall report regularly to the Committee.

(ii) Oversight of Internal Controls – The Committee shall oversee Management's design and implementation of and reporting on the Corporation's internal controls and review the adequacy and effectiveness of Management's financial information systems and internal controls. The Committee shall periodically review and approve the mandate, plan, budget and staffing of internal audit personnel. The Committee shall direct Management to make any changes it deems devisable in respect of the internal audit function.

(iii) Review of Audit Problems – The Committee shall review with the internal audit personnel: any problem or difficulties the internal audit personnel may have encountered, including, without limitation, any restrictions on the scope of activities or access to required information, and any significant reports to Management prepared by the internal audit personnel and Management's responses thereto.

(iv) Review of Internal Audit Personnel – The Committee shall review the appointment, performance and replacement of the senior internal auditing personnel and the activities, organization structure and qualifications of the persons responsible for the internal audit function.

(d) Risk Assessment and Risk Management

(i) Risk Exposure – The Committee shall discuss with the external auditor, internal audit personnel and Management periodically the Corporation's major financial risk exposures and the steps Management has taken to monitor and control such exposures.

(ii) Investment Practices – The Committee shall review Management's plans and strategies around investment practices, banking performance and treasury risk management.

(iii) Compliance with Covenants – The Committee shall review Management's procedures to ensure compliance by the Corporation with its loan covenants and restrictions, if any.

(e) Legal Compliance

(i) On at least a quarterly basis, the Committee shall review with the Corporation's legal counsel, external auditor and Management any legal matters (including, without limitation, litigation, regulatory investigations and inquiries, changes to applicable laws and regulations, complaints or published reports) that could have a significant impact on the Corporation's financial position, operating results or financial statements and the Corporation's compliance with applicable laws and regulations.

(ii) The Committee shall review and, if applicable, advise the Board with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations and shall notify Management and, if applicable, the Board, promptly after becoming aware of any material non–compliance by the Corporation with applicable laws and regulations.

(f) Whistle Blowing – The Committee shall establish procedures for:

(i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and

(ii) the confidential, anonymous submission by employees of the Corporation's subsidiary entities of concerns regarding questionable accounting or auditing matters.

(g) Related Party Transactions – The Committee shall review and approve any transaction between the Corporation and a related party and any transaction involving the Corporation and another party in which the parties' relationship could enable the negotiation of terms on other than an independent, arms' length basis.

(h) Review of the Management's Certifications and Reports – The Committee shall review and discuss with Management all certifications of financial information, management reports on internal controls and all other management certifications and reports relating to the Corporation's financial position or operations required to be filed or released under applicable laws and regulations prior to the filing or release of such certifications or reports.

(i) Liaison – The Committee shall review and ensure that appropriate liaison and co–operation exist between the external auditor and internal audit personnel and provide a direct channel of communication between external and internal auditors and the Committee.

(j) Public Reports – The Committee shall prepare and/or approve any report that is required by law or regulation to be included in any of the Corporation's public disclosure documents relating to the Committee.

(k) Other Matters – The Committee may, in addition to the foregoing, perform such other functions as may be necessary or appropriate for the performance of its oversight function.

7. REPORTING TO THE BOARD

7.1 Regular Reporting – If applicable, the Committee shall report to the Board following each meeting of the Committee and at such other times as the Committee may determine to be appropriate.

8. EVALUATION OF COMMITTEE PERFORMANCE

8.1 Performance Review – The Committee shall periodically assess its performance.

8.2 Amendments to Charter

(a) Review by Committee – On at least an annual basis, the Committee shall review and discuss the adequacy of this Charter and if applicable, recommend any proposed changes to the Board.

(b) Review by Board – The Board will review and reassess the adequacy of the Charter on an annual basis and at such other times, as it considers appropriate.

9. LEGISLATIVE AND REGULATORY CHANGES

9.1 Compliance – It is the Board' intention that this mandate shall reflect at all times all legislative and regulatory requirements applicable to the Committee. Accordingly, this Charter shall be deemed to have been updated to reflect any amendments to such legislative and regulatory requirements and shall be formally amended at least annually to reflect such amendments.

10. CURRENCY OF CHARTER

10.1 Currency of Charter – This Charter was approved by the Board of Directors of Algonquin Power & Utilities Corp. effective March 31, 2010.

SCHEDULE G

GLOSSARY OF TERMS

In this Annual Information Form, the following terms have the meanings set forth below, unless otherwise indicated.

"**2011 APCo Debentures**" has the meaning ascribed thereto under *"General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2011 – APCo – Power Generation – APCo Senior Unsecured Debentures"*.

"**2012 APCo Debentures**" has the meaning ascribed thereto under *"General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2012 – APCo – Power Generation – APCo $150 million Senior Unsecured Debentures"*.

"**3793257**" means 3793257 Canada Inc., a corporation incorporated under the CBCA. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**AAP LP**" has the meaning ascribed thereto under *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**ACC**" means the Arizona Corporate Commission. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Utilities: Water and Wastewater – Principal Markets – Arizona"*.

"**ADEQ**" means the Arizona Department of Environmental Quality. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Utilities: Water and Wastewater – Principal Markets – Arizona"*.

"**AES**" means Algonquin Energy Services Inc., a Delaware corporation. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**AESO**" means the Alberta Electric System Operator. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Renewable – Hydroelectric – Principal Markets and Distribution Methods – Alberta"*.

"**Agreement**" has the meaning ascribed thereto under "*Description of the Business – Business Associations with APMI and Senior Executives"*.

"**AirSource**" has the meaning ascribed thereto under *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**AirSource Senior Debt**" has the meaning ascribed thereto under *"General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2011 – APCo – Power Generation – APCo Senior Unsecured Debentures"*.

"**Algonquin Holdco**" means Algonquin Power Fund (America) Holdco Inc., a Delaware corporation. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**APA**" means Algonquin Power (America) Inc. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**APC**" means Algonquin Power Corporation Inc. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Renewable – Hydroelectric – Material Facilities – Long Sault Rapids Facility"*.

"**APCo**" means Algonquin Power Co. See *"Corporate Structure – Name, Address and Incorporation"*.

"**APCo Credit Facility**" has the meaning ascribed thereto under *"General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2010 – Liberty Utilities – Liberty Utilities (West) – Senior Debt Financing"*.

"**APEFW**" means Algonquin Power Energy From Waste Inc. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**APFA**" means Algonquin Power Fund (America) Inc. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**APFC**" means Algonquin Power Fund (Canada) Inc. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**APMI**" means Algonquin Power Management Inc., a corporation in which the Senior Executives have an interest.

"**APOT**" means Algonquin Power Operating Trust. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**APT**" means Algonquin Power Trust. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**APUC**" or the "**Corporation**" means Algonquin Power & Utilities Corp including, for reporting purposes only, the direct or indirect subsidiary entities of APUC and partnership interests held by APUC and its subsidiaries. See *"Corporate Structure – Name, Address and Incorporation"*.

"**APUC Businesses**" means the two businesses through which APUC primarily conducts its operations: independent power generation and utilities (water, natural gas and electric). See *"General Development of the Business – General – Business Strategy"*.

"**APUC Credit Facility**" means the $30.0 million unsecured revolving credit facility of APUC. See "*General Development of the Business – Three Year History and Significant Acquisitions – Recent Developments – Fiscal 2012 – Corporate – APUC Credit Facility"*.

"**Atmos**" means ATMOS Energy Corporation. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Audit Committee**" means APUC's audit committee. See *"Directors and Officers – Audit Committee – Audit Committee Charter"*.

"**Avoided Costs**" means costs a utility does not incur to add new generating capacity to the system by purchasing electricity from an independent or parallel generator. See *"Description of the Business – General Description of the Regulatory Regimes in which the Business Operates – Power Generation Regulatory Regimes – United States"*.

"**BCI**" means Brampton Cogeneration Inc. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**BCI Facility**" has the meaning ascribed thereto under *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Belle Rivière**" has the meaning ascribed thereto under *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Blackout Period**" has the meaning ascribed thereto "*Description of Capital Structure – Stock Option Plan*".

"**Board**" means the APUC Board of Directors.

"**By-Laws**" means the by-laws of APUC. See "*Directors and Officers – Name, Occupation and Security Holdings*".

"**California Utility**" has the meaning ascribed thereto under *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Calpeco**" means California Pacific Electric Company, LLC, a California limited liability company. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Campbellford Facility**" has the meaning ascribed thereto under *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Campbellford LP**" means Algonquin Power (Campbellford) Limited Partnership. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Caribou Facility**" has the meaning ascribed thereto under *"General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2010 – APCo – Power Generation – Tinker Facility"*.

"**CBCA**" means the *Canada Business Corporations Act*.

"**CC**" means Compensation Committee. See *"Directors and Officers – Corporate Governance and Compensation Committees"*.

"**CC&N**" means a certificate of convenience and necessity. See *"Description of the Business – General Description of the Regulatory Regimes in which the Business Operates – Water Utility Services Regulatory Regimes"*.

"**CDP**" means the Carbon Disclosure Project. See *"Risk Factors – Operational Risk Management – Specific Environmental Risks"*.

"**CGC**" means Corporate Governance Committee. See *"Directors and Officers – Corporate Governance and Compensation Committees"*.

"**Chapais**" means Chapais Energie, Société en Commandité. See *"Corporate Structure – Intercorporate Relationships – Other Interests in Energy Related Developments"*.

"**Clarica**" means The Clarica Life Insurance Company. *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Renewable – Hydroelectric – Material Facilities – Long Sault Rapids Facility"*.

"**CL&P**" means the Connecticut Light and Power Company. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Thermal – Cogeneration – Principal Markets and Distribution Methods – Connecticut"*.

"**Cochrane**" means Cochrane Power Corporation. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Thermal – Cogeneration – Material Facilities – Cochrane Facility"*.

"**COD**" means commercial operation dates. See *"General Development of the Business – Recent Developments – 2012"*.

"**ComFIT**" has the meaning ascribed thereto under *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – APCo: Development Division – Principal Market Environment"*.

"**Common Shares**" means the common shares of APUC created pursuant to a certificate and articles of arrangement dated October 27, 2009. See *"Corporate Structure – Name, Address and Incorporation"*.

"**Cornwall Solar**" has the meaning ascribed thereto under *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – APCo: Development Division – Current Development Projects – Cornwall Solar"*.

"**Cornwall Solar**" means Cornwall Solar Inc. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – APCo: Development Division – Current Development Projects – Cornwall Solar"*.

"**Corporation**" means APUC.

"**Corporation St-Laurent**" has the meaning ascribed thereto under *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Court Street**" means Court Street Investments, Inc., a Massachusetts corporation. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Co-Owners**" means Algonquin Power (Long Sault) Partnership and N-R Power Partnership as co-owners of the Long Sault Rapids Facility. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Renewable – Hydroelectric – Material Facilities – Long Sault Rapids Facility"*.

"**CPUC**" means the California Public Utilities Commission. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Liberty Utilities: Electrical Distribution – Principal Markets – California"*.

"**CPUV**" means California Pacific Utilities Ventures, LLC, a California limited liability company. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

“**DEP**” means the US Department of Energy. See “*Description of the Business – Competitive Conditions – APCo – Power Generation*”.

“**DSU**” means deferred share units. See “*Description of Capital Structure – Directors Deferred Share Units*”.

“**Dickson Dam Facility**” has the meaning ascribed thereto under *“Corporate Structure – Intercorporate Relationships – Subsidiaries”.*

“**ECAC**” means the Energy Cost Adjustment Clause. See *“Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Liberty Utilities: Electrical Distribution – Principal Markets – California”.*

“**EFW Facility**” has the meaning ascribed thereto under *“Corporate Structure – Intercorporate Relationships – Subsidiaries”.*

“**Electricity Act**” means the *Electricity Act* (New Brunswick). See *“Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Renewable – Hydroelectric – Principal Markets and Distribution Methods – New Brunswick and Northern Maine”.*

“**Eligible Individual**” has the meaning ascribed thereto “*Description of Capital Structure – Stock Option Plan*”.

“**Eligible Persons**” has the meaning ascribed thereto “*Description of Capital Structure – Stock Option Plan*”.

“**EnergyNorth Gas Utility**” means EnergyNorth Natural Gas Inc. See *“Corporate Structure – Intercorporate Relationships – Subsidiaries”.*

“**Entrada**” means Entrada Del Oro Sewer Company, Inc. See *“Corporate Structure – Intercorporate Relationships – Subsidiaries”.*

“**Éoliennes**” means Corporation D’Investissements Éoliennes Algonquin Power. See *“Corporate Structure – Intercorporate Relationships – Subsidiaries”.*

“**EPA**” means the Environmental Protection Agency. See *“Risk Factors – Operational Risk Management – Environmental Risks”.*

“**ERCOT**” means Electricity Reliability Council of Texas. See *“Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Renewable – Wind Power – Principal Markets and Distribution Methods”*

“**ERs**” means the Final Essential Requirements for Mandatory Reporting. See *“Risk Factors – Operational Risk Management – Specific Environmental Risks”.*

“**ESA**” means energy services agreement. See *“General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2011 – APCo – Power Generation – Windsor Locks Repowering”.*

"**ESPP**" means employee share purchase plan. See "*Description of Capital Structure – Employee Share Purchase Plan*".

"**EUA**" means the *Electric Utilities Act* (Alberta). See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Renewable – Hydroelectric – Principal Markets and Distribution Methods – Alberta"*.

"**FERC**" means the United States Federal Energy Regulatory Commission. See *"Description of the Business – General Description of the Regulatory Regimes in which the Business Operates – Power Generation Regulatory Regimes – United States"*.

"**FIT**" has the meaning ascribed thereto under *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – APCo: Development Division – Principal Market Environment"*.

"**FPA**" means the U.S. Federal Power Act. See *"Description of the Business – General Description of the Regulatory Regimes in which the Business Operates – Power Generation Regulatory Regimes – United States"*.

"**Gamesa USA**" means Gamesa Energy USA, LLC. See *"General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2012 – APCo – Power Generation – Acquisition of U.S. Wind Facilities"*.

"**Gamesa Wind Facilities**" has the meaning ascribed thereto under "*General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2012 – Corporate – Issuance of $120M Preferred Shares"*.

"**Georgia Utility**" has the meaning ascribed thereto under *"General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2012 – Liberty Utilities – Agreement to Acquire Georgia Utility"*.

"**gpd**" means gallons per day. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Utilities: Water and Wastewater – Material Facilities – Gold Canyon Facility"*.

"**Goldwind**" has the meaning ascribed thereto under "*General Development of the Business – Three Year History and Significant Acquisitions – Recent Developments – 2013 – APCo – Power Generation – Acquisition of Shady Oaks Wind Facility"*.

"**Granite State Electric Utility**" means Granite State Electric Company. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Green Power**" means electricity generated from renewable energy sources that do not contribute to greenhouse gas emissions. See *"Description of the Business – General Description of the Regulatory Regimes in which the Business Operates – Power Generation Regulatory Regimes – Canada"*.

"**HOEP**" means Hourly Ontario Energy Price. See "*Description of the business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Thermal – Energy From Waste – Material Facilities – EFW Facility"*.

"**In-the-Money Amount**" has the meaning ascribed thereto "*Description of Capital Structure – Stock Option Plan*".

"**ISO-NE**" means Independent System Operator New England. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Thermal – Cogeneration – Principal Markets and Distribution Methods – Connecticut"*.

"**ITC**" means investment tax credit. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – APCo: Development Division – Principal Market Environment"*.

"**Kineticor**" has the meaning ascribed thereto *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – APCo: Development Division – Current Development Projects – Morse Wind Project"*.

"**Kirkland**" means Kirkland Lake Power Corp. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Thermal – Cogeneration – Material Facilities – Kirkland Facility"*.

"**Laclede**" has the meaning ascribed thereto under "*General Development of the Business – Three Year History and Significant Acquisitions – Recent Developments – 2013 – Liberty Utilities – Agreement to Acquire New England Utility"*.

"**Liberty Credit Facility**" has the meaning ascribed thereto under *"General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2012 – Liberty Utilities – Expansion of Liberty Credit Facility"*.

"**Liberty Energy**" means Liberty Energy Utilities Co. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Liberty Energy (NH)**" means Liberty Energy Utilities (New Hampshire) Corp., a Delaware corporation registered in New Hampshire. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Liberty Georgia**" means Liberty Energy (Georgia) Corp., a Georgia corporation. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Liberty Midstates**" means Liberty Energy (Midstates) Corp., a Missouri corporation. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Liberty Utilities**" means Liberty Utilities Company. See *"Corporate Structure – Name, Address and Incorporation"*.

"**Liberty Water**" means Liberty Water Co., a Delaware company. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Loyalist LP**" has the meaning ascribed thereto under *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**LSR Royalty Interest**" means a royalty in the form of cash flows generated by the Long Sault Rapids Facility. See *"Corporate Structure – Intercorporate Relationships – Other Interests in Energy Related Developments"*.

"**LSR Subordinate Note**" has the meaning ascribed thereto under *"Corporate Structure – Intercorporate Relationships – Other Interests in Energy Related Developments"*.

"**LU GP1**" means Liberty Utilities Finance GP 1, a special purpose financing company and a Delaware general partnership. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**LU GP2**" means Liberty Utilities Finance GP 2, a special purpose financing company and a Delaware general partnership. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Manitoba Hydro**" means the Manitoba Hydro-Electric Board.

"**Market Price**" has the meaning ascribed thereto "*Description of Capital Structure – Stock Option Plan*".

"**Market Purchase**" means Common Shares purchased on the open market through the facilities of the TSX. See *"Dividends – Dividend Reinvestment Plan."*

"**Meeting**" means the annual general meeting of shareholders of APUC held on June 23, 2010.

"**Merger**" has the meaning ascribed thereto "*Description of Capital Structure – Stock Option Plan*".

"**MGP**" means manufactured gas plants. See *"Risk Factors – Operational Risk Management – Environmental Risks".*

"**Midwest Gas Utilities**" means certain natural gas distribution utility assets located in Missouri, Iowa, and Illinois. See *"General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2012 – Liberty Utilities – Acquisition of Missouri Utility".*

"**MIPA**" means Membership Interest Purchase and Sale Agreement. See *"Material Contracts"*.

"**Mont-Laurier Partnership**" means Algonquin Power (Mont-Laurier) Limited Partnership. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**MPS**" means Maine Public Service Company. See *"General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2011 – APCo – Power Generation – AES Standard Offer Contract".*

"**MW**" means megawatt.

"**National Grid**" means National Grid USA. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**NB Power**" means New Brunswick Power Corporation. *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Renewable – Hydroelectric – Principal Markets and Distribution Methods – New Brunswick and Northern Maine"*.

"**NBSO**" means New Brunswick System Operator. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Renewable – Hydroelectric – Principal Markets and Distribution Methods – New Brunswick and Northern Maine"*.

"**NEGasCo Acquisition**" has the meaning ascribed thereto under "*General Development of the Business – Three Year History and Significant Acquisitions – Recent Developments – 2013 – Liberty Utilities – Agreement to Acquire New England Utility"*.

"**NHPUC**" means New Hampshire Public Utilities Commission. See *"General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2012 – Liberty Utilities – AAcquisition of New Hampshire Utility"*.

"**Northern Maine Gen Co.**" means Algonquin Northern Maine Gen Co., a Wisconsin company. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Northland**" means Northland Power Inc. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Thermal – Cogeneration – Material Facilities – Kirkland Facility"*.

"**NTP**" means Notice to Proceed. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – APCo: Development Division – Current Development Projects – Amherst Island Wind"*.

"**OATT**" means open access transmission tariff. See *"Description of the Business – General Description of the Regulatory Regimes in which the Business Operates – Power Generation Regulatory Regimes – United States"*.

"**OEB**" means the Ontario Energy Board.

"**OEFC**" means Ontario Electric Financial Corporation.

"**Offering**" means a public offering completed by APUC on October 27, 2011 of 15,100,000 common shares at a price of $5.65 per share, for gross proceeds of approximately $85.3 million. See *"General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2011 – Corporate – Strengthened Liquidity – Issuance of $95.3 million of Common Shares"*.

"**Off-peak**" means the hours other than On-peak hours. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Renewable – Hydroelectric – Material Facilities – Long Sault Rapids Facility"*.

"**On-peak**" means between 7:00 a.m. and 11:00 p.m., local time, Monday to Friday, inclusive, but excluding public holidays. *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Renewable – Hydroelectric – Material Facilities – Long Sault Rapids Facility"*.

"**Optionee**" has the meaning ascribed thereto "*Description of Capital Structure – Stock Option Plan*".

"**Options**" has the meaning ascribed thereto "*Description of Capital Structure – Stock Option Plan*".

"**Parties**" has the meaning ascribed thereto under "*Description of the Business – Business Associations with APMI and Senior Executives"*.

"**Peel**" means the Regional Municipality of Peel, Ontario.

"**PG&E**" means Pacific Gas & Electric Company. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Thermal – Cogeneration – Material Facilities – Sanger Facility".*

"**PHMSA**" means the Pipeline Hazardous Material Safety Administration. See *"Risk Factors – Operational Risk Management – Environmental Risks".*

"**Pine Bluff Water Utility**" has the meaning ascribed thereto under "*General Development of the Business – Three Year History and Significant Acquisitions – Recent Developments – 2013 – Liberty Utilities – Acquisition of Arkansas Utility".*

"**PJM**" means PJM Interconnection. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Renewable – Wind Power – Principal Markets and Distribution Methods"*

"**Plan Shares**" has the meaning ascribed thereto under *"Dividends – Dividend Reinvestment Plan."*

"**Power Pool**" means the Power Pool of Alberta. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Renewable – Hydroelectric – Principal Markets and Distribution Methods – Alberta".*

"**Power Sales Contracts**" has the meaning ascribed thereto under *"General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2012 – APCo – Power Generation – Acquisition of U.S. Wind Facilities".*

"**PPAs**" means long term power purchase agreements. See *"General Development of the Business – General – Business Strategy".*

"**PSC**" means the Arkansas Public Service Commission. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Utilities: Water and Wastewater – Principal Markets – Arkansas".*

"**PSU**" means performance share units. See "*Description of Capital Structure – Performance Share Units*".

"**PTAM**" means the Post Test Year Adjustment Mechanism. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Liberty Utilities: Electrical Distribution – Principal Markets – California".*

"**PTC**" means production tax credit. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – APCo: Development Division – Principal Market Environment"*.

"**Purchase Agreement**" means the asset purchase agreement by and between Sierra Pacific Power Company d/b/a NV Energy and Calpeco dated April 22, 2009 in relation to the California Utility. See *"General Development of the Business – Three Year History – Fiscal 2010"*.

"**PURPA**" means the Public Utilities Regulatory Policies Act. "See *"Description of the Business – General Description of the Regulatory Regimes in which the Business Operates – Power Generation Regulatory Regimes – United States"*.

"**QFs**" means Qualifying Facilities. See *"Description of the Business – General Description of the Regulatory Regimes in which the Business Operates – Power Generation Regulatory Regimes – United States"*.

"**QF Status**" means Qualifying Facility status. See *"Risk Factors – Regulatory Climate and Permitting Risks – APCo"*.

"**Red Lily I**" means a 26.4 MW wind generation facility in southeastern Saskatchewan. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Renewable – Wind Power – Material Facilities – Red Lily Wind Facility"*.

"**Reinvestment Plan**" has the meaning ascribed thereto under *"Dividends – Dividend Reinvestment Plan."*

"**RGGI**" means the Regional Greenhouse Gas Initiative. See *"Risk Factors – Operational Risk Management – Specific Environmental Risks"*.

"**Rights Plan**" means APUC's Shareholders' Rights Plan adopted at the Meeting. See *"General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2010 – Corporate"*.

"**RTO**" means regioanl transmission organizations. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Renewable – Wind Power – Principal Markets and Distribution Methods"*

"**run of the river**" means a facility where there is a continuous discharge of water without storage and release of water. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Renewable – Hydroelectric – Material Facilities – Long Sault Rapids Facility"*.

"**S&P**" means Standard and Poor's. See "*General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2012 – Corporate – Issuance of $120M Preferred Shares"*.

"**SaskPower**" means Saskatchewan Power Corporation.

"**Sanger LLC**" means Algonquin Power Sanger LLC, a California limited liability company. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

“**Seaway Management**” means The St. Lawrence Seaway Management Corporation. See *“Risk Factors – Operational Risk Management – Litigation risks and other contingencies”*.

“**S.E.N.C.**” has the meaning ascribed thereto under *“Corporate Structure – Intercorporate Relationships – Subsidiaries”*.

“**Senior Executives**” means two executives of APUC, Ian Robertson and Christopher Jarratt. See *“General Development of the Business – Three Year History and Significant Acquisitions – Recent Developments – 2013 – Corporate – Agreement with St. Leon Class B unit holders”*.

“**Series A Shares**” means the cumulative rate reset preferred shares, Series A, of APUC. See “*General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2012 – Corporate – Issuance of $120M Preferred Shares”*.

“**Series 1A Debentures**” means the 7.50% convertible unsecured subordinated debentures due November 30, 2014. See *“General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2011 – Corporate – Strengthened Balance Sheet – Conversion of Convertible Debentures to Equity”*.

“**Series 1A Redemption Date**” means May 16, 2011. See *“General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2011 – Corporate – Strengthened Balance Sheet – Conversion of Convertible Debentures to Equity”*.

“**Series 2A Debentures**” means APUC’s 6.35% convertible unsecured subordinated debentures due November 30, 2016. See “*General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2012 – Corporate – Conversion of Series 2A Convertible Debentures to Equity”*.

“**Series 2A Redemption Date**” means February 24, 2012. See “*General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2012 – Corporate – Conversion of Series 2A Convertible Debentures to Equity”*.

“**Series 3 Debentures**” means the 7% convertible unsecured subordinated debentures due June 30, 2017. See “*General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2012 – Corporate – Conversion and Redemption of Series 3 Convertible Debentures to Equity”*.

“**Series 3 Redemption Date**” means January 1, 2013. See “*General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2012 – Corporate – Conversion and Redemption of Series 3 Convertible Debentures to Equity”*.

“**Share Reorganization**” has the meaning ascribed thereto “*Description of Capital Structure – Stock Option Plan*”.

“**Shareholders**” means registered holders of shares of APUC.

“**SOP**” has the meaning ascribed thereto under *“Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – APCo: Development Division – Principal Market Environment”*.

"**SponsorCo**" has the meaning ascribed thereto under *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Squa Pan Facility**" has the meaning ascribed thereto under *"General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2010 – APCo – Power Generation – Tinker Facility"*.

"**St Damase LP**" has the meaning ascribed thereto under *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**St. Leon Facility**" has the meaning ascribed thereto under *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**St. Leon II**" has the meaning ascribed thereto under *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**St. Leon II Facility**" has the meaning ascribed thereto under *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**St. Leon GP**" has the meaning ascribed thereto under *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**St. Leon LP**" has the meaning ascribed thereto under *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**St. Leon Trust**" has the meaning ascribed thereto under *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**St. Ulrich LP**" has the meaning ascribed thereto under *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Stock Option Plan**" means APUC's stock option Plan. See "*Description of Capital Structure – Stock Option Plan*".

"**Strategic Investment Agreement**" means the strategic investment agreement between APUC and Emera entered into on April 29, 2011. See *"General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2011 – Corporate – Strategic Investment Agreement with Emera"*.

"**Successor Corporation**" has the meaning ascribed thereto "*Description of Capital Structure – Stock Option Plan*".

"**TCE**" means trichloroethylene. See *"Risk Factors – Operational Risk Management – Specific Environmental Risks"*.

"**TCEQ**" means the Texas Commission on Environmental Quality. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Utilities: Water and Wastewater – Principal Markets – Texas"*.

"**Tinker Facility**" has the meaning ascribed thereto under *"General Development of the Business – Three Year History and Significant Acquisitions – Fiscal 2010 – APCo – Power Generation – Tinker Facility"*.

"**Tinker Assets**" means the 36.8MW of electrical generating assets of Tinker Gen Co. in New Brunswick. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Tinker Gen Co.**" means Algonquin Tinker Gen Co., a Wisconsin company. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**TMO**" means Transition Management Office. See *"Risk Factors – Acquisitions and Divestitures"*.

"**Trafalgar**" has the meaning ascribed thereto under "*Description of the Business – Business Associations with APMI and Senior Executives"*.

"**Treasury Purchase**" means newly issued Plan Shares purchased from APUC under the Reinvestment Plan. See *"Dividends – Dividend Reinvestment Plan"*.

"**Trust Units**" has the meaning ascribed thereto under *"Corporate Structure – Name, Address and Incorporation"*.

"**Unit Exchange**" has the meaning ascribed thereto under *"General Development of the Business – General – The Unit Exchange"*.

"**Valley Power Facility**" has the meaning ascribed thereto under *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Vestas**" means Vestas-Canadian Wind Technology, Inc. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Renewable – Wind Power – Material Facilities – St. Leon Facility"*.

"**Water Services**" means Algonquin Water Services LLC. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Windlectric**" means Windlectric Inc. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**Windsor LLC**" means Algonquin Power Windsor Locks LLC, a Connecticut limited liability company. See *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**WE HoldCo**" has the meaning ascribed thereto under *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**WP HoldCo**" has the meaning ascribed thereto under *"Corporate Structure – Intercorporate Relationships – Subsidiaries"*.

"**WPPI**" means Wind Power Production Incentive See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Renewable – Wind Power – Material Facilities – St. Leon Facility"*.

"**Yankee Gas**" means the Yankee Gas Service Company. See *"Description of the Business – Production Method, Principal Markets, Distribution Methods and Material Facilities – Power Generation: Thermal – Cogeneration – Material Facilities – Windsor Locks Facility"*.

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Section 3: EX-99.2 (EX-99.2)

Exhibit 99.2

Consolidated Financial Statements of

Algonquin Power & Utilities Corp.

For the years ended December 31, 2012 and 2011

MANAGEMENT'S REPORT

Financial Reporting

The preparation and presentation of the accompanying Consolidated Financial Statements, MD&A and all financial information in the Financial Statements are the responsibility of management and have been approved by the Board of Directors. The Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles. Financial statements, by nature include amounts based upon estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Management has prepared the financial information presented elsewhere in this document and has ensured that it is consistent with that in the consolidated financial statements.

The Board of Directors and its committees are responsible for all aspects related to governance of the Company. The Audit Committee of the Board of Directors, composed of directors who are unrelated and independent, has a specific responsibility to oversee management's efforts to fulfill its responsibilities for financial reporting and internal controls related thereto. The Committee meets with management and independent auditors to review the consolidated financial statements and the internal controls as they relate to financial reporting. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Internal Control over Financial Reporting

Management is also responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2012, based on the framework established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management concluded that the Company maintained effective internal control over financial reporting as at December 31, 2012.

During the year ended December 31, 2012, APUC acquired Granite State Electric Company, EnergyNorth Natural Gas Inc., Liberty Energy (Midstates) Corp. and Wind Portfolio SponsorCo LLC associated with total assets of $757.7 million and total revenues of $117.0 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2012. As permitted by National Instrument 52-109 and the U.S. Securities and Exchange Commission, Management excluded these acquisitions from its evaluation of the effectiveness of the Company's internal controls over financial reporting as of December 31, 2012 due to the complexity associated with assessing internal controls during integration efforts and the proximity of certain of the acquisitions to year-end.

March 14, 2013

/s/ Ian Robertson	/s/ David Bronicheski
Chief Executive Officer	Chief Financial Officer

KPMG LLP
Chartered Accountants
Bay Adelaide Centre
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Algonquin Power & Utilities Corp.

We have audited the accompanying consolidated balance sheets of Algonquin Power & Utilities Corp. as of December 31, 2012 and December 31, 2011, and the related consolidated statements of operations, comprehensive income (loss), equity and cash flows for the years then ended. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Algonquin Power & Utilities Corp. as of December 31, 2012 and December 31, 2011, and its consolidated results of operations and its consolidated cash flows for the years then ended in conformity with US generally accepted accounting principles

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Algonquin Power & Utilities Corp.'s internal control over financial reporting as of December 31, 2012, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 14, 2013 expressed an unqualified (unmodified) opinion on the effectiveness of Algonquin Power & Utilities Corp.'s internal control over financial reporting.

/s/ KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

March 14, 2013

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Algonquin Power & Utilities Corp.

We have audited Algonquin Power & Utilities Corp.'s internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Algonquin Power & Utilities Corp.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included under the heading Internal Controls over Financial Reporting in Management's Discussion and Analysis for the year ended December 31, 2012. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Algonquin Power & Utilities Corp. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Algonquin Power & Utilities Corp. acquired Granite State Electric Company, EnergyNorth Natural Gas Inc., Liberty Energy (Midstates) Corp., Wind Portfolio SponsorCo LLC and Wind Portfolio Holdings LLC during 2012, and management excluded from its assessment of the effectiveness of Algonquin Power & Utilities Corp.'s internal control over financial reporting as of December 31, 2012, Granite State Electric Company, EnergyNorth Natural Gas Inc., Liberty Energy (Midstates) Corp., Wind Portfolio SponsorCo LLC and Wind Portfolio Holdings LLC's internal control over financial reporting associated with total assets of $757.7 million and total revenues of $117.0 million included in the consolidated financial statements of Algonquin Power & Utilities Corp. and subsidiaries as of and for the year ended December 31, 2012. Our audit of internal control over financial reporting of Algonquin Power & Utilities Corp. also excluded an evaluation of the internal control over financial reporting of Granite State Electric Company, EnergyNorth Natural Gas Inc., Liberty Energy (Midstates) Corp., Wind Portfolio SponsorCo LLC and Wind Portfolio Holdings LLC.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Algonquin Power & Utilities Corp. as of December 31, 2012 and December 31, 2011, and the related consolidated statements of operations, comprehensive income (loss), equity and cash flows for the years ended December 31, 2012 and December 31, 2011, and our report dated March 14, 2013 expressed an unqualified (unmodified) opinion on those consolidated financial statements.

/s/ KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

March 14, 2013

Algonquin Power & Utilities Corp.
Consolidated Balance Sheets

(thousands of Canadian dollars)

	December 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 53,122	$ 72,887
Accounts receivable, net of allowance for doubtful accounts of $4,360 and $385 (note 4)	90,361	44,113
Natural gas in storage (note 1(g))	19,279	—
Supplies and consumables inventory	4,233	2,714
Regulatory assets (note 7)	10,644	2,458
Due from related parties (note 19)	816	2,275
Prepaid expenses	10,886	5,620
Notes receivable (note 8)	537	482
Deferred tax asset (note 17)	10,567	13,022
Income tax receivable (note 17)	556	133
Derivative instruments (note 24)	7,020	—
Assets held for sale (note 18)	24,390	25,847
Other current assets (note 12)	833	833
	233,244	170,384
Property, plant and equipment (note 5)	2,162,715	920,109
Intangible assets (note 6)	56,781	55,269

Goodwill	61,459	9,710
Regulatory assets (note 7)	123,748	2,571
Derivative instruments (note 24)	6,230	—
Long-term investments and notes receivable (note 8)	37,646	39,820
Deferred non-current income tax asset (note 17)	77,497	67,671
Other assets (note 12)	18,917	16,773
	$2,778,237	$1,282,307

Algonquin Power & Utilities Corp.
Consolidated Balance Sheets

(thousands of Canadian dollars)

	December 31, 2012	December 31, 2011
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 34,283	$ 8,382
Accrued liabilities	99,468	46,821
Due to related parties (note 19)	1,811	1,795
Dividends payable (note 16)	15,498	9,566
Regulatory liabilities (note 7)	6,065	2,469
Long term liabilities (note 9)	1,768	1,624
Other long term liabilities (note 13)	4,352	1,037
Advances in aid of construction (note 1(o))	591	604
Derivative instruments (note 24)	2,211	2,935
Income tax liability (note 17)	539	407
Deferred credits (note 17)	5,754	6,314
Deferred income tax liability (note 17)	1,133	723
	173,473	82,677
Long-term liabilities (note 9)	769,058	331,092
Convertible debentures (note 10)	960	122,297
Advances in aid of construction (note 1(o))	71,626	74,547

Regulatory liabilities (note 7)	82,050	19,184
Deferred income tax liability (note 17)	100,798	53,231
Derivative instruments (note 24)	15,605	5,209
Deferred credits (note 17)	25,816	30,348
Pension and post employment benefits (note 11)	59,246	—
Environmental obligation (note 21)	56,587	—
Other long-term liabilities (note 13)	20,889	11,027
	1,202,635	646,935
Equity:		
Preferred shares (note 14(b))	116,546	—
Common shares (note 14(a))	1,245,326	975,263
Subscription receipts (note 14(a)(iii))	61,160	—
Additional paid-in capital (note 14)	5,224	1,525
Deficit	(406,143)	(366,080)
Accumulated other comprehensive loss (note 15)	(104,867)	(96,510)
Total Equity attributable to shareholders of Algonquin Power & Utilities Corp.	917,246	514,198
Non-controlling interests	484,883	38,497
Total Equity	1,402,129	552,695
Commitments and contingencies (note 21)		
Subsequent events (notes 3,10, 14, 18 and 25)		
	$2,778,237	$1,282,307

See accompanying notes to consolidated financial statements

Algonquin Power & Utilities Corp.
Consolidated Statements of Operations

(thousands of Canadian dollars, except per share amounts)

	2012	2011
Revenue:		
Regulated electricity sales and distribution	$108,457	$ 77,368
Regulated gas sales and distributions	75,718	—
Regulated water reclamation and distribution	46,423	44,989
Non-regulated energy sales	121,150	128,311
Waste disposal fees	14,288	16,406
Other revenue	3,851	3,643
	369,887	270,717
Expenses		
Operating	130,333	84,018
Regulated electricity purchased	68,209	46,508
Regulated gas purchased	37,461	—
Non-regulated fuel for generation	14,589	24,628
Depreciation of property, plant and equipment	50,382	37,988
Amortization of intangible assets	4,151	6,433
Administrative expenses	19,608	17,534
Write down of long-lived assets	—	15,166
Gain on foreign exchange	(561)	(652)

	324,172	231,623
Operating income from continuing operations	45,715	39,094
Interest expense	35,941	30,437
Interest, dividend income and other income	(7,239)	(5,659)
Acquisition-related costs	7,709	2,965
Loss/(gain) on derivative financial instruments (note 24(b))	(233)	5,844
	36,178	33,587
Earnings from continuing operations before income taxes	9,537	5,507
Income tax expense (recovery) (note 17)		
Current	738	300
Deferred	(14,304)	(22,847)
	(13,566)	(22,547)
Earnings from continuing operations	23,103	28,054
Loss from discontinued operations net of tax (note 18)	(1,157)	(752)
Net earnings	21,946	27,302
Net earnings attributable to non-controlling interests	7,414	3,921
Net earnings attributable to shareholders of Algonquin Power & Utilities Corp.	$ 14,532	$ 23,381
Basic net earnings per share from continuing operations (note 20)	$ 0.10	$ 0.21
Basic net loss per share from discontinued operations (note 20)	(0.01)	(0.01)
Basic net earnings per share (note 20)	0.09	0.20
	0.10	0.21

Diluted net earnings per share from continuing operations (note 20)		
Diluted net loss per share from discontinued operations (note 20)	(0.01)	(0.01)
Diluted net earnings per share (note 20)	$ 0.09	$ 0.20

See accompanying notes to consolidated financial statements

Algonquin Power & Utilities Corp.
Consolidated Statements of Comprehensive Income (Loss)

(thousands of Canadian dollars)

	2012	2011
Net earnings	$21,946	$27,302
Other comprehensive income (loss):		
Foreign currency translation adjustment, net of tax of $560 and ($Nil), respectively (notes 1(v), 9 and 24(c))	(7,829)	4,272
Change in fair value of cash flow hedge, net of tax of $1,715 and $Nil, respectively (note 24(b) and (ii))	3,593	—
Change in unrealized pension and other post-retirement expense, net of tax of $1,653 and $Nil, respectively (note 11)	(2,453)	(48)
Other comprehensive income (loss), net of tax	(6,689)	4,224
Comprehensive income	15,257	31,526
Comprehensive income attributable to the non-controlling interest	9,083	4,810
Comprehensive income attributable to shareholders of Algonquin Power & Utilities Corp.	$ 6,174	$26,716

See accompanying notes to consolidated financial statements

Algonquin Power & Utilities Corp.
Consolidated Statement of Equity
(thousands of Canadian dollars)

For the year ended December 31, 2012:

	Common Shares	Preferred Shares	Subscription Receipts	Additional paid-in capital	Accumulated Deficit	Accumulated OCI	Non-controlling interests	Total
Balance, December 31, 2011	$ 975,263	$ —	$ —	$ 1,525	$ (366,080)	$ (96,510)	$ 38,497	$ 552,695
Net earnings					14,532		7,414	21,946
Other comprehensive loss	—	—	—	—	—	(8,357)	1,668	(6,689)
Dividends declared and distributions to non-controlling interests	—	—	—	—	(43,619)	—	(2,640)	(46,259)
Dividends and issuance of shares under dividend reinvestment plan	7,343	—	—	—	(7,343)	—	—	—
Exercise and conversion of subscription receipts	142,609	—	—	—	—	—	—	142,609
Issuance of subscription receipts	—	—	61,160	—	—	—	—	61,160
Conversion and redemption of convertible debentures	118,779	—	—	(689)	—	—	—	118,090
Issuance of common shares under employee share purchase plan	432	—	—	—	—	—	—	432
Stock compensation expense	—	—	—	1,956	—	—	—	1,956
Public offering related taxes	900			—	—	—	—	900
Issuance of preferred shares	—	116,546	—	—	—	—	—	116,546
Acquisition of 49.99% of Liberty Energy (California)	—	—	—	—	(3,633)		(35,023)	(38,656)
	—	—	—	2,432	—	—	474,967	477,399

Acquisition of U.S. Wind farms								
Balance, December 31, 2012	$1,245,326	$116,546	$ 61,160	$ 5,224	$ (406,143)	$ (104,867)	$484,883	$1,402,129

Algonquin Power & Utilities Corp.
Consolidated Statement of Equity
(thousands of Canadian dollars)

For the year ended December 31, 2011:

	Common Shares	Preferred Shares	Subscription Receipts	Additional paid-in capital	Accumulated Deficit	Accumulated OCI (CTA)	Non-controlling interests	Total
Balance, December 31, 2010	$795,329	$ —	$ —	$ 1,612	$ (357,035)	$ (99,845)	$ —	$340,061
Net earnings					23,381		3,921	27,302
Other comprehensive income	—	—	—	—	—	3,335	889	4,224
Dividends declared and distributions to non-controlling interests	—	—	—	—	(32,426)	—	(523)	(32,949)
Conversion and redemption of convertible debentures	59,973	—	—	(815)	—	—	—	59,158
Public offering	91,188	—	—	—	—	—	—	91,188
Exercise and conversion of subscription receipts	27,700	—	—	—	—	—	—	27,700
Stock compensation expense	—	—	—	728	—	—	—	728
Acquisition of Liberty Energy (California)	—	—	—	—	—	—	34,210	34,210
Amounts received in connection with Highground transaction	1,073	—	—	—	—	—	—	1,073
Balance, December 31, 2011	$975,263	$ —	$ —	$ 1,525	$ (366,080)	$ (96,510)	$ 38,497	$552,695

See accompanying notes to interim consolidated financial statements

Algonquin Power & Utilities Corp.
Consolidated Statements of Cash Flows

(thousands of Canadian dollars)

	2012	2011
Cash provided by (used in):		
Operating Activities:		
Net earnings from continuing operations	$ 23,103	$ 28,054
Adjustments and items not affecting cash:		
Depreciation of property, plant and equipment	50,382	37,988
Amortization of intangible assets	4,151	6,433
Other amortization	2,175	2,192
Gain on sale of assets	—	(357)
Deferred taxes	(14,304)	(22,847)
Unrealized (gain)/loss on derivative financial instruments	(3,127)	2,324
Share-based compensation	1,956	769
Pension and post retirement expense	2,852	—
Write down of long lived assets	—	15,166
Unrealized foreign exchange loss	57	—
Changes in non-cash operating items (note 22)	(3,884)	(1,542)
Cash provided/(used) in discontinued operations (note 18)	(375)	1,515
	62,986	69,695
Financing Activities:		

Cash dividends on common shares	(36,917)	(28,582)
Cash dividends on preferred shares	(769)	—
Cash distributions to non-controlling interests	(2,640)	(523)
Issuance of common shares	143,041	118,846
Proceeds from subscription receipts	61,160	—
Issuance of preferred shares	115,300	—
Deferred financing costs	(5,435)	(3,642)
Increase in long-term liabilities	505,542	204,759
Decrease in long-term liabilities	(75,432)	(134,932)
Increase in advances in aid of construction	1,051	6,288
Decrease in other long-term liabilities	(860)	(297)
	704,041	161,917
Investing Activities:		
Decrease/(increase) in restricted cash	805	(1,036)
Increase in short-term investments	—	(833)
Increase in other assets	(2,481)	(2,438)
Distributions received in excess of equity income	343	3,839
Receipt of principal on notes receivable	1,894	1,172
Decrease in non-controlling interest	—	1,351
Proceeds from liquidation of Highground assets	—	1,073
Increase in long-term investments and notes receivable	—	(6,900)

Proceeds from sale of property, plant and equipment	—	1,583
Proceeds from sale of subsidiaries	204	—
Additions to property, plant and equipment	(75,692)	(60,745)
Additions to intangibles (note 3(f))	(2,237)	—
Acquisitions of operating entities (note 3(a),(b), and (d))	(669,905)	(100,058)
Acquisition of noncontrolling interest in Calpeco (note 3(e))	(38,756)	—
	(785,825)	(162,992)
Effect of exchange rate differences on cash	(967)	(482)
Increase/(decrease) in cash and cash equivalents from continuing operations	(19,765)	68,138
Cash and cash equivalents, beginning of the period	72,887	4,749
Cash and cash equivalents, end of the period	$ 53,122	$ 72,887
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest expense	$ 28,635	$ 28,143
Cash paid during the period for income taxes	$ 252	$ 195
Non-cash transactions		
Property, plant and equipment acquisitions in accruals	$ 10,495	$ 8,556

See accompanying notes to consolidated financial statements

ALGONQUIN POWER & UTILITIES CORP.
Notes to the Consolidated Financial Statements
December 31, 2012 and 2011
(in thousands of Canadian dollars except as noted and amounts per share)

Algonquin Power & Utilities Corp. ("APUC" or the "Company") is an incorporated entity under the Canada Business Corporations Act. APUC's principal activity is the ownership of power generation facilities and water, gas and electric utilities, through investments in securities of subsidiaries including corporations, limited partnerships and trusts which carry on these businesses.

APUC's power generation business unit conducts business under the name Algonquin Power Co. ("APCo"). APCo owns or has interests in renewable energy facilities and thermal energy facilities. APUC's Utility Services business unit conducts business under the name of Liberty Utilities Co. ("Liberty Utilities"). Liberty Utilities operates a portfolio of utilities in the United States of America providing electric, natural gas, water distribution or wastewater services.

1. Significant accounting policies

(a) Basis of preparation:

The accompanying consolidated financial statements and accompanying notes have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") and follow disclosures required under Regulation S-X provided by the Securities and Exchange Commission ("SEC").

(b) Basis of consolidation:

The accompanying consolidated financial statements of APUC include the accounts of APUC and its wholly owned subsidiaries and variable interest entities ("VIEs") where the Company is the primary beneficiary. Intercompany transactions and balances have been eliminated.

(c) Accounting for rate regulated operations:

The regulated utility operating companies owned by Liberty Utilities are subject to rate regulation generally overseen by the public utility commissions of the states in which they operate (the "Regulator"). The Regulator provides the final determination of the rates charged to customers. APUC's regulated utility operating companies are accounted for under the principles of U.S. Financial Accounting Standards Board ASC Topic 980 Regulated Operations ("ASC 980"). Under ASC 980, regulatory assets and liabilities that would not be recorded under U.S. GAAP for non-regulated entities are recorded to the extent that they represent probable future revenues or expenses associated with certain charges or credits that will be recovered from or refunded to customers through the rate making process. Included in Note 7, Regulatory Assets & Liabilities are details of regulatory assets and liabilities, and their current regulatory treatment.

In the event the Company determines that its net regulatory assets are not probable of recovery, it would no longer apply the principles of the current accounting guidance for rate regulated enterprises and would be required to record an after-tax, non-cash charge (credit) against income for any remaining regulatory assets (liabilities). The impact could be material to the Company's reported financial condition and results of operations.

The electric utilities' and the water utilities' accounts are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission ("FERC") and National Association of Regulatory Utility Commissioners, respectively.

(d) Cash and cash equivalents:

Cash and cash equivalents include all highly liquid instruments with an original maturity of three months or less.

ALGONQUIN POWER & UTILITIES CORP.
Notes to the Consolidated Financial Statements
December 31, 2012 and 2011
(in thousands of Canadian dollars except as noted and amounts per share)

1. Significant accounting policies (continued)

(e) Restricted cash:

Restricted cash represent reserves and amounts set aside pursuant to requirements of various debt agreements and requirements of ISO New England, Inc. Cash reserves segregated from APUC's cash balances are maintained in accounts administered by a separate agent and disclosed separately as restricted cash in these consolidated financial statements. APUC cannot access restricted cash without the prior authorization of parties not related to APUC.

(f) Accounts receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and customers' financial condition, the amount of receivables in dispute, and the receivables aging and current payment patterns. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

(g) Gas in storage

Gas in storage is reflected at weighted average cost or first-in-first-out as required by the regulators and represents natural gas and liquefied natural gas that will be utilized in the ordinary course of business of the gas utilities. Existing rate orders allow the Company to pass through the cost of gas purchased directly to the rate payers along with any applicable authorized delivery surcharge adjustments. Accordingly, the recoverable value of gas in storage does not fall below the cost to the Company (note 7).

(h) Supplies and consumables inventory

Supplies and consumables inventory (other than capital spares and rotatable spares, which are included in property, plant, and equipment) are charged to inventory when purchased and then capitalized to plant or expensed, as appropriate, when installed, used or become obsolete. These items are stated at the lower of cost and replacement cost.

(i) Property, plant and equipment:

Property, plant and equipment, consisting of renewable and thermal generation assets, electrical, gas, water and wastewater distribution assets, equipment and land, are recorded at cost. The costs of acquiring or constructing property, plant and equipment include the following: materials, labour, contractor and professional services, construction overhead directly attributable to the capital project (where applicable), interest for non-regulated property and allowance for equity funds used during construction ("AFUDC") for regulated property. Plant and equipment under capital leases are initially recorded at cost determined as the present value of minimum lease payments.

ALGONQUIN POWER & UTILITIES CORP.
Notes to the Consolidated Financial Statements
December 31, 2012 and 2011
(in thousands of Canadian dollars except as noted and amounts per share)

1. Significant accounting policies (continued)

(i) Property, plant and equipment (continued):

AFUDC represents the cost of borrowed funds (allowance for borrowed funds used during construction) and a return on other funds (allowance for equity funds used during construction). Under ASC 980, an allowance for funds used during construction projects that are included in rate base is capitalized. This allowance is designed to enable a utility to capitalize financing costs during periods of construction of property subject to rate regulation. For operations that do not apply regulatory accounting, interest related only to debt is capitalized as a cost of construction in accordance with ASC 835. The interest capitalized that relates to debt reduces interest expense on the Consolidated Statement of Operations. The AFUDC capitalized that relates to equity funds is recorded as interest, dividend and other income on the Consolidated Statement of Operations.

	2012	2011
Interest capitalized on non-regulated property	$1,036	$ 87
AFUDC capitalized on regulated property:		
Allowance for borrowed funds	628	155
Allowance for equity funds	1,108	236
Total	$2,772	$478

Improvements that increase or prolong the service life or capacity of an asset are capitalized. Maintenance and repair costs are expensed as incurred.

The Company's depreciation is based on the estimated useful lives of the depreciable assets in each category and is determined using the straight-line method. The range of estimated useful lives and the weighted average useful lives are summarized below:

	Range of useful lives		Weighted average useful lives	
	2012	2011	2012	2011
Generation				
Renewable	3 – 60	3 – 60	32	31
Thermal	3 – 40	3 – 40	23	22
Distribution				
Gas	5 – 80	N/A	38	N/A
Electrical	8 – 75	15 – 75	42	52

Water & wastewater	5 – 50	5 – 50	25	25
Equipment	5 – 50	5 – 50	21	24

1. Significant accounting policies (continued)

(i) Property, plant and equipment (continued):

Contributions in aid of construction represent amounts contributed by customers and governments and developers for the cost of utility capital assets. It also includes amounts initially recorded as advances in aid of construction (note 1 (o)) but where the advance repayment period has expired. These contributions are recorded as a reduction in the cost of utility assets and are amortized at the rate of the related asset as a reduction to depreciation expense.

In accordance with regulator-approved accounting policies, when depreciable property, plant and equipment of Liberty Utilities are replaced or retired, the original cost plus any removal costs incurred (net of salvage) are charged to accumulated depreciation with no gain or loss reflected in results of operations. Gains and losses will be charged to results of operation in the future through adjustments to depreciation expense. In the absence of regulator-approved accounting policies, gains and losses on the disposition of property, plant and equipment are charged to earnings as incurred.

(j) Intangibles:

The fair value of power sales contracts acquired in business combinations are amortized on a straight-line basis over the remaining term of the contract. These periods range from 6 to 25 years from date of acquisition.

Customer relationships acquired in business combinations are amortized on a straight-line basis over their estimated life of 40 years.

(k) Goodwill:

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the net assets acquired. Goodwill is not included in the rate-base on which regulated utilities are allowed to earn a return and is not amortized.

The Company annually assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is more likely than not that a reporting unit’s fair value is less than its carrying amount, the Company calculates the fair value of the reporting unit. The carrying amount of the reporting unit’s goodwill is considered not recoverable if the carrying amount of the reporting unit as a whole exceeds the reporting unit’s fair value. An impairment charge is recorded for any excess of the carrying value of the goodwill over the implied fair value. Goodwill is tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

ALGONQUIN POWER & UTILITIES CORP.
Notes to the Consolidated Financial Statements
December 31, 2012 and 2011
(in thousands of Canadian dollars except as noted and amounts per share)

1. Significant accounting policies (continued)

(l) Impairment of long-lived assets:

APUC reviews property, plant and equipment and intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

Assets Held and Used: Recoverability of assets expected to be held and used is measured by comparing the carrying amount of an asset to undiscounted expected future cash flows. If the carrying amount exceeds the recoverable amount, the asset is written down to its fair value.

Assets Held for Sale: Recoverability of assets held for sale is measured by comparing the carrying amount of an asset to its fair value less the cost to sell. If the carrying amount exceeds the recoverable amount, the asset is written down to its fair value less estimated costs to sell.

(m) Variable interest entities:

The Company performs analysis to assess whether its operations and investments represent variable interest entities (“VIEs”). To identify potential VIEs, management reviews contracts under leases, long-term purchase power agreements, tolling contracts and jointly-owned facilities. VIEs of which the Company is deemed the primary beneficiary are consolidated. The primary beneficiary of a VIE has both the power to direct the activities of the entity that most significantly impact its economic performance and the obligation to absorb losses of the entity that could potentially be significant to the entity. In circumstances where APUC is not deemed the primary beneficiary, the VIE is not consolidated.

Long Sault is a hydroelectric generating facility in which APUC acquired an interest by way of subscribing to two notes from the original developers. The notes receivable effectively provide APUC the right to 100% of after tax cash flows of the facility up to the end of 2013, 65% from 2014 to 2027 and 58% thereafter. The Company also has the right to acquire 58% of the equity in the facility at the end of the term of the notes in 2038. APUC has determined that the facility is a VIE since the Company is the primary beneficiary and therefore the Long Sault entity is subject to consolidation by the Company. Total net book value of generating assets and long-term debt of Long Sault amounts to $41,260 (2011 - $46,160) and to $37,143 (2011 - $38,136), respectively. The financial performance of Long Sault reflected on the statement of operations includes non-regulated energy sales of $8,747 (2011 - $9,804), operating expenses and amortization of $2,728 (2011 - $3,001) and interest expense of $3,929 (2011 - $3,984).

(n) Long-term investments and notes receivable:

Investments in which APUC has significant influence but not control are accounted using the equity method. APUC records its share in the income or loss of its investees in interest, dividend and other income in the Consolidated Statement of Operations.

Notes receivable are financial assets with fixed or determined payments that are not quoted in an active market. Notes receivable that exceed one year and bear interest at a market rate based on the customer’s credit quality are initially recorded at cost, which is generally face value. Subsequent to acquisition, they are recorded at amortized cost using the effective interest method. The Company acquired these notes receivable as long-term investments and does not intend to sell these instruments prior to maturity.

An allowance for impairment loss on notes receivable is recorded if it is expected that the Company will not collect all principal and interest contractually due. The impairment is measured based on the present value of expected future cash flows discounted at the note’s effective interest rate.

ALGONQUIN POWER & UTILITIES CORP.
Notes to the Consolidated Financial Statements
December 31, 2012 and 2011
(in thousands of Canadian dollars except as noted and amounts per share)

1. Significant accounting policies (continued)

(o) Advances in aid of construction:

The Company's regulated utilities have various agreements with real estate development companies (the "developers") conducting business within the Company's utility service territories, whereby funds are advanced to the Company by the developers to assist with funding some or all of the costs of the development. These amounts are recorded as Advances in Aid of Construction in other long-term liabilities. In many instances, developer advances can be subject to refund but the refund is non-interest bearing. Refunds of developer advances are made over periods generally ranging from 10 to 20 years. Advances not refunded within the prescribed period are usually not required to be repaid. After the prescribed period has lapsed, any remaining unpaid balance is transferred to contributions in aid of construction and recorded as an offsetting amount to the cost of property, plant and equipment. In 2012, $3,207 (2011 - $1,107) was transferred from advances in aid of construction to contributions in aid of construction.

(p) Deferred water rights and customer deposits:

Deferred water rights are related to a hydroelectric generating facility which has a fifty year water lease with the first ten years of the water lease requiring no payment, which is a form of lease inducement. An annual average rate for water rights was estimated for the entire life of the lease and that average rate is being expensed over the lease term. The result of this policy is that the deferred water rights inducement amount recorded in the first ten years is being drawn down in the last forty years.

Customer deposits result from the Liberty Utilities' obligation by state regulators to collect a deposit from customers of its facilities under certain circumstances when services are connected. The deposits are refundable as allowed under the facilities' regulatory agreement. The deposits bear monthly interest and are applied to the customer account after 12 months if the customer is found to be credit worthy.

(q) Pension and other post employment plans:

The Company has established defined contribution pension plans, defined benefit pension plans, and other post-employment benefit ("OPEB") plans for its various employee groups in Canada and the United States. The Company recognizes the funded status of its defined benefit pension plans and other post employment benefit plans on the Consolidated Balance Sheets. The Company's expense and liabilities are determined by actuarial valuations, using assumptions that are evaluated annually at December 31, including discount rates, mortality, assumed rates of return, compensation increases, turnover rates and healthcare cost trend rates. The impact of modifications to those assumptions is recorded as actuarial gains and losses in accumulated other comprehensive income and amortized to net periodic cost over future periods using the corridor method. The costs of the Company's pension for employees are expensed over the periods during which employees render service and are recognized as part of administrative expenses in the Consolidated Statement of Operations. The portion of pension and OPEB costs capitalized as cost of construction of plant and equipment is insignificant.

ALGONQUIN POWER & UTILITIES CORP.
Notes to the Consolidated Financial Statements
December 31, 2012 and 2011
(in thousands of Canadian dollars except as noted and amounts per share)

1. Significant accounting policies (continued)

(r) Asset retirement obligations:

The Company recognizes a liability for asset retirement obligations based on the fair value of the liability when incurred, which is generally upon acquisition, construction, development or through the normal operation of the asset. Concurrently, the Company also capitalizes an asset retirement cost, equal to the estimated fair value of the asset retirement obligation, by increasing the carrying value of the related long-lived asset. The asset retirement costs are depreciated over the asset's estimated useful life and are included in depreciation expense on the Consolidated Statements of Operations, or regulatory assets when the amount is recoverable through rates. Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion of asset retirement obligation in the Consolidated Statements of Operations, or regulatory assets when the amount is recoverable through rates. Actual expenditures incurred are charged against the accumulated obligation.

(s) Stock based compensation

The Company has several share-based compensation plans: a share option plan; an employee common share purchase plan ("ESPP"); a deferred share unit ("DSU") plan; and a performance share unit ("PSU") plan. The Company recognizes all employee stock-based compensation as a cost in the financial statements. Equity classified awards are measured at the grant date fair value of the award. The Company estimates grant date fair value of options using the Black-Scholes option pricing model.

(t) Noncontrolling interests:

Noncontrolling interest represents the portion of equity ownership in subsidiaries that is not attributable to the equity holders of the parent Company. Noncontrolling interests are initially recorded at fair value and subsequently the amount is adjusted for the proportionate share of earnings and other comprehensive income attributable to the non-controlling interests and any dividends or distributions paid to the noncontrolling interests.

If a transaction results in the acquisition of all, or part, of a noncontrolling interest in a subsidiary, the acquisition of the noncontrolling interest is accounted for as an equity transaction. No gain or loss is recognized in consolidated net earnings or comprehensive income as a result of changes in the noncontrolling interest, unless a change results in the loss of control by the Company.

Certain of the Company's U.S. based wind businesses (see note 3(d)) are organized as limited liability corporations and partnerships and have noncontrolling Class A membership equity investors which are entitled to allocations of earnings, tax attributes and cash flows in accordance with contractual agreements. The share of earnings attributable to the noncontrolling interest holders in these subsidiaries is calculated using the Hypothetical Liquidation at Book Value ("HLBV") method of accounting. HLBV uses a balance sheet approach, which measures the allocation of income or loss of the Class A's membership in each period by calculating the change in the amount of distribution the partners would contractually be entitled to based on a hypothetical liquidation of the book value carrying amounts of the entity at the beginning of a reporting period compared to the end of that period.

ALGONQUIN POWER & UTILITIES CORP.
Notes to the Consolidated Financial Statements
December 31, 2012 and 2011
(in thousands of Canadian dollars except as noted and amounts per share)

1. Significant accounting policies (continued)

(u) Recognition of revenue:

Revenue derived from non-regulated energy generation sales, which are mostly under long-term power purchase contracts, is recorded at the time electrical energy is delivered.

Revenues related to utility electricity and natural gas sales and distribution are recorded based on metered consumptions by customers, which occur on a systematic basis throughout a month, rather than when the electricity or natural gas is delivered. At the end of each month, the electricity and natural gas delivered to the customers from the date of their last meter read to the end of the month is estimated and the corresponding unbilled revenues are calculated. These estimates of unbilled sales and revenues are based on the ratio of billable days versus unbilled days, amount of electricity or natural gas procured during that month, historical customer class usage patterns, weather, line loss, unaccounted-for gas and current tariffs.

Water reclamation and distribution revenues are recorded when water is processed or delivered to customers. At the end of each month, the water delivered and waste water collected from the customers from the date of their last meter read to the end of the month is estimated and the corresponding unbilled revenues are calculated. These estimates of unbilled revenues are based on the ratio of billable days versus unbilled days, amount of water procured and collected during that month, historical customer class usage patterns and current tariffs.

Revenue from waste disposal is recognized on actual tonnage of waste delivered to the plant at prices specified in the contract. Certain contracts include price reductions if specified thresholds are exceeded. Revenue for these contracts is recognized based on actual tonnage at the expected price for the contract year.

Interest from long-term investments is recorded as earned.

(v) Foreign currency translation:

The Company’s reporting currency is the Canadian dollar.

The Company’s US operations are determined to have the U.S. dollar as their functional currency since the preponderance of operating, financing and investing transactions are denominated in U.S. dollars. The financial statements of these operations are translated into Canadian dollars using the current rate method, whereby assets and liabilities are translated at the rate prevailing at the balance sheet date while revenues and expenses are converted using average rates for the period. Unrealized gains or losses arising as a result of the translation of the financial statements of these entities are reported as a component of other comprehensive income (“OCI”) and are accumulated in a component of equity on the Consolidated Balance Sheet and are not recorded in income unless there is a complete or substantially complete sale or liquidation of the investment.

1. Significant accounting policies (continued)

(w) Income taxes:

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded against deferred tax assets to the extent that it is considered more likely than not that the deferred tax asset will not be realized. The effect on deferred assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the date of enactment. Income tax credits are treated as a reduction to current income tax expense in the year the credit arises or future periods to the extent that realization of such benefit is more likely than not.

The organizational structure of APUC and its subsidiaries is complex and the related tax interpretations, regulations and legislation in the tax jurisdictions in which they operate are continually changing. As a result, there can be tax matters that have uncertain tax positions. The Company follows ASC 740-10 and recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

(x) Financial instruments and derivatives:

APUC has classified its cash and cash equivalents and restricted cash as held-for-trading, which are measured at fair value. Accounts receivable and notes receivable are measured at amortized cost and there is no liquid market for these investments. Long-term liabilities, convertible debentures, and other long-term liabilities are measured at amortized cost using the effective interest method, adjusted for the amortization or accretion of premiums or discounts.

Transaction costs that are directly attributable to the acquisition of financial assets are accounted for as part of the respective asset's carrying value at inception. Transaction costs for items classified as held-for-trading are expensed immediately. Transaction costs that are directly attributable to the issuance of financial liabilities, costs of arranging the Company's credit facility and costs considered as commitment fees paid to financial institutions are recorded in deferred financing costs. Deferred financing costs, premiums and discounts on long-term debt are amortized using the effective interest method while deferred financing costs relating to revolving credit facilities are amortized on a straight-line basis over the term of the facility.

The Company uses derivative financial instruments as one method to manage exposures to fluctuations in exchange rates, interest rates and commodity prices. APUC recognizes all derivative instruments as either assets or liabilities in the Consolidated Balance Sheet at their respective fair values. During 2011, none of the derivatives were designated in hedging relationships for accounting purposes and, as a result, the changes in the fair value were immediately recognized in the Consolidated Statements of Operations. In 2012, the Company commenced applying hedge accounting to financial instruments used to manage its foreign currency risk exposure and price risk exposure associated with sales of generated electricity.

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1. Significant accounting policies (continued)

(x) Financial instruments and derivatives (continued)

For derivatives designated in a cash flow hedge relationship, the effective portion of the change in fair value is recognized as other comprehensive income. The ineffective portion is immediately recognized in earnings. The amount recognized in accumulated other comprehensive income is removed and included in earnings in the same period as the hedged cash flows affect earnings under the same line item in the statement of income as the hedged item. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The amount recognized in accumulated other comprehensive income is transferred to the income statement in the same period that the hedged item affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in earnings.

For derivative or financial instruments designated as a hedge of the foreign currency exposure of a net investment in foreign operations, foreign currency transaction gain or loss that are designated as, and are effective as, an economic hedge of the net investment in a foreign operation are reported in the same manner as the translation adjustment (in other comprehensive income) related to the net investment. To the extent that the hedge is ineffective, such differences are recognized in earnings.

Liberty Energy (California) (“Calpeco”) and Granite State Electric Company (“Granite State”) enter into Power Purchase Agreements (“PPA”) for load serving requirements. These contracts meet the exemption for normal purchase and normal sales and as such, are not required to be recorded at fair value as derivatives and are accounted for on an accrual basis. Counterparties are evaluated on an on-going basis for non-performance risk to ensure it does not impact the conclusion with respect to this exemption.

(y) Fair value measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principle or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

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1. Significant accounting policies (continued)

(z) Commitments and contingencies

Liabilities for loss contingencies arising from environmental remediation, claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

(aa) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. During the years presented, management has made a number of estimates and valuation assumptions, including the useful lives and recoverability of property, plant and equipment and intangible assets, the annual impairment testing of reporting units containing goodwill, the recoverability of notes receivable and long-term investments, the recoverability of deferred tax assets, assessments of unbilled revenue, pension and OPEB obligations, contingencies related to environmental matters, and the fair value of financial instruments, derivatives and share-based compensation. These estimates and valuation assumptions are based on present conditions and management's planned course of action, as well as assumptions about future business and economic conditions. Should the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

2. Recently issued accounting pronouncements

(a) Recently adopted accounting pronouncements

In May 2011, the FASB issued ASU No. 2011-04 "Fair Value Measurement (Topic 820)". This ASU amends the accounting and disclosure requirements for fair value measurements. The new guidance expands the disclosures about fair value measurements categorized within Level 3 of the fair value hierarchy and requires categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial position but for which the fair value is required to be disclosed. The adoption of this guidance in 2012 did not have a material impact on the Company's consolidated financial statements.

(b) Recent accounting guidance not yet adopted

The FASB issued ASU 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities and ASU 2013-01 Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. These newly issued accounting standards require an entity to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position as well as instruments and transactions executed under a master netting or similar arrangement and was issued to enable users of financial statements to understand the effects or potential effects of those arrangements on an entity's financial position. These ASU are required to be applied retrospectively and are effective for fiscal years, and interim periods beginning on or after January 1, 2013. As these accounting standards only require enhanced disclosure, the adoption of these standards is not expected to have an impact the Company's financial position or results of operations.

The FASB issued ASU 2013-02, Comprehensive Income (Topic 220). This newly issued accounting standard requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. This ASU is required to be applied prospectively for fiscal years, and interim periods beginning after December 15, 2012. As this accounting standard only requires enhanced disclosure, the adoption of this standard is not expected to have an impact the Company's financial position or results of operations.

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3. Business acquisitions and development projects

(a) Acquisition of New Hampshire electric and gas utilities

On July 3, 2012, Liberty Utilities acquired 100% of the common shares of Granite State Electric Company, a regulated electric utility, and EnergyNorth Natural Gas Inc. ("EnergyNorth") a regulated natural gas utility for total cash consideration of $299,501 (U.S. $295,805) subject to final closing adjustments.

The following table summarizes the preliminary determination of the fair value of the assets acquired and liabilities assumed at the acquisition date:

	Granite State	EnergyNorth	Total
Cash	$ 395	$ —	$ 395
Restricted cash	3,314	—	3,314
Working capital	1,778	25,255	27,033
Property, plant and equipment	86,935	256,305	343,240
Regulatory assets	32,068	87,203	119,271
Deferred financing	31	—	31
Other assets	172	83	255
Goodwill	—	27,580	27,580
Customer deposits	(661)	(962)	(1,623)
Long-term debt	(15,187)	—	(15,187)
Other long-term liabilities	(1,193)	(4,493)	(5,686)
Advances in aid of construction	—	(86)	(86)
Derivative liabilities	—	(2,601)	(2,601)
Regulatory liabilities	(5,494)	(27,572)	(33,066)
Pension and OPEB	(19,108)	(29,197)	(48,305)

Environmental obligation	—	(54,431)	(54,431)
Deferred income tax liabilities, net	—	(60,633)	(60,633)
	$ 83,050	$ 216,451	$299,501
Less: Cash acquired	(395)	—	(395)
Total net assets acquired	$ 82,655	$ 216,451	$299,106

The determination of the fair value of assets and liabilities acquired has been based upon management's preliminary estimates and certain assumptions with respect to the fair values of the assets acquired and liabilities assumed. The Company has not completed the fair value measurements. In addition, the purchase agreements provides for a final purchase price adjustment based on final agreed working capital and rate base balances at the acquisition date. The Company will continue to review information and perform further analysis prior to finalizing the fair value of the consideration paid and the fair value of the assets acquired and liabilities assumed. The actual fair values of the assets acquired and liabilities assumed may differ from the amounts above.

Goodwill represents the excess of the fair value of the consideration paid over the fair value of net identifiable assets acquired. The contributing factors to the amount recorded as goodwill include expected future cash flows, potential operational synergies, the utilization of technology, and cost savings opportunities in the delivery of certain shared administrative and other services. The goodwill related to EnergyNorth and Granite State has been allocated to the Liberty Utilities (East) segment.

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3. Business acquisitions and development projects (continued)

(a) Acquisition of New Hampshire electric and gas utilities (continued)

Property, plant & equipment are amortized in accordance with regulatory requirements which are generally over the estimated useful lives of the assets using the straight line method. The weighted average life of the acquired assets of EnergyNorth and Granite State are 40 years and 28 years respectively.

All transaction costs related to the acquisition have been expensed through the Consolidated Statement of Operations.

Granite State and EnergyNorth contributed revenue of $86,993 and a net loss of $354 to the Company's results in 2012. Pro forma financial information is disclosed in note 3(c).

(b) Acquisition of Midwest Gas Utilities

On August 1, 2012, Liberty Utilities acquired certain regulated natural gas distribution utility assets (the "Midwest Gas Utilities") located in Missouri, Iowa, and Illinois. The total purchase price for the Midwest Utilities was approximately $128,890 (U.S. $128,223), subject to final closing adjustments.

The following table summarizes the preliminary determination of the fair value of the assets acquired and liabilities assumed at the acquisition date:

Working capital and restricted cash	$ 7,130
Property, plant and equipment	123,631
Regulatory assets	146
Deferred income tax assets, net	9,215
Goodwill	25,162
Current portion of long-term liabilities	(1,841)
Current portion of derivative liabilities	(547)
Advances in aid of construction	(276)
Regulatory liabilities	(28,581)
Pension and OPEB	(5,149)
Total net assets acquired	$128,890

The determination of the fair value of assets and liabilities acquired has been based upon management's preliminary estimates and certain assumptions with respect to the fair values of the assets acquired and liabilities assumed. The Company has not completed the fair value measurements. In addition, the purchase agreements provides for a final purchase price adjustment based on final agreed working capital and rate base balances at the acquisition date. The Company will continue to review information and perform further analysis prior to finalizing the fair value of the consideration paid and the fair value of the assets acquired and liabilities assumed. The actual fair values of the assets acquired and liabilities assumed may differ from the amounts above.

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3. Business acquisitions and development projects (continued)

(b) Acquisition of Midwest Gas Utilities (continued)

Goodwill represents the excess of the fair value of the consideration paid over the fair value of net assets acquired. The contributing factors to the amount recorded as goodwill include expected future cash flows, potential operational synergies, the utilization of technology, and cost savings opportunities in the delivery of certain shared administrative and other services. The goodwill related to Midwest Gas Utilities has been allocated to the Liberty Utilities (Central) segment.

Property, plant & equipment are amortized in accordance with regulatory requirements over the estimated useful life of the asset using the straight line method. The weighted average life is 30 years.

All transaction costs related to the acquisition have been expensed through the Consolidated Statement of Operations.

Midwest Gas Utilities contributed revenue of $25,936 and net earnings of $1,229 to the Company's results in 2012. Pro forma financial information is disclosed in note 3 (c).

(c) Pro forma financial information

The supplemental pro forma financial information below was prepared using the acquisition method of accounting and is based on the historical financial information of APUC, Granite State, EnergyNorth and the Midwest Gas Utilities, reflecting results of operations for the years ended December 31, 2012 and 2011 on a comparative basis as though the aforementioned companies were combined as of the beginning of fiscal year 2011. The estimated acquirees' pre-acquisition results have been added to APUC's historical results, and the totals have been adjusted for the pro forma effects of acquisition-related costs, interest expense related to the financing of the business combinations, and related income taxes.

Pro forma	2012	2011
Total revenue	$521,538	$574,618
Net earnings attributable to APUC	22,584	33,328
Basic net earnings per share	0.14	0.23
Diluted net earnings per share	0.14	0.23

The above unaudited pro forma financial information is presented for informational purposes only and does not purport to represent what the results would have been had the acquisition closed on the date assumed, nor is it necessarily indicative of the results that may be expected in future periods.

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3. Business acquisitions and development projects (continued)

(d) Acquisition of U.S. wind farms

On July 1, 2012, APCo acquired a 51% controlling interest in the Pennsylvania based 50MW Sandy Ridge Wind Project ("Sandy Ridge") for approximately $30,121 (U.S. $29,749). In October, APCo acquired an additional 7.75% interest for U.S. $4,521.

On December 10, 2012, APCo acquired a 58.75% controlling interest in both the 150 MW Senate Wind Project ("Senate") in Texas and the 200 MW Minonk Wind Project ("Minonk") in Illinois for approximately $87,646 (U.S. $88,801) and $143,652 (U.S. $145,544), respectively. On the same date, APCo acquired an additional 1.25% interest in all three projects bringing the total interest to 60% for additional consideration of U.S. $ 3,100.

The three wind projects are being acquired through Wind Portfolio Holdings LLC., a newly formed partnership whose members include Class B members consisting of APCo, through one of its subsidiaries, (holding a 60% controlling Class B interest) and Gamesa Corporación Tecnológica, S.A. ("Gamesa"), the original developer of the projects, (holding a 40% interest in Class B membership units) and certain Class A equity investors. In exchange for the cash contributed, the Class A members will receive a portion of the economic attributes of the facility, including Production Tax Credits, allocated taxable income or loss and cash distributions, until the date they achieve the targeted internal rate of return (the 'Flip Date') on their investment. Pursuant to the allocation rules specified in the LLC operating agreement, all operating cash flow is allocated to the Class B members until the earlier of a fixed date, or when the Class B members recover the amount of invested Class B capital. This is expected to occur between five to seven years from the initial closing date. Thereafter, 65% of operating cash flow is allocated to the Class A members until the Flip Date, which is expected to occur between eight and ten years from the initial closing date. After the initial year until the Flip Date, substantially all of the taxable income and benefits generated by the partnerships are allocated to the Class A members, with any remaining benefits allocated to the Class B members.

The following table summarizes the assets acquired and liabilities assumed at the acquisition dates. The equity interests show APCo's total interest of 60% to reflect the nature of the transaction:

	Sandy Ridge	Senate	Minonk	Total
Cash	$ 1,365	$ 5,336	$ 16,528	$ 23,229
Property, plant and equipment	87,278	287,111	380,744	755,133
Derivative asset (liability)	1,655	(8,639)	3,736	(3,248)
Working capital	(1,365)	(5,336)	(16,528)	(23,229)
Asset retirement obligation	(1,662)	(1,697)	(2,262)	(5,621)
Total net assets acquired	$ 87,271	$276,775	$382,218	$746,264
Equity interests:				
APCo Class B membership interest	$ 35,169	$ 88,748	$145,151	$269,068
Additional paid in capital	192	919	1,250	2,361

Noncontrolling interests:				
Class A members	28,211	127,590	137,703	293,504
Class B members	23,699	59,518	98,114	181,331
	$ 87,271	$276,775	$382,218	$746,264

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3. Business acquisitions and development projects (continued)

(d) Acquisition of U.S. wind farms (continued)

Property, plant & equipment are amortized on a straight line basis over the lives of the assets, which have a weighted average life of 32 years.

All transaction costs related to the acquisition have been expensed through the Consolidated Statement of Operations.

The contribution of the U.S. wind farms to the Company's results in 2012 was as follows:

	Revenue	Net earnings/(Loss)
Sandy Ridge	$2,132	$ (353)
Senate	1,179	50
Minonk	785	(146)
	$4,096	$ (449)

The disclosure of pro forma revenue and net earnings is impracticable as there is no historical financial information since APCo acquired the wind farms shortly after commencement of commercial operations.

(e) Acquisition of noncontrolling interest in Calpeco

On December 21, 2012, APUC acquired the 49.999% interest in Calpeco from Emera Inc.("Emera") for $38,756 which was funded by the proceeds of common share subscription receipts (note 14(a)(iii)). The impact on the Company's Consolidated Balance Sheet was as follows:

Elimination of noncontrolling interest (net of intercompany balance of $1,297 with Emera)	$ 33,726
Noncontrolling interest portion of currency translation adjustment transferred to AOCI	1,397
Accumulated deficit	3,633
Exercise of subscription receipts	$ 38,756

(f) Acquisition of solar energy project

On January 4, 2012, APCo acquired rights to develop a 10 MWac solar project located near Cornwall, Ontario which has been granted a Feed-in-Tariff contract by the Ontario Power Authority for a 20 year term at a rate of $443/MWh. The consideration for the development rights is $4,500 plus additional contingent consideration of $3,500 based on achieving certain construction milestones. As at December 31, 2012, the Company has paid a total of $2,000 based on achieved milestones. The transaction has been recorded as a purchase of intangible assets.

(g) Acquisition of Shady Oaks wind power facility

Subsequent to year-end, effective January 1, 2013, APCo acquired the 109.5 MW Sandy Oaks wind powered generating facility by assuming the existing long-term debt of approximately U.S. $150 million for no additional cash. The purchase agreement provides for final purchase price adjustments based on working capital at the acquisition date, energy generated by the project and basis differences between the relevant node and hub prices. The energy and basis related price adjustment will be based on the project's experience from January 1, 2013 to June 30, 2014.

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3. Business acquisitions and development projects (continued)

(g) Acquisition of Shady Oaks wind power facility (continued)

The current portion of the long-term debt of U.S. $25,000 and U.S. $3,000 are payable on June 30 and November 15, 2013, respectively. The semi-annual principal repayment schedule for the following 11 years ranges from $3,000 to $6,000 with a final repayment of U.S. $20,000 in 2025. This debt may be repaid in whole or in part at anytime without penalty and bears interest at Libor plus 280 basis points.

All costs related to the acquisition have been expensed through the Consolidated Statement of Operations.

Based on the timing of the completion of this acquisition in relation to the date of issuance of the financial statements, the initial allocation of the consideration paid has not been completed.

(h) Agreement to acquire Regulated Gas Utility in Georgia

On August 8, 2012, Liberty Utilities entered into an agreement with Atmos Energy Corporation ("Atmos") to acquire certain regulated natural gas distribution utility assets (the "Georgia Utility") located in the State of Georgia. Total purchase price for the Georgia Utility is approximately U.S. $140,660, subject to certain working capital and other closing adjustments. Regulatory approval was obtained in February 2013 and the acquisition is expected to close on or about April 1, 2013.

(i) Acquisition of Arkansas Regulated Water Utility

Subsequent to year-end, on February 1, 2013, Liberty Utilities acquired United Water Arkansas Inc. a regulated water distribution utility (the "Arkansas Utility") located in Pine Bluff, Arkansas. Total purchase price for the Arkansas Utility is approximately U.S. $27,600, subject to certain working capital and other closing adjustments.

All costs related to the acquisition have been expensed through the Consolidated Statement of Operations.

Based on the timing of the completion of this acquisition in relation to the date of issuance of the financial statements, the initial allocation of the consideration paid has not been completed.

(j) Agreement to acquire New England Gas Company

Subsequent to year-end, on February 11, 2013, Liberty Utilities entered into an agreement with The Laclede Group, Inc. to assume the rights to purchase the assets of New England Gas Company ("New England Gas") located in the State of Massachusetts. Total purchase price for the New England Gas is approximately U.S. $74,000, subject to certain working capital and other closing adjustments. Closing of the transaction is subject to certain conditions including state and federal regulatory approval, and is expected to occur in the second half of 2013.

4. Accounts receivable

Accounts receivable as of December 31, 2012, includes unbilled revenue of $22,658 (December 31, 2011 - $11,304) in the regulated utilities. The unbilled revenue is an estimate of the amount of utility revenue since the date the meters were last read that has not yet been billed to customers.

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5. Property, plant and equipment

Property, plant and equipment consist of the following:

2012

	Cost	Accumulated depreciation	Net book value
Generation			
Renewable	1,244,912	$ 119,809	$1,125,103
Thermal	208,183	78,336	129,847
Distribution			
Water & wastewater	240,376	52,162	188,214
Electricity	259,461	7,765	251,696
Gas	352,491	5,940	346,551
Land	12,006	—	12,006
Equipment	71,954	26,697	45,257
Construction in progress	64,041	—	64,041
	$2,453,424	$ 290,709	$2,162,715

2011

	Cost	Accumulated depreciation	Net book value
Generation			
Renewable	$ 488,920	$ 117,740	$371,180
Thermal	194,080	78,776	115,304

Distribution			
Water & wastewater	239,190	48,716	190,474
Electricity	154,154	2,636	151,518
Land	11,981	—	11,981
Equipment	47,599	21,865	25,734
Construction in progress	53,918	—	53,918
	$1,189,842	$ 269,733	$920,109

Renewable generation assets include cost of $88,198 (2011 - $94,606) and accumulated depreciation of $29,584 (2011 - $30,264) related to facilities under capital lease or owned by consolidated variable interest entities. Depreciation expense of facilities under capital lease was $2,244 (2011 - $2,302).

Equipment includes cost of $4,227 (2011 - $4,227) and accumulated depreciation of $2,348 (2011 - $2,079) related to equipment under capital lease. Depreciation expense of equipment under capital lease was $269 (2011 - $282).

Contributions received in aid of construction of $6,341 (2011 - $3,968) have been credited to the cost of the distribution assets. Water and wastewater distribution assets include expansion costs of $1,000 on which the Company does not currently earn a return.

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5. Property, plant and equipment (continued)

In 2012, APCo wrote down its investment in a small hydro facility and recognized an impairment charge on property, plant and equipment of $253 (2011 - $1,370) representing the difference between the carrying value of the assets and their estimated fair value. The fair value of the facilities was estimated based on prior transactions involving sales of comparable facilities and management's best estimates.

In December 2011, Liberty Utilities wrote down $1,058 from facilities` assets based on regulatory decisions in 2011 that these costs are not capitalizable for rate-base purposes.

6. Intangible assets

Intangible assets consist of the following:

2012

	Cost	Accumulated amortization	Net book value
Power sales contracts	$60,435	$ 24,881	$35,554
Customer relationships	26,674	5,447	21,227
	$87,109	$ 30,328	$56,781

2011

	Cost	Accumulated amortization	Net book value
Power sales contracts	$52,073	$ 19,123	$32,950
Customer relationships	27,206	4,887	22,319
	$79,279	$ 24,010	$55,269

The Region of Peel elected not to extend the existing waste processing contract with the Company. As a result, the remaining intangible assets associated with the existing waste management and energy contracts of the facility were written off in 2011 and the Company recognized a charge on intangible assets of $13,430.

Estimated amortization expense for intangibles for the next four years is $4,200 each year and $2,450 in year five.

7. Regulatory matters

The Company's regulated utility operating companies owned by Liberty Utilities are subject to regulation by the respective public utility commissions of the states in which they operate, and the FERC in some instances. The respective state public utility commissions have jurisdiction with respect to rate, service, accounting procedures, issuance of securities, acquisitions and other matters. These utilities operate under cost-of-service regulation as administered by these state authorities.

The utilities periodically file rate cases with their regulators. Rate cases seek to ensure that a particular facility has the opportunity to recover its operating costs and earn a fair and reasonable return on its capital investment as allowed by the regulatory authority under which the facility operates. Regulated utilities use a test year in the establishment of rates for the utility and pursuant to this method the determination of the rate of return on approved rate base and deemed capital structure, together with all reasonable and prudent costs, establishes the revenue requirement upon which each utility's customer rates are determined.

Liberty Utilities monitors current and anticipated operating costs, capital investment and the rates of return in respect of each of its facility investments to determine the appropriate timing of a rate case filing in order to ensure it fully earns a rate of return on its investments.

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7. Regulatory matters (continued)

Regulatory assets and liabilities consist of the following:

	2012	2011
Regulatory assets:		
Environmental costs (a)	$ 59,789	$ —
Pension and post-retirement benefits (b)	47,838	—
Storm costs deferral (c)	6,726	—
Deferred energy costs (d)	7,962	—
Derivative assets (e)	1,731	—
Rate case costs (f)	4,480	2,161
Alternative revenue program (g)	272	2,789
Asset retirement obligation (h)	1,095	—
Other	4,499	79
Total regulatory assets	$134,392	$ 5,029
Less current regulatory assets	(10,644)	(2,458)
Non-current regulatory assets	$123,748	$ 2,571
Regulatory liabilities		
Cost of removal (i)	$ 58,852	$14,945
Rate-base offset (j)	15,541	—
	11,706	6,708

Energy costs adjustment (d)		
Pension and post-retirement benefits (b)	1,127	—
Derivative liabilities (e)	616	—
Other	273	—
Total regulatory liabilities	$ 88,115	$21,653
Less current regulatory liabilities	(6,065)	(2,469)
Non-current regulatory liabilities	$ 82,050	$19,184

7. Regulatory matters (continued)

(a) Environmental remediation costs recovery: EnergyNorth is responsible for the cleanup of certain former gas manufacturing facilities. Actual expenditures are recovered through rates over a period of 7 years (see note 21 (a) (ii)).

(b) Pension and post-retirement benefits: As part of a business acquisition, a regulatory asset or liability is set up for the amounts of pension and post-retirement benefits that have not yet been recognized in net periodic cost and were presented as accumulated comprehensive income prior to the acquisition. The portion currently recovered through rates is amortized over the future services years of the employees. The portion related to the current acquisitions which amounts to U.S. $43,484 was authorized by the Regulator as a regulatory asset and recovery is expected to start following the next rate case.

(c) Storm costs: Granite State incurred repair costs resulting from certain storms, which are expected to be recovered through rates.

(d) Deferred energy cost: The revenue of the electric and natural gas utilities include a component which is designed to recover the cost of electricity or natural gas through rates charged to customers. Under deferred energy accounting, to the extent actual natural gas and purchased power costs differ from natural gas and purchased power costs recoverable through current rates that difference is not recorded on the consolidated statement of operations but rather is deferred and recorded as a regulatory asset or liability on the balance sheet. These differences are reflected in adjustments to rates and recorded as an adjustment to cost of natural gas or electricity in future time periods, subject to regulatory review.

(e) Derivatives: Derivatives are utilized to manage the price risk associated with natural gas purchasing activities. The gains and losses associated with these derivatives are recoverable through its deferred energy cost, as noted above, (note 24(b)(i)).

(f) Rate case costs: The costs to file, prosecute and defend rate case applications are referred to as rate case costs. These costs are capitalized and amortized over the period of rate recovery granted by the regulator.

(g) Alternative revenue program: In 2011, the regulator of one of Liberty Utilities' utilities ordered to phase-in the rate increases it had granted over a 12 month period.

(h) Asset retirement obligation: Asset retirement obligations incurred by the utilities are expected to be recovered through rates.

(i) Cost of removal: The regulatory liability for cost of removal represents amounts that have been collected from ratepayers for costs that are expected to be incurred in the future to retire the utility plant.

(j) Rate-base offset: The Regulator for the Midwest Gas Utilities imposed a rate base offset that would reduce the revenue requirement at future rate proceedings. The rate base offset declines on a straight-line basis over a period of ten years.

The Company records carrying charges on the regulatory balances related to energy costs, storm costs and rate adjustments. As recovery of regulatory assets is subject to regulatory approval, if there are any changes in regulatory positions that indicate recovery is not probable, the related cost would be charged to income in the period of such determination.

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8. Long-term investments and notes receivable

Long-term investments and notes receivable consist of the following:

	2012	2011
Red Lily Senior loan, interest at 6.31% (a)	$11,588	$13,000
Red Lily Subordinated loan, interest at 12.5% (a)	6,565	6,565
32.4% of Class B non-voting shares of Kirkland Lake Power Corp.	4,926	4,926
25% of Class B non-voting shares of Cochrane Power Corporation	4,669	5,382
45% interest in the Algonquin Power (Rattle Brook) Partnership	3,884	3,784
Chapais Énergie, Société en Commandite interest at 10.789% and 4.91%, respectively	2,448	2,913
Silverleaf resorts loan, interest at 15.48% maturing July 2020	2,010	2,056
50% interest in the Valley Power Partnership	1,767	1,676
Other	326	—
	38,183	40,302
Less: current portion	(537)	(482)
Total long term investments and notes receivable	$37,646	$39,820

The above notes are secured by the underlying assets of the respective facilities. There is no impairment provision in regards to the notes receivable as at December 31, 2012 and 2011.

(a) Red Lily I

The Red Lily I Partnership ("Partnership") is owned by an independent investor. The Company provides operation and supervision services to the Red Lily I project, a 26.4 megawatt wind energy facility located in south-eastern Saskatchewan.

The Company's investment in Red Lily I is in the form of participation in a portion of the senior debt facility, and a subordinated debt facility from the Partnership. In 2011, APUC advanced $13,000 under a senior debt facility to the Partnership and received a pre-payment of $1,412 in 2012. Another third party lender has also advanced $31,000 of senior debt to the Partnership. The Company's senior loan to the Partnership earns interest at the rate of 6.31% and will mature in 2016. Both tranches of senior debt are secured by substantially all the assets of the Partnership on a pari passu basis.

The subordinated loan earns an interest rate of 12.5%, the principal matures in 2036 but is repayable by the Partnership in whole or in part at any time after 2016, without a pre-payment premium. The subordinated loan is secured by substantially all the assets of the Partnership but is subordinated to the senior debt.

A second tranche of subordinated loan for an amount equal to the amounts outstanding on Tranche 2 of the senior debt but no greater than $17,000 will be advanced in 2016 by the Company. The proceeds from this additional subordinated debt are required to be used to repay Tranche 2 of the Partnership's senior debt, including APUC's portion.

In connection with the subordinated debt facility, the Company has been granted an option to subscribe for a 75% equity interest in the Partnership in exchange for the outstanding amount on its subordinated loan of up to $19,500, exercisable for a period of 90 days commencing in 2016. The fair value of the conversion option as at December 31, 2012 and 2011 was determined to be negligible.

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9. Long-term liabilities

Long term liabilities consist of the following:

	2012	2011
APCo		
Revolving $200,000 credit facility, revolving line of credit interest rate is equal to bankers acceptance or LIBOR plus a variable rate as outlined in the credit facility agreement. The current rate is BA or LIBOR plus 1.75%, maturing November 16, 2015.	$ 27,074	$ —
Senior Unsecured Notes: $150,000 senior unsecured notes, interest rate of 4.82% maturing February 15, 2021. The notes are interest only, payable semi-annually in arrears.	149,910	—
Senior Unsecured Notes: $135,000 senior unsecured notes, interest rate of 5.5% maturing July 25, 2018. The notes are interest only, payable semi-annually in arrears.	134,807	134,778
Senior Debt Long Sault Rapids: Interest at rate of 10.2% repayable in blended monthly interest and principal installments of $402 and maturing December 31, 2027.	38,136	39,033
Sanger Bonds: U.S. $19,200 California Pollution Control Finance Authority Variable Rate Demand Resource Recovery Revenue Bonds Series 1990A, interest payable monthly, maturing September 15, 2020. The variable interest rate is determined by the remarketing agent. The effective interest rate for 2012 is 2.29% (2011 – 2.05%).	19,102	19,526
Senior Debt Chute Ford: Interest rate of 11.6% repayable in blended monthly interest and principal installments of $64 and maturing April 1, 2020.	3,763	4,072
Liberty Utilities		
Revolving U.S. $100,000 credit facility, revolving line of credit interest rate is equal to bankers acceptance or LIBOR plus a variable rate as outlined in the credit facility agreement. The current rate is LIBOR plus 1.625%, maturing January 18, 2015.	27,360	—
Senior Unsecured Notes:		

Liberty Utilities Co. Senior unsecured notes, U.S. $50,000, bearing an interest rate of 3.51%, maturing July 31, 2017; U.S. $115,000, bearing an interest rate of 4.49%, maturing August 1, 2022; and, U.S. $60,000, bearing an interest rate of 4.89%, maturing July 30, 2027. The notes are interest only, payable semi-annually.	223,852	—
California Pacific Electric Company, LLC: U.S. $45,000 senior unsecured notes, interest rate of 5.19%, maturing December 29, 2020 and U.S. $25,000, interest rate of 5.59%, maturing December 29, 2025. The notes are interest only, payable semi-annually.	69,643	71,190

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9. Long-term liabilities (continued)

	2012	2011
Liberty Water Co: U.S. $50,000 senior unsecured notes, interest rate of 5.6% maturing December 22, 2020. The notes are interest only, payable semi-annually, until June 20, 2016 with semi-annual interest payments and an annual principal repayment of U.S. $5,000 thereafter.	49,745	50,850
Granite State: Senior unsecured notes, U.S. $5,000, bearing an interest rate of 7.37%, maturing November 1, 2023; U.S. $5,000, bearing an interest rate of 7.94%, maturing July 1, 2025; and, U.S. $5,000, bearing an interest rate of 7.30%, maturing June 15, 2028. The notes are interest only, payable semi-annually.	14,924	—
Litchfield Park Service Company Bonds: 1999 and 2001 IDA Bonds. Interest rates of 5.95% and 6.75% repayable in blended semi-annual installments maturing October 1, 2023 and October 1, 2031. Principal payments of U.S. $285 (2011 – U.S. $270). The balance of these notes at December 31, 2012 was U.S. $3,390 and U.S. $7,030, respectively (2011 – U.S. $3,605 and U.S. $7,100).	11,269	11,868
Bella Vista Water Loans: Water Infrastructure Financing Authority of Arizona Interest rates of 6.26% and 6.10% repayable in monthly and quarterly installments (U.S. $15 and U.S. $4) maturing March 1, 2020 and December 1, 2017. The balance of these notes at December 31, 2012 was U.S. $1,167 and U.S. $80 respectively (2011 – U.S. $1,275 and U.S. $83)	1,241	1,399
	$770,826	$332,716
Less: current portion	(1,768)	(1,624)
	$769,058	$331,092

Certain long-term debt issued at a subsidiary level relating to a specific operating facility is secured by the respective facility with no other recourse to APUC, APCo or Liberty Utilities. The loans have certain financial covenants, which must be maintained on a quarterly basis. Non compliance with the covenants could restrict cash distributions/dividends to Liberty Utilities, APCo and APUC from the specific facilities.

APCo

On December 3, 2012, APCo issued $150,000 senior unsecured debentures bearing interest at 4.82% and with a maturity date of February 15, 2021. The debentures were sold at a price of $99.94 per $100.00 principal amount. Interest payments will be payable on February 15 and August 15 each year, commencing on February 15, 2013. APCo incurred deferred financing costs of $1,057, which are being amortized to interest expense over the term of the loan using the effective interest rate method. Concurrent with the offering, APCo entered into a cross currency swap, coterminous with the debentures, to economically convert the Canadian dollar denominated offering into U.S. dollars (note 24(b)(iii)).

In 2012, APCo increased the maximum availability under its senior credit facility from $120,000 to $200,000 to meet future working capital needs. In addition, the bank syndicate agreed to release its security previously held over certain APCo entities, such that the facility is now fully unsecured. The facility has a maturity date of November 16, 2015.

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9. Long-term liabilities (continued)

APCo (continued)

On July 25, 2011 APCo completed a $135,000 private placement debt financing at a price of $998.28 per $1,000 principal amount of debenture. The notes are senior unsecured with a maturity date of July 25, 2018 and bear interest at 5.5%. The notes are interest only, payable semi-annually in arrears, commencing January 25, 2012. APCo incurred deferred financing costs of $1,685, which are being amortized to interest expense over the term of the loan using the effective interest rate method. The net proceeds of this financing were used to retire the project debt related to the St. Leon facility (Air Source Senior Debt Financing) and to reduce amounts outstanding on APCo's senior secured revolving credit facility.

Liberty Utilities

Subsequent to year end, on March 14, 2013 Liberty Utilities entered into a variable rate unsecured U.S. $100,000 term facility with a U.S. Bank. Drawings under the facility are conditional upon closing of certain planned acquisitions by Liberty Utilities. The loan is non-revolving and matures on December 31, 2013.

Subsequent to year end, on March 14, 2013 Liberty Utilities issued U.S. $15,000 of senior unsecured notes through a private placement in connection with the acquisition of the Arkansas Utility (note 3 (h)). The notes bear interest at 4.14% and mature in 10 years.

In July 2012, Liberty Utilities issued U.S. $225,000 of senior unsecured notes through a private placement in three tranches: U.S. $50,000, bearing an interest rate of 3.51%, maturing July 31, 2017; U.S. $115,000, bearing an interest rate of 4.49%, maturing August 1, 2022; and, U.S. $60,000, bearing an interest rate of 4.89%, maturing July 30, 2027. The notes are interest only, payable semi-annually. Liberty Utilities incurred deferred financing costs of $2,663, which are being amortized to interest expense over the term of the loan using the effective interest rate method. Liberty Utilities used the proceeds of the private placement financing to fund a portion of the acquisition of the New Hampshire and Midwest Gas Utilities (notes 3(a) and (b)).

On July 3, 2012, in connection with the acquisition of Granite State, Liberty Utilities assumed senior unsecured long-term notes of U.S. $5,000, bearing an interest rate of 7.37%, maturing November 1, 2023; U.S. $5,000, bearing an interest rate of 7.94%, maturing July 1, 2025; and, U.S. $5,000, bearing an interest rate of 7.30%, maturing June 15, 2028.

On January 18, 2012, Liberty Utilities entered into an agreement for a senior unsecured revolving credit facility (the "Liberty Facility") with a three year term. Effective July 3, 2013, the maximum credit available under the facility is U.S. $100,000.

In 2011, Calpeco issued U.S. $70,000 senior unsecured notes consisting of U.S. $45,000 bearing an interest rate of 5.19% maturing December 29, 2020 and U.S. $25,000 bearing an interest rate of 5.59% maturing December 29, 2025. The notes are interest only, payable semi-annually. Total financing costs of $ 1,048 incurred with respect to this placement have been recorded in deferred financing costs.

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APUC

On November 19, 2012, APUC entered into a $30 million senior unsecured revolving credit facility. The credit facility will be used for general corporate purposes and has a maturity date of November 19, 2015

As of December 31, 2012, the Company had accrued $4,482 in interest payable (2011 - $3,255). Interest paid on the long-term liabilities in 2012 was $20,671 (2011 - $18,089).

Principal payments due in the next five years and thereafter are:

	2013	2014	2015	2016	2017	Thereafter	Total
APCo	$1,339	$1,483	$28,721	$1,829	$ 2,032	$337,388	$372,792
Liberty Utilities	429	449	27,837	5,481	55,256	308,582	398,034
Total	$1,768	$1,932	$56,558	$7,310	$57,288	$645,970	$770,826

10. Convertible debentures

	Series 1A	Series 2A	Series 3	Total
Maturity date	2014 November 30	2016 November 30	2017 September 30	
Interest rate	7.50%	6.35%	7.00%	
Conversion price per share	$ 4.08	$ 6.00	$ 4.20	
Carrying value at December 31, 2010	$ 59,156	$ 59,699	$ 62,905	$ 181,760
Conversion to common shares (Note14(a)(ii)), net of costs	(59,449)	(10)	(334)	(59,793)
Amortization and accretion	293	37	—	330
Carrying value at December 31, 2011	$ —	$ 59,726	$ 62,571	$ 122,297
Conversion to common shares (note 14(a)(ii)), net of costs	—	(59,950)	(61,611)	(121,561)
Amortization and accretion	—	224	—	224
Carrying amount at December 31, 2012	$ —	$ —	$ 960	$ 960
	$ —	$ —	$ 960	$ 960

Face value at December 31, 2012				

Subsequent to year-end, the remaining principal amount of $960 of Series 3 Debentures was redeemed for 150,816 shares of APUC (note 14(a)(ii)).

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11. Pension and other post-retirement benefits

In conjunction with recent utilities acquisitions, the Company assumed defined benefit pension and OPEB plans for qualifying employees in the related acquired businesses. The electricity and gas utilities, other than Calpeco, each have noncontributory defined pension plans covering substantially all employees. Benefits are based on each employee's years of service and compensation. Calpeco has a defined benefit cash balance pension plan covering substantially all its employees, under which employees are credited with a percentage of base pay plus a prescribed interest rate credit. The Company's policy is to make pension contributions within the range determined by generally accepted actuarial principles. The OPEB plans provide health care and life insurance coverage to eligible retired employees. Eligibility is based on age and length of service requirements and, in most cases, retirees must cover a portion of the cost of their coverage.

The Company acquired EnergyNorth, Granite State and the Midwest Utilities in the third quarter of 2012; therefore, they are not included in the December 31, 2011 comparative information. The determination of the fair value of pension and OPEB assets and liabilities acquired has been based upon management's preliminary estimates and certain assumptions. Namely, plan assets acquired had not been transferred to the Company as at December 31, 2012. An estimate of the assets to be transferred adjusted for estimated return, contributions and benefits was used to estimate the funded status at the acquisition date and December 31, 2012. The Company will continue to review information and perform further analysis prior to finalizing the fair value of the pension and OPEB assets acquired and liabilities assumed. The actual fair values of the assets acquired and liabilities assumed may differ from the amounts recorded.

(a) Net pension and OPEB obligation

The following table sets forth the projected benefit obligations, fair value of plan assets, and funded status of the Company's plans at December 31:

	Pension benefits		OPEB	
	2012	2011	2012	2011
Change in projected benefit obligation				
Projected benefit obligation, at beginning of year	$ 239	$—	$ —	$—
Assumed projected obligation from business combination	101,840	—	30,637	—
Service cost	1,288	180	803	—
Interest cost	1,906	—	606	—
Actuarial loss	2,736	52	857	—
Benefits paid	(1,507)	—	(601)	—
Foreign exchange	(2,211)	7	(628)	—
Projected benefit obligation, at end of year	$104,291	$239	$ 31,674	$—
Change in plan asset				
	203	—	—	—

Fair value of plan assets, at beginning of year				
Acquired assets in business combination	68,045	—	10,786	—
Actual return on plan assets	1,223	—	—	—
Employer contributions	—	233	231	—
Benefits paid	(1,507)	—	(601)	—
(Gain)/Loss on foreign exchange	(1,440)	6	(221)	—
Fair value of plan assets, at end of year	$ 66,524	$239	$ 10,195	$—
Unfunded status	$ (37,767)	$—	$(21,479)	$—
Amounts recognized in the Consolidated Balance Sheet consists of:				
Current liabilities	—	—		—
Noncurrent liabilities	(37,767)	—	(21,479)	—
Net amount recognized	$ (37,767)	$—	$(21,479)	$—

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11. Pension and other post-retirement benefits (continued)

(b) Net pension and OPEB obligation (continued)

The accumulated benefit obligation for the pension plan was $97,687 and $239 at December 31, 2012 and 2011, respectively.

The amounts recognized in accumulated other comprehensive loss were as follows:

	Accumulated other comprehensive income	
	Pension	OPEB
Balance, January 1, 2011		
Current year net actuarial loss	$ 47	$ —
Foreign exchange	1	—
Balance at December 31, 2011	$ 48	$ —
Current year net actuarial loss	3,303	857
Amortization of net actuarial loss	(2)	(32)
Foreign exchange	(16)	(4)
Balance at December 31, 2012	$ 3,333	$ 821

(c) Assumptions

Weighted average assumptions used to determine net benefit cost for 2012 and 2011 were as follows:

	Pension benefits		OPEB	
	2012	2011	2012	2011
Discount rate	3.89%	4.75%	3.97%	N/A
Expected return on assets	5.50%	6.00%	4.66%	N/A
Rate of compensation increase	3.31%	4.00%	N/A	N/A
Healthcare cost trend rate			8.48%	N/A

Before Age 65		
Age 65 and after	7.50%	N/A
Assumed Ultimate Medical Inflation Rate	5.00%	N/A
Year in which Ultimate Rate is reached	2017	N/A

Weighted average assumptions used to determine net benefit obligation for 2012 and 2011 were as follows:

	Pension benefits		OPEB	
	2012	**2011**	**2012**	**2011**
Discount rate	3.62%	4.00%	3.75%	N/A
Expected return on assets	5.50%	6.00%	4.66%	N/A
Rate of compensation increase	3.09%	4.00%	N/A	N/A

In selecting an assumed discount rate, the Company uses a modeling process that involves selecting a portfolio of high-quality corporate debt issuances (AA- or better) whose cash flows (via coupons or maturities) match the timing and amount of the Company's expected future benefit payments. The Company considers the results of this modeling process, as well as overall rates of return on high-quality corporate bonds and changes in such rates over time, to determine its assumed discount rate.

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11. Pension and other post-retirement benefits (continued)

(c) Assumptions (continued)

The effect of a one percent change in the assumed health care cost trend rate (HCCTR) for 2012 is as follows:

	2012
Effect of a 1 percentage point increase in the HCCTR on:	
Year-end benefit obligation	$ 4,153
Total service and interest cost	177
Effect of a 1 percentage point decrease in the HCCTR on:	
Year-end benefit obligation	$(3,356)
Total service and interest cost	(142)

(d) Benefit costs

The following table lists the components of net benefit costs for the pension plans and OPEB recorded as part of administrative expenses in the Consolidated Statement of Operations. The employee benefit costs related to business acquired are recorded in the Consolidated Statement of Operations from the date of acquisition. The portion of employee benefit capitalized as cost of construction is insignificant.

	Pension benefits		OPEB	
	2012	2011	2012	2011
Service cost	$ 1,288	$180	$ 803	$—
Interest cost	1,906	—	606	—
Expected return on plan assets	(1,785)	—	—	—
Amortization of net actuarial loss	2	—	32	—
Net benefit cost	$ 1,411	$180	$1,441	$—

The net actuarial loss for the defined benefit pension plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are $11 and $37, respectively.

(e) Plan assets

The Company's investment strategy for its pension and post-retirement plan assets is to maintain a diversified portfolio of assets with the primary goal of meeting long-term cash requirements as they become due. The total amount of plan assets acquired through business acquisitions in 2012 was determined but had not been transferred to the Company as at December 31, 2012. An estimate of the assets to be transferred adjusted for estimated return, contributions and benefits was used to estimate the funded status at December 31, 2012. Detailed investment allocation decisions will be finalized following the plan asset transfer that is expected to occur in the first quarter of 2013.

(f) Cash flows

The Company expects to contribute $2,309 to its pension plans and $1,311 to its postretirement benefit plans in 2013.

The expected benefit payments over the next ten years are as follows:

	2013	2014	2015	2016	2017	2018-2022
Pension plan	$4,269	$4,590	$4,693	$4,973	$5,262	$28,635
OPEB	1,311	1,416	1,520	1,588	1,663	10,008

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12. Other assets

Other assets consist of the following:

	2012	2011
Restricted cash	$ 7,063	$ 4,693
Deferred financing costs	8,706	8,503
Other	3,981	4,410
	19,750	17,606
Less: current portion	(833)	(833)
	$18,917	$16,773

13. Other long-term liabilities

Other long-term liabilities consist of the following:

	2012	2011
Asset retirement obligations	$ 7,088	$ —
Customer deposits	5,620	2,483
Provision for injury and damages	3,480	—
Deferred water rights inducement	2,845	2,927
Contingent consideration	1,031	1,080
Capital Leases:		
Obligation for equipment leases. Interest rates varying from 1.90% to 5.80%, monthly interest and principal payments with varying dates of maturity from March 2012 to December 2014	270	501
Other	4,907	5,073
	25,241	12,064
Less: current portion	(4,352)	(1,037)

	$20,889	$11,027

In conjunction with recent acquisitions, the Company assumed certain asset retirement obligations. These obligations have remained substantially unchanged since the acquisition date, except for normal accretion adjustments. The asset retirement obligations mainly relate to legal requirements to: (i) remove wind farm facilities upon termination of land leases; (ii) cut (disconnect from the distribution system), purge (clean of natural gas and PCB contaminants) and cap gas mains within the gas distribution and transmission system when mains are retired in place, or dispose of sections of gas main when removed from the pipeline system, (iii) clean and remove storage tanks containing waste oil and other waste contaminants, and (iv) remove asbestos upon major renovation or demolition of structures and facilities.

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14. Shareholders' capital

(a) Common shares

Number of common shares:

	2012	2011
Common shares, beginning of period	136,122,780	95,422,778
Public offering (i)	—	16,869,000
Conversion and redemption of convertible debentures (ii)	24,991,784	15,300,824
Conversion of subscription receipts (iii)	26,380,750	8,523,000
Issuance of shares under the dividend reinvestment and employee share purchase plans (iv) and (c(ii))	1,268,172	7,178
Common shares, end of period	188,763,486	136,122,780

Authorized

APUC is authorized to issue an unlimited number of common shares. The holders of the common shares are entitled to dividends if, as and when declared by the Board of Directors (the Board); to one vote per share at meetings of the holders of common shares; and upon liquidation, dissolution or winding up of APUC to receive pro rata the remaining property and assets of APUC; subject to the rights of any shares having priority over the common shares, of which none are authorized or outstanding.

On June 23, 2010, the Company's shareholders adopted a shareholders' rights plan (the "Rights Plan"). The Rights Plan has an initial term of three years. Under the Rights Plan, one right is issued with each issued share of the Company. The rights remain attached to the shares and are not exercisable or separable unless one or more certain specified events occur. If a person or group acting in concert acquires 20 percent or more of the outstanding shares (subject to certain exceptions) of the Company, the rights will entitle the holders thereof (other than the acquiring person or group) to purchase shares at a 50 percent discount from the then current market price. The rights provided under the Rights Plan are not triggered by any person making a "Permitted Bid", as defined in the Rights Plan.

APUC is authorized to issue an unlimited number of preferred shares, issuable in one or more series, containing terms and conditions as approved by the Board of Directors of APUC.

(i) Public offering

In 2011, the Company issued 16,869,000 common shares at $5.65 per share pursuant to a public offering for proceeds of $95,310, net of issuance costs of $4,162.

(ii) Conversion and redemption of convertible debentures

In 2011, the remaining principal amount of $62,470 of Series 1A Debentures were redeemed for 15,219,641 common shares of APUC.

In 2012, the remaining principal amount of $59,957 (2011 - $10) of Series 2A Debentures were redeemed for 10,322,518 (2011 - 1,666) common shares of APUC.

In 2012, $61,611 (2011 - $334) of Series 3 Debentures were redeemed for 14,669,266 (2011 - 79,517) shares of APUC. Subsequent to year-end, the remaining principal amount of $960 Series 3 Debentures were redeemed for 150,816 common shares of APUC.

14. Shareholders' capital (continued)

(a) Common shares (continued)

(iii) Subscription receipts

In January 2011, in connection with the acquisition of Calpeco, the Company issued 8,523,000 common shares at a price of $3.25 per share to Emera pursuant to a subscription receipt agreement. The $27,700 cash proceeds of the subscription receipts were used to fund a portion of the cost of the acquisition.

On May 14, 2012, in connection with the acquisition of Granite State and EnergyNorth, the Company issued 12,000,000 common shares at a price of $5.00 per share to Emera Inc. ("Emera") pursuant to a subscription receipt agreement. The $60,000 cash proceeds of the subscription receipts were used to fund a portion of the cost of the acquisitions.

On June 29, 2012, in connection with the acquisition of Sandy Ridge the Company received $15,000 from Emera relating to 2,614,006 subscription receipts representing a price of $5.74 per share and issued common shares relating to these subscription receipts in July 2012.

On July 31, 2012, in connection with the acquisition of the Midwest Gas Utilities the Company issued 6,976,744 common shares at a price of $6.45 per share to Emera pursuant to a subscription receipt agreement. The $45,000 cash proceeds of the subscription receipts were used to fund a portion of the cost of the acquisition.

On December 10, 2012, in connection with the acquisition of Senate and Minonk, the Company received $45,000 from Emera relating to the exercise of 7,842,016 subscription receipts at a price of $5.74 per subscription receipt pursuant to a subscription receipt agreement. The subscription receipts were converted to common shares subsequent to year end on February 14, 2013. The $45,000 cash proceeds of the subscription receipts were used to fund a portion of the cost of the acquisition.

On December 21, 2012, in connection with the acquisition of Emera's noncontrolling interest in Calpeco, the Company received $38,756 from Emera related to the exercise of 8,211,000 subscription receipts at a price of $4.72 per subscription receipt pursuant to a subscription receipt agreement. The $38,756 proceeds of the subscription receipts were used to fund the purchase of the noncontrolling interest. On December 27, 2012, Emera exercised 4,790,000 of these subscription receipts and the Company issued 4,790,000 common shares in exchange. Subsequent to year end, on February 14, 2013, the balance of 3,421,000 subscription receipts were exercised by Emera and the Company issued 3,421,000 common shares.

Following the above noted subscription receipts transactions, as of December 31, 2012 all subscriptions receipts had been exercised for cash and 11,263,016 of those subscriptions receipts had yet to be converted to the same number of common shares.

Subsequent to year end, on February 22, 2013, in connection with the proposed acquisition of the Georgia Utility, the Company agreed to issue 3,960,000 subscription receipts convertible into the same number of common shares upon conditions based on the acquisition of the Georgia Utility at a price of $7.40 per share to Emera.

(iv) Dividend reinvestment plan

The Company has a Common Shareholder Dividend Reinvestment Plan, which provides an opportunity for shareholders to reinvest dividends for the purpose of purchasing common shares. Additional Common Shares acquired through the reinvestment of cash dividends will be purchased in the open market or will be issued by APUC at a discount of up to 5% from the average market price, all as determined by the Company from time to time. Subsequent to year-end, APUC issued an additional 324,051 shares under the dividend reinvestment plan.

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14. Shareholders' capital (continued)

(b) Preferred shares

APUC is authorized to issue an unlimited number of preferred shares, issuable in one or more series, containing terms and conditions as approved by the Board of Directors of APUC. On November 9, 2012, APUC issued 4,800 Series A Preferred shares, at a price of $25 per share, for aggregate proceeds of $120,000 before issuance cost of $4,700.

The holders of preferred shares are entitled to receive fixed cumulative preferential dividends at an annual rate of $1.125 per share, payable quarterly, as and when declared by the Board of Directors of APUC (the "Board"). The Series A Preferred shares yield 4.5% annually for the initial six-year period up to, but excluding December 31, 2018, with the first dividend payment occurring December 31, 2012. The dividend rate will reset on December 31, 2018, and every five years thereafter at a rate equal to the then five-year Government of Canada bond yield plus 2.94%. The Series A preferred shares are redeemable at $25 per share at the option of the Company on December 31, 2018, and on December 31 of every fifth year thereafter. The holders of Series A Preferred shares have the right to convert their shares into Cumulative Floating Rate Preferred shares, Series B ("the Series B Preferred shares"), subject to certain conditions, on December 31, 2018, and on December 31 of every fifth year thereafter. The Series B Preferred shares carry the same features as the Series A Preferred shares, except that holders will be entitled to receive quarterly floating-rate cumulative dividends, as and when declared by the Board, at a rate equal to the then ninety-day Government of Canada treasury bill yield plus 2.94%. The holders of Series B Preferred shares will have the right to convert their Shares back into Series A Preferred shares on December 31, 2018, and on December 31 of every fifth year thereafter. The Series A Preferred shares and the Series B Preferred shares do not have a fixed maturity date and are not redeemable at the option of the holders thereof.

Subsequent to year-end, effective January 1, 2013, the Company issued 100 redeemable Series C preferred shares in exchange for Class B limited partnership units issued by the St Leon LP. The mandatorily redeemable Series C preferred shares will be recorded as a liability on the Consolidated Balance Sheet (note 25).

(c) Share-based compensation

For the year ended December 31, 2012, APUC recorded $1,833 (2011 - $732) in total share-based compensation expense detailed as follows:

	2012	2011
Stock options	$1,376	$690
Directors deferred share units	155	—
Employee share purchase	42	9
Performance share units	260	33
Total share-based compensation	$1,833	$732

14. Shareholders' capital (continued)

(c) Share-based compensation (continued)

No tax deduction was realized in the current year. The compensation expense is recorded as part of administrative expenses in the Consolidated Statement of Operations. The portion of share-based compensation costs capitalized as cost of construction is insignificant.

As at December 31, 2012, total unrecognized compensation costs related to non-vested options and share unit awards were $1,724 and $219 respectively, and are expected to be recognized over a period of 1.67 years and 1.80 years respectively.

i) Stock option plan

The Company's stock option plan (the "Plan") permits the grant of share options to key officers, directors, employees and selected service providers. The aggregate number of shares that may be reserved for issuance under the Plan must not exceed 10% of the number of Shares outstanding at the time the options are granted. The number of shares subject to each option, the option price, the expiration date, the vesting and other terms and conditions relating to each option shall be determined by the Board from time to time. Dividends on the underlying shares do not accumulate during the vesting period. Option holders may elect to surrender any portion of the vested options which is then exercisable in exchange for the In-the-Money Amount. In accordance with the Plan, the In-The-Money Amount represents the excess, if any, of the market price of a share at such time over the option price, in each case such In-the-Money amount being payable by the Company in cash or shares at the election of the Company. As the Company does not expect to settle these instruments in cash, these options are accounted for as equity awards.

In the case of qualified retirement, the Board may accelerate the vesting of the unvested options then held by the optionee at the Board's discretion. All vested options may be exercised within ninety days after retirement. In the case of death, the options vest immediately and the period over which the options can be exercised is one year. In the case of disability, options continue to vest and be exercisable in accordance with the terms of the grant and the provisions of the plan. Employees have up to thirty days to exercise vested options upon resignation or termination.

The estimated fair value of options, including the effect of estimated forfeitures, is recognized as expense on a straight-line basis over the options' vesting periods while ensuring that the cumulative amount of compensation cost recognized at least equals the value of the vested portion of the award at that date. The Company determines the fair value of options granted using the Black-Scholes option-pricing model. The risk-free interest rate is based on the zero-coupon Canada Government bond with a similar term to the expected life of the options at the grant date. Expected volatility was estimated based on the adjusted historic volatility of the Company's shares. The expected life was estimated to equal the contractual life of the options. The dividend yield rate was based upon recent historical dividends paid on APUC shares.

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14. Shareholders' capital (continued)

(c) Share-based compensation (continued)

i) Stock option plan (continued)

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

	2012	2011
Risk-free interest rate	1.7%	3.0%
Expected volatility	38%	30%
Expected dividend yield	4.4%	5.3%
Expected life	8 years	8 years
Weighted average grant date fair value per option	$ 1.49	$ 0.99

Stock option activity during the period is as follows:

	Number of awards	Weighted average exercise price	Weighted average remaining contractual term (years)	Aggregate intrinsic value
Balance at January 1, 2012	2,487,105	$ 4.76	6.96	$ 4,134
Granted	1,263,622	6.24	8.00	—
Balance at December 31, 2012	3,750,727	$ 5.25	6.07	$ 5,939
Exercisable at December 31, 2012	1,215,770	$ 4.53	5.85	$ 2,805

Non-vested stock option activity during the period is as follows:

	Number of awards	Weighted Average Grant Date Fair value
Non-vested options at January 1, 2012	2,100,369	$ 0.85
Granted	1,263,622	1.49
	829,035	0.81

Vested		
Non-vested options at December 31, 2012	2,534,956	$ 1.18

14. Shareholders' capital (continued)

(c) Share-based compensation (continued)

ii) Employee share purchase plan

Under the Company's employee share purchase plan ("ESPP"), eligible employees may have a portion of their earnings withheld to be used to purchase the Company's common shares. The Company will match a) 20% of the employee contribution amount for the first five thousand dollars per employee contributed annually and 10% of the employee contribution amount for contributions over five thousand dollars up to ten thousand dollars annually, for Canadian employees, and b) 15% of the employee contribution amount for the first fifteen thousand dollar per employee contributed annually, for U.S. employees. Shares purchased through the Company match portion shall not be eligible for sale by the participant for a period of one year following the contribution date on which such shares were acquired. At the Company's option, the shares may be (i) issued to participants from treasury at the average share price or (ii) acquired on behalf of participants by purchases through the facilities of the TSX by an independent broker. The aggregate number of shares reserved for issuance from treasury by APUC under this plan shall not exceed 2,000,000 shares.

The Company uses the fair value based method to measure the compensation expense related to the Company's contribution. For the year ended December 31, 2012, a total of 54,227 common shares (2011 – 7,176) were issued to employees under the ESPP plan.

iii) Directors deferred share units

Under the Company's Deferred Share Unit Plan, non-employee directors of the Company may elect annually to receive all or any portion of their compensation in Deferred Share Units ("DSUs") in lieu of cash compensation. Directors' fees are paid on a quarterly basis and at the time of each payment of fees, the applicable amount is converted to DSUs. A DSU has a value equal to one of the Company's common share. Dividends accumulate in the DSU account and are converted to DSUs based on the market value of the shares on that date. DSUs cannot be redeemed until the Director retires, resigns, or otherwise leaves the Board. The DSUs provide for settlement in cash or shares at the election of the Company. As the Company does not expect to settle these instruments in cash, these options are accounted for as equity awards. In 2012, 50,172 (2011 – nil) DSUs were issued pursuant to the election of the Directors to defer a percentage of their 2011 and 2012 Director's fee in the form of DSUs.

iv) Performance share units

The Company offers a performance share unit plan to its employees as part of the Company's long-term incentive program. Performance share units ("PSUs") are granted annually for three-year overlapping performance cycles. PSUs vest at the end of the three-year cycle and will be calculated based on established performance criteria. At the end of the three-year performance periods, the number of shares issued can range from 0% to 184% of the number of PSUs granted. Dividends accumulating during the vesting period are converted to PSUs based on the market value of the shares on that date and are recorded in equity as the dividend's are declared. None of these PSUs have voting rights. Any PSUs not vested at the end of a performance period will expire. The PSUs provide for settlement in cash or shares at the election of the Company. As the Company does not expect to settle these instruments in cash, these PSUs will be accounted for as equity awards. Compensation expense associated with PSUs is recognized ratably over the performance period based on the Company's estimated achievement of the established metrics. Compensation expense for awards with performance conditions will only be recognized for those awards for which it is probable that the performance conditions will be achieved and which are expected to vest.

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14. Shareholders' capital (continued)

(c) Share-based compensation (continued)

iv) Performance share units (continued)

A summary of the PSUs follows; none of which are exercisable as at December 31, 2012:

	Number of awards	Weighted Average Grant-Date Fair Value	Weighted Average Remaining Contractual Term (years)	Aggregate intrinsic value
January 1, 2011	—	$ —	—	—
Granted	21,123	5.62	2.0	118,649
December 31, 2011	21,123	$ 5.62	2.0	135,610
Granted, including dividends	68,982	6.78	1.3	467,518
Forfeited	(6,622)	5.62	1.5	(37,196)
December 31, 2012	83,483	$ 6.58	1.8	571,025

15. Accumulated other comprehensive loss

Accumulated other comprehensive loss is comprised of the following balances, net of tax:

	2012	2011
Foreign currency cumulative translation adjustment	$(105,959)	$(96,462)
Unrealized gain on cash flow hedges	3,593	—
Pension and post-retirement actuarial loss	(2,501)	(48)
Total	$(104,867)	$(96,510)

16. Cash dividends

All dividends of the Company are made on a discretionary basis as determined by the Board of the Company. For the year ended December 31, 2012, the Company declared dividends to shareholders on common shares totaling $50,193 of which $42,850 were cash dividends (2011 - $32,426 of which were cash dividends) or $0.295 per common share (2011 - $0.24 per common share). The Board declared a dividend on the Company's common shares of $0.0775 per share payable on January 15, 2013 to the shareholders of record on December 31, 2012.

On December 31, 2012, an initial dividend of $0.1603 per share totaling $769, Series A, was paid in cash to Preferred Share, Series A holders of record on December 17, 2012.

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17. Income taxes

The provision for income taxes in the Consolidated Statements of Operations represents an effective tax rate different than the Canadian enacted statutory rate of 26.5% (2011 – 28.25%). The differences are as follows:

	2012	2011
Expected income tax expense / (recovery) at Canadian statutory rate	$ 2,527	$ 1,555
Increase (decrease) resulting from:		
Recognition of deferred credit	(5,092)	(6,581)
Effect of differences in tax rates on transactions in and within foreign jurisdictions and change in tax rates	(6,282)	(1,592)
Non-taxable corporate dividend	(666)	(591)
Non-controlling interests share of income	(2,835)	(1,317)
Production tax credit	(676)	—
Allowance for equity funds used during construction	(402)	—
Change in valuation allowances	—	(16,834)
Foreign currency on intercompany items	—	2,250
Other	(140)	563
Income tax recovery	$(13,566)	$(22,547)

For the years ended December 31, 2012 and 2011, income/(loss) from continuing operations before taxes consists of the following:

	2012	2011
Canadian operations	$15,252	$ (5,242)
U.S. operations	(5,715)	10,749
	$ 9,537	$ 5,507