

October 4, 2019

JEA Procurement Bid Office
21 West Church Street
Customer Center
1st Floor
Jacksonville, Florida
USA 32202

RE: Response to the City of Jacksonville's Invitation to Negotiate in respect of strategic alternative for the Jacksonville Electric Authority .

Ladies & Gentleman,

Algonquin Power & Utilities Corp. (“*APUC*”), on behalf of itself and its affiliates, is pleased to submit this response in respect of the City of Jacksonville’s (“*Invitee*”) Invitation to Negotiate Strategic Alternatives (“*ITN*”) regarding its municipally owned water, wastewater and electric utility, the Jacksonville Electric Authority (the “*JEA*”).

1. Contact Information

Please direct correspondence regarding this Proposal to:

Algonquin Power & Utilities Corp. / Liberty Utilities Co.
354 Davis Road, Suite 100
Oakville, Ontario, Canada L6J 2X1

Attn: Ed Pamatat, Vice President, Utility Planning
Tel: 905-465-4551
Email: ed.pamatat@libertyutilities.com

and

Attn: Kevin Melnyk, Vice President, Regulated Infrastructure Development
Tel: 905-465-6718
Email: kevin.melnyk@libertyutilities.com

2. Identity of Representative Authorized to Legally Bind Proponent

APUC’s and Liberty’s authorized signing officer and representative in respect of this submission is its Chief Executive Officer, Ian Robertson, who’s signature is contained in the signature block section of this submission.

3. Legal Name

Algonquin Power & Utilities Corp., through its wholly owned Liberty Utilities Co. subsidiary, is the intended respondent (the “**Respondent**”). APUC is headquartered in Oakville, Ontario, Canada with regional offices throughout the United States from Concord, New Hampshire across to Downey, California.

4. Respondent Information

APUC is a corporation constituted under the laws of Canada on October 24, 2009. APUC is the successor entity of the Algonquin Power Income Fund originally constituted under the Laws of Canada on September 8, 1997. APUC currently owns approximately \$9 billion worth of power generation and utility assets. APUC’s common shares, Series A preferred shares and Series D preferred shares, and Series A subordinated notes are listed on the Toronto Stock Exchange and/or the New York Stock Exchange. Through two primary business groups, APUC provides rate regulated natural gas, water, and electricity generation, transmission, and distribution utility services to over 766,000 connections across North America, and is committed to being a global leader in the generation of clean energy through its ownership of long term contracted wind, solar and hydroelectric generating facilities representing approximately 1.7 GW of installed capacity.

APUC’s rate regulated utility businesses are currently located throughout North America and operated under the Liberty Utilities brand and are organized under its Liberty Utilities Co. subsidiary, a Delaware corporation formed on December 9, 2010, created then to facilitate the pending acquisition of a large block of electric utility assets and to assume ownership of APUC’s pre-existing utility assets then held by Liberty Sub Corp., previously known as Algonquin Water Resources of America, which was originally incorporated on March 6, 2001.

5. Respondent’s EIN

Liberty’s Federal Employer Identification Number is EIN 27-444001.

APUC looks forward to participating in JEA’s strategic alternatives development process.

Please feel free to call should you have any questions or require any clarification of the matters contained in this submission.

Yours truly,

For and on behalf of **Algonquin Power & Utilities Corp.**



Ian Robertson

Chief Executive Officer

127-19 APPENDIX A – RESPONSE FORM

Company Name: ALGONQUIN POWER + UTILITIES CORP.

Company's Address 354 DAVIS DRIVE OAKVILLE, ONTARIO L6J-2X1

Phone Number 905-465-4500 FAX No: 465 4543 Email Address: _____

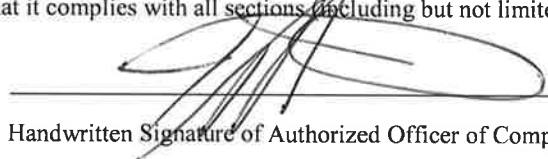
I have read and understood the Sunshine Law/Public Records clauses contained within this solicitation. I understand that in the absence of a redacted copy my proposal will be disclosed to the public "as-is".

RESPONDENT CERTIFICATION

By submitting this Response, the Respondent certifies that it has read and reviewed all of the documents pertaining to this Solicitation, that the person signing below is an authorized representative of the Respondent Company, that the Company is legally authorized to do business in the State of Florida, and that the Company maintains in active status an appropriate contractor's license for the work (if applicable). The Respondent also certifies that it complies with all sections (including but not limited to Conflict of Interest) of this Solicitation.

We have received addenda

1 through All



Handwritten Signature of Authorized Officer of Company or Agent

Oct 4/19

Date

IAN ROBERTSON CEO

Printed Name and Title

SECTION TWO: Executive Summary

APUC, Algonquin Power & Utilities Corp. (“APUC”) is not tied to a singular proposal concept in respect of JEA. APUC, through its Liberty Utilities group business unit, wishes to deploy large amounts of capital and to concurrently assert an operational participation in the ongoing operations where it has deployed such capital. Beyond those requirements, infinite permutations of a final arrangement might be agreeable to APUC.

From that previously articulated preference, APUC is not proposing to act in solely a lending moneys capacity nor to relegate its role to passive participation in the operations.

Beyond the aforementioned limitation, APUC is open to exploring a wide range of participation structures, be they the outright purchase of all or some smaller sub component of the JEA operations or assets through to variants of concession or lease arrangements of a time limited duration, in respect of all or some smaller subcomponent of the JEA operations/assets.

APUC is open to the exploration of other transaction constructs that have not yet been envisioned as and when those ideas develop through this strategic alternatives exploration process. APUC is an entrepreneurial-minded organization and has demonstrated capacity to think through and negotiate complex arrangements to find mutually beneficial transaction arrangements and will bring that nimbleness and flexibility to this JEA alternative strategies exploration process.

SECTION THREE: Statement of Interest and Qualifications

APUC is interested in transaction variants that would concurrently allow it to invest significant amounts of capital and concurrently exercise significant operational control.

APUC would be interested in the potential purchase of all of or almost any subcomponent of the JEA operations/assets be that the water utility operation and assets with or without, or alternatively just, the wastewater utility operations and assets. In addition, APUC would be interested in the potential purchase of all or a sub components of the electric system be that the distribution or transmission subcomponents.

APUC would be interested in the purchase of some but not all of the generation operations/assets in a transaction that is independent of the transmission and or distribution operations or assets. APUC has limited interest in the acquisition of legacy thermal electrical generating assets however, would undertake such as part of a larger transaction.

APUC is not interested in acting as a lender or in any capacity that does not include significant operational participation and is not proposing transaction variants that are essentially only recapitalization constructs.

APUC would be interested in and would show preference of a non-purchase transaction constructs of a concession or lease type arrangement that are front loaded or have prepayments obligations, as such furthers the ability to deploy capital earlier rather than later. APUC would be most receptive to such arrangements if they are accompanied by a significant operation role.

APUC would be interested in participating in the above described transaction variants as either the sole counterparty or as a member of a larger consortium where it had a major stake in either the purchase of a subcomponent of the operations/assets or all of the operations/assets. APUC is not interested in participating as a passive minority partner or investor.

APUC has a stated strategy and mandate to aggressively grow its regulated utility business footprint. APUC has successfully executed on this strategy over the past decade with over 40 utility acquisitions. The acquisition of some or all of JEA’s operations and assets is consistent with APUC’s growth strategy.

Through the successful accumulation of its existing portfolio of regulated utility assets, including the recently completed acquisition of New Brunswick Gas, and a 44% interest in Atlantica Yield PLC, APUC has demonstrated that it is a highly experienced acquirer, with the proven ability to complete due diligence and negotiate mutually acceptable agreements for the acquisition of regulated utility and similar businesses. Furthermore, APUC’s unblemished record of successfully consummating every announced acquisition demonstrates a capacity and commitment to obtain all required approvals required to close any transaction it might negotiate here.

SECTION FOUR: Organizational Overview

1. Organization Structure

APUC is a corporation constituted under the laws of Canada with its head office in Oakville, Ontario. APUC is a publically traded entity whose common shares, Series A preferred shares and Series D preferred shares, and Series A subordinated notes are listed on the Toronto Stock Exchange and/or the New York Stock Exchange.

APUC conducts its operations through two primary business groups or subsidiaries, including those entities which hold project assets. Utility operations are conducted through its Liberty Utilities (“LU”) subsidiary tower while its electrical generation operations are conducted through its Algonquin Power subsidiary group. The following table lists most of the subsidiaries with short descriptions of the business activities contained therein. The voting securities of each subsidiary are held in the form of common shares, share quotas or partnership interests in the case of partnerships and their foreign equivalents, and units in the case of trusts.

Significant Subsidiaries	Description	Jurisdiction	Ownership of Voting Securities
<u>LIBERTY POWER GROUP</u>			
AAGES (AY Holdings) B.V. (“AY Holdings”)	Owner of equity interest in Atlantica	Netherlands	100%
Algonquin Power Co. (or “APCo” dba Liberty Power)		Ontario	100%
St. Leon Wind Energy LP (“St. Leon LP”)	Owner of the St. Leon Wind Facility	Manitoba	100%
Minonk Wind, LLC		Delaware	100%

	Owner of the Minonk Wind Facility		
Senate Wind, LLC	Owner of the Senate Wind Facility	Delaware	100%
GSG6, LLC	Owner of the Shady Oaks Wind Facility	Illinois	100%
Odell Wind Farm, LLC	Owner of the Odell Wind Facility	Minnesota	100%
Deerfield Wind Energy, LLC	Owner of the Deerfield Wind Facility	Delaware	100%
<u>LIBERTY UTILITIES GROUP</u>			
Liberty Utilities (Canada) Corp. ("LU Canada")		Canada	100%
Liberty Utilities Co.		Delaware	100%
Liberty Utilities (CalPeco Electric), LLC	Owner of the CalPeco Electric System	California	100%
Liberty Utilities (Granite State Electric) Corp.	Owner of the Granite State Electric System	New Hampshire	100%
Liberty Utilities (EnergyNorth Natural Gas) Corp.	Owner of the EnergyNorth Gas System	New Hampshire	100%

2. Operational Details

APUC's operations are either rate regulated natural gas, water, and electricity distribution generation, transmission, and distribution utility services or power generation activities. Its power generating activities are from renewable sources of wind, sun or hydro augmented by small amounts of traditional thermal.

3. Financial Details

APUC currently owns and operates approximately U.S. \$9B worth of utility and power generation assets. As a publicly traded corporation APUC is an SEC filer and produces audited financial statements which are attached hereto as Appendix A.

4. Number of Current Electric and Water Customers

APUC currently provides rate regulated utility services to over 766,000 connections across North America. A number of these are natural gas utility customers however the majority are electric and water/wastewater utility customers.

5. Union Interaction

APUC has a workforce of over 2,400 employees of which just under 700 are members of three different unions (i.e. UWUA, IBEW, and USW) represented by 14 different bargaining units. APUC has concluded approximately 14 collective bargaining negotiations over the past 10 years. APUC has not experienced a work stoppage or any other material job action associated with these unions relationships.

6. Economic Development Activities

APUC, through its various local utility operations, partners with local, regional, and state economic development organizations to attract, retain, and support the expansion of local businesses. APUC often (i) offers economic development incentives to qualifying businesses in conjunction with other local and state incentives; (ii) administers various educational programs aimed at improving local business competitiveness through efficient energy use; and (iii) administers energy efficiency programs and funds. APUC has approximately 26 individuals employed as Business and Community Development Managers who are located throughout its service territories. These individuals reside in the service territories and are trained to support local businesses to ensure their continued success.

7. Other Relevant Information

APUC is currently an experienced utility owner and operator with a long history of delivering stable, reliable and affordable utility services.

SECTION FIVE: Process Goals

1. Up-front City Benefit

APUC is aware of the City of Jacksonville's desire to realize U.S. \$3B of value through this potential transaction from the sale of all of the operations and assets of JEA. APUC's presumption is that this expectation would be prorated for the operations/assets that might ultimately be acquired by APUC. To the extent that the ultimate transaction is different than an outright sale, that being a concession or lease arrangement, the timing and prorated share of such realized value would be proportional.

2. Up-front Customer Benefit

APUC is aware of the City of Jacksonville's desire to see customers realize U.S. \$400M of value through this potential transaction from the sale of all of the operations and assets of JEA. APUC's presumption is that this expectation would be prorated for the operations/assets that might ultimately be acquired by APUC in amounts per type of customer connection. To the extent that the ultimate transaction is different than an outright sale, that being a concession or lease arrangement, the timing and prorated share of such realized value would be proportional. APUC does make the observation that a disproportionate amount of such benefit is tied to water focused services and may be difficult to allocate in the context of maintaining rationale rates for those services into the future but that it has not concluded such detailed financial calculations.

3. Rate Stability

APUC would be prepared to commit to rate stability for the initial 3 years under the ultimate arrangement be it an outright sale or a concession type arrangement.

4. Renewable Energy Commitment

APUC is prepared to commit to providing 100% renewable electricity for the City of Jacksonville and the Duval County Public School System. APUC is one of North America's principal developers of renewable energy facilities having built numerous wind and solar facilities. APUC has experience incorporating such renewable power sources with minimal impact on customer rates.

5. Water Source Development

APUC is prepared to develop additional sources of water in the amounts requested in the ITN. APUC has experience developing such source be they from the traditional ground water or surface water source, or from more technically advanced sources such as reverse osmosis treatment of sea or brackish.

6. Employee Retirement Benefits

APUC is prepared to make commitments for the protection of certain employee retirement benefits for an appropriate period of time following closing of a transaction.

7. Employee Compensation Maintenance

APUC is prepared to make commitments for maintenance of substantially comparable employee compensation for a minimum period of 3 years following a transaction.

8. Retention Payments

APUC is prepared to make commitments for the payment of employee retention payments in the amounts as articulated in the ITN.

9. Economic Development Activities

APUC is prepared to make commitments regarding the future location of offices, facilities, and employees' workplace locations related to the JEA operations.

SECTION SIX: Response to Evaluation Criteria

1. Achieve JEA's Goals as articulated in the ITN

Respondent's is aware of the stated goals being 1) the realization of \$3 Billion of value for the City of Jacksonville, 2) the realization of \$400 Million of value for customers, 3) the realization of 3 years of contractually committed rate stability, 4) a commitment to develop and provide 100% renewable energy to the City and the Duval County Public School system by 2035, 5) commitment to develop 40MDU of alternative water supply capacity, 6) commitment to protect certain employee retirement benefits, 7) commitment to maintain substantially comparable employee compensation and benefits for three year, 8) make retention payments to all full time employees of 100% of current base compensation, 9) commitment to employees , headquarters and contributing to economic development in Jacksonville. Respondent's presumption is that this expectation would be prorated for the operations/assets that might ultimately be acquired by Respondent. To the extent that the ultimate transaction is different than an outright sale, say in the case of a concession or lease arrangement, the timing and prorated share of such realized value would be proportional.

2. Experience and Customer Commitment

- a) The Respondent's is currently, and has been for more than the past 10 years, been a real utility holding company with real utility operations and has been the owner and operator of real utility assets that currently serve almost 800,000 customers. These utility connections serve the Respondent's customers with electric distribution, water distribution, wastewater collection or natural gas distribution services. The Respondent handles all aspects of the operation of these utility business with its own employees with minimal outsourcing. These activities include all aspects of customer interaction ranging from general inquirers, service requests, meter reading, bill generation, payment processing, complaint management through to disagreement resolution.

- b) The Respondent measures and benchmarks its customer interaction performance with all the industry best practices protocols and procedures including tracking customer calls, measuring call wait times, tracking disconnected or dropped calls, measuring average interaction times and tracking resolution success metrics. The Respondent tracks its overall performance in relation to its customer interactions with a number of third party evaluations including but not limited to bi-annual JD Power assessments. Respondent's respective utility operations consistently rank in the top quartile of its peer group in these third party assessments.

- c) The Respondent has purchased over 40 individual utility operations over the past 20 years and has never divested of a single utility operation demonstrating its commitment as a long term owner and operator of the utilities under its stewardship.

- d) The Respondent tracks service disruption frequency and service outage duration times at each of its 40 utility operations using standard measurement metrics like SAIDI and SAIFI and benchmarks those against the IEEE standards for the respective geographic regions where those utilities are located. The Respondents reliability performance is consistently in the top half of its respective peer group for each of its utility operations.

- e) Respondent is always cognizant of stakeholder sensitivity to utility rates and tariffs and particularly to the rate shock that may be occasioned by unique events. The Respondent manages such concerns across its 40 individual utility operations. A utility owner has many tools at its disposal for the responsible management of customer tariffs including the timing and lumpiness of capital expenditures, maintaining or enhancing operating cost efficiency, effective use of debt and equity, etc. Such situations are always easier when a utility owner is free to manage all the various elements impacting rates and to engage in long term advance planning. Respondent is confident that it can find a path to reconcile the City of Jacksonville's goals respecting this proposed transaction with the need to manage customer rates in a responsible fashion.

3. Economic Development and Benefits to Jacksonville

Respondent supports the economic development aspirations of each of the communities in which it operates a utility businesses. Respondent maintains a staff of over 26 individuals across its various utility operations through which these initiatives are undertaken. At a minimum each of the Respondent's utilities participates in regular interaction with community economic development staff and community based business groups so as to support their initiatives or address the issues that they encounter respecting utility services. Respondent has cooperated with community leaders to tailor utility service packages so as to attract employers to an area or to facilitate the timely commissioning of new commercial facilities. The Respondent understands its obligations as a utility to support the economic development aspirations of its host community in whatever way is most helpful.

4. Employee Retention and Benefits

Respondent's regulated utility operations are predicated on a decentralized operating model. Under such a model, each individual utility operation is resourced and staffed to permit a near standalone operation with the requisite operating staff located within the service territory. Customer service functions, regulatory affairs management, and senior decision makers are typically located within the service territory. Consistent with this management philosophy, Respondent can confirm, based

on the information reviewed during this process that retention of employees currently engaged in the management and/or operation of the operation on terms and conditions substantially similar with those preceding the transaction is anticipated for a minimum period of three (3) years. In past interactions with prospective employees, regulators, community leaders, customers, and other stakeholders, this sort of local, responsive, and caring utility management model has been found to be compelling. Stakeholders have been supportive of maintaining or creating additional local employment, maintaining local employee decision making and empowerment, maintaining local customer personal interaction options, and retaining in-jurisdiction regulatory and stakeholder interface.

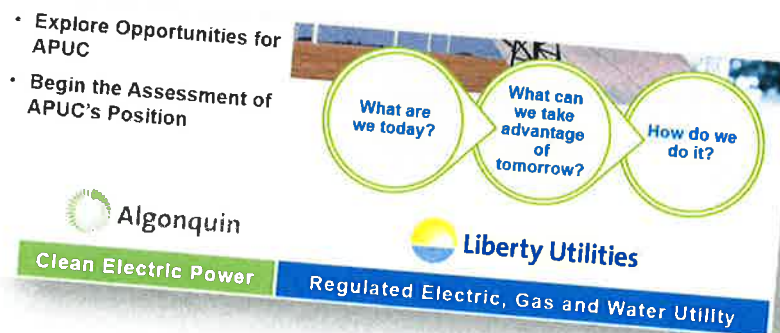
Respondent will commit to respecting any collective bargaining agreement which might be in place at the time of its consummating any transaction respecting the JEA operations or assets and to protecting certain employee retirement benefits related to the transitioned employees.

Respondent acknowledges JEA's goals and would commit to the funding of retention payments to all full time employees with such commitment being prorated to the employees associated with that segment of the operations or assets the Respondent might come to own or otherwise take possession of.

In addition, Respondent will commit to maintain the existing regional headquarters, current service locations, and local decision making authority within the service territories for an indefinite period (>5 years) following closing as long as Respondent continues to be the majority owner of the operation.

5. Innovation Plan

Respondent has been grappling with the same questions that face the JEA operations like, 1) Positioning its utility businesses for the future, 2) Generating new Revenue Channels so operations are less reliant on traditional base rates or historic tariff structures or, 3) how to Future Proof the utility business. As recently as April 2019, "industry experts" have been engaged by the Respondent to work with the organization to explore their respective visions of the future for the energy utility sector and how best to position oneself to remain relevant and competitive in the face of rapid change



Developing technologies, competitive threats, and cultural/social changes are now seemingly speeding up a desire to reach definitive actionable plans that are implementable today. There are some specific concepts that have already made their way into the utility space mainstream and have practical economical application: increasing use of distributed solar generation, energy storage, microgrids, grid modernization (and resiliency), increasing use of data analytics, and the Internet of Things (IoT) related concepts/technology (eg real time energy trading).

While emerging technologies and liberal free thinking are generating many interesting ideas for utilities, few have risen to the level that they are sufficiently clear and actionable enough to build an implementable master plan around or even to understand how they are all going to fit together in such a way that results in operations that are really significantly dissimilar to how utilities serve their customers today.

History is strewn with examples of first movers and early technology adopters that in the fullness of hindsight turn out to be costly transient undertakings: AMR vs. AMI, CFB's vs. LED technology, investing in IGCC, new nuclear, coal gasification, etc. There is certainly a place for technology pioneers and first movers, but this is a model that is rarely applicable to the utility industry that has an obligation to serve its customers reliably, to make prudent investment decisions and provide its services at an affordable cost. Jumping in with some bet on some costly and nascent "disruptive" concept (like cloud electric trading technology) is not what companies who care about their customers can practically do. Utilities cannot be failure pioneers when working with other people's money and when impacting their community's everyday quality of life.

Obviously being a larger organization with its associated scale offers the potential option to invest resources so as to play in the forefront of evolving technologies and test concepts and try new ideas. Respondent has always subscribed to the think big, test small and scale fast approach. Being a monopoly utility operation with an obligation to provide the most cost effective dependable services means these are serious issues to address and there is little room for waste or mistakes.

Load balancing and operating safety, effective cyber-security, least cost energy supply security, dynamic billing/metering, being socially responsible and helping out low income/special need customers, providing backstop safety-net supply, and dealing with stranded costs are some of these issues that need holistic answers/approaches that are fair and responsible. The "big thinkers" outside of the industry often underestimate these challenges and their importance in being a utility that actually benefits it's community.

6. Environmental Social Governance

Respondent has a stated ESG policy and a significant staff, headed by a Chief Sustainability Officer, employed to assist the organization in moving ever closer to an optimal ESG position.

Respondent's customers, regulators, investors and employees expect it to demonstrate responsible ESG behaviors such that it becomes good, perhaps even indispensable, business practice to live such optimal ESG behaviors.

Respondent's ESG policy is not much different in context and commitment than the many others one might read, but unlike some, Respondent consistently demonstrates tangible progress in achieving what it articulates.

One example of rhetoric made action is the Respondents Midwest "greening the fleet" initiative. This was one of the first such projects in the country that was not a simple "demo" project using tax dollars or rate surcharges to subsidize cost-inefficient technology applications. It was the real substitution of a perfectly usable mid-life 600mW coal plant and replacing that with 400mW of renewable (wind) generation. While such a substitution may on the surface seem commonplace, to do so at a cost that resulted in a net savings to the customer was highly innovative. The full levelized cost of the power generated from the new wind turbine fleet was proven to be lower than the incremental variable operating costs of the mid-life coal fired generation plant. Similarly, Respondent was the first utility in the country's to install a rate-based solar generation facility (in California no less) that it successfully proved to the regulator made economic sense to implement under such a utility ownership structure to replace energy the utility was buying in the competitive open market.

Furthermore, in terms of accountability, Respondent Executive Scorecard and compensation as outlined in the Company's Management Information Circular has specific ties to ESG factors including Customers and Communities (safety, customer satisfaction, service affordability), and People and Team (employee engagement).

Fundamentally Respondent believes the approach to any of this starts with clear and succinct ESG goals. If one can hold true to these larger ESG goals one can expect to get to an optimal place over time which (at its extreme) may even result in dissolving the traditional business and morphing into some other delivery or ownership structure/construct.

7. Community Stewardship

Recognizing that the City Council wants is looking for a supportive citizen in it's utility and that utility's owner, Respondent can attest that it lives up to that expectation in every one of the communities that its serves. Respondent is and proposes to continue to:

1. Be a cash contributor donor to worthwhile community events or programs be they sponsored by the city or local charities or public services groups. The Respondent contributes millions of dollars annually to such undertakings across its various utilities;
2. Provide manpower and logistics support to local community events. One such example is its fleet of community events trailers that supply drinking and rinse water at local community events so that the public can access plentiful clean water and refrain from buying or using disposable bottled;

3. Encourages its employee to engage in their wider communities. Respondent has two specific country wide programs that support such employee engagement. Their Community Spirit Awards recognizes and rewards employee volunteers active in local community events. The second program is Respondent's "Liberty Days" where each of its employees have available paid time away from work to help organize and staff community events that are authorized through a support approval process;
4. Maintains local advisory Boards at each utility consisting of 3 to 5 members drawn from the local community to assure that local issues, concerns or interests can be appropriately raise and championed in so far at the local utility is concerned.
- 5.

8. **Financial Stability**

Respondent (APUC the holding company entity) was initially established in 1987 although the individual utility entities that currently make up the group have individual histories some of which go back over 100 years.

The Respondent has been appropriately profitable relative to its invested capital each and every year of its existence. The Respondent has consistently paid out a dividend or distribution to its shareholders each and every year in an amount that is comparable to the dividend yield customary in the utility industry.

The Respondent maintains a standard and Poor's BBB investment grade credit rating. It has articulated its intention to conduct its financial affairs in such a way as to maintain that specific rating as it has concluded that maintaining such a position that affords it access to limitless amounts of capital at the optimal cost of such capital which it can then deploy for the benefit of its customers and other stakeholders.

Algonquin Power & Utilities Corp. Consolidated Balance Sheets

(thousands of U.S. dollars)

	December 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 46,819	\$ 43,484
Accounts receivable, net (note 4)	245,728	244,617
Fuel and natural gas in storage	43,063	44,414
Supplies and consumables inventory	52,537	45,074
Regulatory assets (note 7)	59,037	66,567
Prepaid expenses	27,283	31,005
Derivative instruments (note 23)	9,616	16,099
Other assets and long-term investments (notes 8 and 11)	7,522	7,110
	491,605	498,370
Property, plant and equipment, net (note 5)	6,393,558	6,304,897
Intangible assets, net (note 6)	54,994	51,103
Goodwill (note 6)	954,282	954,282
Regulatory assets (note 7)	391,437	374,959
Derivative instruments (note 23)	53,192	54,115
Long-term investments (note 8)		
Investment carried at fair value	814,530	—
Notes receivable from equity investees	101,416	30,060
Other long-term investments	32,955	37,271
Deferred income taxes (note 18)	72,415	61,357
Other assets (note 11)	28,584	29,153
	\$ 9,388,968	\$ 8,395,567

Algonquin Power & Utilities Corp.

Consolidated Balance Sheets

(thousands of U.S. dollars)

	December 31, 2018	December 31, 2017
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 89,740	\$ 119,887
Accrued liabilities	235,586	280,144
Dividends payable (note 15)	62,613	50,445
Regulatory liabilities (note 7)	39,005	37,687
Long-term debt (note 9)	13,048	12,364
Other long-term liabilities (note 12)	42,337	46,754
Derivative instruments (note 23)	14,339	14,126
Other liabilities	2,313	2,623
	498,981	564,030
Long-term debt (note 9)	3,323,747	3,067,187
Regulatory liabilities (note 7)	539,587	538,437
Deferred income taxes (note 18)	444,145	399,148
Derivative instruments (note 23)	88,503	54,818
Pension and other post-employment benefits obligation (note 10)	191,915	168,189
Other long-term liabilities (note 12)	263,582	242,105
	4,851,479	4,469,884
Redeemable non-controlling interests (note 17)		
Redeemable non-controlling interests, held by related party	307,622	—
Redeemable non-controlling interests	33,364	41,553
Equity:		
Preferred shares (note 13(b))	184,299	184,299
Common shares (note 13(a))	3,562,418	3,021,699
Additional paid-in capital	45,553	38,569
Deficit	(595,259)	(524,311)
Accumulated other comprehensive loss (note 14)	(19,385)	(2,792)
Total equity attributable to shareholders of Algonquin Power & Utilities Corp.	3,177,626	2,717,464
Non-controlling interests (note 17)	519,896	602,636
Total equity	3,697,522	3,320,100
Commitments and contingencies (note 21)		
Subsequent events (notes 8, 9, 13 and 23)		
	\$ 9,388,968	\$ 8,395,567

See accompanying notes to consolidated financial statements

Algonquin Power & Utilities Corp.

Consolidated Statements of Operations

(thousands of U.S. dollars, except per share amounts)

	Year ended December 31	
	2018	2017
Revenue		
Regulated electricity distribution	\$ 831,196	\$ 763,501
Regulated gas distribution	430,377	376,806
Regulated water reclamation and distribution	128,437	140,082
Non-regulated energy sales	235,359	217,542
Other revenue	22,018	24,007
	1,647,387	1,521,938
Expenses		
Operating expenses	472,466	450,231
Regulated electricity purchased	265,166	222,443
Regulated gas purchased	183,012	141,689
Regulated water purchased	8,796	9,503
Non-regulated energy purchased	27,164	19,590
Administrative expenses	52,710	49,640
Depreciation and amortization	260,772	251,314
Loss (gain) on foreign exchange	(58)	323
	1,270,028	1,144,733
Operating income	377,359	377,205
Interest expense on long-term debt and others	152,118	142,439
Interest expense on convertible debentures and amortization of acquisition financing (notes 9(b) and 12(h))	—	13,383
Change in value of investment carried at fair value (note 8(a))	137,957	—
Interest, dividend, equity and other income (note 8)	(53,139)	(9,238)
Pension and post-employment non-service costs (note 10)	3,914	9,035
Other net losses	2,725	664
Acquisition-related costs, net (note 12(f))	687	47,708
Loss (gain) on derivative financial instruments (note 23(b)(iv))	636	(1,918)
	244,898	202,073
Earnings before income taxes	132,461	175,132
Income tax expense (note 18)		
Current	11,347	7,517
Deferred	42,025	65,910
	53,372	73,427
Net earnings	79,089	101,705
Net effect of non-controlling interests (note 17)		
Net effect of non-controlling interests	108,521	47,770
Net effect of non-controlling interests held by related party	(2,622)	—
Net earnings attributable to shareholders of Algonquin Power & Utilities Corp.	\$ 184,988	\$ 149,475
Series A and D Preferred shares dividend (note 15)	8,027	8,020
Net earnings attributable to common shareholders of Algonquin Power & Utilities Corp.	\$ 176,961	\$ 141,455
Basic and diluted net earnings per share (note 19)	\$ 0.38	\$ 0.37

See accompanying notes to consolidated financial statements

