**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

# FORM 40-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**
**OR**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2023 Commission File Number 001-37946**

## ALGONQUIN POWER & UTILITIES CORP.

**(Exact name of Registrant as specified in its charter)**

**N/A**

**(Translation of Registrant's name into English (if applicable))**

**Canada**

**(Province or other jurisdiction of incorporation or organization)**

**4911**

**(Primary Standard Industrial Classification Code Number (if applicable))**

**N/A**

**(I.R.S. Employer Identification Number (if applicable))**

**354 Davis Road**
**Oakville, Ontario**
**L6J 2X1, Canada**
**(905) 465-4500**
**(Address and telephone number of Registrant's principal executive offices)**

**CT Corporation System**
**111 Eighth Avenue**
**New York, New York 10011**
**(212)894-8940**
**(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)**

Securities registered or to be registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common shares, no par value | AQN | The New York Stock Exchange |
| 6.20% Fixed-to-Floating Subordinated Notes - Series 2019-A due July 1, 2079 | AQNB | The New York Stock Exchange |
| Corporate Units | AQNU | The New York Stock Exchange |
| Rights to Purchase One Common Share of the Company | N/A | The New York Stock Exchange |

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Common Shares, no par value
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

For annual reports indicate by check mark the information filed with this Form:

☒ **Annual Information Form** ☒ **Audited Annual Financial Statements**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

As of December 31, 2023, there were 689,271,039 Common Shares outstanding.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

**Yes** ☒ **No**

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).

**Yes** ☒ **No**

Indicate by check mark whether the Registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the Registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the Registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the Registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

This Annual Report on Form 40-F shall be incorporated by reference into or as an exhibit to, as applicable, the Registrant's Registration Statements on Form F-3 (File Nos. 333-220059, 333-227246 and 333-263839), Form F-10 (File No. 333-261010) and Form S-8 (File Nos. 333-177418, 333-213648, 333-213650, 333-218810, 333-232012 and 333-238961) under the Securities Act of 1933, as amended.

## ANNUAL INFORMATION FORM

The Annual Information Form (the "AIF") of Algonquin Power & Utilities Corp. ("AQN" or the "Company") for the fiscal year ended December 31, 2023 is filed as Exhibit 99.1 to this annual report on Form 40-F. All capitalized terms used herein but not otherwise defined herein shall have the meanings given to such terms in the AIF.

## AUDITED ANNUAL FINANCIAL STATEMENTS

The Audited Annual Consolidated Financial Statements of AQN for the fiscal year ended December 31, 2023 (the "Consolidated Financial Statements") are filed as Exhibit 99.2 to this annual report on Form 40-F.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis for the fiscal year ended December 31, 2023 (the "MD&A") is filed as Exhibit 99.3 to this annual report on Form 40-F.

## DISCLOSURE CONTROLS AND PROCEDURES

The information provided under the heading "Disclosure Controls and Procedures" in the MD&A, filed as Exhibit 99.3 to this annual report on Form 40-F, is incorporated by reference herein.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

**A. Management's report on internal control over financial reporting**

The information provided under the headings "Disclosure Controls and Procedures—Management Report on Internal Controls over Financial Reporting" and "Disclosure Controls and Procedures—Inherent Limitations on Effectiveness of Controls" in the MD&A, filed as Exhibit 99.3 to this annual report on Form 40-F, is incorporated by reference herein.

**B. Auditor's attestation report on internal control over financial reporting**

Ernst & Young LLP (PCAOB ID#: 1263), the independent registered public accounting firm of AQN, which audited the consolidated financial statements of AQN for the year ended December 31, 2023, has also issued an attestation report on the effectiveness of AQN's internal control over financial reporting as of December 31, 2023. The attestation report is provided in Exhibit 99.2 to this annual report on Form 40-F and is incorporated by reference herein.

**C. Changes in internal control over financial reporting**

The information provided under the heading "Disclosure Controls and Procedures—Changes in Internal Controls over Financial Reporting" in the MD&A, filed as Exhibit 99.3 to this annual report on Form 40-F, is incorporated by reference herein.

## AUDIT & FINANCE COMMITTEE FINANCIAL EXPERTS

AQN's board of directors has determined that it has one audit committee financial expert serving on its audit & finance committee. Dilek Samil has been determined to be such audit committee financial expert and is "independent" as set forth in the Canadian National Instrument 58-101 *Disclosure of Corporate Governance Practices* and Rule 10A-3 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). The U.S. Securities and Exchange Commission ("SEC") has indicated that the designation as an audit committee financial expert does not make a person an "expert" for any purpose, impose any duties, obligations or liability on such persons that are greater than those imposed on members of the audit & finance committee and board of directors who do not carry this designation or affect the duties, obligations or liability of any other member of the audit & finance committee or board of directors.

## CODE OF ETHICS

AQN has adopted a code of business conduct and ethics (the "Code of Conduct") that applies to all employees and officers, including its Chief Executive Officer and Chief Financial Officer. The Code of Conduct is available without charge to any shareholder upon request to Brian Chin, Telephone: (905) 465-4450, E-mail:

InvestorRelations@APUCorp.com, Algonquin Power & Utilities Corp., 354 Davis Road, Oakville, Ontario L6J 2X1.

## PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information provided under the heading “Pre-Approval Policies and Procedures” in the AIF, filed as Exhibit 99.1 to this annual report on Form 40-F, is incorporated by reference herein. All audit services, audit-related services, tax services, and other services provided for the years ended December 31, 2022 and 2023 were pre-approved by the audit & finance committee.

## OFF-BALANCE SHEET ARRANGEMENTS

AQN’s off-balance sheet arrangements consist of obligations under equity capital contribution agreements and guarantees for certain development projects which the Company does not have sole control. These instruments provide financial assurance necessary for the continued development and construction of the projects. As of December 31, 2023, the Company also pledged shares in Atlantica Sustainable Infrastructure plc as collateral to a secured credit facility issued by the Company’s then equity-method investee. For a discussion of these arrangements, refer to the information in note 8 and note 17 to the Consolidated Financial Statements, filed as Exhibit 99.2 to this annual report on Form 40-F and incorporated by reference herein, and the information under the heading “Enterprise Risk Management—Operational Risk Management—Joint Venture Investment Risk” in the MD&A, filed as Exhibit 99.3 to this annual report on Form 40-F and incorporated by reference herein.

## CONTRACTUAL OBLIGATIONS

The information provided under the heading “Contractual Obligations” in the MD&A, filed as Exhibit 99.3 to this annual report on Form 40-F, is incorporated by reference herein.

## NON-GAAP FINANCIAL MEASURES

The MD&A contains financial measures that are not recognized measures under U.S. generally accepted accounting principles (“U.S. GAAP”). Such terms include: “Adjusted Net Earnings”, “Adjusted Net Earnings per Common Share”, “Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization” (“Adjusted EBITDA”), “Adjusted Funds from Operations”, “Net Energy Sales”, “Net Utility Sales” and “Divisional Operating Profit”. There is no standardized measure of these terms and, consequently, the Company’s method of calculating these measures may differ from methods used by other companies and therefore may not be comparable to similar measures presented by other companies. A calculation and analysis of “Adjusted Net Earnings”, “Adjusted Net Earnings per common share”, “Adjusted EBITDA”, “Adjusted Funds from Operations”, “Net Energy Sales”, “Net Utility Sales”, and “Divisional Operating Profit”, including a reconciliation to the U.S. GAAP equivalent, can be found in the MD&A under the headings “Caution Concerning Non-GAAP Financial Measures”, “Non-GAAP Financial Measures”, “Renewable Energy Group—2023 Renewable Energy Group Operating Results”, and “Regulated Services Group—2023 Regulated Services Group Operating Results”. The compositions of Adjusted EBITDA, Adjusted Net Earnings, Adjusted Funds from Operations and Divisional Operating Profit have been changed from those previously disclosed in AQN’s MD&A for the three and twelve months ended December 31, 2022 to exclude gains and losses on disposition of assets. This change was made as gains and losses on disposition of assets are no longer used by management to evaluate the operating performance of the Company. Comparative figures for these metrics have been adjusted for the new compositions.

AQN does not provide reconciliations for forward-looking non-GAAP financial measures as AQN is unable to provide a meaningful or accurate calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing or amount of various events that have not yet occurred, are out of AQN’s control and/or cannot be reasonably predicted, and that would impact the most directly comparable forward-looking U.S. GAAP financial measure. For these same reasons, AQN is unable to address the probable significance of the unavailable information. Forward-looking non-GAAP financial measures may vary materially from the corresponding U.S. GAAP financial measures.

The MD&A is attached hereto as Exhibit 99.3 and is incorporated herein by reference and is also available on EDGAR at www.sec.gov and SEDAR+ at www.sedarplus.com.

## CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

This document, which includes the information set forth in the exhibits hereto, contains statements that constitute “forward-looking information” within the meaning of applicable securities laws in each of the provinces and

territories of Canada and the respective policies, regulations and rules under such laws and/or "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking information"). The words "aims", "anticipates", "believes", "budget", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would", "seeks", strives", "targets" (and grammatical variations of such terms) and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. The forward-looking information contained herein is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information.

The sections entitled "Caution Concerning Forward-Looking Statements and Forward-Looking Information" set forth in each of Exhibits 99.1 and 99.3 hereto are incorporated by reference herein. You should carefully review such information for examples of specific forward-looking information included and incorporated in this document, for examples of factors or assumptions reflected in the forward-looking information and for a summary of risks, uncertainties and other factors that could cause actual results to differ materially from historical or anticipated results.

Forward-looking information contained herein (including any financial outlook) is provided for the purposes of assisting the reader in understanding the Company and its business, operations, risks, financial performance, financial position and cash flows as at and for the periods indicated and to present information about management's current expectations and plans relating to the future and the reader is cautioned that such information may not be appropriate for other purposes. Forward-looking information contained herein is made as of the date of this document and based on the plans, beliefs, estimates, projections, expectations, opinions and assumptions of management on the date hereof. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information. While subsequent events and developments may cause the Company's views to change, the Company disclaims any obligation to update any forward-looking information or to explain any material difference between subsequent actual events and such forward-looking information, except to the extent required by applicable law. All forward-looking information contained herein is qualified by these cautionary statements.

All forward-looking information is given pursuant to the "safe harbor" provisions of applicable securities legislation.

## IDENTIFICATION OF THE AUDIT & FINANCE COMMITTEE

AQN has a standing audit & finance committee of its board of directors established in accordance with Section 3(a)(58)(A) of the Exchange Act. The information provided under the heading "Audit & Finance Committee" identifying AQN's audit & finance committee and confirming the independence of the audit & finance committee in the AIF, filed as Exhibit 99.1 to this annual report on Form 40-F, is incorporated by reference herein.

## INTERACTIVE DATA FILE

The required disclosure for the fiscal year ended December 31, 2023 is filed as Exhibit 101 to this annual report on Form 40-F.

## MINE SAFETY DISCLOSURE

Not applicable.

## COMPARISON OF NYSE CORPORATE GOVERNANCE RULES

AQN is subject to corporate governance requirements prescribed under applicable Canadian corporate governance practices, including the rules of the Toronto Stock Exchange ("Canadian Rules"). AQN is also subject to corporate governance requirements prescribed by the listing standards of the New York Stock Exchange ("NYSE") Stock Market, and certain rules and regulations promulgated by the SEC under the Exchange Act (including those applicable rules and regulations mandated by the Sarbanes-Oxley Act of 2002). In particular, Section 303A.06 of the NYSE Listed Company Manual requires AQN to have an audit committee that meets the requirements of Rule 10A-3 of the Exchange Act, and Section 303A.011 of the NYSE Listed Company Manual requires AQN to disclose any significant ways in which its corporate governance practices differ from those followed by U.S. companies listed on the NYSE. A description of those differences follows.

Section 303A.01 of the NYSE Listed Company Manual requires that boards have a majority of independent directors and Section 303A.02 defines independence standards for directors. AQN's board of directors is responsible for determining whether or not each director is independent. In making this determination, the board of directors has adopted the higher standard of "independence" that applies to each member of its audit & finance committee pursuant to Canadian National Instrument 52-110 Audit Committees and Rule 10A-3 of the Exchange Act instead of the definition of independence set forth in the NYSE rules. In applying this Canadian standard, the board of directors considers all relationships of its directors, including business, family and other relationships. Through this process, AQN's board of directors also determines whether each member of its audit & finance committee is independent pursuant to Canadian National Instrument 52-110 Audit Committees and Rule 10A-3 of the Exchange Act.

Section 303A.04(a) of the NYSE Listed Company Manual requires that all members of the nominating/corporate governance committee be independent as defined in the NYSE rules. In making this determination, the board of directors has adopted the standard of "independence" applicable to members of its audit & finance committee, described in the preceding paragraph, rather than the NYSE rules.

Section 303A.05(a) of the NYSE Listed Company Manual requires that all members of the compensation committee be independent as defined in the NYSE rules. In making this determination, the board of directors has adopted the standard of "independence" applicable to members of its audit & finance committee, described above, rather than the NYSE rules.

Section 303A.07(b)(iii)(A) of the NYSE Listed Company Manual requires, among other things, that the written charter of the audit committee state that the audit committee at least annually, obtain and review a report by the independent auditor describing the firm's internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues. The written charter of the audit & finance committee complies with Canadian Rules, and requires that prior to the completion of each annual external audit the audit & finance committee review and discuss with management and the external auditor the adequacy of the Company's internal controls, but does not explicitly require that the audit & finance committee at least annually obtain and review a report from the independent auditor regarding the matters noted above, which is not required by Canadian Rules.

Section 303A.08 of the NYSE Listed Company Manual requires that shareholders of a listed company be given the opportunity to vote on all equity compensation plans and material revisions thereto. AQN complies with Canadian Rules, which generally require that shareholders approve equity compensation plans. However, the Canadian Rules are not identical to the NYSE Rules. For example, Canadian Rules require shareholder approval of equity compensation plans only when such plans involve the issuance or potential issuance of newly issued securities. In addition, equity compensation plans that do not provide for a fixed maximum number of securities to be issued must have a rolling maximum number of securities to be issued, based on a fixed percentage of the issuer's outstanding securities and must also be approved by shareholders every three years. If a plan provides a procedure for its amendment, Canadian Rules require shareholder approval of amendments only where the amendment involves a reduction in the exercise price or purchase price, or an extension of the term of an award, benefiting an insider, the removal or exceeding of the insider participation limit prescribed by the Canadian Rules, an increase to the maximum number of securities issuable, or is an amendment to the amending provision itself.

Section 303A.09 of the NYSE Listed Company Manual requires that a listed company adopt and disclose corporate governance guidelines that address certain topics, including director compensation guidelines. AQN has adopted its Board Mandate, which is the equivalent of corporate governance guidelines, in compliance with the Canadian Rules. AQN's corporate governance guidelines do not address director compensation, but AQN provides disclosure about the decision making process for non-employee director compensation in the annual management information circular and AQN has adopted equity ownership guidelines for non-employee directors.

Section 303A.10 of the NYSE Listed Company Manual requires that a listed company's code of business conduct and ethics mandate that any waiver of the code for executive officers or directors may be made only by the board or a board committee and must be promptly disclosed to shareholders. AQN's code of business conduct and ethics complies with Canadian Rules. Waivers must receive prior approval by the board and will be disclosed promptly in accordance with applicable securities laws and AQN's disclosure policy.

Section 303A.14 of the NYSE Listed Company Manual requires that a listed company adopt and comply with a written recovery policy providing that the listed company will recover reasonably promptly the amount of erroneously awarded incentive-based compensation in the event that the listed company is required to prepare an accounting restatement due to the material noncompliance of the listed company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in

previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period. While the Canadian Rules do not require that an issuer adopt a written recovery policy, the Company has adopted a compensation clawback policy that complies with Section 303A.14 of the NYSE Listed Company Manual. The Company's compensation clawback policy also provides that where (i) a senior executive was engaged in conduct determined to be misconduct (as defined in the policy); or (ii) clawback is required under applicable law, rule or regulation or by a regulatory body, the Human Resources and Compensation Committee has the ability in its discretion to recoup amounts paid or awarded to any executive officer as performance-based compensation or to cancel any performance-based compensation awards made to any executive officer within the three preceding years.

Section 312 of the NYSE Listed Company Manual requires that a listed company obtain shareholder approval prior to the issuance of securities in connection with, among other things, the establishment or amendment of certain equity compensation plans, issuances of securities to related parties, the issuance of 20% or greater of shares outstanding or voting power and issuances that will result in a change in control. AQN has elected to follow the Canadian Rules for shareholder approval of new issuances of its common shares instead of the NYSE shareholder approval rules. Under the Canadian Rules, shareholder approval is required for certain issuances of shares that (i) materially affect control of AQN or (ii) provide consideration to insiders in aggregate of 10% or greater of the market capitalization of the listed issuer and have not been negotiated at arm's length. Shareholder approval is also required, pursuant to the Canadian Rules, in the case of private placements (x) for an aggregate number of listed securities issuable greater than 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the transaction if the price per security is less than the market price or (y) that during any six month period are to insiders for listed securities or options, rights or other entitlements to listed securities greater than 10% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of the closing of the first private placement to an insider during the six month period.

In addition to the foregoing, the Company may from time-to-time seek relief from the NYSE corporate governance requirements on specific transactions under the NYSE Listed Company Guide, in which case, the Company expects to make the disclosure of such transactions available on the Company's website at www.algonquinpowerandutilities.com. Information contained on the Company's website is not part of this annual report on Form 40-F.

## UNDERTAKING

AQN undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the SEC staff, and to furnish promptly, when requested to do so by the SEC staff, information relating to the securities in relation to which the obligation to file an annual report on Form 40-F arises or transactions in said securities.

## CONSENT TO SERVICE OF PROCESS

AQN previously filed with the SEC a written irrevocable consent and power of attorney on Form F-X. Any change to the name or address of the agent for service of AQN shall be communicated promptly to the SEC by amendment to Form F-X referencing the file number of AQN.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

ALGONQUIN POWER & UTILITIES CORP.
(Registrant)

Date: March 8, 2024

By: /s/ Darren Myers
Name: Darren Myers
Title: Chief Financial Officer

**EXHIBIT INDEX**

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|---|---|
| 97 | Stock Exchange Recoupment Policy. |
| 99.1 | Annual Information Form of AQN for the year ended December 31, 2023. |
| 99.2 | Audited Annual Financial Statements of AQN for the year ended December 31, 2023. |
| 99.3 | Management's Discussion & Analysis of AQN for the year ended December 31, 2023. |
| 99.4 | Consent Letter from Ernst & Young LLP. |
| 99.5 | Certifications of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
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Algonquin

# Stock Exchange Recoupment Policy

## 1.0 Purpose

This Stock Exchange Recoupment Policy provides for the recoupment by Algonquin Power & Utilities Corp. (the "**Corporation**") of certain incentive-based compensation in the event of a Financial Restatement and has been adopted in compliance with the requirements of Section 10D of the U.S. *Securities Exchange Act of 1934* and the listing standards of the New York Stock Exchange (the "**Exchange**"). It shall apply so long as the Corporation has a class of securities publicly listed on a United States national securities exchange or a national securities association.

## 2.0 Definitions

For the purposes of this Stock Exchange Recoupment Policy:

"**Board**" means the board of directors of the Corporation;

"**Committee**" means the Human Resources and Compensation Committee of the Board or, in the absence of such committee, a majority of independent directors serving on the Board;

"**Executive Officer**" means, with respect to the Corporation: (i) its president; (ii) its principal financial officer; (iii) its principal accounting officer (or if there is no such accounting officer, its controller); (iv) any vice president in charge of a principal business unit, division or function (such as sales, administration or finance); (v) any other officer who performs a policy making function for the Corporation (including any officer of the Group if they perform policy making functions for the Corporation); and (vi) any other person who performs similar policy making functions for the Corporation;

"**Financial Reporting Measure**" means any: (i) measure that is determined and presented in accordance with the accounting principles used in preparing the Corporation's financial statements; (ii) stock price; (iii) total shareholder return; and (iv) any measures that are derived wholly or in part from any measure referenced in (i), (ii) or (iii) and, for the avoidance of doubt, such measures need not be presented within the Corporation's financial statements or included in a filing with the U.S. Securities and Exchange Commission to constitute a Financial Reporting Measure;

"**Financial Restatement**" means an accounting restatement of any of the interim quarterly or annual consolidated financial statements of the Corporation due to the material non-compliance of the Corporation with any financial reporting requirement under securities laws, including any required accounting restatement to correct: (i) an error in previously issued financial statements that is material to the previously issued financial statements; or (ii) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period, but does not include:

(1) an out-of-period adjustment (*i.e.*, the correction of an immaterial error in previously issued financial statements, provided that such correction is immaterial to the current period);

(2) an accounting restatement pursuant to an order issued by an applicable securities regulatory authority (provided such order is unrelated to any material non-compliance of the Corporation with any financial reporting requirement under securities laws);

(3) the retrospective application of a change in accounting principles;

(4) the retrospective revision to reportable segment information due to a change in the structure of the Corporation's internal organization;

(5) a retrospective reclassification due to a discontinued operation;

(6) the retrospective application of a change in reporting entity, such as from a reorganization of entities under common control;

(7) retrospective adjustments to provisional amounts in connection with a prior business combination; and

(8) retrospective revision for stock splits, stock dividends, or other changes in the Corporation's capital structure.

"**FRM-Based Incentive Compensation**" means any compensation that is: (i) granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure; or (ii) determined based on (or otherwise calculated by reference to) compensation in clause (i) of this definition (this may include, without limitation, amounts under any long-term disability, life insurance or supplemental retirement or severance plan or agreement, any notional account that is based thereon, as well as any earnings or dividend equivalents accrued thereon);

"**Group**" means, collectively, the Corporation, its parent(s) (if any) and all of its subsidiaries;

"**Received**", with respect to FRM-Based Incentive Compensation, occurs in the Corporation's fiscal period during which the Financial Reporting Measure applicable to such FRM-Based Incentive Compensation is attained, even if the grant or payment of the FRM-Based Incentive Compensation occurs after the end of that period;

"**Recoupment Period**" means the three fiscal years completed immediately preceding the date of any applicable Restatement Date plus any transition period (that results from a change in the Corporation's fiscal year) within or immediately following those three completed fiscal years, provided that a transition period between the last day of the Corporation's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months would be deemed a completed fiscal year;

"**Restatement Date**" has the meaning set out in Section 3.0 of this Stock Exchange Recoupment Policy; and

"**Restatement Recoupment Amount**" means the amount determined under Section 4.1 of this Stock Exchange Recoupment Policy.

### 3.0 When FRM-Based Incentive Compensation is Subject to Recoupment

In the event of a Financial Restatement, FRM-Based Incentive Compensation shall be subject to recoupment under this Stock Exchange Recoupment Policy as of the date (the "**Restatement Date**") which is the earlier to occur of: (i) the date the Board, a committee of the Board, or the officer or officers of the Corporation authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Corporation is required to prepare a Financial Restatement; or (ii) the date a court, regulator, or other legally authorized body directs the Corporation to prepare a Financial Restatement.

Notwithstanding the foregoing, recoupment will not apply to FRM-Based Incentive Compensation Received: (i) by a person prior to October 2, 2023; (ii) prior to the date the person became an Executive Officer; or (iii) by a person if they were not an Executive Officer during the performance period applicable to such FRM-Based Incentive Compensation.

## 4.0 Recoupment Process for FRM-Based Incentive Compensation

### 4.1 Determination of Restatement Recoupment Amount

Subject to Section 4.3 of this Stock Exchange Recoupment Policy, the **Restatement Recoupment Amoun**t" shall be the amount by which the FRM-Based Incentive Compensation Received by the Executive Officer during the Recoupment Period exceeds the amount the Executive Officer would have Received during that period had it been determined based on the restated amounts in the Financial Restatement, measured on a before-tax basis, as determined by the Committee. Where the Restatement Recoupment Amount is not subject to mathematical recalculation directly from the information in the Financial Restatement (such as if it is based on stock price or total shareholder return), then: (i) the amount will be based on a reasonable estimate of the effect of the Financial Restatement on the applicable Financial Reporting Measure; (ii) the Corporation will maintain documentation related to that determination; and (iii) the Corporation will provide such documentation to the Exchange.

### 4.2 Procedure for Recoupment

The Corporation will reasonably promptly recover the Restatement Recoupment Amount. The Committee shall determine, in its sole discretion and subject to applicable law, the method for recovery of any Restatement Recoupment Amount, which to the fullest extent permitted by applicable law may include: (i) withholding, forfeiting, and/or cancelling the FRM-Based Incentive Compensation of the individual; (ii) cancelling or setting-off against planned future grants of FRM-Based Incentive Compensation; (iii) requiring repayment of FRM-Based Incentive Compensation amounts previously received by the individual; and/or (iv) setting off against any other amounts payable to the individual.

Except as set forth in Section 4.3 below, the Corporation may not accept an amount that is less than the Restatement Recoupment Amount in satisfaction of the Executive Officer's obligations under this Stock Exchange Recoupment Policy.

To the extent that an Executive Officer has already reimbursed or repaid the Corporation for any Restatement Recoupment Amount received under any duplicative recovery obligations established by the Corporation or applicable law, such amount shall be credited to the Restatement Recoupment Amount that is subject to recovery under this Stock Exchange Recoupment Policy.

### 4.3 Exceptions to FRM-Based Incentive Compensation Recoupment Requirement

Notwithstanding anything to the contrary in this Stock Exchange Recoupment Policy, the Corporation may elect not to recover some or all of the Restatement Recoupment Amount to the extent the Committee determines that recovery would be impracticable and at least one of the following conditions, and any other requirements of applicable law, are met:

(i) the direct expense paid to a third party to assist in enforcing this Stock Exchange Recoupment Policy would exceed the Restatement Recoupment Amount, and the Corporation: (1) has made a reasonable attempt to recover the Restatement Recoupment Amount; (2) documented such attempt; and (3) provided such documentation to the Exchange;

(ii) recovery of the Recoupment Amount by the Corporation would violate applicable laws in Canada that were adopted prior to November 28, 2022 and the Corporation: (1) has obtained an opinion of Canadian counsel that recovery would result in a violation of such laws; and (2) has provided such opinion to the Exchange; or

(iii) recovery of the Restatement Recoupment Amount would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Corporation, to fail to meet the requirements of Sections 401(a)(13) or 411(a) of the U.S. *Internal Revenue Code of 1986*, as amended.

### 4.4 No Indemnification or Compensation for Recoupment

Notwithstanding any provision of the Articles or By-laws of the Corporation or of any agreement between the Corporation and an employee, employees are not entitled to be indemnified for any portion of any FRM-Based Incentive Compensation which is subject to recoupment under this Stock Exchange Recoupment Policy or any taxes previously paid or other costs associated with the receipt of such FRM-Based Incentive Compensation or the application of this Stock Exchange Recoupment Policy.

### 4.5 Administration

The Committee shall administer this Stock Exchange Recoupment Policy and may make all determinations under it, and all such determinations will be final and binding on all interested parties.

Algonquin

# ALGONQUIN POWER & UTILITIES CORP.

## ANNUAL INFORMATION FORM
For the year ended December 31, 2023

March 8, 2024

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## Caution Concerning Forward-Looking Statements and Forward-Looking Information

This document may contain statements that constitute “forward-looking information” within the meaning of applicable securities laws in each of the provinces and territories of Canada and the respective policies, regulations and rules under such laws or “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 (collectively, “forward-looking information”). The words “aims”, “anticipates”, “believes”, “budget”, “could”, “estimates”, “expects”, “forecasts”, “intends”, “may”, “might”, “plans”, “projects”, “schedule”, “should”, “targets”, “will”, “would”, “seeks”, “strives” (and grammatical variations of such terms) and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. Specific forward-looking information in this document includes, but is not limited to, statements relating to: expected future investments and growth, results of operations, performance, business prospects and opportunities of the Corporation; the proposed sale of the Corporation's renewable energy business and the anticipated impact thereof on the Corporation; expectations regarding earnings and cash flows; share price appreciation; expectations regarding the use of proceeds from financings; expectations regarding credit ratings and the maintenance thereof and equity credit from rating agencies, including expectations regarding the resolution of rating watches related to the intended sale of the Corporation’s renewable energy business; statements relating to renewable energy credits expected to be generated and sold; statements regarding the Corporation’s sustainability and environmental, social and governance goals, including its net-zero by 2050 target; expectations and plans with respect to current and planned projects; expectations with respect to revenues pursuant to Offtake Contracts; financing plans; the expected generating capacity and completion of the Sandhill project; asset sales; sources of funding, including adequacy and availability of credit facilities, cash flows from operations, capital markets financing, and asset recycling initiatives; anticipated customer benefits; ongoing and planned acquisitions, dispositions, projects, initiatives or other transactions, including expectations regarding timing, costs, financing, results, ownership structures, regulatory matters, in-service dates and completion dates; expectations regarding the Corporation’s corporate development activities and the results thereof; expectations regarding future capital investments and development pipeline, including expected timing, investment plans, sources of funds and impacts; expectations regarding the outcome of legal claims and disputes; strategy and goals; expected demand for renewable sources of power; expected capacity of and energy sales from new energy projects and existing facilities; joint ventures; environmental liabilities; dividends to shareholders, including the sustainability thereof and the Corporation's ability to achieve its targeted annual dividend payout ratio; the Reinvestment Plan; expectations regarding future "greening the fleet" initiatives; the future impact on the Corporation of actual or proposed laws, regulations and rules; the expected impact of changes in customer usage on the Regulated Services Group’s revenue; accounting estimates; the implementation of new technology systems and infrastructure, including the expected timing thereof; financing costs; and currency exchange rates. All forward-looking information is given pursuant to the “safe harbour” provisions of applicable securities legislation.

The forecasts and projections that make up the forward-looking information contained herein are based on certain factors or assumptions which include, but are not limited to: the receipt of applicable regulatory approvals and requested rate decisions; the absence of material adverse regulatory decisions being received and the expectation of regulatory stability; the absence of any material equipment breakdown or failure; availability of financing (including tax equity financing and self-monetization transactions for U.S. federal tax credits) on commercially reasonable terms and the stability of credit ratings of AQN and its subsidiaries; the absence of unexpected material liabilities or uninsured losses; the continued availability of commodity supplies and stability of commodity prices; the absence of interest rate increases or significant currency exchange rate fluctuations; the absence of significant operational, financial or supply chain disruptions or liability, including relating to import controls and tariffs; the continued ability to maintain systems and facilities to ensure their continued performance; the absence of a severe and prolonged downturn in general economic, credit, social or market conditions; the successful and timely development and construction of new projects; the closing of pending acquisitions substantially in accordance with the expected timing for such acquisitions; the absence of capital project or financing cost overruns; sufficient liquidity and capital resources; the continuation of long-term weather patterns and trends; the absence of significant counterparty defaults; the continued competitiveness of electricity pricing when compared with alternative sources of energy; the realization of the anticipated benefits of the Corporation’s acquisitions and joint ventures; the absence of a change in applicable laws, political conditions, public policies and directions by governments materially negatively affecting the Corporation; the ability to obtain and maintain licenses and permits; maintenance of adequate insurance coverage; the absence of material fluctuations in market energy prices; the absence of material disputes with taxation authorities or changes to applicable tax laws; continued

maintenance of information technology infrastructure and the absence of a material breach of cybersecurity; the successful implementation of new information technology systems and infrastructure; favourable relations with external stakeholders; favourable labour relations; that the Corporation will be able to successfully integrate newly acquired entities, and the absence of any material adverse changes to such entities prior to closing; the absence of undisclosed liabilities of entities being acquired; that such entities will maintain constructive regulatory relationships with applicable regulatory authorities; the ability of the Corporation to retain key personnel of acquired entities and the value of such employees; no adverse developments in the business and affairs of the sellers during the period when transitional services are provided to the Corporation in connection with any acquisition; the ability of the Corporation to satisfy its liabilities and meet its debt service obligations following completion of any acquisition; the absence of any reputational harm to the Corporation as a result of any acquisition; the ability of the Corporation to successfully execute future “greening the fleet” initiatives; and the ability of the Corporation to effect a sale of its renewable energy business and realize the anticipated benefits therefrom.

The forward-looking information contained herein is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. Factors which could cause results or events to differ materially from current expectations include, but are not limited to: changes in general economic, credit, social or market conditions; changes in customer energy usage patterns and energy demand; reductions in the liquidity of energy markets; global climate change; the incurrence of environmental liabilities; natural disasters, diseases, pandemics, public health emergencies and other force majeure events and the collateral consequences thereof, including the disruption of economic activity, volatility in capital and credit markets and legislative and regulatory responses; critical equipment breakdown or failure; supply chain disruptions; the imposition of import controls or tariffs; the failure of information technology infrastructure and other cybersecurity measures to protect against data, privacy and cybersecurity breaches; failure to successfully implement, and cost overruns and delays in connection with, new information technology systems and infrastructure; physical security breach; the loss of key personnel and/or labour disruptions; seasonal fluctuations and variability in weather conditions and natural resource availability; reductions in demand for electricity, water and natural gas due to developments in technology; reliance on transmission systems owned and operated by third parties; issues arising with respect to land use rights and access to the Corporation’s facilities; terrorist attacks; fluctuations in commodity and energy prices; capital expenditures; reliance on subsidiaries; the incurrence of an uninsured loss; a credit rating downgrade; an increase in financing costs or limits on access to credit and capital markets; inflation; increases and fluctuations in interest rates and failure to manage exposure to credit and financial instrument risk; currency exchange rate fluctuations; restricted financial flexibility due to covenants in existing credit agreements; an inability to refinance maturing debt on favourable terms; disputes with taxation authorities or changes to applicable tax laws; failure to identify, acquire, develop or timely place in service projects to maximize the value of tax credits; requirement for greater than expected contributions to post-employment benefit plans; default by a counterparty; inaccurate assumptions, judgments and/or estimates with respect to asset retirement obligations; failure to maintain required regulatory authorizations; changes in, or failure to comply with, applicable laws and regulations; failure of compliance programs; failure to identify attractive acquisition or development candidates necessary to pursue the Corporation’s growth strategy; failure to dispose of assets (at all or at a competitive price) to fund the Corporation’s operations and growth plans; delays and cost overruns in the design and construction of projects; loss of key customers; failure to complete or realize the anticipated benefits of acquisitions or joint ventures; Atlantica or a third party joint venture partner acting in a manner contrary to the Corporation’s interests; a drop in the market value of Atlantica’s ordinary shares; facilities being condemned or otherwise taken by governmental entities; increased external stakeholder activism adverse to the Corporation’s interests; fluctuations in the price and liquidity of the Common Shares and the Corporation's other securities; impact of significant demands placed on the Corporation as a result of pending acquisitions or growth strategies; potential undisclosed liabilities of any entities being acquired by the Corporation; uncertainty regarding the length of time required to complete pending acquisitions; the failure to implement the Corporation’s strategic objectives or achieve expected benefits relating to acquisitions, dispositions or other initiatives, including with respect to the intended sale of the Corporation's renewable energy business; the possibility of adverse reactions or changes in business relationships or relationships with employees resulting from the announcement or completion of the intended sale of the Corporation's renewable energy business; risks relating to the diversion of the Board’s or management’s attention in connection with the intended sale of the Corporation's renewable energy business; indebtedness of any entity being acquired by the Corporation; reputational harm and increased costs of compliance with environmental laws as a result of announced or completed acquisitions; unanticipated expenses and/or cash payments as a result of change of control and/or termination for convenience provisions in agreements to which any entity being acquired is a party; and the reliance on third parties for certain transitional services following the completion of an acquisition. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be

other factors that cause actions, events or results not to be as anticipated, estimated or intended. Some of these and other factors are discussed in more detail under the heading “Enterprise Risk Factors” in this AIF and under the heading “Enterprise Risk Management” in the Corporation’s management discussion and analysis for the three and twelve months ended December 31, 2023 (which may be found on SEDAR+ at www.sedarplus.com and on EDGAR at www.sec.gov/edgar) (the “**MD&A**”).

Forward-looking information contained herein is provided for the purposes of assisting the reader in understanding the Corporation and its business, operations, risks, financial performance, financial position and cash flows as at and for the periods indicated and to present information about management’s current expectations and plans relating to the future, and the reader is cautioned that such information may not be appropriate for other purposes. Forward-looking information contained herein is made as of the date of this document and based on the plans, beliefs, estimates, projections, expectations, opinions and assumptions of management on the date hereof. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information. While subsequent events and developments may cause the Corporation’s views to change, the Corporation disclaims any obligation to update any forward-looking information or to explain any material difference between subsequent actual events and such forward-looking information, except to the extent required by applicable law. All forward-looking information contained herein is qualified by these cautionary statements.

## Explanatory Notes

All information contained in this AIF is presented as at December 31, 2023, unless otherwise specified. In this AIF, all dollar figures are in U.S. dollars, unless otherwise indicated.

The term “rate base” is used in this document. Rate base is a measure specific to rate-regulated utilities that is not intended to represent any financial measure as defined by U.S. GAAP. The measure is used by the regulatory authorities in the jurisdictions where the Corporation’s rate-regulated subsidiaries operate. The calculation of this measure may not be comparable to similarly titled measures used by other companies.

# 1. CORPORATE STRUCTURE

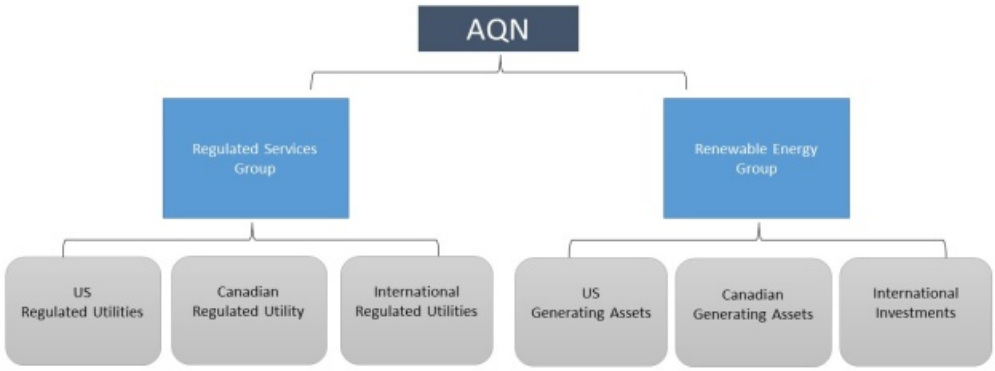
## 1.1 Name, Address and Incorporation

Algonquin Power & Utilities Corp. (“**AQN**”) was originally incorporated under the *Canada Business Corporations Act* on August 1, 1988 as Traduction Militech Translation Inc. Pursuant to articles of amendment dated August 20, 1990 and January 24, 2007, the Corporation amended its articles to change its name to Société Hydrogenique Incorporée – Hydrogenics Corporation and Hydrogenics Corporation – Corporation Hydrogenique, respectively. Pursuant to a certificate and articles of arrangement dated October 27, 2009, the Corporation, among other things, created a new class of common shares, transferred its existing operations to a newly formed independent corporation, exchanged new common shares for all of the trust units of Algonquin Power Co. (“**APCo**”) and changed its name to Algonquin Power & Utilities Corp. AQN amended its articles on November 2, 2012, January 1, 2013, February 27, 2014, October 16, 2018, May 21, 2019 and January 14, 2022 to provide for the creation of series of preferred shares of the Corporation. See “Description of Capital Structure – Preferred Shares”. On June 10, 2016, the Corporation amended its articles to provide for a minimum of three directors and a maximum of 20 directors and to provide that the registered office of the Corporation be situated anywhere within the Province of Ontario. The head and registered office of AQN is located at Suite 100, 354 Davis Road, Oakville, Ontario L6J 2X1.

Unless the context indicates otherwise, references in this AIF to the “**Corporation**” refer collectively to AQN, its direct or indirect subsidiary entities and partnership interests held by AQN and its subsidiary entities.

## 1.2 Intercorporate Relationships

Most of the Corporation's business is conducted through subsidiary entities, including those entities which hold project assets. The following chart depicts, in summary form, the Corporation's key businesses as of the date of this AIF.




The following table outlines the Corporation's significant subsidiaries, and excludes certain other subsidiaries. The assets and revenues of the excluded subsidiaries did not individually exceed 10%, or in the aggregate exceed 20%, of the total consolidated assets or total consolidated revenues of the Corporation as at December 31, 2023. 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 |
|---|---|---|---|
| **REGULATED SERVICES GROUP** | | | |
| Liberty Utilities (Canada) Corp. | | Canada | 100% |
| Liberty Utilities Co. ("**Liberty Utilities**") | | 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% |
| Liberty Utilities (Litchfield Park Water & Sewer) Corp. | Owner of the Litchfield Park Water System | Arizona | 100% |
| Liberty Utilities (Midstates Natural Gas) Corp. | Owner of the Midstates Gas Systems | Missouri | 100% |
| Liberty Utilities (Peach State Natural Gas) Corp. | Owner of the Peach State Gas System | Georgia | 100% |
| Liberty Utilities (New England Natural Gas Company) Corp. | Owner of the New England Gas System | Delaware | 100% |
| Liberty Utilities (New York Water) Corp. | Owner of the New York Water System | New York | 100% |
| Liberty Utilities (St. Lawrence Gas) Corp. | Owner of the St. Lawrence Gas System | New York | 100% |
| The Empire District Electric Company ("**Empire**") | Owner of, among other things, electric and electric transmission utility assets serving locations in Missouri, Kansas, Oklahoma and Arkansas, and power generation assets | Kansas | 100% |
| Neosho Ridge Wind, LLC | Owner of the Neosho Ridge Wind Facility | Delaware | 100%[1] |
| North Fork Ridge Wind, LLC | Owner of the North Fork Ridge Wind Facility | Delaware | 100%[1] |

| Significant Subsidiaries | Description | Jurisdiction | Ownership of Voting Securities |
|---|---|---|---|
| Kings Point Wind, LLC | Owner of the Kings Point Wind Facility | Delaware | 100%[1] |
| The Empire District Gas Company ("**EDG**") | Operator of a natural gas distribution utility in Missouri | Kansas | 100% |
| Liberty Utilities (Canada) LP ("**Liberty Utilities Canada**") | | Ontario | 100% |
| Liberty Utilities (Gas New Brunswick) LP | Owner of the New Brunswick Gas System | New Brunswick | 100% |
| Bermuda Electric Light Company Limited ("**BELCO**") | Owner of an electric distribution, transmission and generation system in Bermuda | Bermuda | 100% |
| Suralis S.A. ("**Suralis**") (previously known as Empresa de Servicios Sanitarios de Los Lagos S.A. ) | Owner of a water and wastewater system in Chile | Chile | 64% |
| **RENEWABLE ENERGY GROUP** | | | |
| Liberty (AY Holdings) B.V. ("**AY Holdings**") | Owner of approximately 42% equity interest in Atlantica | Netherlands | 100% |
| Algonquin Power Co. | | Ontario | 100% |
| Altavista Solar, LLC | Owner of the Altavista Solar Facility | Virginia | 100% |
| Deerfield Wind Energy, LLC | Owner of the Deerfield I Wind Facility | Delaware | 51%[2] |
| Deerfield Wind Energy 2, LLC | Owner of the Deerfield II Wind Facility | Delaware | 100[1] |
| GSG 6, LLC | Owner of the Shady Oaks I Wind Facility | Illinois | 100% |
| Maverick Creek Wind, LLC | Owner of the Maverick Creek Wind Facility | Delaware | 100%[1] |
| Minonk Wind, LLC | Owner of the Minonk Wind Facility | Delaware | 100% |
| Odell Wind Farm, LLC | Owner of the Odell Wind Facility | Minnesota | 51%[2] |
| Senate Wind, LLC | Owner of the Senate Wind Facility | Delaware | 100% |
| St. Leon Wind Energy LP ("**St. Leon LP**") | Owner of the St. Leon Wind Facility | Manitoba | 100% |
| Sugar Creek Wind One LLC | Owner of the Sugar Creek Wind Facility | Delaware | 51%[2] |

[1] The Corporation directly or indirectly holds 100% of the managing interests, with 100% of the tax equity interests directly or indirectly held by third-party partners.
[2] Indicates the managing interest held by the Corporation, with the remaining 49% managing interest held by a third-party partner. 100% of the tax equity interests are directly or indirectly held by third-party partners.

## 2. GENERAL DEVELOPMENT OF THE BUSINESS

The Corporation owns and operates a diversified portfolio of regulated and non-regulated generation, distribution, and transmission assets. Through its activities, the Corporation aims to drive growth in earnings and cash flows to support a sustainable dividend and share price appreciation. On August 10, 2023, AQN announced that it is pursuing a sale of its renewable energy business.

One of AQN's financial objectives is to maintain a BBB flat investment grade credit rating. In an effort to realize that objective, AQN monitors and strives to adhere to various targets communicated by rating agencies related to their assessments of financial and business risk at AQN. These targets currently include expectations that AQN satisfies specific leverage targets and continues to generate at least 70% of EBITDA (as determined by applicable rating agency methodologies) from AQN's Regulated Services Group. In pursuing its strategy, AQN seeks to evaluate investment opportunities with a view to preserving its ability to achieve these rating agency targets.

The Corporation's operations are organized across two primary business units consisting of: the Regulated Services Group, which primarily owns and operates a portfolio of regulated electric, water distribution and wastewater collection and natural gas utility systems and transmission operations in the United States, Canada, Bermuda and Chile; and the Renewable Energy Group, which primarily owns and operates, or has investments in, a diversified portfolio of non-regulated renewable and thermal energy generation assets.

| Regulated Services Group | Renewable Energy Group |
|---|---|
| Electric Utilities<br>Water and Wastewater Utilities<br>Natural Gas Utilities<br>Electric and Natural Gas Transmission<br>Energy Generation and Storage | Wind Power Generation<br>Solar Power Generation<br>Hydro Power Generation<br>Thermal Co-Generation<br>Renewable Natural Gas<br>Energy Storage |

### Regulated Services Group

The Regulated Services Group primarily operates a diversified portfolio of regulated utility systems located in the United States, Canada, Bermuda and Chile serving approximately 1,256,000 customer connections as of December 31, 2023. The Regulated Services Group seeks to provide safe, high-quality and reliable services to its customers and to deliver stable and predictable earnings to the Corporation. In addition to encouraging and supporting organic growth within its service territories, the Regulated Services Group may seek to deliver long-term growth through acquisitions of additional utility systems and pursuing "greening the fleet" opportunities.

### Renewable Energy Group

The Renewable Energy Group generates and sells electrical energy produced by its diverse portfolio of renewable power generation and clean power generation facilities located in the United States and Canada. The Renewable Energy Group seeks to deliver growth through new power generation projects and complementary projects, such as energy storage. The Renewable Energy Group has economic interests in hydroelectric, wind, solar, RNG and thermal facilities which, as of December 31, 2023, had a combined net generating capacity attributable to the Renewable Energy Group of approximately 2.7 GW. In addition, the Renewable Energy Group has an approximately 42% indirect beneficial interest in Atlantica.

## 2.1 Three Year History

The following is a description of the general development of the business of the Corporation over the last three fiscal years.

### 2.1.1 Fiscal 2021

### Corporate

#### (i) June 2021 Offering of Equity Units

On June 23, 2021, the Corporation closed an underwritten marketed public offering of 20,000,000 "green" equity units (the " **Equity Units**") for total gross proceeds of $1.0 billion (the "**Equity Unit Offering**"). The underwriters subsequently exercised their option to purchase an additional 3,000,000 Equity Units on the same terms as the Equity Unit Offering, bringing the total gross proceeds including the over-allotment to $1.15 billion.

At issuance, each Equity Unit consisted of a 1/20 or 5% undivided beneficial interest in a $1,000 principal amount 1.18% remarketable senior note of the Corporation due June 15, 2026, and a contract to purchase Common Shares on June 15, 2024 based on a reference price determined by the volume weighted average AQN common share price over the preceding 20 day trading period. Total annual distributions on the Equity Units are at the rate of 7.75%.

See "Description of Capital Structure – Equity Units" for additional details on the Equity Units.

#### (ii) Net-Zero Goal

On October 5, 2021, AQN announced its target to achieve net-zero (scope 1 and 2 greenhouse gas emissions) by 2050.

#### (iii) November 2021 Offering of Common Shares

On November 8, 2021, the Corporation completed a bought deal Common Share offering of 44,080,000 Common Shares, at a price of C$18.15 per share, for total gross proceeds of approximately C$800 million.

### Regulated Services Group

#### (i) Agreement to Acquire Kentucky Power Company and AEP Kentucky Transmission Company

On October 26, 2021, the Regulated Services Group, through Liberty Utilities, entered into an agreement (the " **Kentucky Acquisition Agreement**") with American Electric Power Company, Inc. and AEP Transmission Company, LLC (collectively, the " **Sellers**") to acquire Kentucky Power Company and AEP Kentucky Transmission Company, Inc. (the " **Kentucky Power Transaction**"). On April 17, 2023, Liberty Utilities and the Sellers mutually agreed to terminate the Kentucky Acquisition Agreement (the "**Kentucky Power Transaction Termination**").

#### (ii) Completion of Midwest Greening the Fleet Initiative

The Regulated Services Group successfully completed the construction and acquisition of all the wind facilities (North Fork Ridge, Kings Point and Neosho Ridge) related to its inaugural "greening the fleet" initiative. The initiative consisted of 600 MWs of strategically located wind energy generation benefitting the Regulated Services Group's electric customers in Missouri, Arkansas, Oklahoma and Kansas.

On January 27, 2021, Empire closed its acquisition of the North Fork Ridge Wind Facility, and on May 5, 2021, Empire closed the acquisitions of the Kings Point and Neosho Ridge Wind Facilities.

### Renewable Energy Group

#### (i) Issuance of C$400 Million of Senior Unsecured Debentures

On April 9, 2021, the Renewable Energy Group issued C$400 million of "green" senior unsecured debentures bearing interest at 2.85% and with a maturity date of July 15, 2031.The debentures were sold at a price of C$999.92 per C$1,000.00 principal amount.

#### (ii) Completion of the Maverick Creek Wind Facility, Altavista Solar Facility and Val-Éo Wind Facility

On April 21, 2021, the approximately 492 MW Maverick Creek Wind Facility, located in Concho County, Texas, achieved commercial operation. On June 1, 2021, the 80 MW Altavista Solar Facility, located in Campbell County, Virginia, achieved commercial operation. On December 31, 2021, the 24 MW Val-Éo wind facility, located in Lac-Saint-Jean-Est County, Québec, achieved commercial operation.

#### (iii) Acquisition of 51% Interest in a Portfolio of Texas Coastal Wind Facilities

In the first quarter of 2021, the Renewable Energy Group closed the acquisitions of a 51% interest in three of the four Texas Coastal Wind Facilities (Stella, Cranell and East Raymond) that it had previously agreed to purchase from RWE Renewables, a subsidiary of RWE AG. On August 12, 2021, the Renewable Energy Group closed the acquisition of a 51% interest in the West Raymond Wind Facility. The Texas Coastal Wind Facilities have a total generating capacity of approximately 861 MW. The Texas Coastal Wind Facilities are located in the coastal region of south Texas and provide a complementary wind resource to the Corporation's existing assets in the State.

## 2.1.2 Fiscal 2022

### Corporate

#### (i) Offering of Subordinated Notes

On January 18, 2022, AQN completed an underwritten offering of (i) C$400 million aggregate principal amount of 5.25% fixed-to-fixed reset rate junior subordinated notes series 2022-A (the "**2022-A Subordinated Notes**") due January 18, 2082 and (ii) $750 million aggregate principal amount of 4.75% fixed-to-fixed reset rate junior subordinated notes series 2022-B (the "**2022-B Subordinated Notes**") due January 18, 2082 (collectively, the "**2022 Subordinated Note Offerings**"). Upon the occurrence of certain bankruptcy-related events in respect of AQN, the 2022-A Subordinated Notes automatically convert into preferred shares, Series H of AQN (the "**Series H Shares**") and the 2022-B Subordinated Notes automatically convert into preferred shares, Series I of AQN (the "**Series I Shares**").

See "Description of Capital Structure – Subordinated Notes" for more detail on the 2022-A Subordinated Notes and the 2022-B Subordinated Notes and see "Description of Capital Structure – Preferred Shares" for more detail on the Series H Shares and Series I Shares.

#### (ii) At-the-Market Equity Program

On August 15, 2022, AQN re-established its at-the-market equity program, which allowed AQN to issue up to $500 million (or the equivalent in Canadian dollars) of Common Shares from treasury to the public from time to time, at AQN's discretion, at the prevailing market price when issued on the TSX, the NYSE or on any other existing trading market for the Common Shares in Canada or the United States. The at-the-market equity program terminated in accordance with its terms on December 19, 2023.

#### (iii) Management Change

On August 30, 2022, AQN announced that Arthur Kacprzak was stepping down as Chief Financial Officer and announced the appointment of Darren Myers to such role.

### Regulated Services Group

#### (i) Acquisition of Liberty New York Water (formerly New York American Water Corporation, Inc.)

Effective January 1, 2022, the Regulated Services Group closed the acquisition of New York American Water Company, Inc. (subsequently renamed Liberty Utilities (New York Water) Corp.) ("**Liberty New York Water**") for a purchase price of approximately $609 million. Liberty New York Water is a regulated water and wastewater utility serving over 127,000 customer connections across eight counties in southeastern New York. Operations include approximately 1,270 miles of water mains and distribution lines with 98% of customers in Nassau County on Long Island. The purchase price for the

acquisition of Liberty New York Water was funded through drawings on a $1.1 billion senior unsecured delayed draw non-revolving term credit facility of Liberty Utilities entered into on December 20, 2021.

For more detail on the New York Water System, see “Description of the Business – Regulated Services Group – Description of Operations – Water Distribution and Wastewater Collection Systems” below.

#### (ii) Regulated Services Group Credit Facilities

On April 29, 2022, the Regulated Services Group entered into a $1.0 billion senior unsecured revolving credit facility and a $500.0 million senior unsecured revolving credit facility.

### Renewable Energy Group

#### (i) Completion of the Blue Hill Wind Facility

On April 14, 2022, the 175 MW Blue Hill Wind Facility, located in southwest Saskatchewan achieved commercial operation. AQN subsequently sold an 80% ownership in the Blue Hill Wind Facility as part of the 2022 Asset Recycling Transaction.

See “Three Year History – Fiscal 2022 – Renewable Energy Group – Completion of Inaugural Asset Recycling Transaction” for more detail on the 2022 Asset Recycling Transaction.

#### (ii) Renewable Energy Group Credit Facilities

On July 22, 2022, the Renewable Energy Group entered into a $250 million uncommitted bilateral letter of credit facility.

#### (iii) Completion of Sandhill Renewable Natural Gas Acquisition

On August 5, 2022, the Renewable Energy Group completed its acquisition of Sandhill Advanced Biofuels, LLC (“ **Sandhill**”). Sandhill is a developer of RNG anaerobic digestion projects located on dairy farms with a portfolio of four projects in the state of Wisconsin. Two of the projects achieved commercial operation in August 2022, while the other two projects are expected to reach commercial operation in 2024. Once fully constructed, the portfolio is expected to produce RNG at a rate of approximately 500 million British thermal units per day. The acquisition represented the Corporation’s first investment in the non-regulated RNG space.

#### (iv) Completion of Asset Recycling Transaction

On December 29, 2022, the Renewable Energy Group closed the sale of ownership interests in a portfolio of operating wind facilities in the United States and Canada to InfraRed Capital Partners, an international infrastructure investment manager that is part of SLC Management, the institutional alternatives and traditional asset management business of Sun Life Financial Inc. (the “**2022 Asset Recycling Transaction**”). The 2022 Asset Recycling Transaction consisted of the sale of (1) a 49% ownership interest in three operating wind facilities in the United States totaling 551 MW of installed capacity: the Odell Wind Facility in Minnesota, the Deerfield I Wind Facility in Michigan, and the Sugar Creek Wind Facility in Illinois; and (2) an 80% ownership interest in the operating 175 MW Blue Hill Wind Facility in Saskatchewan. Total cash proceeds to the Corporation from the 2022 Asset Recycling Transaction were approximately $277.5 million for the U.S. facilities and approximately C$108.6 million for the Blue Hill Wind Facility (in each case subject to certain post-closing adjustments). The Renewable Energy Group oversees day-to-day operations and provides management services to each of the facilities.

## 2.1.3 Fiscal 2023

### Corporate

#### (i) Sustainability Linked Loan and Bilateral Credit Facility

On March 31, 2023, the Corporation completed an amendment and restatement of its senior unsecured revolving credit facility entered into as of July 12, 2019, which increased the borrowing capacity from $500 million to $1 billion and included sustainability-linked performance targets. The Corporation also entered into a new $75 million uncommitted bilateral credit facility on March 31, 2023.

#### (ii) Proposed Sale of Renewable Energy Business and Management Changes

On May 11, 2023, the Corporation announced that the Board had initiated a strategic review of its renewable energy business. To oversee the strategic review process, the Board formed a Strategic Review Committee, comprised of directors Chris Huskilson (Chair), Amee Chande and Dan Goldberg. On August 10, 2023, the Corporation announced that it is pursing a sale of its renewable energy business. Concurrently, the Corporation also announced that Arun Banskota was stepping down as President and Chief Executive Officer and as a member of the Board and announced the appointment of Christopher Huskilson as Interim Chief Executive Officer.

#### (iii) Redemption of Series C Preferred Shares

During the year ended December 31, 2023, 100 Series C Shares of AQN that had previously been issued in exchange for 100 Class B limited partnership units of St. Leon Wind Energy LP were redeemed for $14.5 million. As a result of the redemption, no Series C Shares of AQN remain outstanding.

**(iv) Redemption of 6.875% Fixed-to-Floating Subordinated Notes – Series 2018-A due 2078**

On November 6, 2023, AQN redeemed all $287,500,000 aggregate principal amount of its outstanding 6.875% Fixed-to-Floating Subordinated Notes – Series 2018-A due October 17, 2078 at a redemption price equal to 100% of the aggregate principal amount plus accrued and unpaid interest thereon.

### Regulated Services Group

**(i) Termination of Kentucky Power Transaction**

On April 17, 2023, Liberty Utilities and the Sellers mutually agreed to terminate the Kentucky Acquisition Agreement.

### Renewable Energy Group

**(i) Completion of the Deerfield II Wind Facility, Sandy Ridge II Wind Facility and Shady Oaks II Wind Facility**

On March 23, 2023, the Renewable Energy Group achieved full commercial operations at its approximately 112 MW Deerfield II Wind Facility, located in Huron County, Michigan. On September 16, 2023, the Renewable Energy Group achieved full commercial operations at the approximately 88 MW Sandy Ridge II Wind Facility, located in both Centre County and Blair County, Pennsylvania. On October 10, 2023, the Renewable Energy Group achieved full commercial operations at the approximately 108 MW Shady Oaks II Wind Facility, located in Illinois.

On June 15, 2023, the Renewable Energy Group completed the purchase of the remaining 50% equity interest in the Deerfield II Wind Facility which it did not previously own. On February 15, 2024, the Renewable Energy Group completed the purchase of the remaining 50% equity interest in the Sandy Ridge II Wind Facility which it did not previously own. The Renewable Energy Group holds a 50% equity interest in the Shady Oaks II Wind Facility which is accounted for using the equity method of accounting and holds a purchase option on the remaining 50% equity interest in such facility.

### 2.1.4 Fiscal 2024

### Regulated Services Group

**(i) Offering of Senior Unsecured Notes**

On January 12, 2024, Liberty Utilities completed an offering of $500 million aggregate principal amount of 5.577% senior notes due January 31, 2029 and $350 million aggregate principal amount of 5.869% senior notes due January 31, 2034 (the "**Senior Notes**").

**(ii) Offering of Securitized Utility Tariff Bonds**

On January 30, 2024, Empire District Bondco, LLC, a wholly owned subsidiary of Empire, completed an offering of approximately $180.5 million of aggregate principal amount of 4.943% Securitized Utility Tariff Bonds with a maturity date of January 1, 2035 and $125 million aggregate principal amount of 5.091% Securitized Utility Tariff Bonds with a maturity date of January 1, 2039, to recover previously incurred qualified extraordinary costs associated with the February 2021 extreme winter storm conditions experienced in Texas and parts of the central U.S. and energy transition costs related to the retirement of the Asbury generating plant. The principal asset securing these bonds is the securitized utility tariff property.

### Renewable Energy Group

**(i) Completion of the New Market Solar Facility**

On March 1, 2024, the Renewable Energy Group achieved full commercial operations at the approximately 100 MW New Market Solar Facility, located in Ohio. The Renewable Energy Group holds a 50% equity interest in the facility which is accounted for using the equity method of accounting and holds a purchase option on the remaining 50% equity interest.

**(ii) Sale of the Windsor Locks Thermal Cogeneration Facility**

On March 1, 2024, an indirect subsidiary of the Corporation closed the sale of Algonquin Power Windsor Locks LLC, which owns an approximately 75 MW natural gas-fired generating facility located in Windsor Locks, Connecticut.

# 3. DESCRIPTION OF THE BUSINESS

## 3.1 Regulated Services Group

The Regulated Services Group primarily operates a diversified portfolio of regulated utility systems located in the United States, Canada, Bermuda and Chile that, as at December 31, 2023, provided distribution services to approximately 1,256,000 customer connections in the electric (approximately 309,000 customer connections), water and wastewater (approximately 572,000 customer connections) and natural gas sectors (approximately 375,000 customer connections). See "Principal Revenue Sources" for a breakdown of revenue by regulated service type.

The Regulated Services Group's electrical distribution utility systems and related transmission and generation assets are located in the states of Arkansas, California, Kansas, Missouri, Nevada, New Hampshire, and Oklahoma, and in Bermuda. The Regulated Services Group's regulated water distribution and wastewater collection utility systems are located in the states of Arizona, Arkansas, California, Illinois, Missouri, New York and Texas, and in Chile. The Regulated Services Group's regulated natural gas distribution utility systems are located in the province of New Brunswick and the states of Georgia, Illinois, Iowa, Massachusetts, Missouri, New Hampshire and New York. The Regulated Services Group also owns and operates generating assets with a gross capacity of approximately 2.0 GW and has investments in generating assets with approximately 0.3 GW of net generation capacity. Below is a breakdown of revenue for the Regulated Services Group by geographic area for the twelve months ended December 31, 2023.

| Geographic Area | % of Total Revenue |
|---|---|
| United States | 83% |
| Canada | 3% |
| Bermuda | 10% |
| Chile | 4% |

### 3.1.1 Description of Operations

#### Electric Distribution Systems

**(i) Method of Providing Services and Distribution Methods**

Electric distribution is the final stage in the delivery system of providing electricity to end users. An electric distribution utility sources and distributes electricity to its customers through a network of buried or overhead lines. The electricity is sourced from power generation facilities. The electricity is transported from the source(s) of generation at high voltages through transmission lines and is then reduced through transformers to lower voltages at substations. The electricity from the substations is then delivered through distribution lines to the customers where the voltage is again lowered through a transformer for use by the customer.

The rates charged for electric distribution service are comprised of a fixed charge that recovers customer related costs, such as meter readings, and a variable rate component that recovers the cost of generation, transmission and distribution. Other revenues are comprised of fees for other services such as establishing a connection, late fee, reconnections, and energy efficiency programs.

The electric utilities located in Arkansas, California, Kansas, Missouri, New Hampshire and Oklahoma are subject to state regulation and rates charged by these utilities must be reviewed and approved by their respective state regulatory authorities. Similarly, the electric utility in Bermuda, BELCO, is subject to regulation by the RAB and its rates must be approved by the RAB.

**(ii) Principal Markets and Regulatory Environments**

The Regulated Services Group operates electrical distribution systems in the states of Arkansas, California, Kansas, Missouri, New Hampshire and Oklahoma, and in Bermuda under a cost-of-service methodology. The utilities use either a historical test year, adjusted pro forma for known and measurable changes in the establishment of their rates, or prospective test years based on expenses expected to be incurred in future periods. Pursuant to these methods, the revenue requirement upon which rates are based is determined by applying an approved return on rate base, and adding depreciation, operating expenses and administrative and general expenses.

Rate cases allow for a particular utility the opportunity to recover its appropriate operating costs and earn a reasonable rate of return on its capital investment as allowed by the regulatory authority under which the utility operates. The Regulated Services Group monitors the rates of return on its utility investments to determine the appropriate times to file rate cases in order to pursue its goal of earning a reasonable rate of return on our investments in accordance with any legal requirements.

**(iii) Selected Facilities**

(1) CalPeco Electric System

The CalPeco Electric System provides electric distribution service to the Lake Tahoe basin and surrounding areas. The service territory, centered on a highly popular tourist destination, has a customer base spread throughout Alpine, El Dorado, Mono, Nevada, Placer, Plumas and Sierra counties in northeastern California. CalPeco Electric System's connection base is primarily residential. Its commercial connections consist primarily of ski resorts, hotels, hospitals, schools and grocery stores. The CalPeco Electric System is regulated by the CPUC.

The Corporation entered into a new multi-year services agreement with NV Energy that commenced in December 2020 and expires in December 2025. The services agreement obligates NV Energy to use commercially reasonable efforts to supply the CalPeco Electric System with sufficient renewable power to, when combined with the output of the CalPeco Electric System's Luning Solar Facility and Turquoise Solar Facility, satisfy the current California Renewables Portfolio Standard requirement for the term of the services agreement. This agreement lowers fixed rates for customers, while

providing the Corporation the opportunity to add renewable generation capacity. The CalPeco Electric System received approval from the CPUC to recover the costs it will incur under this agreement. The CalPeco Electric System has authorization for rate recovery of the costs that the CalPeco Electric System has or will incur to acquire, own and operate the Luning Solar Facility and the Turquoise Solar Facility. The CalPeco Electric System has received approval from the CPUC to build a second solar generation facility (including a storage system) which is currently under development.

(2) Granite State Electric System

The Granite State Electric System provides distribution service in southern and northwestern New Hampshire, centered around operating centers in Salem in the south and Lebanon in the northwest. The Granite State Electric System's customer base includes a mixture of residential, commercial and industrial customers. The Granite State Electric System consists of approximately 1,174 circuit miles, 54 distribution circuits and 14 electric distribution substations.

The Granite State Electric System is regulated by the NHPUC and FERC. The Granite State Electric System is required to provide electric commodity supply for all customers who do not choose to take supply from a competitive supplier ("**Energy Service**") in the New England power market and is allowed to fully recover its costs for the provision and administration of Energy Service under the Energy Service Adjustment Factor, as approved by the NHPUC. The Granite State Electric System must file with the NHPUC twice a year to adjust for market prices of power purchased.

(3) Empire District Electric System

Based in Joplin, Missouri, Empire is a regulated utility providing electric distribution, generation and transmission services in parts of Missouri, Kansas, Oklahoma and Arkansas. The largest urban area served is the city of Joplin, Missouri, and its immediate vicinity. The vertically integrated regulated electricity operations of Empire represent approximately 31.46% and 43.34% of the Regulated Services Group's operating revenues and assets, respectively. Empire's customer base includes a mixture of residential, commercial, and industrial customers. Empire also operates a fibre optics business.

Empire is subject to regulation by the MPSC, the KCC, the OCC, the APSC and FERC.

Empire has various owned generation located in Missouri and Kansas, all of which operate in the SPP. Its facilities include, among others, the approximately 150 MW North Fork Ridge Wind Facility located in northwestern Jasper County and southwestern Barton County, Missouri; the approximately 150 MW Kings Point Wind Facility located in Barton County, southwestern Dade County, northeastern Jasper County, and northwestern Lawrence County, Missouri; the approximately 460 MW State Line natural gas fired thermal generation plant, located in Joplin, Missouri; the approximately 380 MW Energy Center, a natural gas fired thermal generation plant located in Sarcoxie, Missouri; the approximately 300 MW Neosho Ridge Wind Facility located in Neosho County, Kansas and the approximately 300 MW Riverton thermal generation plant located in Riverton, Kansas.

(4) BELCO Electric System

BELCO is the sole provider of electricity transmission, distribution, and retail services to all customers in Bermuda and is a bulk generator of electricity on the island. BELCO's customer base includes a mixture of residential, commercial, and industrial customers. Its network includes approximately 1,000 km of high voltage distribution lines, approximately 600 km of low voltage overhead service lines, approximately 200 km of underground transmission cables and 34 substations.

BELCO has various owned reciprocating and gas turbine generation units with a combined capacity of approximately 142 MW. There is also a 10 MWh Battery Energy Storage System.

BELCO is regulated by the RAB, the sole utility regulator in Bermuda. The Electricity Act 2016 brought changes to Bermuda's electricity market which included the development of the first integrated resource plan, the encouragement of competitive electricity generation and a new retail tariff methodology.

## Water Distribution and Wastewater Collection Systems

### (i) Method of Providing Services and Distribution Methods

A water and/or wastewater utility services company provides utility water supply and/or wastewater collection and treatment services to its customers.

A water utility sources, treats and stores potable water and subsequently distributes it to its customers through a network of buried pipes (distribution mains). The raw water for human consumption is sourced from the ground and extracted through wells or from surface water such as lakes or rivers. The water is treated to potable water standards that are specified in federal and state regulations as administered and which are typically enforced by a federal, state or local agency. Following treatment, the water is either pumped directly into the distribution system or pumped into storage reservoirs from which it is subsequently pumped into the distribution system. This system of wells, pumps, storage vessels and distribution infrastructure is owned and maintained by the private utility. The fees or rates charged for water are comprised of a fixed charge component plus a variable fee based on the volume of water used. Additional fees are typically charged for other services such as establishing a connection, late fees and reconnects.

A wastewater utility collects wastewater from its customers and transports it through a network of collection pipes, lift stations and manholes to a centralized facility where it is treated, rendering it suitable for discharge to the environment or for reuse, usually as irrigation. The wastewater is ultimately delivered to a treatment plant. Primary treatment at the

plant consists of the screening out of larger solids, floating material and other foreign objects and, at some facilities, grit removal. These removed materials are hauled to a landfill. Secondary treatment at the plant consists of biological digestion of the organic and other impurities which is performed by beneficial bacteria in an oxygen enriched environment. Excess and spent bacteria are collected from the bottom of the tanks, digested and/or dewatered and the resulting solids are sent to landfill or to land application as a soil amendment. The treated water, referred to as "effluent", is then used for irrigation or groundwater recharging or is discharged by permit into adjacent surface water. The standards to which this wastewater is treated are specified in each treatment facility's operating permit and the wastewater is routinely tested to confirm its continuing compliance therewith. The effluent quality standards are based on federal and state regulations which are administered, and continuing compliance is enforced by the state agency to which federal enforcement powers are delegated.

**(ii) Principal Markets and Regulatory Environments**

The Regulated Services Group's water and wastewater facilities are located in the United States in the states of Arizona, Arkansas, California, Illinois, Missouri, New York and Texas, and in Chile. The water and wastewater utilities are generally subject to regulation by the public utility commissions of the jurisdiction in which they operate. The respective public utility commissions have jurisdiction with respect to rate, service, accounting procedures, issuance of securities, acquisitions and other matters. These utilities generally operate under cost-of-service regulation as administered by these regulatory authorities. The utilities generally use a historic or forward-looking 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, recovery of depreciation on plant, together with all reasonable and prudent operating costs, establishes the revenue requirement upon which each utility's customer rates are determined.

Rate cases allow a particular utility the opportunity to recover appropriate operating costs and to earn a rate of return on its capital investment as allowed by the regulatory authority under which the facility operates. The Corporation monitors the rates of return on each of its water and wastewater utility investments to determine the appropriate time to file rate cases in order to pursue its goal of earning the regulatory approved rate of return on its investments in accordance with any legal requirements. Rates are approved by the agency to provide the utility the opportunity, but not the guarantee, to earn a reasonable return on its investment after recovering its prudently incurred operating expenses.

**(iii) Selected Facilities**

(1) Litchfield Park Water System

The Litchfield Park Water System is a regulated water and wastewater utility located in and around the cities of Avondale, Goodyear and Litchfield Park west of Phoenix, Arizona that has a service area that includes the City of Litchfield Park and sections of the cities of Goodyear and Avondale as well as portions of unincorporated Maricopa County. Litchfield Park Water System's operations consist of thirteen well sites, two reservoir sites, and approximately 500 km of water mains and distribution lines. Wastewater operations at the Litchfield Park Water System consists of two lift stations, approximately 400 km of collection mains to the Palm Valley Water Reclamation Facility with a permitted treatment capacity of 6.55 million gallons per day. The Litchfield Park Water System's customer base includes a mixture of residential, commercial, and industrial customers. The Litchfield Park Water System is regulated by the Arizona Corporation Commission.

(2) Liberty Park Water and Liberty Apple Valley Water System

Liberty Utilities (Park Water) Corp. ("**Liberty Park Water**") provides, owns and operates the water system in central Los Angeles. Liberty Park Water also wholly owns Liberty Utilities (Apple Valley Ranchos Water) Corp. ("**Liberty Apple Valley Water**"), which is a regulated utility providing water utility services to customers in and around the Town of Apple Valley, California. Liberty Park Water's and Liberty Apple Valley Water's customer base includes a mixture of residential, commercial, and industrial customers. The Liberty Park Water system consists of approximately 400 km of pipeline, 11 wells, 8 booster pump stations, and 6.9 million gallons of storage reservoirs and tank capacity. The Liberty Apple Valley Water system consists of approximately 800 km of pipeline, 21 wells, 8 booster pump stations, and 12 million gallons of storage reservoirs and tank capacity. Liberty Park Water and Liberty Apple Valley Water are regulated by the CPUC and use a forward-looking, multi-year rate plan.

(3) Suralis System

Suralis is a water and wastewater utility company in Southern Chile. The utility operates 50 potable water production systems, 29 sewage plants, approximately 2,295 km of drinking water distribution networks and approximately 1,973 km of sewage networks covering 31 municipalities in the provinces of Valdivia, Ranco, Osorno, Llanquihue, Chiloé and Palena in the regions of Los Lagos and Los Ríos. The Corporation indirectly owns approximately 64% of the outstanding shares of Suralis. Suralis' customer base includes a mixture of residential, commercial, and industrial customers. Suralis is regulated by the Superintendence of Sanitary Services of Chile.

(4) New York Water System

The New York Water System is a regulated water and wastewater utility serving customers across eight counties in southeastern New York. Operations include approximately 1,270 miles of water mains and distribution lines, 92 groundwater wells, 52 treatment stations and 41 tanks. Approximately 86% of the New York Water System's customer base is residential, with 98% of customers located in Nassau County on Long Island.

The New York Water System is regulated by the New York State Public Service Commission. The New York Water System has a reconciliation mechanism designed to allow the Corporation to recover or refund, through a surcharge or credit, the annual difference between projections of revenues, production costs and property taxes and the actual amounts experienced by the New York Water System. The New York Water System also utilizes an infrastructure surcharge mechanism to recover water quality and system improvement investments, and a pension and other post-employment benefits tracker mechanism that tracks changes from authorized expenses.

## Natural Gas Distribution Systems

### (i) Method of Providing Services and Distribution Methods

Natural gas is a fossil fuel composed almost entirely of methane (a hydrocarbon gas) usually found in deep underground reservoirs formed by porous rock. In making its journey from the wellhead to the customer, natural gas may travel thousands of miles through interstate pipelines owned and operated by pipeline companies. Along the route, the natural gas may be stored underground in depleted oil and gas wells or other natural geological formations for use during seasonal periods of high demand. Interstate pipelines interconnect with other pipelines and other utility systems and offer system operators flexibility in moving the gas from point to point. The interstate pipeline companies are regulated by FERC. Typically, the distribution network operates pipelines (including transmission and distribution pipelines), gate stations, district regulator stations, peak shaving plants and natural gas meters. The Regulated Services Group is also active in the RNG sector. RNG is pipeline compatible gaseous fuel derived from biogenic or other renewable sources that has lower lifecycle emissions than geologic natural gas. RNG is a “drop in” fuel requiring no modification to company or customer equipment and provides a low to negative carbon lifecycle footprint. The Regulated Services Group has projects in various stages of development across all gas distribution companies which are, or are expected to be, connected to the Regulated Services Group’s local infrastructure. The Regulated Services Group has also entered into supply contracts for the biomethane produced which does not include the environmental attributes/credits associated with the RNG. The gas distribution utilities owned by the Regulated Services Group are subject to state or provincial regulation and rates charged by these facilities may be reviewed and altered by the state or provincial regulatory authorities from time to time.

### (ii) Principal Markets and Regulatory Environments

The Regulated Services Group owns and operates natural gas distribution systems, under cost-of-service regulation in the states of Georgia, Illinois, Iowa, Massachusetts, Missouri, New Hampshire and New York and the province of New Brunswick. In establishing rates, the natural gas utilities use either a historical test year that is adjusted on a pro forma basis for known and measurable changes or a prospective test year based on expenses expected to be incurred in a future period, which is the methodology utilized in New Brunswick and Illinois. Pursuant to the prospective test year method, the revenue requirement upon which rates are based is determined by applying an approved return on rate base, and adding depreciation, operating expenses and administrative and general expenses.

Rate cases allow a particular utility the opportunity to recover its appropriate operating costs and earn a reasonable rate of return on its capital investment as allowed by the regulatory authority under which the facility operates. The Corporation monitors the rates of return on its utility investments to determine the appropriate times to file rate cases, with the goal of earning a reasonable rate of return on its investments in accordance with any legal requirements.

### (iii) Selected Facilities

(1) EnergyNorth Gas System

The EnergyNorth Gas System is a regulated natural gas utility providing natural gas distribution services in 31 communities covering five counties in New Hampshire. Its franchise service area includes the communities of Nashua, Manchester, Concord, Keene, and Berlin. The EnergyNorth Gas System’s customer base includes a mixture of residential, commercial, industrial and transportation customers. The EnergyNorth Gas System operates and maintains approximately 2,380 km of underground distribution mains, approximately 73,092 service lines, and approximately 68 local and district regulator stations.

The EnergyNorth Gas System is regulated by the NHPUC. The EnergyNorth Gas System has a revenue per customer decoupling mechanism to recover lost distribution revenue associated with energy efficiency and to otherwise account for the effects of abnormal weather and economic conditions, and includes a real-time weather normalization adjustment. In addition, the EnergyNorth Gas System has a cost of gas adjustment mechanism that allows for monthly adjustments to account for commodity cost changes. Subject to the satisfaction of certain criteria, New Hampshire natural gas utilities are allowed to procure RNG at quantities up to 5% of their total annual delivered volume through contracts with terms of up to 15 years, to recover prudently incurred costs of procuring RNG, and to recover the costs of and earn a return on qualified investments in RNG infrastructure.

(2) Empire District Gas System

EDG is engaged in the distribution of natural gas in Missouri serving customers in northwest, north central and west central Missouri. EDG’s customer base includes a mixture of residential, commercial, industrial and transportation customers.

EDG is regulated by the MPSC. A PGA allows EDG to recover from its customers, subject to audit and final determination by regulators, the cost of purchased natural gas supplies and related carrying costs associated with EDG’s use of natural

gas financial instruments to hedge the purchase price of natural gas. This PGA allows EDG to make rate changes periodically (up to four times) throughout the year in response to weather conditions and supply demands. Missouri law allows companies to include investments in RNG production, gathering and delivery infrastructure in rate base. It also includes the ability to include RNG in the supply portfolio as well as delivery to customers.

(3) Peach State Gas System

The Peach State Gas System is a regulated natural gas system providing natural gas distribution services in 15 communities covering nine counties in Georgia. The Peach State Gas System franchise service area includes the communities of Columbus, Gainesville, Waverly Hall, Oakwood, Hamilton and Manchester. The Peach State Gas System's customer base primarily includes a mixture of residential, commercial, industrial and transportation customers. In addition, the Peach State Gas System has a 50-year privatization agreement to operate and maintain the natural gas system at Fort Moore.

The Peach State Gas System is regulated by the Georgia Public Service Commission. The Peach State Gas System's rates are reviewed and updated annually through a tariff provision called the Georgia Rate Adjustment Mechanism. Georgia allows recovery of natural gas costs (including commodity price, transportation, reservation and demand costs, hedging costs and storage costs). Georgia also allows certain RNG investments to be included in rate base.

(4) New England Gas System

The New England Gas System is a regulated natural gas utility providing natural gas distribution services in nine communities, including Fall River, North Attleborough, Blackstone and surrounding communities, located in the southeastern portion of Massachusetts through approximately 1,000 km of gas distribution pipeline. The New England Gas System's customer base includes a mixture of residential, commercial, and industrial customers.

The New England Gas System is regulated by the MDPU. The cost of natural gas is recoverable from customers through the Gas Adjustment Factor ("**GAF**") when billed to "firm" natural gas customers included in approved tariffs by the MDPU. The GAF is adjusted twice annually and more frequently under certain circumstances.

(5) Midstates Gas Systems

The Midstates Gas Systems own regulated natural gas utilities providing natural gas distribution services to approximately 203 communities in the states of Illinois, Iowa and Missouri. The franchise service area includes the communities of Virden, Vandalia, Harrisburg and Metropolis in Illinois, Keokuk in Iowa, and Butler, Kirksville, Canton, Hannibal, Jackson, Sikeston, Malden and Caruthersville in Missouri. The Midstates Gas Systems' customer base includes a mixture of residential, commercial, industrial and transportation customers.

The Midstates Gas Systems are regulated by the Illinois Commerce Commission, the Iowa Utilities Board and the MPSC. The regulators in Illinois, Iowa and Missouri allow recovery of natural gas costs (including commodity price, transportation, reservation and demand costs, hedging costs, and storage costs). The rate is adjusted monthly in Illinois and Iowa with an annual reconciliation. In Missouri, the rate is adjusted annually with allowance to file quarterly. In Missouri and Illinois, mechanisms exist to allow for the recovery of the revenue requirement approved by the regulator. In Missouri, the weather normalization adjustment mechanism allows for the adjustment in revenue due to weather and in Illinois, the volume balancing adjustment mechanism allows for the recovery of revenue due to variances in the volume of natural gas used.

(6) New Brunswick Gas System

The New Brunswick Gas System is regulated by the NB Energy Board and has a distribution network that includes approximately 1,250 kilometers of natural gas pipeline, and provides service to customers in 14 communities in New Brunswick. The NB Energy Board's regulatory activities in the natural gas sector are primarily in relation to the New Brunswick Gas System which is the exclusive holder of the natural gas distribution franchise for the Province of New Brunswick, which expires in 2044 and is extendable for an additional 25-year period. The New Brunswick Gas System's customer base includes a mixture of residential, commercial, and industrial customers.

For rate cases, the NB Energy Board can review all facets of the operations but primarily focuses on the approval of the previous calendar year's regulatory financial statements, future test year budgets, establishing revenue requirements, rate design and other decisions like community expansion plans, customer retention and incentive programs, load retention rate proposals, return on equity, debt structure and rate class reviews.

(7) St. Lawrence Gas System

The St. Lawrence Gas System is a regulated natural gas utility operating approximatively 1,100 km of natural gas distribution pipeline. It distributes natural gas to customers in more than 20 communities in northern New York State, including the Villages of Canton, Malone, Massena, Potsdam and Ogdensburg located in St. Lawrence County, Franklin County and a portion of Lewis County. The St. Lawrence Gas System's customer base includes a mixture of residential, commercial, industrial, and electric generation customers.

The St. Lawrence Gas System is regulated by the New York State Public Service Commission. In a traditional rate case filing, the filing includes historical operating results (test year) and a 12-month forecast for the period the rates will be in effect (rate year). More commonly, the St. Lawrence Gas System will endeavor to settle the rate case filing, in which case it is expected that there would be a multi-year plan in which the rate base and revenue requirement is adjusted for

subsequent years within the plan. The St. Lawrence Gas System has a revenue decoupling mechanism which applies to residential and commercial customers within sales and transportation service types. This mechanism reconciles actual delivery service revenue to allowed delivery service revenues, which effectively adjusts the revenue for weather, energy efficiency and customer numbers.

### Electric and Natural Gas Transmission

#### (i) Method of Providing Services and Transmission Methods

Electric transmission is the bulk transportation of generated electricity over long distances from a generating site, such as a power plant, to an electrical substation. Transmission lines move large amounts of power at a high voltage level to a substation for voltage step-down and on to a lower voltage distribution network resulting in electricity delivered to homes and businesses. Transmission services obtained through FERC-governed OATT include network and point-to-point transmission service along with other ancillary services. Some examples of these types of services would be spinning and non-spinning reserves, black-start capability, regulation and voltage support and system control and dispatch.

Pipelines offer a variety of services under their FERC tariffs to include firm and interruptible transportation, along with other services to provide commercial markets additional flexibility. Some examples of these types of services would be park and loan, pooling and balancing services. In addition, firm service tariff features would also provide additional features to support secondary market activity to include, but not limited to capacity assignment, capacity releases, segmentation and renewal options.

#### (ii) Principal Markets and Regulatory Environments

Empire's transmission rates and services and electric wholesale sales of electric energy in interstate commerce and its facilities are subject to the jurisdiction of FERC, under the Federal Power Act. Wholesale rate recovery of transmission costs, as with wholesale rate recovery of any other cost, is subject to FERC review.

The operations and rates of AQN's transmission facility in New Brunswick are regulated by the NB Energy Board. It is entitled to recover the transmission revenue requirement, pursuant to the transmission tariff administered by New Brunswick Power Corporation. Any increase to its revenue requirement would result in an increase to the transmission rates under the OATT.

BELCO's transmission rates are regulated by the RAB. BELCO's transmission function and bulk generation functions are regulated under two licences held by BELCO: one for electricity transmission, distribution, and retail services and one for bulk generation.

#### (iii) Selected Facilities

(1) Empire Transmission Facilities

The Empire electric transmission facilities are located within a four state area of Missouri, Kansas, Oklahoma and Arkansas and primarily consist of approximately 22 miles of 345 kV lines, approximately 405 miles of 161 kV lines, approximately 795 miles of 69 kV lines and approximately 18 miles of 34.5 kV lines.

Empire is a member of the SPP, which spans an area from the Canadian border in Montana and North Dakota in the north to parts of New Mexico, Texas and Louisiana in the south. The transmission facilities are offered for service under an OATT approved by FERC and administered by SPP. Service requests are placed in the SPP Open Access Same-Time Information System and are evaluated by SPP for available capacity which is provided subject to the SPP Tariff and SPP Market Rules on a non-discriminatory basis. Service requests can be either point-to-point or network service, where network service is used for serving electric load. Empire is subject to four different states' regulatory bodies, the Midwest Reliability Organization regional entity for NERC compliance, SPP Market Rules and FERC.

## 3.1.2 Specialized Skill and Knowledge

The Regulated Services Group requires specialized knowledge of its utility systems, including electrical, water and wastewater and natural gas. Upon acquiring a new utility system, the Regulated Services Group will typically retain the existing employees with such specialized skill and knowledge. In addition, the Regulated Services Group will add, when required, additional trained utility personnel at its corporate offices to support the expanded portfolio of utility assets. The Regulated Services Group has developed in-house regulatory expertise in order to interact with the state regulators in the various jurisdictions in which it operates. The Regulated Services Group believes that the relationship with regulators is unique to each state and therefore is best delivered by local managers who work in the service territory. The local regulatory teams meet with regulatory agencies on a regular basis to review regulatory policies, service delivery strategies, operating results and rate making initiatives.

## 3.1.3 Competitive Conditions

Generally, the Regulated Services Group's utility businesses have geographic monopolies in their service territories. Competition at the Regulated Services Group's electric distribution systems is primarily from other energy sources and on-site generation. Competition at the Regulated Services Group's natural gas distribution systems is primarily with other methods of heating, including electricity, oil, and propane. Government policy and any changing societal perceptions of natural gas could also impact the competitiveness of natural gas in relation to other energy sources.

### 3.1.4 Cycles and Seasonality

#### (i) Electricity Systems

The CalPeco Electric System's demand for energy sales fluctuate depending on weather conditions. The CalPeco Electric System is a winter-peaking utility. Above normal snowfall in the Lake Tahoe area may bring more tourists and may increase demand for electricity. The CalPeco Electric System has implemented a BRRBA rate mechanism that removes the annual variations of recorded revenues to confirm that it recovers its authorized base revenues (gross revenues less fuel, purchased power, and other non-base revenues) over each rate case cycle.

The Granite State Electric System experiences peak loads in both the winter and summer seasons, due to heating and cooling loads associated with New England weather. The competitive market for power supply is managed by the ISO-NE. Generally, the Energy Service price for power may fluctuate as a result of the weather, but those costs are typically passed through directly to customers. The Granite State Electric System's distribution revenues are also subject to true-up under a rate decoupling mechanism. In its current rate case, certain intervenors have proposed to remove this mechanism.

The Empire District Electric System experiences peak loads in both the winter and summer seasons, due to heating and cooling loads associated with weather in its service territory. Generally, the Energy Service price for power may fluctuate as a result of the weather, but those costs are typically passed through directly to customers, but certain unusual or extraordinary events may require different forms of cost recovery.

BELCO system's demand is largely driven by peak loads in a six-month period of hot, humid weather followed by six months of relatively mild weather. Demand is driven by cooling requirements with a very small amount of heating required.

#### (ii) Water and Wastewater Systems

Demand for water is affected by weather conditions including temperature and precipitation. For certain service areas, water usage during the summer months is significantly greater than the winter months primarily because of the outdoor water usage associated with irrigation as well as the water used for other purposes, including swimming pools and cooling systems.

When either the amount or frequency of precipitation is significantly above average, water usage may decrease, resulting in reduced operating revenues. Drought conditions arise when the amount and frequency of precipitation is significantly below average for an extended period of time. Drought conditions may lead to voluntary and mandatory restrictions on water usage and thereby impact the Corporation's ability to recover its fixed costs in delivering clean, safe and reliable water to customers at reasonable rates.

The Regulated Services Group attempts to mitigate the risk of reduced water usage by seeking regulatory mechanisms in rate case proceedings. Certain regulatory jurisdictions have approved regulatory mechanisms that address changes in the actual recorded water usage as compared to the authorized water usage. Not all regulatory jurisdictions in which the Regulated Services Group operates have approved mechanisms to mitigate reduced water usage and the resulting reduction in revenues.

#### (iii) Natural Gas Systems

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

The Regulated Services Group attempts to mitigate the above noted fluctuations by seeking regulatory mechanisms during rate case proceedings. Certain jurisdictions have approved constructs to mitigate demand fluctuations. For example, at the Peach State Gas System, EnergyNorth Gas System and Midstates Gas Systems, a weather normalization adjustment is applied to customer bills that adjusts commodity rates to stabilize the revenues of the utility for changes in billing units attributable to weather patterns. Most regulatory jurisdictions in which the Regulated Services Group operates have approved mechanisms to mitigate natural gas demand fluctuations.

## 3.2 Renewable Energy Group

The Renewable Energy Group generates and sells electrical energy, capacity, ancillary products and renewable attributes produced by its diverse portfolio of renewable and clean power generation facilities located in the United States and Canada. The Renewable Energy Group seeks to deliver growth through new power generation projects and other complementary projects, such as RNG and energy storage.

The Renewable Energy Group has economic interests in hydroelectric, wind, solar, RNG and thermal facilities which, as of December 31, 2023, had a combined net generating capacity attributable to the Renewable Energy Group of approximately 2.7 GW. Approximately 84% of the electrical output is sold pursuant to long-term contractual arrangements which as of December 31, 2023 had a production-weighted average remaining contract life of approximately 10 years. In addition, the Renewable Energy Group has an approximately 42% indirect beneficial interest

in Atlantica. Atlantica owns and operates a portfolio of international clean energy and water infrastructure assets under long-term contracts with a Cash Available for Distribution (CAFD) weighted average remaining contract life of approximately 13 years as of December 31, 2023.

Below is a breakdown of the net generating capacity attributable to the Renewable Energy Group as of December 31, 2023, including the Corporation's approximately 42% interest in Atlantica.

| Geographic Area | % of Generating Capacity |
|---|---|
| United States | 74% |
| Canada | 10% |
| International | 15% |

### 3.2.1 Description of Operations

#### Wind Power Generating Facilities

**(i) Production Method**

The energy of the wind can be harnessed for the production of electricity through the use of wind turbines. A wind energy system transforms the kinetic energy of wind into electrical energy that can be delivered to the electricity distribution system for use by energy consumers. When the wind blows, large rotor blades on the wind turbines are rotated, generating energy that is converted to electricity. Most modern wind turbines consist of a rotor mounted on a shaft connected to a speed increasing gear box and high-speed generator. Monitoring systems control the angle of and power output from the rotor blades to ensure that the rotor blades are turned to face the wind direction, and generally to monitor the wind turbines installed at a facility.

There are 18 completed wind power generating facilities that the Renewable Energy Group both operates and owns interests in. These 18 wind facilities have a combined gross generating capacity of approximately 2.3 GW and a net generating capacity (attributable to the Renewable Energy Group) of approximately 1.8 GW. The Renewable Energy Group also owns a 51% equity interest in, but does not operate, the Texas Coastal Wind Facilities, a group of four wind facilities with a gross generating capacity of approximately 861 MW, representing a net generating capacity to the Renewable Energy Group of 439 MW.

**(ii) Principal Markets and Distribution Methods**

The principal markets for the Renewable Energy Group's completed wind facilities in Canada are Manitoba, Ontario, Saskatchewan and Québec. The electricity generated by the wind turbines is connected to the local transmission system and purchased by Manitoba Hydro, the IESO, SaskPower and Hydro-Québec, in the respective provinces. The principal markets for the Renewable Energy Group's completed wind facilities in the United States are PJM, MISO and ERCOT.

**(iii) Selected Canadian Facilities**

(1) St. Leon Wind Facility

The St. Leon Wind Facility consists of 104 MW and 16.5 MW wind powered electrical generating facilities located near St. Leon, Manitoba, approximately 150 km southwest of Winnipeg. The St. Leon Wind Facility entered into a long-term PPA with Manitoba Hydro under which all electricity produced is sold to Manitoba Hydro.

(2) Amherst Island Wind Facility

The Amherst Island Wind Facility is an approximately 74 MW wind powered electric generating facility located on Amherst Island near the village of Stella, approximately 15 km southwest of Kingston. The Renewable Energy Group's interest in the project was previously held in a joint venture with the EPC contractor. In May 2019 the Corporation entered into a partnership, in which the Corporation holds a 98.5% interest and Atlantica holds a 1.5% interest, in respect of the Amherst Island Wind Facility. The electricity generated by the project is being sold under a long-term PPA awarded as part of the IESO FIT program.

(3) Blue Hill Wind Facility

The Renewable Energy Group owns a 20% interest in, and operates, the Blue Hill Wind Facility, a 175 MW wind powered electrical generating facility located in southwest Saskatchewan, approximately 200 km west of Regina, Saskatchewan. The output from the Blue Hill Wind Facility is being sold through a long-term power purchase agreement with an investment grade entity.

**(iv) Selected United States Facilities**

(1) Shady Oaks I Wind Facility

The Shady Oaks I Wind Facility is a 109.5 MW wind powered electrical generating facility located in Lee County, Illinois, approximately 80 km west of Chicago. The Shady Oaks I Wind Facility is party to a long-term power sales contract with the largest electric utility in the state of Illinois, Commonwealth Edison. The power sales contract is structured to hedge

the preponderance of the Shady Oaks I Wind Facility's production volume against exposure to PJM ComEd Hub current spot market rates. Annual production is subject to contingent curtailment based on certain regulatory constraints of the electricity purchaser. Ancillary services, including capacity, reactive power and RECs, are sold into the PJM market.

(2) Sandy Ridge I Wind Facility

The Sandy Ridge I Wind Facility is a 50 MW wind powered electrical generating facility located in Centre County and Blair County, Pennsylvania, 180 km east of Pittsburgh. Sandy Ridge Wind, LLC is party to an energy production hedge (a "**Primary Energy Production Hedge**") with respect to most of its production, which expires in 2030. In addition, under a long-term agreement with an energy services retailer, the Sandy Ridge I Wind Facility will sell energy and RECs on a generator firm basis. Ancillary services, including capacity, reactive power and RECs, are sold into the PJM market.

(3) Minonk Wind Facility

The Minonk Wind Facility is a 200 MW wind powered electrical generating facility located near Minonk, IL, approximately 200 km southwest of Chicago, Illinois. The Minonk Wind Facility is party to a Primary Energy Production Hedge with an energy trading company. Ancillary services, including capacity, reactive power and RECs, are sold into the PJM market.

(4) Senate Wind Facility

The Senate Wind Facility is a 150 MW wind powered electrical generating facility located near Graham, Texas, approximately 200 km west of Dallas, Texas. The Senate Wind Facility is party to a long-term Primary Energy Production Hedge with an energy trading company. RECs are sold into the ERCOT market.

(5) Maverick Creek Wind Facility

The Maverick Creek Wind Facility is an approximately 492 MW wind powered electric generating facility located in Concho County, Texas, approximately 250 km northwest of Austin, Texas. The majority of the output of the Maverick Creek Wind Facility is being sold through two long-term PPAs with investment-grade entities.

(6) Deerfield II Wind Facility

The Deerfield II Wind Facility is an approximately 112 MW wind powered electric generating facility located in central Michigan, approximately 180 km north of Detroit, Michigan. Output from the Deerfield II Wind Facility is being sold to Siculus, Inc., a subsidiary of Meta, pursuant to a renewable energy purchase agreement.

(7) Sandy Ridge II Wind Facility

The Sandy Ridge II Wind Facility is an approximately 88 MW wind powered electrical generating facility located in Centre County and Blair County, Pennsylvania, 180 km east of Pittsburgh. Output from the Sandy Ridge II Wind Facility is being sold to a leading technology company pursuant to a renewable energy purchase agreement.

(8) Shady Oaks II Wind Facility

The Renewable Energy Group owns a 50% interest in, and operates, the Shady Oaks II Wind Facility, an approximately 108 MW wind powered electrical generating facility located in Lee County, Illinois, approximately 80 km west of Chicago. Output from the Shady Oaks II Wind Facility is being sold to a leading financial institution, pursuant to a renewable energy purchase agreement.

(9) Odell Wind Facility

The Renewable Energy Group owns a 51% interest in, and operates, the Odell Wind Facility, a 200 MW wind powered electrical generating facility located near Windom, Minnesota, approximately 230 km southwest of Minneapolis, Minnesota. The Odell Wind Facility is party to a long-term PPA with an investment grade utility under which all electricity and RECs produced at the facility are sold.

(10) Deerfield I Wind Facility

The Renewable Energy Group owns a 51% interest in, and operates, the Deerfield I Wind Facility, a 149 MW wind powered electrical generating facility located in central Michigan, approximately 180 km north of Detroit, Michigan. All energy, capacity, and RECs produced at the facility are sold to a local electric distribution utility pursuant to a long-term PPA.

(11) Sugar Creek Wind Facility

The Renewable Energy Group owns a 51% interest in, and operates, the Sugar Creek Wind Facility, a 202 MW wind powered electric generating facility located in Logan County, Illinois, approximately 275 km southwest of Chicago, Illinois. The majority of the output of the Sugar Creek Wind Facility is being sold through a long-term financial hedge. All RECs from the facility are sold under long-term contracts to utilities in the state. Ancillary services, primarily capacity, are sold into the MISO market.

(12) Texas Coastal Wind Facilities

The Renewable Energy Group owns a 51% interest in, but does not operate, a portfolio of four wind facilities operated by RWE Renewables, a subsidiary of RWE AG, located in the coastal region of south Texas (the "**Texas Coastal Wind**

**Facilities**"). The four wind facilities (Stella, Cranell, East Raymond and West Raymond) that make up the Texas Coastal Wind Facilities represent approximately 861 MW of generating capacity. The four wind facilities have a weighted average offtake duration of approximately 8 years.

## Solar Power Generating Facilities

### (i) Production Method

Solar power is the conversion of sunlight into electricity, either directly using photovoltaics or indirectly using concentrated solar power. The Corporation's solar generation facilities utilize photovoltaics which convert light into electric current using the photovoltaic effect. The array of a photovoltaic power system produces direct current power which fluctuates with the sunlight's intensity. For practical use, commercial installations convert this direct current generated power to alternating current through the use of inverters. The Renewable Energy Group operates and owns interests in ten solar power generating facilities with a combined gross generating capacity of approximately 362 MW and a net generating capacity of approximately 302MW.

### (ii) Principal Markets and Distribution Methods

The principal markets for the Renewable Energy Group's completed solar facilities are Ontario, California and PJM. The electricity generated by the solar panels is transmitted via electrical collection lines to the facility substation for subsequent delivery to the distribution/transmission system under control of the local distribution company and the ISO.

### (iii) Selected Facilities

(1) Bakersfield I Solar Facility

The Bakersfield I Solar Facility is a 20 MW solar powered electric generating facility located near Bakersfield, California, 150 km northwest of Los Angeles, California. The Bakersfield I Solar Facility has a long-term fixed rate PPA with an investor-owned utility.

(2) Great Bay I Solar Facility

The Great Bay I Solar Facility is a 75 MW solar powered electric generating facility located in Somerset County in southern Maryland, approximately 15 km south of Salisbury, Maryland. All energy from the Great Bay I Solar Facility is sold to the U.S. Government Services Administration pursuant to a long-term PPA. All RECs from the project are retained by the project company and sold into the Maryland market.

(3) Great Bay II Solar Facility

The Great Bay II Solar Facility is a 43 MW solar powered electric generating facility located in Somerset County in southern Maryland, approximately 15 km south of Salisbury, Maryland. The majority of the output of the Great Bay II Solar Facility is sold through a long-term financial hedge. All RECs from the project are sold into the Maryland market.

(4) Altavista Solar Facility

The Altavista Solar Facility is an 80 MW solar powered electric generating facility located in Campbell County, Virginia, approximately 185 km west of Richmond, Virginia. The majority of the output of the Altavista Solar Facility is being sold to a wholly owned subsidiary of Meta Platforms, Inc. ("**Meta**") pursuant to a long-term PPA.

(5) New Market Solar Facility

The Renewable Energy Group owns a 50% interest in, and operates the New Market Solar Facility, an approximately 100 MW solar powered electric generating facility located in Highland County, Ohio, approximately 105 km East of Cincinnati. The output of the New Market Solar Facility is being sold to the City of Cincinnati and a leading electric service provider pursuant to renewable energy purchase agreements.

## Hydroelectric Generating Facilities

### (i) Production Method

A hydroelectric generating facility consists of a number of key components, including a dam, intake structure, electromechanical equipment consisting of a turbine(s) and a generator(s). A dam structure is required to create or increase the natural elevation difference between the upstream reservoir and the downstream tailrace, as well as to provide sufficient depth within the reservoir for an intake. Water flows are conveyed from the upstream reservoir to the generating equipment via a penstock or headrace canal and an intake structure. Turbine(s) and generator(s) transform the hydraulic energy into electrical energy. The water which has flowed through the hydraulic turbine(s) is discharged back to the natural watercourse. A transmission line is often required to interconnect a facility with the grid. The majority of hydroelectric generating facilities are also equipped with remote monitoring equipment, which allows the facility to be monitored and operated from a remote location. The Renewable Energy Group owns and operates 14 hydroelectric power generating facilities with a combined gross generating capacity of approximately 115 MW and a net generating capacity of approximately 106 MW.

**(ii) Principal Markets and Distribution Methods**

The principal markets in which the Renewable Energy Group operates hydroelectric generating facilities are Alberta, Ontario, New Brunswick and Québec. The majority of generated hydroelectricity is conveyed from the relevant facility to the purchasers under the terms of long-term PPAs. The electricity is generally transferred by transmission line from the generating facility to the delivery point for the purchaser, and it is distributed through the grid to end user customers of the purchaser.

**(iii) Selected Facility**

(1) Tinker Hydro Facility

The Tinker Hydro Facility is located approximately 8 km north of Perth-Andover, New Brunswick and is situated near the mouth of the Aroostook River. The facility has a total nameplate capacity of approximately 33 MW.

As part of the generation assets in New Brunswick, the Corporation owns an electrical transmission system used to interconnect the Tinker Hydro Facility to the New Brunswick transmission network, provide transmission service to Perth Andover Electric Light Commission, and provide export/import capacity between Maine and New Brunswick.

The output of the Tinker Hydro Facility is actively marketed together with any applicable environmental attributes less any associated transportation costs. Additional energy and applicable environmental attributes are purchased from the market to supplement the energy generated from the Tinker Hydro Facility in order to service customer demand.

### Thermal (Cogeneration) Electric Generating Facility

**(i) Production Method**

Cogeneration is the simultaneous production of electricity and thermal energy such as hot water or steam from a single fuel source. Cogeneration provides facilities with greater efficiency, greater reliability and increased process flexibility than conventional generation methods. As of March 8, 2024, the Renewable Energy Group owns and operates one thermal electric power generating facility with gross generating capacity of approximately 56 MW.

**(ii) Sanger Thermal Facility**

The Sanger thermal cogeneration facility is a 56 MW natural gas-fired generating facility located in Sanger, California. The facility enters into resource adequacy offtake agreements on an annual basis (generally for one year terms) and is contracted through 2024.

## 3.2.2 Specialized Skill and Knowledge

The Renewable Energy Group's employees have extensive experience in the independent power industry. The production of energy from all facilities requires specialized skill and knowledge in relation to such facilities, their component parts and the various markets in which the projects are operated. The Renewable Energy Group uses a mix of self-performance and contractor-provided services in connection with the operation and maintenance of its facilities.

## 3.2.3 Competitive Conditions

Deregulation has increased the demand for privately generated power from a variety of sources. With favourable government policy, the increased prevalence and commitment to carbon-reduction targets, evolving technology, deregulation and opening of competition in the electricity marketplace, the Corporation expects that there will continue to be both an increased opportunity and increased competition, as energy customers have increased choice among various forms of electricity generation and new entrants in the renewable energy industry continue to emerge.

## 3.2.4 Cycles and Seasonality

**(i) Wind Power Generating Facilities**

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

**(ii) Solar Power Generating Facilities**

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

**(iii) Hydroelectric Generating Facilities**

The Renewable Energy Group's hydroelectric operations are impacted by seasonal fluctuations and year to year variability of the available hydrology. These assets are primarily "run-of-river" and as such fluctuate with natural water flows. During the winter and summer periods, flows are generally lower, while during the spring and fall periods flows

are generally higher. The ability of these assets to generate income may be impacted by changes in water availability or other material hydrologic events within a watercourse. Year to year, the level of hydrology varies, impacting the amount of power that can be generated in a year.

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

## 3.3 Corporate Development Activities

The Corporation undertakes business development activities primarily in North America, working to identify, develop, acquire, invest in, construct or divest of renewable energy facilities and other complementary infrastructure projects, and to invest in, or divest of, electric, water distribution and wastewater collection and natural gas utility systems.

On August 10, 2023, following the conclusion of a strategic review, AQN announced that it is pursuing a sale of its renewable energy business.

### 3.3.1 Development of Regulated Services Group Assets

The Regulated Services Group's strategy is to grow its business organically and through acquisitions. Anticipated capital expenditure initiatives for the Regulated Services Group include organic rate base capital investments and initiatives focused on the transition to green energy.

### 3.3.2 Development of Renewable Energy Group Assets

The Renewable Energy Group seeks to deliver growth through new power generation projects and other complementary projects, such as RNG and energy storage. The Renewable Energy Group is committed to working proactively with stakeholders, including local communities. The Renewable Energy Group also has a pipeline of greenfield projects at various stages of development.

The following table represents the Renewable Energy Group's construction projects as of the date of this AIF:

| Project Name | Location | Anticipated Size (MW) |
|---|---|---|
| **Electric Generation Projects in Construction** | | |
| Carvers Creek Solar Project[1] | Virginia | 150 |
| Clearview Solar Project[1] | Ohio | 144 |
| **Total Electric Generation Projects in Construction** [2] | | 294 |

[1]The project is currently held in a construction joint venture, of which the Renewable Energy Group and a third party each own a 50% equity Interest.
[2]The Renewable Energy Group is also constructing two RNG Projects in Wisconsin with a combined anticipated size of 360 million British Thermal Units per day.

## 3.4 Principal Revenue Sources

AQN owns, directly or indirectly, interests in renewable generation facilities, thermal generation facilities, electricity distribution utilities, natural gas and propane distribution utilities, and water distribution and wastewater utilities.

The following provides a breakdown of the Corporation's total revenue by percentage for the years ended December 31, 2022 and December 31, 2023:

| | % of Total Revenue | |
|---|---|---|
| | **December 31, 2022** | **December 31, 2023** |
| Utility electricity sales & distribution | 46.3% | 48.0% |
| Utility water distribution and wastewater treatment sales & distribution | 13.2% | 14.8% |
| Utility natural gas sales & distribution | 24.8% | 23.0% |
| Non-regulated energy sales | 12.7% | 11.0% |
| Other revenue[1] | 3.0% | 3.2% |

[1]Other revenue includes natural gas transportation and RECs.

For the Regulated Services Group, the following provides a breakdown of revenue by percentage for the years ended December 31, 2022 and December 31, 2023:

| | % of Revenue | |
|---|---|---|
| | **December 31, 2022** | **December 31, 2023** |
| Utility electricity sales & distribution | 53.6% | 54.7% |
| Utility water distribution and wastewater treatment sales & distribution | 15.3% | 16.9% |
| Utility natural gas sales & distribution | 28.8% | 26.3% |
| Other revenue[1] | 2.3% | 2.2% |

[1]Other revenue includes natural gas transportation.

For the Renewable Energy Group, the following provides a breakdown of revenue by percentage for the years ended December 31, 2022 and December 31, 2023:

| | % of Revenue | |
|---|---|---|
| | **December 31, 2022** | **December 31, 2023** |
| Wind generation | 58.4% | 60.5% |
| Solar generation | 7.9% | 9.4% |
| Hydroelectric generation | 13.6% | 10.7% |
| Thermal generation | 12.7% | 9.2% |
| Other revenue[1] | 7.4% | 10.1% |

[1]Other revenue includes RECs.

## 3.5 Environmental Protection

The Corporation is subject to extensive federal, state, provincial and local laws, rules and regulations, including with regard to air and water quality, hazardous and solid waste management, storage, handling, use, transportation and/or disposal of certain materials, wastewater discharges, soil quality, discharge of pollutants, historical artifact preservation, wildlife, human health, investigation and remediation of environmental impacts, natural resources, threatened or endangered species and other environmental matters. These laws, rules and regulations require the Corporation to conduct its operations in a specified manner and, among other things, to obtain and comply with a wide variety of environmental registrations, licenses, permits, inspections and other approvals. The Corporation's environmental policies and procedures are intended to achieve compliance with such applicable laws and regulations, and AQN's environmental and compliance departments have responsibility for monitoring AQN and its subsidiaries' operations. The Corporation engages in a process of updating and revising its procedures for the ongoing evaluation of its operations to identify potential environmental exposures and to enhance compliance with regulatory requirements.

Environmental protection requirements did not have a significant financial or operational effect on the Corporation's capital expenditures, earnings and competitive position for the twelve months ended December 31, 2023. Moreover, other regimes that provide incentives and credits for generation of renewable energy and for carbon offsets, such as those described elsewhere in this AIF, are expected to increase the earnings and benefit the competitive position of the Corporation.

The Corporation faces a number of environmental risks that are normal aspects of operating within the renewable power generation, thermal power generation and utilities business segments which have the potential to become environmental liabilities (see "Enterprise Risk Factors – Risk Factors Relating to Operations").

## 3.6 Employees

The Corporation's executive management group consists of 7 individuals. As at December 31, 2023, the Corporation employed a total of 3,946 people.

## 3.7 Foreign Operations

For the twelve months ended December 31, 2023, 81.88% of the revenue of the Regulated Services Group and 69.67% of the revenue of the Renewable Energy Group was generated from operations located in the United States.

## 3.8 Economic Dependence

The Corporation does not believe it is substantially dependent on any single contractual agreement or set of related agreements.

## 3.9 Social and Environmental Policies and Commitment to Sustainability

The Corporation is committed to advancing a sustainable energy and water future. Sustainability is often defined by a company's philosophy to operate in an economically, socially and environmentally sustainable manner, while recognizing the interests of its stakeholders. The Corporation believes this philosophy will contribute to a sustainable future for its investors, employees, customers, communities, business partners, governments and the environment. The Corporation has formal policies and procedures that support its commitment to sustainability.

**Oversight of Sustainability**

The mandate of the Board states that in providing oversight of the corporate strategy, the Board will review strategic plans in light of management's assessment of emerging trends, opportunities, the competitive environment, risk issues and significant business practices, including those relating to sustainability. The Board has delegated to its Corporate Governance Committee primary oversight of sustainability matters, including the ongoing development of the Corporation's sustainability plan and progress on sustainability initiatives. The Corporate Governance Committee reports to the Board on such matters.

In September 2018, the Corporation adopted its first Corporate Sustainability Policy. The Sustainability Policy is aligned with the United Nations' Sustainable Development Goals (SDGs), namely Gender Equality (SDG5), Clean Water and Sanitation (SDG6), Affordable and Clean Energy (SDG7), Decent Work and Economic Growth (SDG8), Sustainable Cities and Communities (SDG11) and Climate Action (SDG13). In 2021, the Corporation further aligned with the UN SDGs by including these four additional SDGs: Industry, Innovation and Infrastructure (SDG9), Reduced Inequalities (SDG10), Responsible Consumption and Production (SDG12), and Life on Land (SDG15).

**Social Policies**

The Corporation's Code of Business Conduct and Ethics is a key component of the Corporation's sustainability plan. All directors, officers, employees, agents and contractors are expected to apply the Code of Business Conduct and Ethics to their work. The Corporation has also published a Human Rights Policy, which highlights its commitment to continue to act with integrity and respect for human rights.

The Corporation's sustainability efforts incorporate local spending, local hiring and operational efficiency. The Corporation's commitment to people is demonstrated through its employee training, learning and development programs, organizational improvements, emergency management programs and community involvement. Policies in place that support the Corporation's commitment to sustainability include its Board and Executive Diversity Policy, Diversity Equity and Inclusion in the Workplace Policy, Ethics Reporting Policy, Supplier Code of Conduct and Human Rights Policy.

**Environmental, Health and Safety**

The Corporation's businesses have safety and environmental compliance policies in place. These policies have been communicated with employees and have been incorporated into their respective Safety Mission Statements and employee manuals. The Corporation's Environmental and Health and Safety Groups are responsible for developing environmental and safety policies, developing and facilitating environmental and safety training, conducting internal audits of environmental and safety performance, and arranging for any third party environmental and safety audits. The Corporation is in the process of implementing an environmental management system designed to provide for the measurement, evaluation and improvement of the Corporation's management of its environmental compliance, risks and performance. In addition, the Corporation has environmental programs in place that promote energy efficiency and responsible water usage, help facilitate habitat conservation to minimize impact, monitor greenhouse gas emissions and promote waste reduction and spill prevention.

**ESG Report and Climate Change Assessment Report**

On December 20, 2023, the Corporation released its 2023 ESG Report, which sets out the Corporation's sustainability strategies, initiatives, goals and performance. The 2023 ESG Report outlines the Corporation's progress towards its environmental, social and governance goals and demonstrates its ongoing commitment to delivering mission-critical services and renewable energy solutions. The 2023 ESG Report was prepared in accordance with the Global Reporting Initiative standards, and the Corporation has further enhanced its alignment to the United Nations' Sustainable Development Goals, with goals and sub-targets that the Corporation feels align best with its business and strategy. In 2020, the Corporation formally began alignment with the Task Force on Climate-Related Financial Disclosures ("**TCFD**") recommendations, and in December 2020, released its inaugural Climate Change Assessment Report in response to guidelines established by the Financial Stability Board's TCFD recommendations, including information on all four TCFD categories (governance, strategy, risk management, and metrics and targets). In 2021, the Corporation also announced its target of achieving net-zero greenhouse gas emissions across its business operations for scope 1 and scope 2 emissions by 2050.

## 3.10 Credit Ratings

The following chart shows credit ratings issued to the Corporation and currently in effect.

| | S&P[3] | DBRS[4] | Fitch[5] | Moody's |
|---|---|---|---|---|
| AQN - Issuer rating | BBB | BBB | BBB | - |
| AQN - Preferred Shares | P-3 (high) | Pfd-3 | - | - |
| AQN - 2019 Subordinated Notes | BB+ | - | BB+ | - |
| AQN – Equity Units | BB+ (Units) | | BBB (Notes) | |
| AQN – 2022-A Subordinated Notes | BB+ | - | BB+ | - |
| AQN – 2022-B Subordinated Notes | BB+ | - | BB+ | - |
| APCo - Issuer rating | BBB | BBB | BBB | - |
| APCo - Senior unsecured debt | BBB | BBB | BBB | - |
| Liberty Utilities Canada - Issuer Rating | - | BBB | - | - |
| Liberty Utilities Canada - Senior unsecured debt | - | BBB | - | - |
| Liberty Utilities - Issuer rating | BBB | - | BBB | Baa2 |
| Liberty Utilities - Commercial Paper | A-2 | - | F2 | - |
| Liberty Utilities – Senior Unsecured Notes | BBB | | BBB+ | Baa2 |
| Liberty Utilities Finance GP1 - Issuer rating[2] | BBB | BBB (high) | - | Baa2 |
| Liberty Utilities Finance GP1 - Senior unsecured notes[2] | - | BBB (high) | BBB+ | Baa2 |
| Liberty Utilities Finance GP1 – 2.050% senior unsecured notes[3] | BBB | | BBB+ | Baa2 |
| Empire - Issuer rating | BBB | - | - | Baa1 |
| Empire - First mortgage bonds | A- | - | - | A2 |
| Empire - Senior unsecured debt | BBB | - | - | Baa1 |
| Empire District Bondco, LLC | AAA (sf) | | | Aaa (sf) |

[1]Credit ratings are intended to provide investors with an independent measure of the credit quality of an issuer or issue of securities. Credit ratings are not a recommendation to buy, sell or hold securities of AQN or any of its subsidiaries and do not comment as to market price or suitability for a particular investor. There can be no assurance that a rating will remain in effect for any given period of time or that the rating will not be revised or withdrawn at any time by the rating agency.
[2]Issued by Liberty Utilities Finance GP1 and guaranteed by Liberty Utilities.
[3]In April 2023, following the announcement of the Kentucky Power Transaction Termination, S&P affirmed the ratings of AQN and its subsidiaries and revised its outlooks from negative to stable. In May 2023, following the announcement of the strategic review of the Renewable Energy Group, S&P placed APCo on credit watch with negative implications. In August 2023, following the conclusion of the strategic review and AQN's announcement that it will pursue the sale of its renewable energy business, S&P affirmed its ratings on AQN and its regulated utility subsidiaries and revised the outlook on APCo from credit watch with negative implications to developing. S&P expects to resolve its rating watch on APCo once more details are known on any transaction.
[4]In 2023, DBRS affirmed its existing ratings on AQN, APCo and Liberty Utilities Finance GP1 and removed AQN from "Under Review with Developing Implications", updating the outlook to stable. Subsequent to year-end in January and February 2024, DBRS affirmed all of its existing ratings.
[5]In April 2023, following the announcement of the Kentucky Power Transaction Termination, Fitch affirmed the ratings and stable outlooks of AQN and its subsidiaries. In August 2023, following the conclusion of the strategic review and AQN's announcement that it will pursue the sale of its renewable energy business, Fitch affirmed its ratings of AQN and placed APCo on rating watch evolving. Fitch expects to resolve its rating watch on APCo once more details are known on any transaction.

### S&P

S&P rates long-term debt instruments and issuers with ratings ranging from "AAA", which represents an extremely strong capacity of an obligor to meet its financial commitments on the obligation, to "D", which means, in the case of an issue rating, that the obligation is in default or in breach of an imputed promise, and in the case of an issuer rating, that the obligor is in default on one of more of its financial obligations and S&P believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due. A rating of "A" by S&P denotes an obligation somewhat more susceptible to the adverse effects of changes in circumstances and economic

conditions than obligations in higher-rated categories; however, the obligor's capacity to meet its financial commitments on the obligation is still strong. A rating of “BBB” by S&P denotes an obligor having adequate capacity to meet its financial commitments; however, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments. A rating of “BB” by S&P is included amongst a range of ratings determined to have significant speculative characteristics. An obligation rated “BB” is less vulnerable to nonpayment than other speculative issues; however, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could lead to the obligor having inadequate capacity to meet its financial commitments. S&P ratings from “AA” to “CCC” may be modified by the addition of a plus “+” or minus “-” sign to show relative standing within the major rating categories. The absence of either a plus “+” or minus “-” sign indicates that the rating is in the middle of the category.

S&P rates short-term debt instruments and issuers with ratings ranging from “A-1”, which represents a strong capacity of an obligor to meet its financial commitment, to “D”, which means that the obligor is in default or in breach of an imputed promise. A rating of “A-2” by S&P denotes an obligation somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories; however, the obligor's capacity to meet its financial commitments on the obligation is still satisfactory.

S&P’s Canadian preferred share rating scale serves the Canadian financial markets by expressing preferred share ratings in terms of rating symbols that have been actively used in the Canadian market over a number of years. A S&P preferred share rating on the Canadian preferred share rating scale is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific preferred share obligation issued in the Canadian market, relative to preferred shares issued by other issuers in the Canadian market. There is a direct correspondence between the specific ratings assigned on the Canadian preferred share scale and the various rating levels on S&P’s global preferred share rating scale. S&P’s Canadian preferred share rating scale ranges from “P-1”, which represents a very strong capacity of an obligor to meet its financial commitments, to “D”, which represents a general default and that the obligor that will fail to pay all or substantially all of its obligations as they become due. A preferred share rating of “P-3 (high)” is equivalent to a rating of “BB+” on S&P’s global scale (which is discussed above). Ratings from “P-1” to “P-5” may be modified by “high” and “low” grades which indicate relative standing within the major rating categories.

### DBRS

DBRS rates debt instruments and issuers with ratings ranging from “AAA”, which represents debt instruments and issuers of the highest credit quality, to “D”, which represents debt instruments for which an issuer has filed under any applicable bankruptcy, insolvency or winding up statute or for which there is a failure to satisfy an obligation after the exhaustion of grace periods. A rating of “BBB” by DBRS denotes an obligor having adequate credit quality; the capacity for the payment of financial obligations is considered acceptable although it may be vulnerable to future events. All rating categories other than “AAA” and “D” also contain subcategories "(high)" and "(low)". The absence of either a “(high)” or “(low)” designation indicates that the rating is in the middle of the category.

The DBRS preferred share rating scale ranges from “Pfd-1”, which represents a superior credit quality, supported by entities with strong earnings and balance sheet characteristics, to “D”, which represents that an issuer has filed under any applicable bankruptcy, insolvency or winding up statute or is in default per the legal documents. Preferred shares rated “Pfd-3” are of adequate credit quality. While protection of dividends and principal is still considered acceptable, the issuing entity is more susceptible to adverse changes in financial and economic conditions, and there may be other adverse conditions present which detract from debt protection. Each rating category may be denoted by the subcategories “high” and “low”. The absence of either a “high” or “low” designation indicates the rating is in the middle of the category.

### Fitch

Fitch rates long-term debt instruments and issuers with ratings ranging from “AAA”, which represents the highest credit quality and denotes the lowest expectation of default risk, to, in the case of rating for the debt instruments themselves, “C” which indicates exceptionally high levels of credit risk, or, in the case of issuer ratings, “D”, which indicates an issuer that in Fitch’s opinion has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure or that has otherwise ceased business. A rating of “BBB” by Fitch indicates that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity. A rating of “BB” by Fitch indicates an elevated vulnerability to credit risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial alternatives may be available to allow financial commitments to be met. Ratings from “AA” to “CCC” may be modified by the addition of a plus “+” or minus “-” sign to show relative standing within the major rating categories.

Fitch rates short-term debt instruments and issuers with ratings ranging from “F1”, which represents the highest short-term credit quality and indicates the strongest intrinsic capacity for timely payment of financial commitments, to “D”, which indicates a broad-based default event for an entity or the default of a short-term obligation. A rating of “F2” by Fitch indicates good intrinsic capacity for timely payment of financial commitments. Ratings of “F1” may be modified by the addition of a plus “+” to denote any exceptionally strong credit feature.

### Moody's

Moody's rates long-term debt instruments and issuers with ratings ranging from "Aaa", which represents obligations judged to be of the highest quality, subject to the lowest level of credit risk, to "C", which represents an obligation typically in default, with little prospect for recovery of principal or interest. A rating of "A" by Moody's denotes obligations judged to be upper-medium grade and subject to low credit risk, while a rating of "Baa" by Moody's denotes obligations judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics. Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Short-term obligations and issuers thereof may carry a rating ranging from Prime-1 or "P-1", which represents an issuer's superior ability to repay short-term debt obligations, to "Prime-3" or "P-3", which represents an issuer's acceptable ability to repay short-term obligations. Issuers may also be rated "Not Prime" or "NP", which represents that an issuer does not fall within any of the Prime rating categories.

The Corporation has made, or will make, payments to each of S&P, DBRS, Fitch and Moody's in connection with the assignment of ratings to both the Corporation and its securities. In addition, the Corporation has made customary payments in respect of certain subscription services provided to the Corporation by S&P and Fitch during the last two years.

# 4. ENTERPRISE RISK FACTORS

The Corporation is subject to a number of risks and uncertainties, certain of which are described in more detail below. The actual effect of any event on the Corporation's business could be materially different from what is anticipated or described below. The description of risks below does not include all possible risks. See the Corporation's MD&A for the year ended December 31, 2023 for additional risks that it faces.

## 4.1 Risk Factors Relating to Operations

***The Corporation's operations involve numerous risks which, if they materialize, could disrupt or adversely affect its business, results of operations, financial position and cash flows.***

The Corporation's ability to safely and reliably operate, maintain, construct and decommission (as applicable) its power generation facilities, utility systems and other assets involve a variety of risks customary to the power and utilities sectors, many of which are beyond the Corporation's control, including those that arise from:

- severe weather conditions and natural disasters;
- global climate change and changes in climate-related regulations and policies;
- environmental contamination/wildlife impacts;
- casualty or other significant events such as fires, explosions, security breaches or drinking water contamination;
- critical equipment breakdown or failure;
- increased competition;
- commodity supply and transmission constraints or interruptions;
- workplace and public safety events;
- infectious diseases, pandemics and similar public health threats;
- loss of key personnel;
- increased labour costs or labour disputes;
- employee performance/workforce effectiveness;
- improper, illegal or erroneous acts of employees, contractors, vendors or other third parties;
- demand (including seasonality);
- loss of key customers;
- reduction in the price received for goods/services;
- reliance on transmission systems and facilities operated by third parties;
- land use rights/access;
- supply chain disruptions;
- lower-than-expected levels of efficiency or operational performance;
- acts by third parties, including cyber-attacks, criminal acts, physical security breaches, information security breaches, vandalism, war and acts of terrorism;
- the reduction, elimination or expiration of beneficial government subsidies, credits or incentives;
- projects with a limited operating history;

- opposition by external stakeholders, including local groups, communities and landowners;
- general economic and capital market conditions, including interest rates, commodity price fluctuations and inflation;
- the availability of, and pricing for, alternative power or fuel sources;
- the performance of newly developed technologies;
- obligations to serve utility customers within its certificated service territories;
- the Corporation's reliance on subsidiaries; and
- the Corporation's reliance on contract counterparties.

These and other operating events and conditions could result in service and operational disruptions and may reduce the Corporation's revenues, increase costs or both and may materially affect the Corporation's customers and other third parties or the Corporation's business, results of operations, financial position, valuation and cash flows, particularly if a situation is not resolved in a timely manner or the financial impacts of restoration are not alleviated through insurance policies or regulated rate recovery.

***The Corporation's generation, distribution and transmission assets may be negatively impacted by changes in general economic, credit, social and market conditions.***

The Corporation's generation, distribution and transmission assets are affected by energy and water demand, sales and operating costs, among other things, in the jurisdictions in which they operate. Demand, sales, and operating costs may change as a result of, among other things, fluctuations in general economic conditions, energy and commodity prices, inflation, interest rates, employment levels, personal disposable income, customer preferences, advancements in new technologies, population or demographic changes and housing starts. Significantly reduced energy or water demand in the Corporation's service territories could reduce capital spending forecasts, and specifically capital spending related to new customer growth. A reduction in capital spending could, in turn, affect the Corporation's rate base and earnings growth. A downturn in economic conditions may have an adverse effect on the Corporation's results of operations, financial condition, and cash flows despite regulatory measures, where applicable, available to compensate for some or all of the reduced demand and increased costs, and which recovery, if any, may lag costs incurred by the Corporation. In addition, an extended decline in economic conditions could make it more difficult for customers to pay for the utility services they consume, thereby affecting the aging and collection of the utilities' trade receivables.

***Energy conservation, energy efficiency, distributed generation, community choice aggregation, deregulation, technology, regulatory policies and other factors that reduce energy and water demand could adversely affect the Corporation's business, financial condition and results of operations.***

Initiatives designed to reduce greenhouse gas emissions and control or limit the effects of climate change have resulted in incentives and programs to increase energy efficiency and reduce water and energy consumption, including efforts to reduce the availability and reliance on natural gas. There may also be efforts to move to deregulation in certain of the markets in which the Regulated Services Group operates, which could adversely affect the Corporation's business, financial condition and results of operations.

Significant technological advancements are taking place in the generation and utility industry, including advancements related to self-generation and distributed energy technologies such as fuel cells, micro turbines, battery storage, wind turbines, solar panels and technologies related to lower energy, natural gas and water use. Adoption of these and other technologies may increase as a result of government subsidies or policies, improving economics and changing customer preferences. Increased adoption of these practices, requirements and technologies could reduce demand for utility-scale electricity generation and electric, water, and natural gas distribution, and as a result, the Corporation's business, financial condition and results of operations could be adversely affected.

The Corporation may also invest in and use newly developed, less proven, technologies or generation methods in its development and construction projects or in maintaining or enhancing its existing operations and assets. There is no guarantee that such new technologies will perform as anticipated. The failure of a new technology or generation method to perform as anticipated may adversely affect the profitability of a particular development project or existing operations and assets.

***The Corporation and its facilities, projects, operations and personnel are exposed to the effects of severe weather, natural disasters, diseases, pandemics, cyber-attacks, acts of war, piracy and terrorism, and other catastrophic and force majeure events beyond the Corporation's control, and such events could result in a material adverse effect on the Corporation.***

The Corporation's facilities and operations are exposed to potential interruption and damage, and partial or full loss, resulting from environmental disasters, seismic activity, equipment failures, severe weather, natural and man-made disasters, diseases, pandemics, and other catastrophic and force majeure events. In the event of an earthquake, hurricane, tornado, fire, flood, ice storm, tsunami, typhoon, atmospheric river, geomagnetic storm, thunderstorm, electromagnetic pulse, terrorist attack, cyberattack, act of war, piracy attack, geopolitical conflict or other natural, man-made or technical catastrophe, all or some parts of the Corporation's generation facilities and infrastructure systems may be disrupted and project development or construction delays or injuries may occur. The occurrence of any such event may not release the Corporation from performing its obligations pursuant to Offtake Contracts or other agreements with third parties. The occurrence of a significant event which disrupts the ability of the Corporation to provide utility services, or for its power generation assets to produce or sell power for an extended period, including

events which preclude existing customers under Offtake Contracts from purchasing electricity, could have a material negative impact on the Corporation's business. In addition, certain of the Corporation's utilities operate in remote and/or mountainous terrain, including islands, where the Corporation's facilities are at increased risk of loss or damage from fires, floods, washouts, landslides, earthquakes, hurricanes, tornadoes, avalanches and other acts of nature.

Wildfires have occurred, and may in the future occur, within the Corporation's service territories, including, without limitation, in California and other parts of the United States in which the Corporation operates, such as the Mountain View fire that occurred on November 17, 2020 within the CalPeco Electric System's service territory in California. Fires may arise from equipment breakdown or failure, trees falling on and lightning strikes to, distribution lines or equipment, and other causes. If it is accused or found to be responsible for such a fire (regardless of whether it is at fault or negligent), the Corporation could suffer costs, losses and damages, all or some of which may not be recoverable through insurance, legal, regulatory cost recovery or other processes and could materially affect the Corporation's business, results of operations and cash flows, including its reputation with customers, regulators, governments and financial markets. Resulting costs could include fire suppression costs, fines, regeneration, timber value, asset replacement costs, inverse condemnation, increased insurance costs, costs resulting from the inability to obtain insurance and costs arising from damages and losses incurred by third parties, including consequential or punitive damages.

***The Corporation is subject to the risks associated with an outbreak of infectious disease, a pandemic or a similar public health threat.***

A local, regional, national or international outbreak of a contagious disease, pandemic or similar public health threat, or a fear of any of the foregoing could result in restrictive measures being taken by the Corporation or various governments and businesses which may result in additional risks and uncertainties to the Corporation's business, operations and financial condition.

The extent of the effect of the disease, pandemic or public health threat on the Corporation's operational and financial performance will depend on numerous factors, including the duration, spread and intensity of the outbreak, the actions by governments and others taken to contain the outbreak or mitigate its impact and changes in the preferences of consumers, all of which are uncertain and difficult to predict as such factors evolve rapidly over the course of any such event or public health threat. Certain aspects of the Corporation's business and operations that have been or could potentially continue to be impacted by the outbreak of any disease, pandemic or public health threat include increased operating costs (which the Corporation may not be able to recover through future rates), delays or longer-term stoppage of development projects, temporary or long-term labour shortages or disruptions, temporary or long-term impacts on domestic and global supply chains, impairments and/or write-downs of assets, decreased demand for electricity and natural gas, impacts on the timing and extent of capital expenditures, increased credit risk and counterparty risks, delayed collection of accounts receivable, increased market volatility and the deterioration of worldwide credit and financial markets that could limit the Corporation's ability to access capital and financing on acceptable terms or at all. Any such impact could have a material adverse effect on the Corporation's business, operations and financial condition.

***The Corporation may experience critical equipment breakdown or failure, safety events or other operating events, which could have a material adverse effect on the Corporation's business, financial condition, results of operations and reputation.***

The Corporation's facilities are subject to the risk of critical equipment breakdown or failure, safety shutdowns and lower-than-expected levels of efficiency or operational performance due to the deterioration of assets from use or age, design flaws and related design modification requests from original equipment manufacturers and service providers or errors in the operation or maintenance of these facilities, among other risks. These and other safety and operating events and conditions could result in bodily injury or death, property damage, the release of hazardous substances or other impacts to the environment, increased capital expenditures, reduced production and service disruptions and, to the extent that a facility's equipment requires longer than forecasted down times for maintenance and repair, or suffers disruptions of power generation, distribution or transmission for other reasons, the Corporation's business, operating results, financial condition, reputation or prospects could be adversely affected. In addition, a portion of the Corporation's infrastructure is located in remote areas, which may make access to perform maintenance and repairs difficult if such assets become damaged.

Such events could, among other things, potentially cause dam failures or drowning that could impact the Corporation's hydroelectric facilities, and result in a loss of generating capacity, damage to the environment or damage and harm to third parties or the public, including as a result of the flow of large amounts of water causing flooding upstream or downriver. There are inherent hazards and operational risks in electric generation and distribution and natural gas distribution activities, such as electric contact, fires, leaks, accidental explosions and mechanical problems that could cause the loss of human life, significant damage to property, environmental pollution and impairment of operations. Water and wastewater distribution systems operate under pressurized conditions within pressure ranges approved by regulators. Should a water distribution network become compromised or damaged, the resulting release of pressure could result in serious injury or death to individuals or damage to property. In addition, contamination of water or equipment in a drinking water distribution system could result in severe injury, illness or death to those who drink the impacted water. During periods of high rainfall, certain sewage networks may become saturated, including Suralis', which may result in mixed waters flowing onto the public highway and/or activating the emergency spillways, and by operating at an increased or maximum capacity, the sewage system may be subject to increased deterioration over time.

***The Corporation is subject to the risks associated with climate change and weather, as well as government and societal responses to respond thereto, that may result in a material adverse effect on the Corporation.***

The Corporation is subject to risks that arise or may arise from the impacts of climate change that may result in a material adverse effect on the Corporation. In addition to the physical and operational risks to the Corporation's facilities and operations from climate change, the Corporation is subject to the transitional, reputational and litigation risks associated with climate change, including increasing regulations and increasing public concern about climate change and growing support for reducing carbon emissions. City, state, provincial, federal and local governments have been setting policies and enacting laws and regulations to deal with climate change impacts in a variety of ways, including de-carbonization initiatives and promotion of cleaner energy and renewable energy generation of electricity. Insurance companies are also evaluating the impacts of climate change which may result in fewer insurers, more restrictive coverage and increased premiums. Additionally, even if the Corporation undertakes projects aimed at addressing climate change, it may not receive rate recovery of expenditures on such projects.

*Weather and Physical Risks*

Climate change is predicted to lead to increased frequency and intensity of weather events and related impacts such as storms, wildfires, ice storms, tornadoes, hurricanes, cyclones, heavy rainfall, heavy snowfall, extreme winds, changes in water availability and quality, flooding, sea level rise, storm surge and other changing weather patterns. To the extent the frequency and intensity of extreme weather events and storms increase as a result of climate change, the Corporation's capital costs, cost of maintenance and cost of providing service may increase, including the costs and the availability of procuring insurance related to such impacts.

Climate change, including extreme weather events, creates a risk of physical damage to the Corporation's assets, which may negatively impact the Corporation's ability to reliably provide services and production. High winds can damage structures and cause widespread damage to transmission and distribution infrastructure. Increased frequency and severity of weather events increases the likelihood that the duration of power outages and energy, fuel and water supply disruptions could increase. With respect to the Corporation's wind facilities, ice can accumulate on wind turbine blades in cold weather periods, which can have a significant impact on energy yields, and could result in wind turbines experiencing down time. Increased rainfall or intensity of flooding could adversely affect the operations of the Corporation's hydroelectric generating facilities as well as impact the Corporation's water systems. The potential impacts of climate change, such as rising sea levels and larger storm surges from more intense hurricanes, can combine to produce greater damage to facilities located near coasts or on islands. Additionally, extreme weather conditions may increase the cost of maintaining the Corporation's systems, and can contribute to increased system stress, including service interruptions. Weather conditions outside of the Corporation's service territory could also have an impact on revenues. The Corporation may buy and sell electricity depending upon its needs and market opportunities. Extreme weather conditions creating high energy demand on the Corporation's own and/or other systems and facilities may raise market electricity prices as the Corporation buys short-term electricity to serve its own systems and facilities, or to satisfy its contractual energy delivery obligations. Prices of natural gas, which is necessary for the production of the Corporation's electricity, may also rise. Such climate change risks may also impact third parties on which the Corporation relies, such as suppliers and services providers, resulting in delays and increased costs of providing goods or services.

Climate change is also characterized by increases in global air temperatures. Increased air temperatures may bring increased frequency and severity of wildfires, including within the Corporation's service territories. Increased air temperatures could also result in decreased efficiencies over time of both generation and transmission facilities. Changes in precipitation due to climate change that result in droughts could also increase the risk of wildfire. If it is found to be responsible for such a fire, the Corporation could suffer costs, losses and damages, all or some of which may not be recoverable through insurance, legal or regulatory cost recovery or other processes and could materially affect the Corporation's business, results of operations and cash flows, including its reputation with customers, regulators, governments and financial markets.

*Generation and Customer Consumption Risks*

The Corporation operates hydroelectric generation and water distribution businesses in certain of its markets. Such businesses depend on availability of water. Changes in precipitation patterns, water table levels, groundwater availability, water temperatures and ambient air temperatures could adversely affect the availability of water and consequently the output from such facilities.

In addition, changes in intensity of wind resources due to climate change could impact the Corporation's wind generation facilities and increased seasonal irradiance variance caused by climate change could impact the Corporation's solar generation facilities.

Customers' energy needs vary significantly in response to weather conditions, primarily temperature and humidity. For residential customers, heating and cooling represent their largest energy use. To the extent weather conditions are affected by climate change, customers' energy use could increase or decrease depending on the duration and magnitude of the changes, which may adversely affect the Corporation's business, results of operations and cash flows. Further, changes in attitudes towards reducing the impacts of climate change may also result in the reduction of energy and water use by the Corporation's customers.

Additionally, to the extent climate change negatively impacts a region's economic health, it may also negatively impact the Corporation's revenues as the Corporation's financial performance depends in part on the health of the regional economies that it serves.

*Reputational Risks*

The Corporation's failure, or perceived failure, to address issues related to climate change or to achieve any greenhouse gas emissions reduction and other sustainability goals may affect the Corporation's reputation with stakeholders, its ability to operate and grow, its access to, and cost of, capital or insurance, the confidence of investors and customers who may seek more sustainable products and services, and the ability to recruit and retain employees.

Conversely, the Corporation's commitment to environmental and sustainability matters may affect the Corporation's reputation with pro-fossil fuel governments and stakeholders, impacting its ability to operate, obtain capital, grow, carry out its strategic plans or recover certain investments.

*Regulatory Risks*

Changing carbon-related costs, policy and regulatory changes and shifts in supply and demand factors could lead to more expensive or scarcer products and services that are required by the Corporation in its operations. This could lead to supply shortages and delivery delays as well as the need to source alternate products and services.

Government and regulatory initiatives, including greenhouse gas emissions standards and targets, air emissions standards, and water conservation programs are being proposed and adopted in many jurisdictions in response to concerns regarding the effects of climate change. In some jurisdictions, government policy has included carbon pricing, emissions limits, electrification through conversion of load from natural gas and cap and trade mechanisms. Over the medium and longer terms, this could potentially lead to a significant portion of hydrocarbon infrastructure assets being subject to additional regulation and limitations in respect of greenhouse gas emissions and operations. Early closure of the Corporation's owned and jointly owned gas distribution infrastructure and electric generating facilities due to environmental risks, litigation or public policy changes could have a material adverse impact on the Corporation's results of operations and liquidity. Conversely, government and regulatory initiatives designed to support the fossil-fuel industry could impair the Corporation's ability to pursue its strategic plans, such as "greening the fleet" initiatives, or otherwise impact the Corporation's operations or ability to obtain financing, which could have a material adverse impact on the Corporation's results of operations or liquidity.

Additionally, the Corporation may become subject to emerging mandatory or voluntary climate-related reporting requirements which may require significant investments in data collection, monitoring, reporting and verification, including in respect of data generated by third parties, and high-quality data may not always be available. The direct or indirect cost of compliance with these climate-related reporting requirements, the inability to meet future regulatory reporting requirements, unexpected changes in reporting requirements and methodologies, the inability to collect comprehensive and high-quality data or the current and future expectations of stakeholders with respect to such matters, including investors, may adversely affect the Corporation's reputation, financial condition, ability to obtain regulatory permits or approvals and raise capital.

*Compliance and other Costs*

The Corporation may be required to comply with existing or new climate-related and environmental legislative and regulatory requirements, and may be subject to other emission reduction pressures, including its own targets. Such legislative and regulatory initiatives and other pressures could adversely affect the Corporation's operations and financial performance over time. Depending on the regulatory response to government legislation and regulations, the Corporation may be exposed to the risk of reduced recovery through rates or "regulatory lag" in its Regulated Services Group in respect of such compliance costs, or may be required to take other actions in the case where costs may not be fully recoverable, or at all.

*Litigation and Activism Risk*

The Corporation could face litigation or regulatory action as a result of climate change, including related to environmental harm from carbon emissions or impacts from the Corporation's facilities, damage caused to customers or other third parties by the Corporation's utility systems as a result of weather and/or climate change, or inaccurate or inadequate climate change and other environmental, social and governance (ESG) public disclosure. The Corporation may also face shareholder proposals and activism-related ESG issues that may detract management's attention from the Corporation's day to day operations, affect public perceptions of the Corporation, and result in increased costs in response to such matters.

***Risks related to technology systems, including the upgrading of certain technology infrastructure systems by the Corporation, could adversely affect the Corporation's operations, financial condition, cash flows and results of operations.***

The Corporation relies upon various information and operational technology infrastructure systems to carry out its business processes and operations. This subjects the Corporation to inherent costs and risks associated with maintaining, upgrading, replacing and changing information and operational technology systems. This includes impairment of its technology systems, potential disruption of operations, business process and internal control systems, substantial capital

expenditures, demands on management time and other risks of delays, and difficulties in upgrading, transitioning and integrating technology systems.

AQN and certain of its subsidiaries are in the process of updating their technology infrastructure systems through the implementation of an integrated customer solution platform, which includes customer billing, enterprise resource planning systems and asset management systems. The implementation of these systems is being managed by a dedicated team. Following pilot implementations, deployment began in 2022 and has occurred in a phased approach that is expected to be completed in 2024.The implementation of such technology systems requires the investment of significant financial and human resources. Disruptions, delays or deficiencies in the design, implementation, or operation of these technology systems or integration of these systems with other existing information technology or operations technology could: adversely affect the Corporation's operations, including its ability to monitor its business, pay its suppliers, bill its customers, and report financial information accurately and on a timely basis; lead to higher than expected costs; lead to increased regulatory scrutiny or adverse regulatory consequences; or result in the failure to achieve the expected benefits. As a result, the Corporation's operations, financial condition, cash flows and results of operations could be adversely affected.

***Security breaches, criminal activity, theft, terrorist attacks, cyber-attacks and other threats or incidents relating to the Corporation's information security could directly or indirectly interfere with the Corporation's operations, could expose the Corporation or its customers or employees to risk of loss, and could expose the Corporation to liability, regulatory penalties, reputational damage and other harm to its business.***

The Corporation relies upon its and third-party information and operational technology networks, systems and devices to process, transmit and store electronic information, and to manage and support a variety of business processes and activities and safely operate its assets. The Corporation also uses its and third-party information technology systems to record, process and summarize financial information and results of operations for internal reporting purposes and to comply with financial reporting, legal and tax requirements. The Corporation's and certain of its third-party vendors' technology networks, systems and devices collect and store sensitive data, including system operating information and proprietary business information belonging to the Corporation and third parties, as well as personal information belonging to the Corporation's customers, employees, and other stakeholders. As the Corporation operates critical infrastructure, it may be at an increased risk of cyber-attacks or other security threats by third parties. The Corporation's, its third-party vendors' or other counterparties' technology systems and technology networks, devices and infrastructure may be vulnerable to damage, disruptions or shutdowns due to attacks by hackers or breaches due to employee error or malfeasance, disruptions during software or hardware upgrades, telecommunication failures, theft, politically-driven attacks (including as a result of geopolitical tension, and any associated sanctions imposed or actions taken by the United States, Canada or other countries or retaliatory measures by nation states or other actors), acts of war or terrorism, natural disasters or other similar events. In addition, certain sensitive information and data may be stored by the Corporation on physical devices, in physical files and records on its premises or transmitted to the Corporation verbally, subjecting such information and data to a risk of loss, theft, release and misuse. Methods used to attack critical assets could include social engineering and general purpose or industry-specific malware or ransomware delivered via network transfer, removable media, viruses, attachments, or links in e-mails. The methods used by attackers are continuously evolving and can be difficult to predict and detect. The occurrence of any of these events could negatively impact the Corporation's operations, power generation facilities and utility distribution and transmission systems; could cause services disruptions or system failures; could adversely affect safety; could expose the Corporation, its customers or its employees to a risk of loss or misuse of information; could affect the ability to earn or collect revenue or correctly record, process and report financial information; and could result in increased costs, legal claims or proceedings, liability or regulatory penalties against the Corporation, damage the Corporation's reputation or otherwise harm the Corporation's business.

The long-term impact of terrorist attacks and cyber-attacks and the magnitude of the threat of future terrorist attacks and cyber-attacks on the utility and power generation industries in general, and on the Corporation in particular, cannot be known. Increased security measures to be taken by the Corporation as a precaution against possible terrorist attacks and cyber-attacks may result in increased costs to the Corporation. The Corporation must also comply with data privacy laws in each of the jurisdictions in which it operates. Certain data privacy laws and other cybersecurity regulations have expanded in recent years, leading to increased obligations, and fines for breaches of such laws and regulations have increased. The Corporation may incur additional costs to maintain compliance, or significant financial penalties, in the event of a breach.

The Corporation cannot accurately assess the probability that a security breach may occur or accurately quantify the potential impact of such an event. The Corporation provides no assurance that it will be able to identify, protect against and remedy all cybersecurity, physical security or system vulnerabilities or that unauthorized access or errors will be identified and remedied. Should a breach occur, the Corporation may suffer costs, losses and damages, all or some of which may not be recoverable through insurance, legal, regulatory, or other processes, and could materially adversely affect the Corporation's business and results of operations including its reputation with customers, regulators, governments and financial markets. Resulting costs could include, among others, response, recovery (including ransom costs) and remediation costs, increased protection or insurance costs, and costs arising from damages and losses incurred by third parties.

***Risks including but not limited to any physical security breach, terrorist attacks, military campaigns, unauthorized access, electricity or equipment theft and vandalism could adversely affect the Corporation's business and its operations.***

A physical attack on the Corporation's generation, transmission or distribution assets could interfere with its normal business operations and affect its ability to control such assets. A physical security intrusion could lead to theft, vandalism, harm to employees or the release of critical operating information, which could adversely affect the Corporation's operations or adversely impact its reputation, and could result in significant costs, fines and litigation. Strategic targets, such as energy and water assets, may be at greater risk of attack than other targets.

Uncertainty surrounding continued hostilities or sustained military campaigns (including as a result of the conflict between Russia and Ukraine, and any associated sanctions imposed or actions taken by the United States, Canada or other countries or retaliatory measures by Russia or other geopolitical conflicts) may affect operations of the Corporation in unpredictable ways, including disruptions of supplies and markets for products of the Corporation, and the possibility that the Corporation's operations or facilities could be direct targets of, or indirect casualties of, an act of terror or cyber-security attack. The effects of hostilities, military campaigns, or terrorist or cyber-security attacks could include disruption to the Corporation's generation, transmission and distribution systems or to the electrical grid in general, and could result in a decline in the general economy and have a material adverse effect on the Corporation.

***The loss of key personnel, the inability to hire and retain qualified employees, and labour disruptions could adversely affect the Corporation's business, financial position and results of operations.***

The Corporation's operations depend on the continued efforts of its employees. Hiring and retaining key employees, including employees required for critical functions, and maintaining the ability to attract new skilled employees are important to the Corporation's operational and financial performance. The Corporation cannot guarantee that any member of its management or any one of its key employees will continue to serve in any capacity for any particular period of time or that any leadership transitions will be successful.

Certain events or conditions, such as competition with other potential employers, an aging workforce, epidemic, pandemic or similar public health emergency, lack of diversity, mismatch of skill set or complement to future needs or unavail ability of contract resources may lead to operating challenges, labour disruption, increased risk of liability and increased costs. The challenges the Corporation might face as a result of such risks include a lack of resources, an increase in safety risks, potential negative impacts to diversity, equity and inclusion efforts, losses to its knowledge base and the time required to develop new workers' skills. In any such case, costs, including costs for contractors to replace employees, productivity costs and safety costs may rise. If the Corporation is unable to successfully attract and retain an appropriately qualified workforce, its financial position or results of operations could be negatively affected.

The maintenance of a productive and efficient labour environment without disruptions cannot be assured. In the event of a strike, work stoppage or other form of labour disruption, the Corporation would be responsible for procuring replacement labour and could experience disruptions in its operations and incur additional expense. Further, an increase in the number of collective bargaining agreements or the inability to maintain or negotiate future agreements on acceptable terms could impact the Corporation's reputation or result in higher labour costs or work disruptions.

***The Corporation's revenues and results of operations are affected by seasonal fluctuations and year to year variability in weather conditions and natural resource availability.***

The Corporation is subject to risks associated with seasonal fluctuations and year to year variability in weather conditions and natural resource availability, which affect the quantity of electric power generated and sold by the Corporation, the availability of water to be distributed by the Regulated Services Group and the demand for the utility services of the Regulated Services Group. The Corporation's operations are also sensitive to long-term weather variations, including as a result of climate change.

The Regulated Services Group's water distribution operations depend on an adequate supply of water to meet present and future demands of customers. Drought conditions could interfere with sources of water supply used by the utilities and affect their ability to supply water in sufficient quantities to existing and future customers. An interruption in the water supply could have an adverse effect on the results of operations of these utilities. Demand for electricity, water and natural gas from the Regulated Services Group's utility distribution systems is affected by weather conditions and temperature. Demand for water may decrease if there is above normal rainfall or rainfall is more frequent than normal, or if government restrictions are imposed on water usage during drought conditions. Demand for electricity and natural gas are also subject to significant seasonal variation, year-to-year variations and changes in weather patterns, including as a result of climate change. Please see "Description of the Business – Renewable Energy Group – Cycles and Seasonality" and "Description of the Business – Regulated Services Group – Cycles and Seasonality" for a description and discussion of these risks.

***The Corporation historically has entered, and may in the future, enter into long-term Offtake Contracts and derivative contracts to reduce the risk of fluctuations in electricity prices, which contracts could give rise to performance and financial risks and could result in significant costs to the Corporation.***

The Renewable Energy Group sells a significant portion of the energy, capacity and RECs it generates under long-term Offtake Contracts. The Renewable Energy Group also enters into financial or physical power hedges to reduce the risk from fluctuations in market price. For instance, several of the Renewable Energy Group's wind energy production facilities are subject to long-term hourly energy price hedges for a portion of their expected energy production. The

Corporation may incur significant costs in establishing or terminating Offtake Contracts or may be unable to benefit from favourable changes in market price as a result of these Offtake Contracts, including where external price and cost factors, such as transmission congestion costs, inflation or interest rate fluctuations, are not passed through the Offtake Contract to the counterparty.

In addition, the Corporation may not be able to generate power in the amounts or at the times required by the applicable Offtake Contract, due to the variable nature of the natural resource (for renewable power generation) or due to transmission grid curtailments, mechanical failures, weather events or other reasons. Because of this risk, the Corporation typically does not hedge the full expected production of a particular facility, which leaves a portion of expected production subject to market price risk. In addition, production shortfalls (relative to hedged production volumes) may force the Renewable Energy Group to purchase power in the merchant market at prevailing rates to settle against the applicable hedge contract. Such factors could materially and adversely affect the Corporation's results of operations and cash flows, depending on both the amount of shortfall and the market price of electricity at the time of the shortfall.

Any requirement for the Corporation to post letters of credit or other margin cash collateral under any of its derivative instruments or similar instruments could have a material adverse effect on the Corporation's business, financial condition and results of operations. These risks may be increased during periods of adverse market or economic conditions. Additionally, the Corporation is unable to assure that these derivative instruments will be effective to protect against material adverse effects on the Corporation's business, financial condition and results of operations.

***The Corporation's facilities rely on national and regional transmission systems and other commodity transportation facilities that are owned and operated by third parties and have both regulatory and physical constraints that could impede access to electricity markets or other commodity markets.***

A substantial portion of the Corporation's power generation facilities depend on electric transmission systems and related facilities owned and operated by third parties to deliver the electricity the Corporation generates to delivery points where ownership changes and the Corporation is paid. These grids operate with both regulatory and physical constraints which in certain circumstances may impede access to electricity markets. There may be instances following system studies, in system emergencies, chronic weather events, system mismanagement or after other system issues in which the Corporation's power generation facilities are physically disconnected from the power grid, or their production curtailed, for periods of time. Most of the Corporation's electricity sales contracts do not provide for payments to be made if electricity is not delivered.

The power generation facilities of the Corporation may also be subject to changes in regulations governing the cost and characteristics of use of the transmission and distribution systems to which its power generation facilities are connected. In the future, these power generation facilities may not be able to secure access to interconnection or transmission capacity at reasonable prices, in a timely fashion or at all, which could then cause delays and additional costs in attempting to negotiate or renegotiate Offtake Contracts or other contracts with third parties, complete construction projects, construct new projects or operate existing projects. Any such increased costs and delays could, among other things, delay the commercial operation dates of the Corporation's new projects and negatively impact the Corporation's revenues and financial condition.

Certain of the Corporation's subsidiaries depend upon natural gas and other commodity transportation facilities, many of which they do not own. Occurrences affecting the operation of these facilities may be beyond the control of the Corporation's subsidiaries (such as severe weather, a pipeline rupture, compressor failure or cybersecurity or physical events rendering pipeline facilities unavailable) and may limit or halt their ability to sell and deliver natural gas or other commodities and generate electricity, which could materially adversely impact the Corporation's business, financial condition and results of operations.

***The Corporation does not own the land on which many of its projects and facilities are located and its use and enjoyment of real property rights for its projects and facilities may be adversely affected by the rights of lienholders and leaseholders, which could have a material adverse effect on its business, results of operations, financial condition and cash flows.***

The Corporation does not own all of the land on which its projects and facilities are located. Many of the Corporation's projects and facilities are located on land occupied under long-term easements, leases, and rights of way. The ownership interests in the land subject to these easements, leases and rights of way may be subject to mortgages securing loans or other liens and other easements, lease rights and rights of way of third parties that were created previously. As a result, some of the rights held by the Corporation under such easements, leases or rights of way may be subject to the rights of these third parties, and the rights of the Corporation to use the land on which its projects are or will be located and its rights to such easements, leases and rights of way could be lost or curtailed. Any loss or curtailment of the rights of the Corporation to use the land on which its projects or facilities are or will be located could have a material adverse effect on its business, results of operations, financial condition and cash flows.

***Disruption, delays and excess costs in the Corporation's supply chain may have a material adverse effect on the Corporation's business, results of operations, financial condition and cash flows.***

The Corporation's ability to operate effectively is in part dependent upon access to, and the provision of, equipment, materials and services in a timely manner. Loss or delay of key equipment, materials and service suppliers, the provision of key equipment, materials and services at higher than expected or budgeted costs and the reputational and financial

risk exposures of key vendors, including as a result of changes in laws, regulations and standards, inflation, tariffs and other barriers to international trade, geopolitical tension, transportation delays, equipment failure, defects or quality issues, delays in approvals, customs issues and disease, pandemics or other public health threats could affect the Corporation's operations and timing, execution, viability and profitability of capital projects and could result in project development and construction delays (which may cause the Corporation to pay liquidated damages or other penalties or amounts), disruptions and cost overruns or otherwise adversely impact the Corporation's financial condition.

***The modification, reduction, elimination or expiration of government subsidies, credits or incentives could adversely affect the Corporation's prospects for growth and its results of operations, financial condition and cash flows.***

The Corporation seeks to take advantage of government policies that promote renewable power generation and enhance the economic feasibility of renewable power projects. Renewable power generation sources currently benefit from various incentives in the form of rebates, tax credits, grants and other incentives throughout the markets in which the Corporation participates or intends to participate. The modification, removal or phasing out of any such policies or laws could increase customer rates, adversely affect the viability of certain of the Corporation's expected growth initiatives or renewable energy projects, and could adversely affect the Corporation's results of operations, financial condition and cash flows.

***The Corporation's portfolio includes development and construction projects, as well as recently completed projects that have a limited operating history. Such projects may not perform as expected.***

The Corporation's portfolio includes development and construction projects, as well as recently completed projects that have recently commenced operations and therefore have a limited operating history. As a result, the assumptions and estimates regarding the performance of these projects are and will be made without the benefit of a meaningful operating history. The ability of such projects to perform as expected will also be subject to risks inherent in newly constructed generation and transmission projects, including, but not limited to, equipment performance below the Corporation's expectations, unexpected component failures and product defects, and generation and transmission system failures and outages. The failure of some or all of the projects to perform as expected could have a material adverse effect on the Corporation's business, results of operations, financial condition and cash flows.

***The Corporation's financial performance may be adversely affected by fluctuations in commodity prices, lower prices for alternative fuel sources or reductions in energy market liquidity.***

Market prices for power, generation capacity, ancillary services and natural gas are unpredictable and tend to fluctuate, which may affect the Corporation's operating results. With respect to the Regulated Services Group, commodity price exposure is primarily limited to the cost of electricity and natural gas. Although the Regulated Services Group's utility rates and tariffs are generally designed to allow recovery of commodity costs, timing differences and other factors, which may be exacerbated by fluctuating prices, may result in less than full recovery. Further, customers may change consumption patterns depending on the cost of alternative energy or fuel sources. Demand for the electrical energy generated by the Corporation's electric generation assets is affected by the price and availability of other fuels, including, but not limited to, nuclear, coal and oil. To the extent renewable energy becomes less cost-competitive due to reduced or eliminated government renewable energy targets and other tax credits and incentives that favour renewable energy, cheaper alternatives or otherwise, demand for renewable energy could decrease. Slow growth or a long-term reduction in renewable energy demand could have a material adverse effect on the Corporation's business, results of operations, financial condition and cash flows.

The Corporation is an active participant in energy markets. The liquidity of regional energy markets is an important factor in the Corporation's ability to manage risks in these operations. Market liquidity is driven in part by the number of active market participants. Liquidity in the energy markets can be adversely affected by price volatility, restrictions on the availability of credit and other factors, and any reduction in the liquidity of energy markets could have a material adverse effect on the Corporation's business, financial condition and results of operations.

***Cash flow deferrals related to energy commodities can be significant.***

The Corporation is permitted to collect from customers only amounts approved by regulatory commissions. However, the Corporation's costs to provide utility services can be much higher or lower than the amounts currently billed to customers. The Corporation is permitted to defer income statement recognition and recovery from customers for some of these differences, which are recorded as deferred charges with the opportunity for future recovery through retail rates. These deferred costs are subject to review for prudence and potential disallowance by regulators, who have discretion as to the extent and timing of future recovery or refund to customers.

Power and natural gas costs higher than those recovered in retail rates reduce cash flows. Amounts that are not allowed for deferral or which are not approved to become part of customer rates affect the Corporation's results of operations.

Even if the regulators ultimately allow the Corporation to recover deferred power and natural gas costs, the Corporation's operating cash flows can be negatively affected until these costs are recovered from customers.

***The Regulated Services Group is obligated to serve utility customers within its certificated service territories, which may require that the Corporation make capital expenditures and incur indebtedness to expand service to new customers.***

The Regulated Services Group may have facilities located within areas experiencing growth. These utilities may have an obligation to service new residential, commercial and industrial customers. While expansion to serve new customers could result in increased future cash flows, it may require significant capital commitments in the immediate term, some or all of which may not be recoverable in rates. Accordingly, the Regulated Services Group may be required to obtain additional capital or incur additional borrowings to finance these future construction obligations.

***As a holding company, AQN does not have its own operating income and must rely on the cash flows from its subsidiaries to pay dividends and make debt payments.***

AQN is a holding company with no significant operations of its own, and AQN's primary assets are shares or other ownership interests of its subsidiaries. AQN's subsidiaries are separate and distinct legal entities and may have no obligation to pay any amounts to AQN, whether through dividends, loans or other means. The ability of AQN's subsidiaries to pay dividends or make distributions to AQN depends on several factors, including each subsidiary's actual and projected earnings and cash flow, capital requirements and general financial condition, regulatory restrictions, covenants contained in credit facilities to which they are parties, and the prior rights of holders of their existing and future secured debt and other debt or equity securities. Further, the amount and payment of dividends or distributions from any subsidiary is at the discretion of such subsidiary's board, which may reduce or cease payment of dividends or distributions at any time. In addition, there may be changes to tax regulation affecting the repatriation of dividends from other countries, which may negatively affect AQN.

***The Corporation is not able to insure against all potential risks and may become subject to higher insurance premiums, and the Corporation's ability to obtain insurance and the terms of any available insurance coverage could be materially adversely affected by international, national, state or local events and company-specific events, as well as the financial condition of insurers.***

The Corporation maintains insurance coverage for certain exposures, but this coverage is limited and the Corporation is generally not fully insured against all potential significant losses. Insurance coverage for the Corporation is subject to policy conditions and exclusions, coverage limits, and various deductibles, and not all types of liabilities and losses may be covered by insurance. Further, certain assets and facilities of the Corporation are not fully insured, as the cost of the coverage may not be economically viable or may not otherwise be available. Insurance may not continue to be offered on an economically feasible basis, or at all, and may not cover all events that could give rise to a loss or claim involving the Corporation's assets or operations. There can also be no assurance that insurers will fulfill their obligations. The Corporation's ability to obtain and maintain insurance and the terms of any available insurance coverage could be materially adversely affected by international, national, state or local events and company-specific events, as well as the financial condition of insurers.

If the Corporation were to incur a serious uninsured loss or a loss significantly exceeding the limits of its insurance policies, the results could have a material adverse effect on the Corporation's business, results of operations, financial condition and cash flows. In the event of a large uninsured loss, including those caused by severe weather conditions, wildfires, natural disasters and certain other events beyond the control of the Regulated Services Group, the Corporation may make an application to an applicable regulatory authority for the recovery of these costs through customer rates to offset any loss. However, the Corporation cannot provide assurance that the regulatory authorities would approve any such application in whole or in part. This potential recovery mechanism is not available to the Renewable Energy Group.

***The Corporation is subject to litigation and administrative proceedings, which may adversely impact the Corporation's consolidated financial position, results of operations and cash flows.***

The Corporation is subject to legal proceedings, administrative proceedings, claims and other litigation that arise in the course of its business and activities. These actions may include contractual disputes, employment-related claims, securities-based litigation, claims from customers related to the services provided by the Corporation, claims for personal injury or property damage, public nuisance claims (including claims relating to emissions from coal or fossil fuel-based generation facilities), claims for inverse condemnation, class actions and actions by regulatory or tax authorities. The final outcome with respect to such legal proceedings cannot be predicted with certainty, and unfavourable outcomes or developments relating to these proceedings or future proceedings, such as judgments for monetary damages, injunctions, denial or revocation of permits or regulatory authorizations, or settlement of claims could have an adverse effect on the Corporation's financial condition, results of operations and cash flows. Such outcomes may not be covered by insurance. Even if the Corporation prevails in any such legal proceedings, the proceedings could be costly, time-consuming and divert the attention of management and other personnel, which could adversely affect the Corporation.

***The Corporation may be exposed to certain risks in relation to artificial intelligence ("AI") tools***

The Corporation continues to invest in its data management and governance to, among other things, support reporting needs, business decision-making and grow its analytics practices. While the Corporation does not currently use third-party and open source AI tools in connection with its business, the Corporation's employees, consultants, and partners may use these tools and the Corporation may use such tools in the future.

Alongside the potential benefits of AI tools and technology come risks, including the potential exposure of the Corporation's proprietary or confidential information to unauthorized recipients, the misuse of the Corporation's or third-party intellectual property, the exposure or misuse of personal information, and allegations or claims against the Corporation related to violation of third-party intellectual property rights. As AI systems make decisions based on data and models, they can inherit or amplify bias or raise concerns about fairness or ethical use. In addition, AI models may not be sufficiently transparent in order to allow users to evaluate the accuracy or appropriateness of the output, which could result in inaccurate responses that could lead to errors in the Corporation's decision-making or other business activities. These risks could have a negative impact on the Corporation's business, operating results and financial condition.

## 4.2 Risk Factors Relating to Financing and Financial Reporting

***A downgrade in AQN's credit ratings or the credit ratings of its subsidiaries could have a material adverse effect on the Corporation's business, cost of capital, financial condition and results of operations.***

AQN has long-term consolidated corporate credit ratings of BBB from S&P, BBB from DBRS and BBB from Fitch. The ratings indicate the agencies' assessment of the ability to pay the interest and principal of debt securities issued by the Corporation. See "*Description of the Business – Credit Ratings*".

There can be no assurance that any of the current ratings of the Corporation will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances in the future so warrant. Factors rating agencies typically consider in evaluating the creditworthiness of a business such as AQN's include but are not limited to the following: the amount of leverage used in the business, the business mix including the relative contribution to EBITDA (as determined by applicable rating agency methodologies) of regulated utility operations versus non-regulated operations and the countries in which the business operates. Ratings agencies may also consider the group status (as determined by applicable rating agency methodologies) of a subsidiary when evaluating the creditworthiness of such entity. Negative changes in these and other factors a rating agency deems to be significant that are expected to be prolonged could result in a credit rating downgrade. Additionally, changes in the capital structure of the Corporation could cause the rating agencies to re-evaluate and potentially downgrade the Corporation's current credit ratings. A downgrade in credit ratings would result in an increase in the Corporation's borrowing costs under its bank credit facilities and future long-term debt securities issued. Any such downgrade could also adversely impact the market price of the outstanding securities of the Corporation, could impact the Corporation's ability to acquire additional regulated utilities and could require the Corporation or its subsidiaries to post additional or replacement security under certain contracts and hedging arrangements, which could result in increased costs to the Corporation. If any of the Corporation's ratings fall below investment grade (defined as BBB- or above for S&P and Fitch, BBB (low) or above for DBRS and Baa3 or above for Moody's), the Corporation's ability to issue short-term debt or other securities or to market those securities would be constrained or made more difficult or expensive. Therefore, any downgrade could have a material adverse effect on the Corporation's business, cost of capital, financial condition and results of operations. Each rating agency employs proprietary scoring methodologies that assess business and financial risks of the entity rated. There can be no assurance that the principles on which the rating is based remain consistently applied, and these principles are subject to change from time to time at each rating agency's discretion. For example, a rating agency's views on total allowable leverage, specific industry risk factors, country risk and the Corporation's business mix, among other factors, may change. Such changes could require AQN to adjust its business and strategy in order to maintain its credit ratings. AQN currently anticipates that to continue to maintain a BBB flat investment grade credit rating, it will, among other things, need to execute its growth and asset recycling strategies in a manner that preserves financial leverage targets and continues to generate at least 70% of EBITDA (as determined by applicable rating agency methodologies) from AQN's Regulated Services Group. There can be no assurance that AQN will be successful, and the failure to do so could have a negative impact on AQN's credit ratings. The business mix target may from time to time require AQN to grow its Regulated Services Group or implement other strategies in order to pursue investment opportunities within the Renewable Energy Group. The Corporation is pursuing a sale of its renewable energy business, which, if completed, is expected to impact the activities needed in order to maintain a BBB flat investment grade rating. APCo's credit ratings may be subject to evaluation and/or downgrade by one or more notches (including to a sub-investment grade rating) in connection with the Corporation's pursuit of a sale of its renewable energy business.

***Financial market disruptions or other factors could increase financing costs or limit access to credit and capital markets, which could adversely affect the Corporation's ability to refinance existing indebtedness on favourable terms, execute its acquisition, disposition and/or investment strategies, and finance its other activities upon favourable terms.***

As of December 31, 2023, the Corporation had substantial indebtedness. Management of the Corporation believes, based on its current expectations as to the Corporation's future performance, that the cash flow from operations, the funds available under its credit facilities, the proceeds of the proposed sale of the renewable energy business or from other potential future dispositions, and its ability to access capital markets will be adequate to enable the Corporation to finance its operations, execute its business strategy and maintain an adequate level of liquidity. However, the Corporation's expected revenue and capital expenditures are only estimates. Moreover, actual cash flows from operations will depend on regulatory, market and other conditions that are beyond the Corporation's control and which may be impacted by the risk factors herein. As a result, there can be no assurance that management's expectations as to future performance will be realized.

The Corporation's ability to obtain additional debt or equity or issue other securities, on favourable terms or at all, may be adversely affected by negative perceptions of the Corporation, any adverse financial or operational performance, financial market disruptions, the failure or collapse of any financial institution, prevailing market views and perceptions, or other factors outside the Corporation's control.

In addition, the Corporation may at times incur indebtedness in excess of its long-term leverage targets, in advance of raising the additional equity capital or similar securities or executing on asset recycling strategies necessary to repay such indebtedness and maintain its long-term leverage target. Any increase in the Corporation's leverage or degradation of key credit metrics below threshold levels could, among other things: limit the Corporation's ability to obtain additional financing for working capital, investment in subsidiaries, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes; restrict the Corporation's flexibility and discretion to operate its business; limit the Corporation's ability to declare dividends or maintain prior dividend levels; require the Corporation to dedicate a portion of cash flows from operations to the payment of interest on its existing indebtedness, in which case such cash flows would not be available for other purposes; cause rating agencies to re-evaluate or downgrade the Corporation's existing credit ratings; require the Corporation to post additional collateral security under some of its contracts and hedging arrangements; expose the Corporation to increased interest expense on borrowings at variable rates; limit the Corporation's ability to adjust to changing market conditions; place the Corporation at a competitive disadvantage compared to its competitors; make the Corporation vulnerable to any downturn in general economic conditions; render the Corporation unable to make expenditures that are important to its future growth strategies and require the Corporation to pursue alternative funding strategies, which may include accelerated asset recycling initiatives.

The Corporation will need to refinance or reimburse amounts outstanding under the Corporation's existing consolidated indebtedness over time. There can be no assurance that the Corporation will be successful in refinancing its indebtedness when necessary or that additional financing will be obtained when needed, on commercially reasonable terms or at all. In the event that the Corporation cannot refinance indebtedness or raise additional indebtedness, or if the Corporation cannot refinance its indebtedness or raise additional indebtedness on terms that are no less favourable than the current terms, the Corporation's cash flows and ability to declare dividends or repay its indebtedness may be adversely affected.

The Corporation's ability to meet its debt service requirements will depend on its ability to generate cash in the future, which depends on many factors, including the Corporation's financial performance, debt service obligations, the realization of the anticipated benefits of acquisition, disposition and investment activities, and working capital and capital expenditure requirements. In addition, the Corporation's ability to borrow funds in the future to make payments on outstanding debt will depend on the satisfaction of covenants in existing credit agreements and other agreements. A failure to comply with any covenants or obligations under the Corporation's consolidated indebtedness could result in a default under one or more such instruments, which, if not cured or waived, could result in the termination of dividends by the Corporation and permit acceleration of the relevant indebtedness. There can be no assurance that, if such indebtedness were to be accelerated, the Corporation's assets would be sufficient to repay such indebtedness in full. There can also be no assurance that the Corporation will generate cash flow in amounts sufficient to pay its outstanding indebtedness or to fund the Corporation's liquidity needs.

***Fluctuations in interest rates could negatively affect the Corporation's financing costs, ability to access capital and ability to continue successfully implementing its business strategy.***

The Corporation is exposed to interest rate risk from certain outstanding variable interest indebtedness and any new credit facilities and debt issuances. Fluctuations in interest rates may also impact the costs to obtain other forms of capital. In addition, for the Regulated Services Group, costs resulting from interest rate increases may not be recoverable in whole or in part, and "regulatory lag" may cause a time delay in the payment to the Regulated Services Group of any such costs that are recoverable. Rising interest rates may also negatively impact the economics of development projects, acquisitions, dispositions and energy facilities, especially where project financing is being renewed or arranged. As a result, fluctuations in interest rates could materially increase the Corporation's financing costs, limit the Corporation's options for financing or investment and adversely affect its results of operations, cash flows, key credit metrics, borrowing capacity and ability to implement its business strategy.

Certain of AQN and its subsidiaries' loans, debt securities and derivative contracts use the London Inter-Bank Offered Rate and CDOR as benchmarks for establishing the interest rate, each of which has been or will be replaced with a different reference rate. Any replacement benchmark may not be the economic equivalent of the London Inter-Bank Offered Rate or CDOR, as applicable. The discontinuation and replacement of London Inter-Bank Offered Rate and CDOR may, among other things, increase the Corporation's cost of borrowing, may have an unpredictable impact on credit and financial markets and could negatively impact the Corporation's financial condition.

***Currency exchange rate fluctuations may affect the Corporation's financial results and increase certain financing risks.***

The functional currency of most of the Corporation's operations and development activities is the U.S. dollar. However, the Corporation is exposed to currency fluctuations from its Canadian and Chilean operations and may utilize equipment and/or commodities purchased from foreign suppliers. Although the Corporation may hedge currency exchange rate exposure, the Corporation typically does not hedge its full exposure. If the Corporation does enter into currency hedges and exchange rates move in a favourable direction, such currency hedges may reduce or eliminate the Corporation's realization of the benefit of favourable exchange rate movement. In addition, currency hedging transactions will be subject to risks that the applicable counterparty may prove unable or unwilling to perform its obligations under the

contract, as a result of which the Corporation would lose some or all of the anticipated benefits of such hedging transactions.

***The Corporation is, and will continue to be, party to agreements, including credit agreements and indentures, that contain covenants that restrict its financial flexibility.***

The Corporation's existing credit facilities contain covenants imposing certain requirements on the Corporation's business including covenants regarding the ratio of indebtedness to total capitalization. Furthermore, AQN and its subsidiaries have, and may continue to, periodically issue long-term debt, which may consist of both secured and unsecured indebtedness. These third-party debt agreements also contain covenants, including covenants regarding the ratio of indebtedness to total capitalization. These requirements may limit the Corporation's ability to take advantage of potential business opportunities as they arise and may adversely affect the Corporation's conduct and the current business of certain operating subsidiaries, including restricting the ability to finance future operations and capital needs and limiting the subsidiaries' ability to engage in other business activities. Other covenants place or could place restrictions on the Corporation's ability and the ability of its subsidiaries to, among other things, incur additional debt, create liens, and sell or transfer assets.

Agreements the Corporation enters into in the future may also have similar or more restrictive covenants, especially if the general credit market deteriorates. A breach of any covenant in the existing credit facilities or the agreements governing the Corporation's other indebtedness would result in an event of default. Certain events of default may trigger automatic acceleration of payment of the underlying obligations or may trigger acceleration of payment if not remedied within a specified period. Events of default under one agreement may trigger events of default under other agreements. Should payments become accelerated as the result of an event of default, the principal and interest on such borrowing would become due and payable immediately. If that should occur, the Corporation may not be able to make all of the required payments or borrow sufficient funds to refinance the accelerated debt obligations. Even if new financing is then available, it may not be on terms that are acceptable to the Corporation.

Liberty Development Energy Solutions B.V. (" **Liberty Development**") is a party to a secured credit facility in the amount of $306.5 million (the "**Liberty Development Secured Credit Facility**") and holds a preference share ownership interest in AY Holdings. The Liberty Development Secured Credit Facility is collateralized through a pledge of Atlantica ordinary shares held by AY Holdings. A collateral shortfall would occur if the net obligation (as defined in the credit agreement) would equal or exceed 50% of the market value of such Atlantica shares. In the event of a collateral shortfall, Liberty Development is required to prepay a portion of the loan or post additional collateral in cash to reduce the net obligation to 40% of the total collateral provided (the "**Collateral Reset Level**"). If Liberty Development were unable to fund the collateral shortfall, or certain other events of default occur, the Liberty Development Secured Credit Facility lenders hold the right to sell Atlantica shares to pay amounts outstanding under the facility, including reducing the facility to the Collateral Reset Level. The Liberty Development Secured Credit Facility is repayable on demand if Atlantica ceases to be a public company or if certain other events are announced or completed that could restrict the Corporation's ability to sell or transfer its Atlantica ordinary shares. If Liberty Development were unable to repay the amounts owed, the lenders would have the right to realize on their collateral.

***A significant portion of the Corporation's debt will mature over the next five years and will need to be paid or refinanced, and changes to the debt and equity markets could adversely affect the Corporation's business.***

A significant portion of the Corporation's debt is set to mature in the next five years, including its revolving credit facility. The Corporation may not be able to refinance its maturing debt on commercially reasonable terms, or at all, depending on numerous factors, including its financial condition and prospects at the time and the then current state of the banking and capital markets in Canada and the United States.

***Challenges to the Corporation's tax positions, and changes in applicable tax laws, could materially and adversely affect returns to the Corporation's shareholders***.

The Corporation is subject to income and other taxes primarily in the United States, Canada, Bermuda and Chile, though it is subject to tax in other jurisdictions. Changes in tax laws or interpretations or applications thereof, which may or may not have a retroactive effect, in the jurisdictions in which the Corporation does business could adversely affect the Corporation's results from operations, returns to shareholders, and cash flows. Pending tax law changes that may adversely impact the Corporation's effective tax rate (and hence, financial results) or result in additional cash taxes include, but are not limited to:

- legislation proposed in Canada to generally limit the deductibility of interest and financing expenses to 30% of tax EBITDA. If enacted in the form proposed, this legislation will generally apply to taxation years of the Corporation beginning on or after October 1, 2023; and

- implementation of global minimum tax rules in the various jurisdictions in which the Corporation operates pursuant to the Organization for Economic Development's initiative to prevent perceived base erosion and profit shifting. Legislation has been proposed in Canada pursuant to this initiative which, if enacted in the form proposed, will generally be applicable for fiscal years of a "qualifying MNE group" (as defined in such proposed legislation) beginning on or after December 31, 2023.

The proposed rules are complex and once enacted will be subject to the Corporation's judgment in their application until further guidance is available.

The Corporation cannot provide assurance that the Canada Revenue Agency, the Internal Revenue Service or any other applicable taxation authority will agree with the tax positions taken by the Corporation, including with respect to claimed expenses and the cost amount of the Corporation's depreciable properties. A successful challenge by an applicable taxation authority regarding such tax positions could adversely affect the results of operations and financial position of the Corporation.

Development by the Corporation of renewable power generation facilities in the United States depends in part on federal tax credits and other tax incentives. The Inflation Reduction Act has extended and expanded certain energy credits, providing greater certainty regarding the availability of these credits on a going forward basis. However, the rules governing these tax credits still include technical requirements for credit eligibility. If the Corporation is unable to complete construction on current or planned projects within certain deadlines or satisfy certain new requirements relating to prevailing wage and apprenticeship requirements, the reduced incentives or elimination of incentives may be insufficient to support continued development or may result in substantially reduced financial benefits from facilities that are completed. In addition, the Corporation has entered into certain tax equity financing transactions with financial partners for certain of its renewable power facilities in the United States, under which allocations of future cash flows to the Corporation from the applicable facility could be adversely affected in the event that there are changes in U.S. tax laws that apply to facilities previously placed in service.

***The Corporation is subject to funding risks associated with defined benefit pension and OPEB plans.***

Certain utility businesses acquired by the Corporation maintain traditional defined benefit pension plans covering eligible employees and retirees, and other post-employment benefit ("**OPEB**") plans for eligible retired employees, including retiree health care and life insurance benefits. The Regulated Services Group and the Renewable Energy Group also provide a cash balance pension plan covering all of their U.S. employees who are not eligible for a traditional pension plan or who are not otherwise covered by a legacy plan, under which employees are credited with a percentage of base pay plus a prescribed interest rate credit.

Future contributions to the Corporation's plans are impacted by a number of variables, including the investment performance of the plans' assets, interest rates used to discount future benefits, changes in actuarial assumptions, regulations or life expectancy and the frequency and amount of the Corporation's contributions made to the plans. If capital market returns are below assumed levels, or if the interest rates used to discount future benefits decrease, the Corporation could be required to make contributions to its plans in excess of those currently expected, which would adversely affect the Corporation's cash flows.

***The Corporation is subject to credit risk of customers and other counterparties and risk of non-performance by counterparties.***

The Corporation is subject to credit risk with respect to the ability of customers and other counterparties to perform their obligations to the Corporation, including paying amounts that they owe to the Corporation. This credit risk exists with respect to utility customers, banks and other financing sources, as well as counterparties to Offtake Contracts, supply agreements, EPC contracts, and derivative financial instruments, among others. Additionally, bank deposits in excess of deposit insurance limits are subject to the risk that such excess amounts could be lost or forfeited in the event of a bank failure.

Adverse conditions in the energy and water industries or in the general economy, as well as circumstances of individual customers or counterparties, may adversely affect the ability of a customer or counterparty to perform as required under its contract with the Corporation. Losses from a utility customer may not be offset by bad debt reserves approved by the applicable utility regulator. If a customer under an Offtake Contract is unable to perform, the Renewable Energy Group may be unable to replace the contract on comparable terms, in which case sales of power (and, if applicable, RECs and ancillary services) from the facility would be subject to market price risk and may require refinancing of indebtedness related to the facility or otherwise have a material adverse effect. Default by other counterparties, including lenders and counterparties to supply and construction contracts, service contracts, hedging contracts that are in an asset position, short-term investments, agreements for the purchase of goods or services or other agreements, also could adversely affect the financial results of the Corporation. Losses associated with equipment failure, defects, design flaws or other issues resulting from counterparty non-performance may not be covered by warranties or insurance.

***The Corporation makes certain assumptions, judgments and estimates that affect amounts reported in its consolidated financial statements, which, if not accurate, may adversely affect its financial results.***

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

estimates could result in the Corporation incurring significant expenses and adversely affect the Corporation's financial results.

***As a foreign private issuer, AQN is subject to different U.S. securities laws and rules than a domestic U.S. issuer, which may limit the information publicly available to shareholders.***

AQN is a "foreign private issuer," as such term is defined in Rule 405 under the U.S. Securities Act of 1933, as amended, and is permitted, under a multijurisdictional disclosure system adopted by the U.S. and Canada, to prepare its disclosure documents under the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"), in accordance with Canadian disclosure requirements. Under the U.S. Exchange Act, AQN is subject to reporting obligations that, in certain respects, are less detailed and less frequent than those of U.S. domestic reporting companies. As a result, AQN does not file the same reports that a U.S. domestic issuer would file with the SEC, although AQN is required to file or furnish to the SEC the continuous disclosure documents that it is required to file in Canada under Canadian securities laws. In addition, AQN's officers, directors, and principal shareholders are exempt from the reporting and "short swing" profit recovery provisions of Section 16 of the U.S. Exchange Act. Therefore, AQN's shareholders may not know on as timely a basis when AQN's officers, directors and principal shareholders purchase or sell shares, as the reporting deadlines under the corresponding Canadian insider reporting requirements are longer.

As a foreign private issuer, AQN is exempt from the rules and regulations under the U.S. Exchange Act related to the furnishing and content of proxy statements. AQN is also exempt from Regulation FD, which prohibits issuers from making selective disclosures of material non-public information. While AQN is required to comply with the corresponding requirements relating to proxy statements and disclosure of material non-public information under Canadian securities laws, these requirements differ from those under the U.S. Exchange Act and Regulation FD and shareholders should not expect to receive the same information at the same time as such information is provided by U.S. domestic companies. In addition, AQN has four months after the end of each fiscal year to file its annual information form with the SEC and is not required under the U.S. Exchange Act to file quarterly reports with the SEC as promptly as U.S. domestic companies whose securities are registered under the U.S. Exchange Act.

In addition, as a foreign private issuer, AQN has the option to follow certain Canadian corporate governance practices, except to the extent that such laws would be contrary to U.S. securities laws, and provided that AQN discloses the requirements that it is not following and describes the Canadian practices it follows instead. AQN currently relies on this exemption with respect to requirements regarding the quorum for any meeting of its shareholders. AQN may in the future elect to follow home country practices in Canada with regard to other matters. As a result, AQN's shareholders may not have the same protections afforded to shareholders of U.S. domestic companies that are subject to all U.S. corporate governance requirements.

## 4.3 Risk Factors Relating to Regulatory Environment

***The Corporation's business, financial condition, results of operations and prospects depends in part on regulatory climates and regulatory outcomes in the jurisdictions in which it operates, and the failure to recover in a timely manner any significant amount of costs or obtain expected returns on assets or invested capital through rate base, cost recovery clauses, and other regulatory mechanisms or otherwise maintain required regulatory authorizations could materially and adversely affect the Corporation.***

The Corporation is subject to comprehensive laws, regulations, orders and other requirements of a variety of federal, provincial, state, and local governments, including regulatory commissions, environmental agencies and other regulatory bodies, which laws, regulations, orders and other requirements affect the operations and activities of, and costs incurred by, the Corporation. This extensive regulatory framework regulates, among other things and to varying degrees, the Corporation's industry, businesses, rates and cost structures, operation and licensing of generation facilities, management, financing, planning, growth, construction and operation of generation, transmission and distribution facilities, acquisition, disposal, depreciation and amortization of facilities and other assets, decommissioning costs and funding, service reliability, wholesale and retail competition, commodities trading, derivatives transactions, financing, affiliate transactions, employees, and environmental, health and safety standards. Such laws and regulations impose significant and increasing compliance costs on the Corporation's operations. If any of the Corporation's business units is found to be in violation of applicable requirements or regulations, it could be subject to significant penalties, regulatory action and reputational risk. Changes in rules or regulations or the imposition of additional rules or regulations also could have a material adverse effect on the Corporation's business, prospects, financial condition and results of operations.

The utility commissions in the jurisdictions in which the Regulated Services Group operates regulate many aspects of its utility operations, including the rates that the Regulated Services Group can charge customers, issuance of securities or other financing instruments and debt obligations, siting and construction of facilities, pipeline safety and compliance, customer service and the utility's ability to recover the costs that it incurs, including capital expenditures and fuel and purchased power and water costs. Changes in rate-setting models and methodologies may have a material adverse impact on the Corporation's revenue and net income.

A fundamental risk faced by a regulated utility is the disallowance by the utility's regulator of operating expenses or capital costs requested to be placed into the utility's revenue requirement. As the Corporation is in the process of updating its technology infrastructure systems, there is a risk that financial data required for rate filings could be difficult to produce or deemed unreliable for ratemaking purposes, thus increasing the risk of disallowance and/or regulatory lag. In addition, capital investments that have become stranded may pose additional risk for cost recovery and could be

subject to legislation or rulings that would impact the extent to which such costs could be recovered. Similarly, recovery of extraordinary fuel expenses may pose additional risk for cost recovery and could be subject to legislation or regulatory action that would impact the extent to which such costs could be recovered. In addition, the time between the incurrence of costs and the granting of the rates to recover those costs by such regulatory agencies – known as "regulatory lag" – can adversely affect profitability. If the Corporation is unable to recover increased costs of operations or its investments in new facilities, or in the event of significant regulatory lag, the Corporation's results of operations could be adversely affected.

In addition, there is a risk that the utility's regulator will not approve the revenue requirements or rate adjustments requested in outstanding or future rate applications or will, on its own initiative, seek to reduce the existing revenue requirements or approved rates. Rate applications are subject to the utility regulator's review process, usually involving participation from intervenors and a public hearing process. There can be no assurance that resulting decisions or rate orders issued by the utility regulators will permit the Corporation to recover all costs actually incurred, costs of debt and income taxes, or to earn a particular return on equity. The outcome of rate applications can be affected by many factors, including the level of opposition by intervening parties; potential rate impacts; increasing levels of regulatory review; changes in the political, regulatory, or legislative environments; the adequacy and accuracy of the Corporation's records; and the opinions of the Corporation's regulators, customers, and consumer and other stakeholder organizations, about the Corporation's ability to provide safe, reliable and affordable services.

A failure to obtain acceptable rate orders, or approvals of appropriate returns on equity and costs actually incurred, may materially adversely affect: the Regulated Services Group's businesses, the undertaking or timing of capital expenditures, ratings assigned by credit rating agencies, the cost and issuance of debt, and other matters, any of which may in turn have a material adverse effect on the Corporation. In some instances, denial of recovery may cause the regulated subsidiaries to record an impairment of assets. In addition, there is no assurance that the Corporation will receive regulatory decisions in a timely manner and, therefore, there may be a significant lag in the timing of cost recovery relative to the time in which costs are incurred.

In the case of some of the Corporation's hydroelectric generating facilities, water rights are owned by governments that reserve the right to control water levels, which may affect revenue, while in the United States, hydroelectric generating facilities are required to be licensed or have valid exemptions from FERC. The failure to obtain all necessary licenses or permits for such facilities, including renewals thereof or modifications thereto, may result in an inability to operate the facility and could adversely affect cash generated from operating activities.

FERC has jurisdiction over wholesale rates for all electric energy sold by the Renewable Energy Group and the Regulated Services Group in the United States. Certain of the Renewable Energy Group's and the Regulated Services Group's facilities in the United States are required to meet the requirements of a "qualifying facility" or an "exempt wholesale generator" and, subject to certain exceptions, to obtain and maintain authority from FERC to sell power at market-based rates or to be licensed in the case of hydroelectric facilities. The failure of the Renewable Energy Group or the Regulated Services Group to obtain or maintain, as applicable, market-based rate authorization for its facilities and to comply with market rules, regulations and other applicable legal requirements could materially and adversely affect the Corporation.

Additionally, owners, operators and users of the bulk electric system in the United States are subject to mandatory reliability standards developed by the NERC and its regional entities. Reliability standards have also been implemented in the Canadian provinces in which the Corporation has assets. In Bermuda, the RAB regulates the reliability standards related to electricity transmission, distribution, and retail services and bulk electric generation. Increased reliability standard compliance obligations may cause higher operating costs or capital expenditures for the Corporation's utilities. If the Corporation were found to be in non-compliance with the mandatory reliability standards, the Corporation could be subject to sanctions, including substantial monetary penalties.

***The Corporation is subject to numerous environmental, health and safety laws, rules regulations and other standards and faces a number of environmental risks which have the potential to result in significant environmental liabilities, civil or criminal penalties, increases in capital expenditures, reputational impacts or in mitigation or cessation of certain operations or projects, and could have a material adverse effect on the Corporation's business, financial condition, results of operation and cash flows.***

The Corporation is subject to extensive federal, state, provincial and local laws, rules and regulations, including with regard to air and water quality, hazardous and solid waste management, storage, handling, use, transportation and/or disposal of certain materials, wastewater discharges, soil quality, discharge of pollutants, historical artifact preservation, wildlife, human health, investigation and remediation of environmental impacts, natural resources, threatened or endangered species, and other environmental matters. The Corporation is also subject to extensive laws, rules and regulations relating to workplace and public health and safety matters. Failure to comply with these laws, rules and regulations may expose the Corporation to significant fines, penalties, claims, litigation and/or interruptions in operations and could have a material adverse effect on the Corporation's results of operations and financial position. In addition, new environmental, health or safety laws and regulations, and new interpretations of existing environmental, health or safety laws and regulations, have been adopted and may in the future be adopted, which may substantially increase the Corporation's future expenditures and compliance costs, and could cause the Corporation to retire generating capacity prior to the end of its estimated useful life.

AQN and its subsidiaries face a number of environmental risks, which have the potential to result in harm to the environment, including wildlife, and significant environmental liabilities and reputational impact. Certain environmental risks associated with the Corporation's operations include uncontrolled natural gas or contaminant releases (or releases

above the permitted limits), water contamination above permitted levels, uncontrolled releases of hazardous materials, failure to maintain compliance with obligations under laws, rules, regulations, permits and licenses, acquired legacy environmental liabilities, operations adjustments or liability, and related financial impacts. In certain circumstances, the Corporation may be responsible, jointly or severally, for the remediation of contamination or historic contamination of property, even without fault, and even if such contamination was caused by a third party or results from activities that were lawful when they were conducted. Remediation costs incurred by the Corporation as a result of the foregoing events may be significant and may not be recoverable through the Corporation's insurance coverage or through utility rates in the case of our Regulated Services Group.

In addition, the Corporation's operating subsidiaries generate certain wastes, or have chemicals or constituents such as perfluorooctanoic acid and per-and polyfluoroalkyl substances in its water supply, some of which are characterized as hazardous, which must be managed in accordance with various federal, state, provincial and local environmental laws. Under federal, provincial and state laws, liability for historic contamination of property may be imposed on potentially responsible parties jointly and severally, without fault, even if the activities were lawful when they occurred.

Power generation, transmission and distribution operations can adversely affect endangered, threatened or otherwise protected species under federal, state or provincial statutes, laws, rules and regulations. Operation of wind projects and transmission and distribution lines involve a risk that protected flying species, such as birds and bats, may be impacted, and such impacts can be fatal. Violations of wildlife protection laws in certain jurisdictions, including violations of certain laws protecting migratory birds and endangered species, may result in civil or criminal penalties, mitigation or cessation of certain operations or projects, and could adversely affect the Corporation's financial condition, results of operations and cash flows.

The operation of fossil-fueled generation plants, including resulting emissions of nitrogen and sulfur oxides, mercury and particulates and the discharge and disposal of solid waste (including coal combustion residuals ("**CCRs**")), is subject to extensive federal, state and local environmental statutes, rules and regulations relating to air quality, water quality, waste management, natural resources and health and safety. Compliance with these requirements may require the Corporation to incur significant costs, including capital expenditures, for environmental monitoring, installation of pollution control equipment, emission fees, disposal activities, decommissioning and permitting obligations. If these compliance costs become uneconomical, the Corporation may ultimately be required to retire generating capacity prior to the end of its estimated life. The costs of complying with these legal requirements could also adversely affect the Corporation's results of operations, financial condition and cash flows. In addition, the impacts could become even more significant if existing requirements governing air emissions management and disposal, CCR waste and/or waste matter discharge become more restrictive in the future, more extensive operating and/or permitting requirements are imposed or additional substances associated with power generation are subjected to increased regulation. .

***The Regulated Services Group's electricity, water, wastewater and natural gas distribution systems could be subject to condemnation or other methods of taking by government entities under certain conditions.***

The Regulated Services Group's electricity, water, wastewater and natural gas distribution systems could be subject to condemnation or other methods of taking by government entities under certain conditions (including, without limitation, Liberty Utilities (Apple Valley Ranchos Water) Corp., which has been the subject of a condemnation lawsuit filed by the Town of Apple Valley and Liberty New York Water, which has received condemnation inquiries). There can be no assurance that the Corporation will receive fair market value for such assets or that the Corporation would not incur a loss.

***The Corporation is subject to risks related to changes in laws and regulations, and other actions by governmental and regulatory authorities, that could adversely affect the Corporation's business, regulatory approvals, assets, results of operations and financial condition.***

The operations and activities of AQN, its subsidiaries and its business units are subject to the laws, regulations, orders and other requirements of a variety of federal, state, provincial and local governments, including regulatory commissions, environmental agencies and other regulatory bodies, which laws, regulations, orders, rules and other requirements affect the operations and activities of, and costs incurred by, the Corporation. The Corporation is accordingly subject to: risks associated with changing political conditions and changes in, modifications to, reinterpretations of or application of existing laws, orders, rules or regulations, the imposition of new laws, rules, orders or regulations (including the power of eminent domain), and the taking of other action by governmental or regulatory authorities, including, but not limited to, revocation, lapse, limitation or non-renewal of utility franchises or other rights to provide utility services to existing or new customers, potential limitations on water rights used by utilities in providing service, actions to municipalize utility service areas or limitations on utility growth and/or expansions of service areas, any of which could adversely affect the Corporation's business, regulatory approvals, assets, results of operations and financial condition. If the Corporation or any of its subsidiaries or business units were found to be in violation of such applicable laws, regulations, orders or other requirements, they could be subject to significant penalties or legal actions.

***The Corporation operates in markets, and may in the future pursue growth opportunities in new markets, that are subject to foreign laws and regulations that are more onerous or uncertain than the laws and regulations of the United States or Canada.***

The Corporation operates in markets, or may pursue growth opportunities in new markets, that are subject to regulation by various foreign governments and regulatory authorities and to the application of foreign laws. Such foreign laws or regulations may not provide the same type of legal certainty and rights, in connection with the Corporation's contractual

relationships in such countries, as are afforded to the Corporation in Canada and the U.S., which may adversely affect the Corporation's ability to receive revenues or enforce its rights in connection with any operations or projects in such jurisdictions. In addition, the laws and regulations of some countries may limit the Corporation's ability to hold a majority interest in certain projects, thus limiting the Corporation's ability to control the operations of such projects. Any existing or new operations or interests of the Corporation may also be subject to significant political, economic and financial risks, which vary by country, and may include: (i) changes in government laws, policies or personnel or a country's constitution; (ii) changes in general economic conditions; (iii) restrictions on currency transfer or convertibility; (iv) changes in labour relations; (v) political instability and civil unrest; (vi) regulatory or other changes adversely affecting the local market; (vii) breach or repudiation of important contractual undertakings and expropriation and confiscation of assets and facilities without compensation or compensation that is less than fair market value; (viii) less developed or efficient financial markets than in North America; (ix) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements; (x) less government supervision and regulation; (xi) a less developed legal or regulatory environment, including uncertainty in outcomes and actions that may be inconsistent with the rule of law; (xii) heightened exposure to bribery and corruption risk; (xiii) political hostility to investments by foreign investors, including laws affecting foreign ownership; (xiv) less publicly available information in respect of companies; (xv) adversely higher or lower rates of inflation; (xvi) higher transaction costs; and (xvii) fewer investor protections.

***Tariffs imposed on imported goods and import restrictions imposed by governmental authorities may increase the capital cost of projects and have a negative impact on the Corporation's expected returns, results of operations and cash flows.***

Changes in tariffs may adversely affect the capital expenditures required to develop or construct the Corporation's projects. In the U.S., tariffs have been imposed in recent years to imports of solar panels, solar cells, aluminum and steel, among other goods and raw materials. Trade disputes may result in additional tariffs or changes in existing ones. In addition, import restrictions, border delays and seizures of products by governmental authorities may increase the cost of projects and result in construction and placed-in-service delays. These occurrences may have adverse impacts to the Corporation, as the buyer of goods, which could adversely affect the Corporation's expected returns, results of operations and cash flows.

***The Corporation may suffer a significant loss resulting from fraud, bribery, corruption, other illegal acts, inadequate or failed internal processes or systems.***

The Corporation may suffer a significant loss resulting from fraud, bribery, corruption or other illegal acts, or from inadequate or failed internal processes or systems. The Corporation operates in multiple jurisdictions and it is possible that its operations and development activities may expand into new jurisdictions. Doing business in multiple jurisdictions requires the Corporation to comply with the laws and regulations of such jurisdictions. These laws and regulations may apply to the Corporation, its subsidiaries, individual directors, officers, employees and third-party agents. The Corporation is also subject to anti-bribery and anti-corruption laws, including the Canadian Corruption of Foreign Public Officials Act and the U.S. Foreign Corrupt Practices Act. As the Corporation makes acquisitions and pursues development activities internationally, it is exposed to increased corruption-related risks, including potential violations of applicable anti-corruption laws.

The Corporation relies on its infrastructure, controls, systems and personnel, as well as central groups focusing on enterprise-wide management of specific operational risks such as fraud, trading, outsourcing, and business disruption, to manage the risk of illegal and corrupt acts or failed systems. The Corporation also relies on its employees and certain third parties to comply with its policies and processes as well as applicable laws. The failure to adequately identify or manage these risks, and the acquisition of businesses with weak internal controls to manage the risk of illegal or corrupt acts, could result in direct or indirect financial loss, regulatory censure and/or harm to the Corporation's reputation.

## 4.4 Risk Factors Relating to Strategic Planning and Execution

***The Corporation is subject to risks associated with its growth strategy that may adversely affect its business, results of operations, financial condition and cash flows, and actual capital expenditures may be lower than planned.***

The Corporation has a history of acquisitions and organic growth from development projects and capital expenditures. There is no certainty that the Corporation will be successful in pursuing its growth strategy in the future. There can be no assurance that the Corporation will be able to identify attractive acquisition or development candidates or that it will be able to realize growth opportunities that improve the Corporation's financial results or increase the amount of cash available for distribution. There is also a risk that errors and/or inaccurate assumptions in the Corporation's financial models could impact its growth.

The Corporation's growth strategy may be constrained or impacted by factors associated with the maintenance of its BBB flat investment grade credit rating. These factors include: (i) constraints on maximum leverage, (ii) the proportion of EBITDA (as determined by applicable rating agency methodologies) required to be generated from the Regulated Services Group, and (iii) the geographies in which the Corporation can operate in scale. There can be no assurance that these constraints will not negatively impact the Corporation's ability to successfully execute on available growth opportunities. The Corporation may also face significant competition for growth opportunities and, to the extent that any opportunities are identified, may be unable to execute such growth opportunities due to a lack of necessary or cost competitive capital resources. Risks related to capital projects include schedule delays and project cost overruns. There is no assurance that any project cost would be approved for recovery in customer rates.

Any growth opportunity could involve potential risks, including an increase in indebtedness, the potential disruption to the Corporation's ongoing business, the diversion of management's attention from other business concerns and the possibility that the Corporation will incur more costs than originally anticipated or, in the case of acquisitions, more than the acquired company or interest is worth. In addition, funding requirements associated with the growth opportunity, including any acquisition, development or integration costs, may reduce the funds available to pay dividends.

The Regulated Services Group's capital expenditure program and associated rate base growth are key assumptions in the Corporation's targeted dividend growth. Actual capital expenditures may be lower than planned due to factors beyond the Corporation's control, which would result in a lower than anticipated rate base and have an adverse effect on the Corporation's results of operations, financial condition, cash flows and dividend growth.

***The Corporation may desire to sell businesses or assets, which may have an adverse effect on the Corporation's business, operations or financial condition.***

For financial, strategic and other reasons, the Corporation may from time to time dispose of, or desire to dispose of, businesses or assets (in whole or in part) that it owns. Any disposition by the Corporation may result in recognition of a loss upon such a sale and may result in a decrease to its revenues, cash flows and net income and a change to its business mix. A disposition may also result in liabilities to the Corporation, including as a result of any post-closing indemnities or purchase price adjustments. In addition, the Corporation may not be able to dispose of businesses or assets that the Corporation desires to sell for financial, strategic and other business reasons at all or at a price acceptable to the Corporation. Failure to execute on any planned disposition may require the Corporation to seek alternative sources of funds, including one or more potential issuances of equity, or incur additional indebtedness, which may, among other things, cause rating agencies to re-evaluate or downgrade the Corporation's existing credit ratings. Each of the foregoing items may have an adverse effect on the Corporation's business, results of operations, cost of capital or financial condition.

On August 10, 2023, the Corporation announced its pursuit of a sale of its renewable energy business. There can be no assurance about the outcome of this sale process, the specific assets that will be sold (if any), that any specific transaction will be identified or consummated, or that any such transaction will achieve any expected result or benefit. Divesting any or all of the assets comprising the Corporation's renewable energy business involves a number of risks and uncertainties, including complexities involved in separating assets that may be sold from assets the Corporation will retain, the need to obtain regulatory approvals and other third-party consents, which could, among other things, disrupt customer and supplier relationships, and the fact that the Corporation may be subject to additional tax obligations or loss of certain tax benefits. If the Corporation disposes of all or a portion of the assets comprising the Corporation's renewable energy business, it may not be able to successfully cause a buyer to assume the liabilities related to such assets or, even if such liabilities are assumed, the Corporation may have difficulties enforcing its rights, contractual or otherwise, against the buyer. The Corporation may be required to provide transitional services to the buyer for a period of time following closing of a transaction, and the Corporation may retain obligations related to divested assets, and may be subject to potential liabilities that arise because of the disposition or the subsequent breaches of obligations or duties by the buyer. There are factors that could delay, prevent or otherwise adversely affect the planned sale, including but not limited to market conditions or delays in obtaining necessary counterparty approvals, regulatory approvals or clearances. In addition, whether or not any specific transaction is identified, pursued and/or consummated, the process could cause disruptions in the business of the Corporation by diverting the attention of the Board and management and diverting other resources (including costs) towards such process and the preparation of the Corporation to pursue and consummate a transaction. The process could also impact the Corporation's relationships with employees, including by increasing employee departures and turnover, could give rise to disputes with potential buyers and could result in accounting changes, restructuring and other disposition charges, as well as potential impairment charges or losses. The sale of any or all of the assets comprising the Corporation's renewable energy business could negatively impact the Corporation's profitability, financial results and dividends because of losses that may result from such a sale, the loss of revenues or a decrease in cash flows or cash available for distribution. In addition, APCo may be subject to one or more credit rating downgrades as a result of the Corporation's pursuit of a sale of its renewable energy business. Following a sale of any or all of the assets comprising the Corporation's renewable energy business, the Corporation would also have less diversity in the asset mix of its business and in the markets it serves. Any or all of these risks could impact the Corporation's financial results and business reputation.

***The Corporation's development and construction activities are subject to material risks, including expenditures for projects that may prove not to be viable, construction cost overruns and delays, inaccurate estimates of expected energy output or other factors, and failure to satisfy tax incentive requirements or to meet third-party financing requirements.***

The Corporation actively engages in the development and construction of new power generation and water and wastewater facilities, and currently has a pipeline of renewable energy generation and storage projects in development or construction, as well as the development and construction of transmission and distribution assets and other complementary projects. In addition, each of the Corporation's business segments may occasionally undertake construction activities as part of normal course maintenance activities.

Significant costs must be incurred to determine the technical feasibility of a project, obtain necessary regulatory approvals and permits, obtain system studies and access, conduct environmental assessments, obtain site control and interconnection rights and negotiate revenue, construction and equipment supply contracts for the facility before the viability of the project can be determined. Regulatory approvals can be challenged through a number of mechanisms

which vary across state and provincial jurisdictions. Such challenges could identify issues that may result in permits or approvals being modified or revoked, or the failure of a project to proceed and the resultant loss of amounts invested or expenses already incurred. Additionally, the Corporation may also be required to advance funds, enter into commitments and/or post performance bonds, parental guarantees, letters of credit or other security in the course of acquiring, developing, constructing and financing new power generation facilities. Significant costs related to prospective development projects may be incurred in preparation for any associated bidding process and such costs may not be recovered if the Corporation fails to win the bid. With its expanded greenfield development pipeline, the Corporation is increasingly pursuing earlier-stage development prospects which are inherently riskier than late-stage developments. Projects may fail to reach financial close, and all investments, cost commitments and credit support provided up to that point, which could be material, may be lost or unrealizable.

Material delays, cost overruns and lost revenue could be incurred by the Corporation and its development and construction projects as a result of change orders, non-compliance with laws or non-performance by vendors, contractors or the Corporation, technical issues with interconnection and the interconnection utility, required upgrades to interconnection facilities, required curtailments of generation, delays in obtaining interconnection rights, disputes with landowners or other parties, severe weather, increased inflation, interest rates, commodity price trends, issues with results of system studies, supply chain issues, and other causes. In addition, there are risks that actual costs may exceed budget estimates, delays may occur in obtaining permits and materials, suppliers and contractors may not perform as required under their contracts, warranties under contracts may be unfilled or insufficient, there may be inadequate availability, productivity or increased cost of qualified craft or local labour, start-up activities may take longer than planned, curtailment of a facility's output may be required, the scope, actual or expected returns, and timing of projects may change, and other events beyond the Corporation's control may occur, in each case that may materially affect the viability, schedule, budget, cost and performance of projects.

The Corporation's assessment of the viability, revenues and profitability of a renewable facility depends upon estimates regarding the availability, strength and consistency of the applicable resource (such as wind, solar radiance, RNG or hydrology) and other factors, such as assessments of the facility's potential impact on wildlife. For example, the strength and consistency of the wind resource or the amount of solar radiance may vary from the estimate set out in the initial wind or solar studies that were relied upon to determine the feasibility of the facility. If weather patterns change, unanticipated or one-off events occur or actual data proves to be materially different than estimates, the generation from the facility and resulting revenues and profitability may differ significantly from expected amounts.

For certain of its development projects, the Corporation relies on financing from third party tax equity investors or purchasers of tax credits, the participation of which depends upon the qualification of the project for U.S. tax incentives and satisfaction of the investors' investment criteria. These investors typically provide funding upon commercial operation of the facility. Should certain facilities not meet the conditions required for tax equity funding, expected returns from the facilities may be adversely impacted.

The Corporation's construction activities relating to its utility and power generation projects utilize a variety of products and materials. The cost to the Corporation of such products and materials may be impacted by a number of factors beyond the Corporation's control, including their general availability, inflationary and commodity price trends, the impact of tariffs, duties and import restrictions imposed by various governmental authorities and the existence of any global or regional political, health or economic crisis. While the Regulated Services Group may be able to recover any such increased costs in future rate cases, there can be no assurance as to the timing or certainty of recovery of costs. There is generally no such recovery mechanism available to the Renewable Energy Group for such costs. The financial condition and results of operations of the Corporation may be impacted as a result.

Energy generated by the Corporation is often sold under PPAs, unit contingent or fixed-shape offtake contracts or other energy offtake or hedging arrangements (together with PPAs, "**Offtake Contracts**"). Offtake contracts are either unit contingent (volumes are contingent on energy produced and price is fixed) or fixed for floating financial swaps (fixed contract volumes and pricing). These Offtake Contracts generally contain customary terms including: the amount paid for energy from the project over the term of the agreement (which rate can be materially higher or lower than prevailing market rates) and a requirement for the project to comply with technical standards and to achieve commercial operation within time frames prescribed by the contract. A failure to achieve satisfactory construction progress and/or the occurrence of any permitting or other unanticipated delays at a project could result in a failure to comply with the applicable contract's requirements within the specified time frames. In addition, once an Offtake Contract is entered into, there is a risk that increases in project costs following the entering into of such Offtake Contract, such as increases in interest rates, inflation, costs of materials, contractor costs and other construction costs, may negatively impact project economics or viability.

Offtake contracts can also be exposed to market settlements related to transmission congestion and uncontracted generation prices. Further, there is a risk that the Corporation is not able to generate the specified amount of power at the specified time resulting in production shortfalls under an Offtake Contract that then requires the Corporation to purchase power in the merchant market under prevailing rates and/or pay the offtaker liquidated damages. Any event that restricts production increases shortfall risk. Events that can reduce production include (but are not limited to) weather events (such as icing, low wind resource, cloud cover), transmission outages and mechanical failure. Offtake Contracts may also cause the Corporation to incur basis risk, being the difference between the pricing at the location where power is delivered and where the Offtake Agreement settles, which may result in reduced net revenue and earnings volatility for the Corporation. Remedies for failure to comply with material provisions of an Offtake Contracts

generally include, among other things, the potential termination of the agreement by the non-defaulting party. Any such termination could have a material adverse effect on the Corporation's results of operations and financial position.

Public opposition to larger infrastructure projects and renewable energy projects in certain areas is common, which may impact the Corporation's capital programs, development activities and operations. The social acceptance by external stakeholders, including, in some cases, First Nations and other indigenous peoples, local communities, landowners and other interest groups, may be critical to the Corporation's ability to find and develop new sites suitable for viable renewable energy projects. Failure to obtain proper social acceptance for a project may prevent the development and construction of a project and lead to the loss of all investments made in the development and the write-off of such prospective project. Failure to effectively respond to public opposition may adversely affect the Corporation's capital expenditure programs, and, therefore, future organic growth, which could adversely affect its results of operations, financial condition and cash flows.

***The Renewable Energy Group depends on certain key customers for a significant portion of its revenues. The loss of a key customer or the failure to secure new Offtake Contracts or renew existing Offtake Contracts could increase market price risk with respect to the sale of generated energy and renewable energy credits.***

A substantial portion of the output of the Renewable Energy Group's power generation facilities is sold under long-term Offtake Contracts, under which a purchaser is obligated to purchase all or a specified portion of the output of the applicable facility and (in many cases) associated RECs. The breach, termination or expiry of any such Offtake Contract, unless replaced or renewed on equally favourable terms, could adversely affect the Corporation's results of operations and cash flows and increase the Corporation's exposure to risks of price fluctuations in the wholesale power market.

Merchant (uncontracted) generation may increase earnings volatility. In a rising price environment, merchant generation generally results in higher earnings than a fully contracted portfolio. In a falling price environment, merchant generation generally results in lower earnings than a fully contracted portfolio.

Securing new Offtake Contracts is a risk factor in light of the competitive environment in which the Corporation operates. The Corporation expects the Renewable Energy Group to continue to enter into Offtake Contracts for the sale of its power, which Offtake Contracts are often obtained through participation in competitive requests for proposals processes. During these processes, the Corporation faces competitors ranging from large utilities to small independent power producers, some of which have significantly greater financial and other resources than the Corporation. There can be no assurance that the Corporation will be selected as power supplier following any particular request for proposals in the future or that existing Offtake Contracts will be renewed or will be renewed on favourable terms and conditions upon the expiry of their respective terms. Additionally, the Corporation is subject to the risk of impairment to its renewable power generation assets associated with potential declines in long-term forecasted power prices if the forecasted power prices are materially lower than current contract prices for the period following the expiration of any Offtake Contract, as well as the expiration or decline in value of RECs and other sources of revenue.

Since the transmission and distribution of electricity is highly concentrated in most jurisdictions, there are a limited number of possible purchasers for utility-scale quantities of electricity in a given geographic location. As a result, there is a concentrated pool of potential buyers for electricity generated by the Renewable Energy Group's businesses, which may restrict its ability to negotiate favourable terms under new Offtake Contracts and could impact its ability to find new customers for the electricity generated by its generation facilities should this become necessary. In the past few years, there has been increased participation from commercial and industrial businesses. The higher long-term business risk profile of these companies results in increased credit risk. Furthermore, if the financial condition of these utilities and/or power purchasers deteriorates or the renewable portfolio standards programs, climate change programs, carbon-reduction targets or other regulations or policies to which they are currently subject change, demand for electricity produced by the Renewable Energy Group's business could be negatively impacted.

***The Corporation may fail to complete planned acquisitions or dispositions, which may result in a loss of expected benefits from such transactions or may generate significant liabilities, and the pendency of planned acquisitions or dispositions could adversely affect the business and operations of the Corporation and any acquired entities.***

Acquisitions of businesses and projects may from time to time be part of the Corporation's overall business strategy. Because of the regulated nature of certain of the business sectors in which the Corporation operates, certain acquisitions by the Corporation may be subject to various regulatory approvals and, consequently, to the risks that such approvals may not be timely obtained or may impose unfavourable conditions that could impair the ability to complete the acquisition or impose adverse conditions on the Corporation in order to complete the acquisition. To the extent there are intervenors in the regulatory approval process, such intervenors' filed positions in these dockets may increase these risks.

There is a risk that announced acquisitions by the Corporation may not close on the terms negotiated or at all. If an acquisition is not completed, the Corporation could be subject to a number of risks that may adversely affect the Corporation's business, financial condition, results of operations, reputation and cash flows.

In addition, the Corporation may pursue acquisition opportunities through participation in competitive auction processes. During these processes, the Corporation may face competition from other companies with greater purchasing power, capital or other resources or a greater willingness to accept lower returns or risk. The outcomes of such processes are uncertain and the Corporation may fail to win such bids.

Further, the Corporation may enter into acquisition agreements under which the Corporation's obligations are not contingent upon availability of financing, in which case the Corporation could incur higher than expected financing costs or, if such financing cannot be obtained, significant liability to the seller.

In connection with a pending acquisition or disposition, certain clients, customers or counterparties of each of the Corporation and any entities to be acquired by the Corporation may delay or defer decisions, which could negatively impact the revenues, earnings, cash flows and expenses of the Corporation and such acquired or disposed of entities, regardless of whether the acquisition or disposition is completed. Similarly, current and prospective employees of the Corporation and any acquired entities may experience uncertainty about their future roles following an acquisition or disposition, which may materially adversely affect the ability of each of the Corporation and such acquired entities to attract, retain and motivate key personnel during the pendency of an acquisition and which may materially adversely divert attention from the daily activities of the Corporation's and the acquired entities' existing employees. If key employees depart due to the uncertainty of employment and difficulty of integration or a desire not to remain with the combined company following completion of an acquisition or disposition, the Corporation may incur significant costs in identifying, hiring, and retaining replacements for departing employees, which could have a material adverse effect on the Corporation's business operations and financial results.

***The Corporation may fail to realize the intended benefits of completed acquisitions or may incur unexpected costs or liabilities as a result of completed acquisitions.***

The Corporation may not effectively integrate the services, technologies, key personnel or businesses of acquired companies or may not obtain anticipated operating benefits or synergies from completed transactions. In addition, the Corporation may incur unexpected costs or liabilities in connection with the closing or integration of any acquisition.

When acquisitions occur, significant demands can be placed on the Corporation's managerial, operational and financial personnel and systems. No assurance can be given that the Corporation's systems, procedures and controls will be adequate to support the expansion of the Corporation's operations resulting from the acquisition. The success of an acquisition may also depend on retention of the workforce or key employees of the acquired business. The Corporation may not be successful in retaining such workforce or key employees or in retaining them at anticipated costs.

Further the Corporation may, following a transaction closing, rely on certain transition services to be provided by the seller, which may not be adequate for the Corporation to maintain the current operations of the acquired entities and facilitate the efficient and effective transition of business operations, nor can there be any assurance that the transition process will be completed during the term of the transition services agreement. If the transition process is not completed successfully, the operations and financial performance of the acquired entity may be negatively affected, which could adversely affect the business, results of operations and financial condition of the Corporation.

Acquisitions involve risks that could materially and adversely affect the Corporation's business plan, including the failure to realize the results that the Corporation expects. Transition and integration activities associated with an acquisition may not go as planned, creating the potential for increased costs, service disruption, noncompliance, reputational harm and other negative outcomes. There is a risk that some or all of the expected benefits and strategic objectives of a business combination will fail to materialize, or may not occur within the time periods anticipated by the Corporation. A failure to realize the anticipated benefits of or implement strategic objectives relating to a business combination on an efficient and effective basis could have a material adverse effect on the Corporation's financial condition, results of operations, reputation and cash flows.

In addition, the Corporation may be subject to unexpected liabilities despite any due diligence investigation of an acquired business or any contractual remedies the Corporation may have against the seller. Detailed information regarding an acquired business is generally available only from the seller, and contractual remedies are typically subject to negotiated limitations. Further, though the Corporation negotiates covenants regarding the operation of a target prior to closing, the Corporation will not control the target entity until completion of the transaction, and as a result the business and results of operations may be adversely affected by events that are outside of the Corporation's control during the intervening period. In addition, in cases in which the target company is publicly traded and its shares are widely held, the Corporation is likely not to have recourse following the completion of the acquisition for misrepresentations made to the Corporation in connection with the acquisition.

***The Corporation's investment in Atlantica is subject to risks, including that the market price of Atlantica's securities could decline or Atlantica may make decisions with which the Corporation does not agree or take risks or otherwise act in a manner that does not serve the Corporation's interests.***

The Corporation owns an equity interest in Atlantica of approximately 42%. This investment is subject to a risk that Atlantica may make business, financial or management decisions with which the Corporation does not agree, or that Atlantica's other stockholders or management of Atlantica may take risks or otherwise act in a manner that does not serve the Corporation's interests. On February 21, 2023, Atlantica announced that its board of directors had commenced a process to explore and evaluate potential strategic alternatives to maximize shareholder value (the "**Atlantica Strategic Review**"). There is a risk that the Atlantica Strategic Review could result in the approval or completion of a transaction or other change in Atlantica's business strategy that is not aligned with the Corporation's interests. If any of the foregoing were to occur, the value of the Corporation's investment could decrease and the Corporation's financial condition, results of operations and cash flows could be adversely affected.

Dividends declared and paid by Atlantica are made at the discretion of Atlantica's board of directors. The Corporation does not control the board of directors of Atlantica. Therefore, there can be no assurance that dividends will continue to be paid on Atlantica's ordinary shares, will continue to be paid at the same rate as they are currently being paid or will be paid at any specified target rate. A loss of Atlantica dividend income, as a result of any reduction or suspension by Atlantica of its dividend or in the event that the Corporation were to dispose of its equity interest in Atlantica, could have a material adverse impact on the Corporation's cash flows and net income.

Demand in the capital markets for Atlantica's ordinary shares can vary over time for numerous reasons outside of the Corporation's control, including performance of the Atlantica business and changes in the prospects of Atlantica. Consequently, it may be difficult for the Corporation to dispose of all or any of its interest in Atlantica at favourable times or prices, or at all.

***The Corporation's investment in Atlantica and its international acquisition, development, construction and operating activities expose the Corporation to certain risks that are particular to certain international markets.***

Atlantica owns, manages and acquires renewable energy, conventional power, electric transmission lines and water assets in certain jurisdictions where the Corporation may not operate. The Corporation, through its investment in Atlantica, is indirectly exposed to certain risks that are particular to the markets in which it operates, including, but not limited to, risks related to: conditions in the global economy; changes to national and international laws, political, social and macroeconomic risks relating to the jurisdictions in which Atlantica operates, including in emerging markets, which could be subject to economic, social and political uncertainties; anti-bribery and anti-corruption laws and substantial penalties and reputational damage from any non-compliance therewith; significant currency exchange rate fluctuations; Atlantica's ability to identify and/or consummate future acquisitions on favourable terms or at all; Atlantica's inability to replace, on similar or commercially favourable terms, expiring or terminated offtake agreements; termination or revocation of Atlantica's concession agreements or Offtake Contracts; and various other factors. These risks could affect the profitability and growth of Atlantica's business, and ultimately the profitability of the Corporation's anticipated investment therein.

The Corporation's international activities and operations expose the Corporation to similar risks and could likewise affect the profitability, financial condition and growth of the Corporation.

***Increased external stakeholder activism could have an adverse effect on the Corporation's business, operations or financial condition.***

External stakeholders, including shareholders, are increasingly challenging companies in the areas of strategy, performance, climate change, sustainability, diversity, utility return on equity (in the case of investor-owned utilities) and executive compensation. Shareholder activism can arise in a variety of situations and take many forms, including making public demands that the Corporation consider certain strategic alternatives, engaging in public campaigns and advancing shareholder proposals to attempt to influence the Corporation's governance, management, strategic direction or operations, and commencing proxy contests to attempt to elect activists' representatives or others to the Corporation's board of directors. Any such shareholder activism could result in substantial costs and the diversion of management's and the Board's attention from the Corporation's business. Additionally, such shareholder activism could give rise to perceived uncertainties as to the Corporation's future direction, strategy or leadership, hinder the execution of the Corporation's business plans, harm the reputation of the Corporation, adversely affect the Corporation's relationships with its existing or potential employees, customers, service providers, investors or other partners, result in the loss of potential business opportunities and make it more difficult to attract and retain qualified personnel. Also, the Corporation may be required to incur significant fees and other expenses related to activist shareholder matters, including for third-party advisors. AQN's stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any shareholder activism. Any of the foregoing could have a material adverse impact on the Corporation's business, operations and financial condition.

***The Corporation may not have sole control over the projects or facilities that it invests in with its partners or over the revenues and certain decisions associated with those projects or facilities, which may limit the Corporation's flexibility and financial returns with respect to these projects.***

The Corporation has, and may in the future continue to have, an equity interest of less than 100% and/or partners in certain projects and facilities. As a result, the Corporation may not operate or control all or any decision-making in respect of such projects and facilities and its interest may be subject to the decision-making of third parties, and the Corporation may be reliant on a third party's personnel, good faith, contractual compliance, expertise, historical performance, technical resources and information systems, proprietary information and judgment in providing the services. This may limit the Corporation's flexibility and financial returns with respect to these projects and facilities, and create risks to the Corporation, including that the joint venture partner may:

- have economic or business interests or goals that are inconsistent with the Corporation's economic or business interests or goals;
- take actions contrary to the Corporation's policies or objectives with respect to the Corporation's investments;
- contravene applicable anti-bribery laws that carry substantial penalties for non-compliance and could cause reputational damage and a material adverse effect on the business, financial position and results of operations of the joint venture and the Corporation;

- have to give its consent with respect to certain transactions and decisions, including among others, the sale of the Corporation's renewable energy business and decisions relating to funding and transactions with affiliates;
- become bankrupt, limiting its ability to meet calls for capital contributions and potentially making it more difficult to refinance or sell projects;
- become engaged in a dispute with the Corporation that might affect the Corporation's ability to develop, construct or operate a project;
- have competing interests in the Corporation's markets that could create conflict of interest issues; or
- have different accounting policies than the Corporation.

***The price of the Common Shares or the Corporation's other securities may be volatile and the value of shareholders' investments could decline.***

The trading price and value of, and demand for, the Common Shares or the Corporation's other securities may fluctuate and depend on a number of factors, including:

- the risk factors described in this AIF;
- general economic conditions internationally and within Canada and the United States, including changes in interest rates and inflation;
- changes in electricity and natural gas prices;
- weather and seasonal fluctuation in renewable energy resources and in demand for electricity, water and natural gas;
- actual or anticipated fluctuations in the Corporation's quarterly and annual results and those of the Corporation's competitors, including failure by the Corporation to achieve any earnings, dividend, capital expenditure or other financial guidance or outlook disclosed by the Corporation;
- the Corporation's reputation, businesses, operations, results and prospects;
- the timing and amount of dividends, if any, declared on the Common Shares or the Corporation's other securities;
- future issuances of Common Shares or other securities by the Corporation;
- acquisitions, dispositions and strategic alliances;
- market conditions in the energy industry;
- changes in government regulation, taxes, legal proceedings or other developments, including adverse or unexpected decisions by regulatory authorities;
- changes in the credit ratings of the Corporation or any of its subsidiaries;
- sales of Common Shares or other securities of the Corporation by insiders;
- shortfalls in the Corporation's operating results from levels forecasted by securities analysts;
- investor sentiment toward the stock of utility or renewable energy companies in general;
- announcements concerning the Corporation or its competitors;
- maintenance of acceptable credit ratings or credit quality; and
- the general state of the securities markets.

These and other factors may impair the development or sustainability of a liquid market for the Common Shares or the Corporation's other securities and the ability of investors to sell Common Shares or the Corporation's other securities at an attractive price. These factors also could cause the market price and demand for the Common Shares or the Corporation's other securities to fluctuate substantially, which may adversely affect the price and liquidity of the Common Shares or the Corporation's other securities. These fluctuations could cause shareholders to lose all or part of their investment in Common Shares or the Corporation's other securities. Many of these factors and conditions are beyond the Corporation's control and may not be related to its operating performance.

***If securities or industry analysts do not publish research or publish inaccurate or unfavourable research about the Corporation or its businesses, the price and trading volume of the Common Shares or the Corporation's other securities could decline.***

The trading market for the Common Shares and the Corporation's other securities will, to some extent, be impacted by the research and reports that securities or industry analysts publish about the Corporation or its business. The Corporation does not have any control over these publications. If one or more of the analysts who cover the Corporation should downgrade the Common Shares or the Corporation's other securities or change their opinion of the Corporation's business prospects or report inaccurate information, the Common Share price or the price of the Corporation's other securities may decline. If one or more of these analysts cease coverage of the Corporation or fail to publish reports on the Corporation regularly, demand for the Common Shares or the Corporation's other securities could decrease, which may cause the price and trading volume of the Common Shares or the Corporation's other securities to decline.

# 5. DIVIDENDS

## 5.1 Common Shares

The aggregate annual amount of dividends declared for each Common Share for fiscal 2021, 2022 and 2023 was $0.67, $0.71 and $0.43, respectively.

AQN follows a quarterly dividend schedule, subject to subsequent Board declarations each quarter. AQN's current quarterly dividend to shareholders is $0.1085 per Common Share or $0.4340 per Common Share on an annualized basis (based on the current quarterly dividend).

There are no restrictions on the dividend policy of AQN. The amount of dividends declared and paid is ultimately determined by the Board and is dependent on a number of factors, including the risk factors previously noted. There can be no assurance as to the amount or timing of such dividends in the future. See "Enterprise Risk Factors".

## 5.2 Preferred Shares

On November 9, 2012, AQN issued 4,800,000 Cumulative Rate Reset Preferred Shares, Series A (the " **Series A Shares**"). Holders of Series A Shares are entitled to receive fixed cumulative preferential cash dividends, as and when declared by the Board, payable quarterly on the last business day of March, June, September and December in each year. In each of 2021, 2022 and 2023, dividends were paid at an annual rate equal to C$1.2905 per Series A Share. For the current five-year period from December 31, 2023 to December 31, 2028, the annual rate of the dividends is equal to C$1.6440 per Series A Share.

On January 1, 2013, the Corporation issued 100 Series C preferred shares (the " **Series C Shares**") and exchanged such shares for the 100 Class B units of St. Leon LP. The Series C Shares provide dividends essentially identical to those expected from the Class B units. In 2021, 2022 and 2023, dividends paid to holders of Series C Shares were C$13,224.36, C$13,688.16 and C$4,326.75 (exclusive of amounts paid in respect of accrued and unpaid dividends in connection with the redemption of the Series C Shares), respectively, per Series C Share. During the three months ended September 30, 2023, all of the outstanding Series C Shares were redeemed for $14.5 million, including C$432,675.13 paid in respect of accrued and unpaid dividends on the Series C Shares.

On March 5, 2014, AQN issued 4,000,000 Cumulative Rate Reset Preferred Shares, Series D (the " **Series D Shares**"). Holders of Series D Shares are entitled to receive fixed cumulative preferential cash dividends, as and when declared by the Board, payable quarterly on the last business day of March, June, September and December in each year. In 2021, 2022 and 2023, dividends were paid at an annual rate equal to C$1.2728 per Series D Share. For the current five-year period from March 31, 2019 to March 31, 2024, the annual rate of the dividends is equal to C$1.2728 per Series D Share.

## 5.3 Dividend Reinvestment Plan

AQN has a shareholder dividend reinvestment plan (the " **Reinvestment Plan**") in respect of the Common Shares. However, effective March 16, 2023, AQN suspended the Reinvestment Plan. If AQN elects to reinstate the Reinvestment Plan in the future, shareholders who were enrolled in the Reinvestment Plan at its suspension and remain enrolled at reinstatement will automatically resume participation in the Reinvestment Plan. When the Reinvestment Plan is active, holders of Common Shares who reside in Canada, the United States, or, subject to AQN's consent, other jurisdictions, may opt to reinvest the cash dividends paid on their Common Shares in additional Common Shares which, at AQN's election, are either purchased on the open market or newly issued from treasury.

# 6. DESCRIPTION OF CAPITAL STRUCTURE

## 6.1 Common Shares

The Common Shares are publicly traded on the TSX and the NYSE under the ticker symbol "AQN". As at December 31, 2023, AQN had 689,271,039 issued and outstanding Common Shares.

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

## 6.2 Preferred Shares

AQN is also authorized to issue an unlimited number of preferred shares, issuable in one or more series, containing terms and conditions as approved by the Board. As at December 31, 2023, AQN had outstanding:

- 4,800,000 Series A Shares, yielding 6.576% annually for the five-year period ending on December 31, 2028; and
- 4,000,000 Series D Shares, yielding 5.091% annually for the five-year period ending on March 31, 2024.

As at December 31, 2023, no Series B Shares, Series E Shares, Series G Shares, Series H Shares, or Series I Shares were outstanding.

**Series A Shares**

The Series A Shares, which rank senior to the Common Shares and rank on parity with every other series of preferred shares as to dividends, may be redeemed by AQN on December 31, 2028 (or the next business day, if such day is not a business day) and every five years thereafter and are convertible upon the occurrence of certain events into cumulative floating rate preferred shares, Series B (the "**Series B Shares**"). The Series A Shares were redeemable by AQN on December 31, 2023 (the "**Series A Shares Redemption Right**"), but AQN elected not to exercise its redemption right. The Series A Shares rank on parity with the preferred shares of every other series and senior to the Common Shares upon liquidation, dissolution or winding up of AQN. The Series A Shares are entitled to receive C$25.00 per Series A Share plus all accrued and unpaid dividends thereon, but are not entitled to share in any further distribution of the assets of AQN.

**Series B Shares**

AQN is authorized to issue up to 4,800,000 Series B Shares upon the conversion of Series A Shares upon the occurrence of certain events. The Series B Shares rank senior to the Common Shares and rank on parity with every other series of preferred shares as to dividends, may be redeemed by AQN on any Series B Conversion Date (as defined in the articles of AQN), and are convertible into Series A Shares upon the occurrence of certain events. The Series B Shares rank on parity with the preferred shares of every other series and senior to the Common Shares upon liquidation, dissolution or winding up of AQN. The Series B Shares are entitled to receive C$25.00 per Series B Share plus all accrued and unpaid dividends thereon, but are not entitled to share in any further distribution of the assets of AQN. Upon AQN's election not to exercise the Series A Shares Redemption Right, the holders of the Series A Shares had the right to convert all or part of their Series A Shares into Series B Shares on January 2, 2024. However, since less than the required minimum of 1,000,000 Series A Shares were tendered for conversion, none of the Class A Shares were converted into Class B Shares and no Class B Shares have been issued by AQN.

**Series D Shares**

The Series D Shares rank senior to the Common Shares and rank on parity with every other series of preferred shares as to dividends, may be redeemed by AQN on March 31, 2024 (or the next business day, if such day is not a business day) and every five years thereafter, and are convertible upon the occurrence of certain events into cumulative floating rate preferred shares, Series E (the "**Series E Shares**"). The Series D Shares are redeemable by AQN on April 1, 2024 (the "**Series D Shares Redemption Right**"), but AQN has elected not to exercise its redemption right. The Series D Shares rank on parity with the preferred shares of every other series and senior to the Common Shares upon liquidation, dissolution or winding up of AQN. The Series D Shares are entitled to receive C$25.00 per Series D Share plus all accrued and unpaid dividends thereon, but are not entitled to share in any further distribution of the assets of AQN.

**Series E Shares**

AQN is authorized to issue up to 4,000,000 Series E Shares upon the conversion of Series D Shares upon the occurrence of certain events. The Series E Shares rank senior to the Common Shares and rank on parity with every other series of preferred shares as to dividends, may be redeemed by AQN on any Series E Conversion Date (as defined in the articles of AQN), and are convertible into Series D Shares upon the occurrence of certain events. The Series E Shares rank on parity with the preferred shares of every other series and senior to the Common Shares upon liquidation, dissolution or winding up of AQN. The Series E Shares are entitled to receive C$25.00 per Series E Share plus all accrued and unpaid dividends thereon, but are not entitled to share in any further distribution of the assets of AQN. Upon AQN's election not to exercise the Series D Shares Redemption Right, the holders of the Series D Shares have the right to convert all or part of their Series D Shares into Series E Shares on April 1, 2024, subject to the terms set out in the articles of AQN. However, since less than the required minimum of 1,000,000 Series D Shares were tendered for conversion, none of the Class D Shares were converted into Class E Shares and no Class E Shares have been issued by AQN.

**Series G Shares**

AQN is authorized to issue an unlimited number of preferred shares, Series G (the " **Series G Shares**") following the conversion of AQN's 6.2% fixed-to-floating subordinated notes – Series 2019-A (the "**2019 Subordinated Notes**") upon the occurrence of certain bankruptcy-related events. The Series G Shares rank senior to the Common Shares and rank on parity with every other series of preferred shares as to dividends and may be redeemed by AQN, subject to certain restrictions, at any time after July 1, 2024. The Series G Shares rank on parity with the preferred shares of every other series and senior to the Common Shares upon liquidation, dissolution or winding up of AQN. The Series G Shares are entitled to receive $25.00 per Series G Share plus all accrued and unpaid dividends thereon, but are not entitled to share in any further distribution of the assets of AQN.

**Series H Shares**

AQN is authorized to issue an unlimited number of Series H Shares following the conversion of the 2022-A Subordinated Notes upon the occurrence of certain bankruptcy-related events. The Series H Shares rank senior to the Common Shares and rank on parity with every other series of preferred shares as to dividends and may be redeemed by AQN, subject to certain restrictions, at any time after October 18, 2031. The Series H Shares rank on parity with the preferred shares of every other series and senior to the Common Shares upon liquidation, dissolution or winding up of AQN. The Series H Shares are entitled to receive C$1,000 per share (less any amount that may have been returned to holders as a return of capital), together with all accrued and unpaid dividends, but are not entitled to share in any further distribution of the assets of AQN.

**Series I Shares**

AQN is authorized to issue an unlimited number of Series I Shares following the conversion of the 2022-B Subordinated Notes upon the occurrence of certain bankruptcy-related events. The Series I Shares rank senior to the Common Shares and rank on parity with every other series of preferred shares as to dividends and may be redeemed by AQN, subject to certain restrictions, at any time after January 18, 2027. The Series I Shares rank on parity with the preferred shares of every other series and senior to the Common Shares upon liquidation, dissolution or winding up of AQN. The Series I Shares are entitled to receive $1,000 per share (less any amount that may have been returned to holders as a return of capital), together with all accrued and unpaid dividends, but are not entitled to share in any further distribution of the assets of AQN.

Subject to applicable corporate law, the outstanding preferred shares are non-voting and not entitled to receive notice of any meeting of shareholders, except that the Series A Shares (and the Series B Shares into which they are convertible) and Series D Shares (and Series E Shares into which they are convertible) and the Series G Shares will be entitled to one vote per share if AQN shall have failed to pay eight quarterly dividends on such shares, and the Series H Shares and the Series I Shares will be entitled to four one-hundredths of a vote in respect of each $1.00 of the issue price of each such share if AQN shall have failed to pay four semi-annual dividends on such shares.

## 6.3 Subordinated Notes

**2019 Subordinated Notes**

On May 23, 2019, AQN completed the sale of $350 million aggregate principal amount of 2019 Subordinated Notes. The 2019 Subordinated Notes are publicly traded on the NYSE under the ticker symbol “AQNB”.

The Corporation will pay interest on the 2019 Subordinated Notes at a fixed rate of 6.2% per year in equal quarterly installments until July 1, 2024. Starting on July 1, 2024, and quarterly on every January 1, April 1, July 1 and October 1 of each year during which the 2019 Subordinated Notes are outstanding thereafter until July 1, 2079 (each such date, a “**2019 Notes Interest Reset Date**”), the interest rate on the 2019 Subordinated Notes will be reset to an interest rate per annum equal to (i) starting on July 1, 2024, on every 2019 Notes Interest Reset Date until July 1, 2029, the three-month LIBOR plus 4.01%, payable in arrears, (ii) starting on July 1, 2029, on every 2019 Notes Interest Reset Date until July 1, 2049, the three-month LIBOR plus 4.26%, payable in arrears, and (iii) starting on July 1, 2049, on every 2019 Notes Interest Reset Date until July 1, 2079, the three-month LIBOR plus 5.01%, payable in arrears. As the three-month LIBOR rate has been discontinued, the terms of the 2019 Subordinated Notes require that AQN use alternative determination procedures, including the appointment of a calculation agent that will then determine whether to use a substitute or successor base rate that it has determined in its sole discretion is most comparable to the LIBOR rate, provided that if the calculation agent determines there is an industry-accepted substitute or successor base rate, then the calculation agent shall use such substitute or successor base rate. So long as no event of default has occurred and is continuing, AQN may elect to defer the interest payable on the 2019 Subordinated Notes on one or more occasions for up to five consecutive years.

The 2019 Subordinated Notes have a maturity date of July 1, 2079. On or after July 1, 2024, AQN may, at its option, redeem the 2019 Subordinated Notes at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest.

Upon the occurrence of certain bankruptcy-related events in respect of AQN, the 2019 Subordinated Notes automatically convert into Series G Shares.

**2022-A Subordinated Notes**

On January 18, 2022, AQN completed the sale of C$400 million aggregate principal amount of 2022-A Subordinated Notes. The Corporation will pay interest on the 2022-A Subordinated Notes semi-annually in arrears on January 18 and July 18 of each year during which the 2022-A Subordinated Notes are outstanding until January 18, 2082 (each such semi-annual date, a “**2022-A Interest Payment Date**”).

The 2022-A Subordinated Notes will bear interest, from, and including, January 18, 2022 to, but excluding, January 18, 2032, at a fixed rate of 5.25% per year. Starting on January 18, 2032, and on every fifth anniversary of such date thereafter (each such date, a “**2022-A Notes Interest Reset Date**”), the interest rate on the 2022-A Subordinated Notes will be reset to an interest rate per annum equal to the 5-Year Government of Canada Yield on the business day immediately preceding such 2022-A Notes Interest Reset Date plus, (i) for the period from, and including, January 18,

2032 to, but excluding, January 18, 2052, 3.717%, and (ii) for the period from, and including, January 18, 2052 to, but excluding, January 18, 2082, 4.467%, in each case, to be reset on each 2022-A Notes Interest Reset Date. So long as no event of default has occurred and is continuing, AQN may elect to defer the interest payable on the 2022-A Subordinated Notes on one or more occasions for up to five consecutive years.

The 2022-A Subordinated Notes have a maturity date of January 18, 2082. From October 18, 2031 to January 18, 2032, and thereafter, on any 2022-A Interest Payment Date, AQN may, at its option, redeem the 2022-A Subordinated Notes at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest. Prior to October 18, 2031, the Corporation may, at its option, redeem the 2022-A Subordinated Notes at a redemption price equal to 100% of the principal amount of the 2022-A Subordinated Notes to be redeemed, plus a "make-whole" premium and accrued and unpaid interest, if any.

Upon the occurrence of certain bankruptcy-related events in respect of AQN, the 2022-A Subordinated Notes automatically convert into Series H Shares.

**2022-B Subordinated Notes**

On January 18, 2022, AQN completed the sale of $750 million aggregate principal amount of 2022-B Subordinated Notes. The Corporation will pay interest on the 2022-B Subordinated Notes semi-annually in arrears on January 18 and July 18 of each year during which the 2022-B Subordinated Notes are outstanding until January 18, 2082.

The 2022-B Subordinated Notes will bear interest, from, and including, January 18, 2022 to, but excluding, April 18, 2027, at a fixed rate of 4.75% per year. Starting on April 18, 2027, and on every fifth anniversary of such date thereafter (each such date, a "**2022-B Notes Interest Reset Date"**), the interest rate on the 2022-B Subordinated Notes will be reset to an interest rate per annum equal to the Five-Year U.S. Treasury Rate on the business day immediately preceding such 2022-B Notes Interest Reset Date plus, (i) for the period from, and including, April 18, 2027 to, but excluding, April 18, 2032, 3.249%, (ii) for the period from, and including, April 18, 2032 to, but excluding, April 18, 2052, 3.499%, and (iii) for the period from, and including, April 18, 2052 to, but excluding, January 18, 2082, 4.249%, in each case, to be reset on each 2022-B Notes Interest Reset Date. So long as no event of default has occurred and is continuing, AQN may elect to defer the interest payable on the 2022-B Subordinated Notes on one or more occasions for up to five consecutive years.

The 2022-B Subordinated Notes have a maturity date of January 18, 2082. From, and including, the January 18 immediately preceding a 2022-B Notes Interest Reset Date to, and including, that particular 2022-B Notes Interest Reset Date (each such period, a "**Par Call Period**"), AQN may, at its option, redeem the 2022-B Subordinated Notes at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest. At any time not during a Par Call Period, the Corporation may, at its option, redeem the 2022-B Subordinated Notes at a redemption price equal to 100% of the principal amount of the 2022-B Subordinated Notes to be redeemed, plus a "make-whole" premium and accrued and unpaid interest, if any.

Upon the occurrence of certain bankruptcy-related events in respect of AQN, the 2022-B Subordinated Notes automatically convert into Series I Shares.

## 6.4 Equity Units

As at December 31, 2023, AQN had 23,000,000 Equity Units outstanding. The Equity Units (that are in the form of "corporate units") are publicly traded on the NYSE under the ticker symbol "AQNU".

Each Equity Unit was issued in a stated amount of $50 and, at issuance, consisted of a 1/20 or 5% undivided beneficial interest in a $1,000 principal amount 1.18% remarketable senior note of the Corporation due June 15, 2026, and a contract to purchase Common Shares on June 15, 2024, or earlier upon early settlement, based on a reference price determined by the volume-weighted average Common Share price over the preceding 20 day trading period. Total annual distributions on the Equity Units are at the rate of 7.75%, consisting of quarterly interest payments on the remarketable senior notes at a rate of 1.18% per year and, subject to any permitted deferral, quarterly contract adjustment payments on the purchase contracts at a rate of 6.57% per year. The reference price for the Equity Units is $15.00 per Common Share. The minimum settlement rate under each purchase contract is 2.7778 Common Shares and the maximum settlement rate is 3.3333 Common Shares, resulting in a minimum of 63,889,400 Common Shares and a maximum of 76,665,900 Common Shares issuable on settlement of the purchase contracts. These settlement rates are subject to adjustment in certain circumstances.

## 6.5 Shareholders' Rights Plan

The shareholders' rights plan, as amended and restated in 2022 (the " **Amended and Restated Rights Plan**") is intended to ensure the fair treatment of shareholders in any transaction involving a potential change of control of AQN and is intended to provide the Board and shareholders with adequate time to evaluate any unsolicited take-over bid and, if appropriate, to seek out alternatives to maximize shareholder value. Under the Amended and Restated Rights Plan, one right is issued with each issued Common Share of the Corporation.

Until the occurrence of certain specific events, the rights will trade with the Common Shares and be represented by certificates representing the Common Shares. The rights become exercisable only when a person, including any party related to it or acting jointly with it (subject to certain exceptions), acquires or announces its intention to acquire 20% or

more of the outstanding Common Shares without complying with the permitted bid provisions of the Amended and Restated Rights Plan. Should a non-permitted bid be launched, each right would entitle each holder of Common Shares (other than the acquiring person and persons related to it or acting jointly with it) to purchase additional Common Shares at a 50% discount to the market price at the time.

It is not the intention of the Amended and Restated Rights Plan to prevent take-over bids but to ensure their proper evaluation by the market. Under the Amended and Restated Rights Plan, a permitted bid is a bid made to all holders of Common Shares that is open for no less than 105 days. If at the end of 105 days at least 50% of the outstanding Common Shares, other than those owned by the offeror and certain related parties, have been tendered and not withdrawn, the offeror may take up and pay for the Common Shares but must extend the bid for a further 10 days to allow all other shareholders to tender.

The Amended and Restated Rights Plan will remain in effect until the termination of the annual meeting of the shareholders of AQN in 2025 (unless extended by approval of the shareholders at such meeting) or its termination under the terms of the Amended and Restated Rights Plan.

# 7. MARKET FOR SECURITIES

## 7.1 Trading Price and Volume

### 7.1.1 Common Shares

The Common Shares are listed and posted for trading on the TSX and NYSE under the symbol “AQN”. The following table sets forth the high and low trading prices and the aggregate volumes of trading of the Common Shares for the periods indicated (as quoted by the TSX and NYSE).

| | TSX | | | NYSE | | |
|---|---|---|---|---|---|---|
| **2023** | **High (C$)** | **Low (C$)** | **Volume** | **High ($)** | **Low ($)** | **Volume** |
| January | 9.99 | 8.85 | 122,628,549 | 7.45 | 6.50 | 30,448,012 |
| February | 10.77 | 9.63 | 69,528,006 | 7.95 | 7.21 | 22,669,264 |
| March | 11.66 | 10.03 | 87,294,128 | 8.61 | 7.29 | 32,914,265 |
| April | 11.98 | 10.62 | 78,598,963 | 8.93 | 7.91 | 23,081,006 |
| May | 12.31 | 11.04 | 46,213,605 | 9.14 | 8.12 | 16,982,926 |
| June | 11.69 | 10.55 | 66,516,061 | 8.74 | 8.02 | 22,485,677 |
| July | 11.24 | 10.13 | 60,228,349 | 8.51 | 7.64 | 19,568,009 |
| August | 10.89 | 9.45 | 60,346,743 | 8.20 | 7.01 | 17,856,422 |
| September | 10.42 | 7.95 | 53,545,617 | 7.66 | 5.86 | 19,962,132 |
| October | 8.11 | 6.75 | 81,287,262 | 5.96 | 4.91 | 25,529,714 |
| November | 8.44 | 7.00 | 58,569,501 | 6.21 | 5.05 | 19,738,529 |
| December | 8.82 | 8.06 | 63,652,310 | 6.56 | 5.94 | 16,455,509 |

### 7.1.2 Preferred Shares

*Series A Shares*

The Series A Shares are listed and posted for trading on the TSX under the symbol “AQN.PR.A”. The following table sets forth the high and low trading prices and the aggregate volume of trading of the Series A Shares for the periods indicated (as quoted by the TSX).

| 2023 | High (C$) | Low (C$) | Volume |
|---|---|---|---|
| January | 20.45 | 18.53 | 107,576 |
| February | 20.93 | 19.72 | 45,580 |
| March | 22.08 | 18.87 | 112,347 |
| April | 20.44 | 19.47 | 42,107 |
| May | 20.06 | 18.57 | 17,189 |
| June | 20.15 | 18.62 | 29,020 |
| July | 20.00 | 18.91 | 205,846 |
| August | 19.60 | 18.77 | 193,744 |
| September | 18.93 | 18.22 | 221,731 |
| October | 18.87 | 17.99 | 177,786 |
| November | 20.95 | 17.97 | 320,767 |
| December | 20.70 | 19.50 | 111,086 |

*Series D Shares*

The Series D Shares are listed and posted for trading on the TSX under the symbol “AQN.PR.D”. The following table sets forth the high and low trading prices and the aggregate volume of trading of the Series D Shares for the periods indicated (as quoted by the TSX).

| 2023 | High (C$) | Low (C$) | Volume |
|---|---|---|---|
| January | 20.41 | 18.60 | 50,846 |
| February | 20.74 | 20.00 | 30,251 |
| March | 20.74 | 19.31 | 57,515 |
| April | 20.22 | 19.47 | 22,639 |
| May | 19.99 | 18.81 | 21,883 |
| June | 20.00 | 18.95 | 29,427 |
| July | 19.98 | 19.04 | 49,275 |
| August | 20.04 | 18.80 | 41,908 |
| September | 18.94 | 18.01 | 67,606 |
| October | 18.95 | 18.13 | 87,307 |
| November | 20.94 | 18.30 | 92,115 |
| December | 21.00 | 19.60 | 56,167 |

### 7.1.3 2019 Subordinated Notes

The 2019 Subordinated Notes are listed and posted for trading on the NYSE under the symbol “AQNB”. The following table sets forth the high and low trading prices and the aggregate volume of trading of the 2019 Subordinated Notes for the periods indicated (as quoted by the NYSE).

| 2023 | High ($) | Low ($) | Volume |
|---|---|---|---|
| January | 23.49 | 21.33 | 461,049 |
| February | 23.71 | 22.70 | 352,048 |
| March | 24.90 | 22.46 | 636,594 |
| April | 23.58 | 22.24 | 833,851 |
| May | 24.09 | 22.14 | 691,528 |
| June | 24.72 | 22.71 | 399,626 |
| July | 24.07 | 22.71 | 2,508,571 |
| August | 24.28 | 22.99 | 2,624,725 |
| September | 24.64 | 23.62 | 840,326 |
| October | 24.81 | 23.46 | 1,384,706 |
| November | 25.21 | 24.16 | 706,774 |
| December | 25.36 | 23.93 | 1,052,094 |

### 7.1.4 Equity Units

The Equity Units are listed and posted for trading on the NYSE under the symbol “AQNU”. The following table sets forth the high and low trading prices and the aggregate volume of trading of the Equity Units for the periods indicated (as quoted by the NYSE).

| 2023 | High ($) | Low ($) | Volume |
|---|---|---|---|
| January | 27.09 | 23.87 | 3,905,152 |
| February | 29.06 | 26.60 | 1,899,906 |
| March | 30.42 | 25.30 | 3,376,586 |
| April | 31.38 | 28.22 | 2,319,137 |
| May | 32.05 | 28.23 | 1,704,642 |
| June | 30.44 | 28.04 | 2,231,535 |
| July | 30.10 | 27.38 | 1,416,263 |
| August | 29.38 | 25.53 | 1,837,946 |
| September | 26.84 | 21.42 | 1,350,204 |
| October | 21.65 | 18.15 | 887,746 |
| November | 22.19 | 18.83 | 2,012,359 |
| December | 22.89 | 20.77 | 1,029,204 |

## 7.2 Prior Sales

During the year ended December 31, 2023, there were no issuances or sales of any class of AQN securities that are outstanding but not listed or quoted on a marketplace.

## 7.3 Escrowed Securities and Securities Subject to Contractual Restrictions on Transfer

There are no securities of AQN that are, to AQN’s knowledge, held in escrow or subject to contractual restrictions on transfer as of the date of this AIF.

# 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 AQN as of the date of this AIF, and information on their history with the Corporation.

| Name and Place of Residence | Principal Occupation | Served as Director or Officer of AQN from |
|---|---|---|
| | | |
| MELISSA STAPLETON BARNES<br>Carmel, Indiana, United States | Melissa Stapleton Barnes was formerly Senior Vice President, Enterprise Risk Management, and Chief Ethics and Compliance Officer for Eli Lilly and Company ("**Lilly**"), a global research-based pharmaceutical company. Ms. Barnes held that role at Lilly from 2013 to 2021 and was an executive officer and member of Lilly's executive committee. Previous roles at Lilly include Vice President and Deputy General Counsel from 2012 to 2013; and General Counsel, Lilly Diabetes and Lilly Oncology from 2010 to 2012. Ms. Barnes holds a Bachelor of Science in Political Science and Government (with highest distinction) from Purdue University and a Juris Doctorate from Harvard Law School. Ms. Barnes is a Licensed Attorney with the Indiana State Bar, serves on the Dean's Advisory Council for Purdue University's College of Liberal Arts, and is on the board of the Ethics Research Center. Ms. Barnes is a Past Chair of the Ethics and Business Integrity Committee for the International Federation of Pharmaceutical Manufacturers and Associations. | Director of AQN since June 9, 2016 |
| AMEE CHANDE<br>West Vancouver, British Columbia, Canada | Amee Chande is a corporate director and strategy consultant. Ms. Chande is a senior advisor to leading companies in the mobility sector such as ChargePoint and Skyways. From December 2018 to October 2019, Ms. Chande was Chief Commercial Officer for Waymo, Google's self-driving car project, where she was responsible for defining the overall strategy and laying the foundation for a strong commercial business. From 2015 to 2018, she was a Managing Director at Alibaba Group where she was the first senior executive hired to lead globalization. Ms. Chande has also held divisional Managing Director and Chief Executive Officer roles at global retailers including Tesco, Staples, and Wal-Mart, in both Europe and the United States. She began her career as a strategy consultant with McKinsey & Company. Ms. Chande is an adjunct professor at the University of British Columbia and is an active volunteer with the World Association of Girl Guides and Girl Scouts. Ms. Chande holds a Bachelor of Business Administration from Simon Fraser University, a Master of Science from the London School of Economics, and a Master of Business Administration from Harvard Business School. | Director of AQN since June 2, 2022 |
| DAN GOLDBERG<br>Ottawa, Ontario, Canada | Dan Goldberg has been the President and Chief Executive Officer of Telesat Corporation since 2006. Prior to joining Telesat, Mr. Goldberg served as Chief Executive Officer of SES New Skies, a position he held following the purchase of New Skies by SES. During that time, Mr. Goldberg also served as a member of the SES Executive Committee. Prior to becoming Chief Executive Officer, he served as Chief Operating Officer of New Skies and prior to that as New Skies' General Counsel. Before joining New Skies, Mr. Goldberg served as Associate General Counsel and Vice President of Government and Regulatory Affairs at PanAmSat. He began his career as an associate at Covington & Burling and then Goldberg, Godles, Wiener & Wright, law firms in Washington D.C. Mr. Goldberg obtained a Bachelor of Arts in History from the University of Virginia and a Juris Doctor from Harvard Law School. | Director of AQN since March 28, 2022 |

| Name and Place of Residence | Principal Occupation | Served as Director or Officer of AQN from |
|---|---|---|
| CHRIS HUSKILSON<br>Wellington, Nova Scotia, Canada | Chris Huskilson is the Interim Chief Executive Officer of AQN. He is also the President and CEO of 5-H Holdings Inc. and Chair of XOCEAN Ltd. He was formerly the CEO of Emera Inc., a geographically diverse energy and service company based in Halifax, Nova Scotia that grew from $3 billion in assets to $30 billion during his term as CEO. He has also served as a director of a number of public and private companies in Canada and internationally, as well as community based not-for-profit organizations. Since leaving Emera in 2018, Mr. Huskilson has been active in the Atlantic Canadian start-up ecosystem. He is a founding partner and active mentor in Creative Destruction Lab (CDL - Atlantic) which is an objectives-based program for massively scalable, seed-stage science and technology based companies. He is also a founding member of Canada's Ocean Supercluster and is a founding director at Endeavor Canada, a mentor and investor in start-up companies. Mr. Huskilson is a life member of the Association of Professional Engineers of Nova Scotia and is a past Chair of the Canadian Electricity Association, the Greater Halifax Partnership, and the Energy Council of Canada. Mr. Huskilson is a member of the Nova Scotia Business Hall of Fame, a recipient of the Energy Person of the Year, a recipient of the Catalyst Canada Award for advancement of women in the workplace, and a recipient of the F.H. Sexton Gold Medal for Engineering. Mr. Huskilson holds a Bachelor of Science in Engineering, a Master of Science in Engineering, and a Doctor of Science, Honoris Causa from the University of New Brunswick. | Director of AQN from October 27, 2009 to June 8, 2017, and since January 2, 2020<br>Trustee of APCo from July 20, 2009 until May 12, 2011<br><br>Officer of AQN since August 10, 2023 |
| ANTHONY (JOHNNY) JOHNSTON<br>Toronto, Ontario, Canada | Johnny Johnston is the Chief Operating Officer of AQN. Mr. Johnston has over 25 years of international experience in the utilities industry. Prior to joining the Corporation, Mr. Johnston worked for National Grid where he led the transformation of its U.S. gas business. He has held a number of senior leadership roles in operations, customer service and strategy, working in both the U.K. and U.S. across gas and electric businesses. Mr. Johnston has served on the board of the not-for-profit Heartshare Human Services of New York. Mr. Johnston holds a Master of Engineering Science from the University of Oxford and a Master of Business Administration from the University of Cranfield. Mr. Johnston is a registered Chartered Engineer in the U.K. | Officer of AQN since January 8, 2019 |
| D. RANDY LANEY<br>Farmington, Arkansas, United States | D. Randy Laney was most recently Chairman of the board of directors of Empire from 2009 to 2017. He joined the Empire board in 2003 and served as the Non-Executive Vice Chairman from 2008 to 2009 and Non-Executive Chairman from April 23, 2009 until Algonquin's acquisition of Empire on January 1, 2017. Mr. Laney, semi-retired since 2008, held numerous senior-level positions with both public and private companies during his career, including 23 years with Wal-Mart Stores, Inc. in various executive positions including Vice President of Finance, Benefits and Risk Management and Vice President of Finance and Treasurer. In addition, Mr. Laney has provided strategic advisory services to both private and public companies and served on numerous profit and not-for-profit boards. Mr. Laney brings significant management and capital markets experience, and strategic and operational understanding to his position on the Board. Mr. Laney holds a Bachelor of Science and a Juris Doctor from the University of Arkansas. | Director of AQN since February 1, 2017 |
| DAVID LEVENSON<br>Toronto, Ontario, Canada | Mr. Levenson was the global head of Brookfield Special Investments ("BSI") and Managing Partner at Brookfield Asset Management until March 2023. He joined Brookfield in 2004 and was Chief Investment Officer of its infrastructure business as well as head of its U.S. private equity activities before starting and leading BSI. Mr. Levenson holds a Bachelor of Commerce from McGill University and a Master of Business Administration from Harvard Business School and is a Chartered Financial Analyst. | Director of AQN since February 1, 2024 |

| Name and Place of Residence | Principal Occupation | Served as Director or Officer of AQN from |
|---|---|---|
| SARAH MACDONALD Halifax, Nova Scotia, Canada | Sarah MacDonald joined AQN in October 2023 as Chief Human Resources Officer. A lawyer by training, she has more than two decades of legal and human resource expertise coupled with broad operational and change leadership experience encompassing safety, environment, regulatory, customer experience, communications and marketing, infrastructure, and IT. Most recently, from May 2021 to October 2023, Sarah served as Chief Operating Officer of EfficiencyOne, the first regulated energy efficiency utility in Canada. Prior to working at EfficiencyOne, Sarah also served as Chief Operating Officer of XOCEAN Ltd., from December 2019 to May 2021. She also had a 19-year career with Emera Inc. in various senior leadership roles, including President, TECO Services Inc.; President and Chief Executive Officer, Emera Caribbean Inc.; and Executive Vice President, Human Resources. In her role as Chief Human Resources Officer, Ms. MacDonald is responsible for leading all aspects of the human resources function and Corporate Communications. She holds a Bachelor of Laws from Dalhousie Law School and a Master of Business Administration from St. Mary's University. | Officer of AQN since October 10, 2023 |
| KENNETH MOORE Toronto, Ontario, Canada | Kenneth Moore is the Managing Partner of NewPoint Capital Partners Inc., an investment banking firm and has been in this role since 1997. 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 the Chartered Financial Analyst designation and has completed the Chartered Director program of the Directors College (McMaster University) and holds the certification of C. Dir. (Chartered Director). | Director of AQN since October 27, 2009<br><br>Trustee of APCo from November 12, 1998 until November 10, 2010 |
| DARREN MYERS Toronto, Ontario, Canada | Darren Myers is the Chief Financial Officer of AQN. Mr. Myers joined AQN in 2022 and has over 25 years of broad finance expertise, including public and capital markets experience in Canada and the U.S. Prior to joining AQN, from January 2018 to May 2021, Mr. Myers was Executive Vice President and Chief Financial Officer for Loblaw, Canada's largest retailer. Mr. Myers also spent 16 years at Celestica, a global supply chain and manufacturing company. He was the Executive Vice President and Chief Financial Officer of Celestica from 2012 to 2017 and had responsibility for Global Business Services and IT. Mr. Myers holds a Bachelor of Commerce degree from McMaster University and is a Chartered Accountant. | Officer of AQN since August 31, 2022 |
| JEFF NORMAN Burlington, Ontario, Canada | Jeff Norman is the President of Renewables of AQN. From March 2017 to March 2024, Mr. Norman was the Chief Development Officer of AQN. He was appointed to the AQN executive team in 2015. Mr. Norman co-founded the Algonquin Power Venture Fund in 2003 and served as President until it was acquired by APCo in 2008. Since 2008, Mr. Norman and the business development team have developed and constructed over 3 GW of renewable energy projects. Mr. Norman has over 32 years of experience and has reviewed the economic merits of renewable energy projects and utilities throughout North America. Mr. Norman is a Chartered Accountant and holds a Bachelor of Arts (Chartered Accountancy) and a Master of Accounting from the University of Waterloo. | Officer of AQN since May 25, 2015 |

| Name and Place of Residence | Principal Occupation | Served as Director or Officer of AQN from |
|---|---|---|
| COLIN PENNY<br>Midhurst, Ontario, Canada | Colin Penny is the Chief Information Officer of AQN. From November 2021 to March 2024, Mr. Penny was the Executive Vice President, Information Technology and Digital Transformation of AQN. Mr. Penny joined the Corporation in 2019 as the Vice President, Information Technology Transformation with over 20 years of experience delivering and operating technology solutions with a focus on business transformation and the strategic use of information and communication technologies within the energy and utilities sectors in North America. Prior to joining AQN, Mr. Penny was the Senior Vice President, Technology and Chief Information Officer of Hydro One Limited where he led the Information Solutions, Security and Telecom groups and before that spent the early part of his career with systems integration firms focused on control systems, cybersecurity, project delivery, and customer systems. Mr. Penny also cofounded and served as a Director for the Canadian Cyber Threat Exchange. Mr. Penny holds a Bachelor of Science (Honours) in Electrical Engineering from Queen's University. | Officer of AQN since November 15, 2021 |
| MASHEED SAIDI<br>Dana Point, California, United States | Masheed Saidi has over 30 years of operational and business leadership experience in the electric utility industry. From 2010 and 2017, Ms. Saidi was an Executive Consultant with the Energy Initiatives Group, a specialized group of experienced professionals that provide technical, commercial and business consulting services to utilities, ISOs, government agencies and other organizations in the energy industry. Between 2005 and 2010, Ms. Saidi was the Chief Operating Officer and Executive Vice President of U.S. Transmission for National Grid USA and was responsible for all aspects of its U.S. transmission business. Ms. Saidi previously served on the board of directors of the Northeast Energy and Commerce Association and served as Chairperson of the board of directors for the not-for-profit organization Mary's Shelter. Ms. Saidi earned a bachelor's degree in Power System Engineering from Northeastern University and her Master of Electrical Engineering from the Massachusetts Institute of Technology. Ms. Saidi is a Registered Professional Engineer (P.E.). | Director of AQN since June 18, 2014 |
| DILEK SAMIL<br>Las Vegas, Nevada, United States | Dilek Samil has over 30 years of finance, operations, and business experience in both the regulated energy utility sector as well as wholesale power production. Ms. Samil joined NV Energy as Chief Financial Officer and retired as Executive Vice President and Chief Operating Officer. Prior to her role at NV Energy, Ms. Samil gained considerable experience in generation and system operations as President and Chief Operating Officer for Cleco Power. Ms. Samil also served as Cleco Power's Chief Financial Officer and led the company's efforts in the restructuring of its wholesale and power trading activities. Prior to NV Energy and Cleco Power, Ms. Samil spent close to 20 years at NextEra where she held positions of increasing responsibility, primarily in the finance area. Ms. Samil holds a Bachelor of Science from the City College of New York and a Master of Business Administration from the University of Florida. | Director of AQN since October 1, 2014 |
| JENNIFER TINDALE<br>Campbellville, Ontario, Canada | Jennifer Tindale is the Chief Legal Officer of AQN. Ms. Tindale has over 20 years of experience advising public companies on acquisitions, dispositions, mergers, financings, corporate governance, and disclosure matters. From July 2011 to February 2017, Ms. Tindale was the Executive Vice President, General Counsel & Secretary at a cross-listed real estate investment trust. Prior to that, she was Vice President, Associate General Counsel & Corporate Secretary at a cross listed pharmaceutical company and before that she was a partner at a top tier Toronto law firm, practising corporate securities law. Ms. Tindale holds a Bachelor of Arts and a Bachelor of Laws from the University of Western Ontario. | Officer of AQN since February 7, 2017 |

Each director will serve as a director of AQN until the next annual meeting of shareholders or until his or her successor is elected in accordance with the by-laws of AQN.

To the knowledge of the Corporation, as at March 8, 2024, the directors and executive officers of AQN, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 432,865 Common Shares, representing less than 1% of the total number of issued and outstanding Common Shares before giving effect to the exercise of options to purchase Common Shares held by such directors and executive officers.

## 8.2 Audit & Finance Committee

Pursuant to the by-laws of AQN, the Board has established an Audit & Finance Committee with the functions and responsibilities set out in its mandate. The Audit & Finance Committee is currently comprised of four directors of AQN: Ms. Samil (Chair), Ms. Barnes, Ms. Chande and Mr. Levenson, all of whom are independent and financially literate for

purposes of National Instrument 52-110 - *Audit Committees*. The Audit & Finance 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 Board and assessing the performance of AQN's auditors.

### 8.2.1 Audit & Finance Committee Charter

The Audit & Finance Committee mandate is attached as Schedule A to this AIF.

### 8.2.2 Relevant Education and Experience

The following is a description of the education and experience, apart from their roles as directors of AQN, of each member of the Audit & Finance Committee that is relevant to the performance of their responsibilities as a member of the Audit & Finance Committee.

Ms. Samil has extensive financial experience, with over 30 years of finance, operations and business experience in the regulated energy utility sector. During her career, Ms. Samil was the Executive Vice President and Chief Operating Officer of NV Energy and gained considerable experience in generation and system operations as President and Chief Operating Officer for Cleco Power LLC. Ms. Samil holds a Bachelor of Science from the City College of New York and a Master of Business Administration from the University of Florida.

Ms. Barnes' financial experience includes a number of risk management and legal/regulatory senior executive roles in a public company. Ms. Barnes was an executive officer and a member of the corporate executive committee of Eli Lilly and Company. She has extensive experience in the areas of risk management, legal and regulatory and is a licensed attorney with the Indiana State Bar.

Ms. Chande's financial experience includes a number of leadership and executive roles in large public and private companies. Ms. Chande was Chief Commercial Officer for Waymo, Google's self-driving car project, a Managing Director at Alibaba Group and has held divisional Managing Director and Chief Executive Officer roles at global retailers including Tesco, Staples, and Wal-Mart in both Europe and the United States. Ms. Chande holds a Bachelor of Business Administration from Simon Fraser University, a Master of Science from the London School of Economics, and a Master of Business Administration from Harvard Business School.

Mr. Levenson's financial experience includes more than 20 years in financial asset management. During his career at Brookfield Asset Management, he held senior investment roles relating to the infrastructure industry and U.S. private equity where he was responsible for reviewing and assessing the financial statements of numerous companies. Mr. Levenson holds a Bachelor of Commerce from McGill University and a Master of Business Administration from Harvard Business School. He is also a Chartered Financial Analyst.

### 8.2.3 Pre-Approval Policies and Procedures

The Audit & Finance Committee has established a policy requiring pre-approval by the Audit & Finance Committee of all audit and permitted non-audit services provided to AQN by its external auditor. The Audit & Finance Committee may delegate pre-approval authority to a member of the Audit & Finance Committee; however, the decisions of any member of the Audit & Finance Committee to whom this authority has been delegated must be presented to the full Audit & Finance Committee at its next scheduled meeting.

| Services | 2023 Fees (C$) | 2022 Fees (C$) |
|---|---|---|
| Audit Fees[1] | 5,981,688 | 6,714,099 |
| Audit-Related Fees[2] | 1,015,723 | 95,500 |
| Tax Fees[3] | 512,818 | 630,204 |
| All Other Fees[4] | 51,000 | 50,000 |

[1] For professional services rendered for audit or review or services in connection with statutory or regulatory filings or engagements.
[2] For assurance and related services that are reasonably related to the performance of the audit or review of AQN's financial statements and not reported under Audit Fees, including audit procedures related to regulatory commission filings.
[3] For tax advisory, compliance and planning services.
[4] For all other products and services provided by AQN's external auditor.

## 8.3 Corporate Governance, Risk, and Human Resources and Compensation Committees

The Board has established a Corporate Governance Committee, currently comprised of four directors of AQN: Mr. Laney (Chair), Ms. Chande, Mr. Goldberg and Ms. Saidi.

The Board has established a Risk Committee, currently comprised of four directors of AQN: Ms. Saidi (Chair), Ms. Barnes, Mr. Levenson and Ms. Samil.

The Board has also established a Human Resources and Compensation Committee, currently comprised of three directors of AQN: Ms. Barnes (Chair), Mr. Goldberg and Mr. Laney.

### 8.4 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of AQN, no director or officer of AQN:

a) is, as at the date of this AIF, or has been, within ten years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that:

   i. was subject to an Order that was issued while the director or officer was acting in the capacity as director, chief executive officer or chief financial officer; or

   ii. was subject to an Order that was issued after the director or officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer of chief financial officer;

b) is, as at the date of this AIF, or has been within ten years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangements or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

c) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer; or

d) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory body or has entered in a settlement agreement with a securities regulatory body, or is subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

### 8.5 Conflicts of Interest

To the knowledge of the Corporation, there are no existing or potential material conflicts of interest between AQN or a subsidiary and any current director or officer of AQN or a subsidiary of AQN.

## 9. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

### 9.1 Legal Proceedings

The Corporation is not, and was not during the financial year ended December 31, 2023, party to any legal proceedings that involve a claim for damages equal to 10% or more of the current assets of the Corporation, and the Corporation is not aware of any such legal proceedings that are contemplated.

### 9.2 Regulatory Actions

During the financial year ended December 31, 2023, there were:

a) no penalties or sanctions imposed against AQN 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 AQN that would likely be considered important to a reasonable investor in making an investment decision; and

c) no settlement agreements that AQN 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

No director, executive officer or 10% holder of voting securities, or any associate or affiliate of the foregoing has, or has had, any material interest in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect AQN or any of its affiliates.

## 11. TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the Common Shares, the Series A Shares and the Series D Shares listed on the TSX is TSX Trust Company, at its offices in Toronto, Ontario.

The transfer agent and registrar for the Common Shares listed on the NYSE is Equiniti Trust Company, LLC (formerly known as American Stock Transfer & Trust Company, LLC, at its office in New York, New York.

## 12. MATERIAL CONTRACTS

The Corporation does not have any material contracts that were not entered into in the ordinary course of business of the Corporation.

## 13. EXPERTS

Ernst & Young LLP is the external auditor of the Corporation and has confirmed that it is (i) independent with respect to the Corporation within the meaning of the CPA Code of Professional Conduct of the Chartered Professional Accountants of Ontario and (ii) an independent registered public accounting firm with respect to the Corporation within the meaning of the U.S. Securities Act of 1933, the applicable rules and regulations adopted thereunder by the SEC and the Public Company Accounting Oversight Board (United States).

## 14. ADDITIONAL INFORMATION

Additional information relating to AQN may be found on SEDAR+ at www.sedarplus.com. Additional information, including disclosure regarding directors' and officers' remuneration and indebtedness, principal holders of AQN's securities and securities authorized for issuance under equity compensation plans is contained in AQN's information circular for its most recent annual meeting. Additional financial information is provided in AQN's financial statements and MD&A for the fiscal year ended December 31, 2023, which are available on SEDAR+ at www.sedarplus.com and on EDGAR at www.sec.gov/edgar.

# SCHEDULE A

**ALGONQUIN POWER & UTILITIES CORP.**

**MANDATE OF THE AUDIT & FINANCE COMMITTEE**

By resolution of the board of directors (the "**Board**") of Algonquin Power & Utilities Corp., the Audit & Finance 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, "Corporation" refers to Algonquin Power & Utilities Corp. and its subsidiaries.

**1. PURPOSE**

1.1 The Committee's primary purposes are to:

a) assist the Board's oversight of:

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

(ii) the Corporation's compliance with legal and regulatory requirements in connection with its financial statements, MD&A, earnings releases or news releases containing earnings guidance and other financial reporting;

(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 (" **Management**"), the external auditor, the internal auditor, and the Board;

(vi) business cases relating to significant projects or investments proposed by Management;

(vii) the establishment of, and the Corporation's performance relative to, annual budgets and long-term financial plans; and

(viii) Management's strategies for matters relating to treasury, liquidity, credit metrics and ratings, capital and debt markets and plans, financial structures, and tax planning; and

b) review and approve, or recommend the Board's approval of (as applicable), any report that is required by law or regulation to be included in any of the Corporation's public disclosure documents relating to the matters contained in this Mandate.

**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; and
c) be independent as determined in accordance with sections 1.4 and 1.5 of National Instrument 52-110 (" **NI 52-110**") and other applicable laws and regulations, including the standards of The New York Stock Exchange and Section 10A-3 of the U.S. *Securities Exchange Act of 1934* .

2.3 Financial Literacy – Each member of the Committee shall satisfy the financial literacy requirements applicable to members of audit committees under NI 52-110 and other applicable laws and regulations. At least one member of the Committee shall be a "financial expert" within the meaning of item 407(d) of Regulation S-K under the U.S. Securities Act of 1933.

2.4 Chair – The Chair of the Committee shall be selected from among the members of the Committee.

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

**3. COMMITTEE MEETINGS**

3.1 Meetings – The time and place of the meetings of the Committee and the procedure in all things at such meetings shall be determined by the Committee. A meeting of the Committee may be called by any member of the Committee or by the external auditor. The Committee shall meet as frequently as necessary to carry out its duties and responsibilities, but not less than four times annually. A majority of members of the Committee shall constitute a quorum and the Committee shall maintain minutes or other records of its meetings and activities.

3.2 Access to Management – The Committee shall have unrestricted access to Management and the external auditor.

3.3 Meetings Without Management – At each meeting of the Committee it will meet for a portion of the meeting without Management present, and the Committee shall also hold *in camera* sessions with representatives of the external auditor, internal audit personnel, and such other members of Management as the Committee requests.

**4. COMMITTEE AUTHORITY**

4.1 Advisors – The Committee may retain, at the expense of the Corporation, such outside 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.

4.2 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 4.1 of this Mandate, and for the payment of the ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

4.3 Access to Records – The Committee shall have unrestricted access to the documents and records of the Corporation and shall be provided with the resources necessary to carry out its responsibilities.

**5. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE**

5.1 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.

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

a) Financial and Related Information –

(i) Financial Statements – The Committee shall review and discuss with Management and the external auditor the Corporation's annual and quarterly financial statements and related MD&A and earnings release and report thereon to the Board before the Board approves such statements, MD&A and earnings release.

(ii) 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 (including Form 40-F), management information circular, news releases containing earnings guidance or any other public disclosure document prior to its public release or filing.

(iii) Accounting Treatment – Prior to the completion of the annual external audit, and at any other time considered advisable by the Committee, the Committee shall review and discuss with Management and the external auditor the quality and not just the acceptability of the Corporation's accounting principles and financial statement presentation, including the following:

A) all critical accounting policies and practices to be used, including 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 external auditor 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 ramifications 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 considerations 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 affected, 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 effect of 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 external auditor 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 therefor 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, 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 and 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.

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

A) review and discuss 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 earnings guidance and financial information based on unreleased financial statements;

B) discuss 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 periodically assess the adequacy of those procedures.

b) External Auditor –

(i) Authority with Respect to External Auditor – The Committee shall be directly responsible for the appointment, compensation, retention, termination, and oversight of the work of the external auditor (including resolution of disagreements between Management and the external auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Corporation. The Committee shall have sole authority for recommending the person to be proposed to the Corporation's shareholders for appointment as external auditor, for determining whether at any time the incumbent external auditor should be removed from office, and for determining 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 staffing levels), 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 external 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 affect the objectivity or 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 fees therefor) provided to the Corporation by the external auditor or any auditor of any subsidiary and shall consider whether these services are compatible with the external auditor's independence, including 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 Committee may delegate to one or more designated members of the Committee the authority to approve additional non-audit services that arise between Committee meetings, provided that such designated members report any such approvals to the Committee at its next 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 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 auditor.

(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 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 Section 5741 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, organizational structure, and staffing of the internal audit department. The Committee shall direct Management to make any changes it deems advisable in respect of the internal audit function.

(iii) Review of Audit Problems – The Committee shall review with internal audit personnel any problem or difficulties internal audit personnel may have encountered, including any restrictions on the scope of activities or access to required information, and any significant reports to Management prepared by internal audit personnel and Management's responses thereto.

(iv) Review of Internal Audit Leadership –The Committee shall review the appointment, performance, and replacement of the leader of the internal audit function.

d) Risk Assessment and Risk Management –

(i) Risk Exposure – The Committee shall discuss periodically with the external auditor, internal audit personnel, and Management 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 and treasury risk management.

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

e) Finance Matters –

(i) Budgets and Plans – The Committee shall review the data and other inputs into budgeting and planning processes and review the Corporation's annual budget and long-term plan.

(ii) Financing Structures and Plans – The Committee shall review on a periodic basis the financing structures and plans used by Management to acquire, hold or operate assets, whether wholly owned or through joint ventures with third parties.

(iii) Capital Plans – The Committee shall review on a periodic basis Management's capital funding plans, including timing, liquidity and credit rating considerations, cost of capital, actual and projected capital requirements, types of instruments to be utilized, and balance sheet management activities.

(iv) Business Cases – The Committee shall review and recommend to the Board for approval business cases relating to proposed significant projects or investments.

f) Taxation – The Committee shall review on a periodic basis Management's tax planning strategies, tax planning structures, and associated matters.

g) 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 the Corporation's employees of concerns regarding questionable accounting or auditing matters.

h) Review of 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 assess whether appropriate liaison and co−operation exist between the external auditor and internal audit personnel and provide a direct channel of communication between the external auditor, internal auditors, and the Committee.

j) Public Reports – The Committee shall review and approve, or recommend the Board's approval of (as applicable), any report that is required by law or regulation to be included in any of the Corporation's public disclosure documents relating to the matters contained in this Mandate.

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 duties and responsibilities.

**6. REPORTING TO THE BOARD**

6.1 Regular Reporting – The Committee shall report to the Board on its activities following each meeting of the Committee and at such other times as the Committee may determine to be appropriate.

**7. EVALUATION OF COMMITTEE PERFORMANCE**

7.1 Performance Review – The Committee shall periodically assess its performance and that of its Chair.

7.2 Amendments to Mandate – The Committee shall periodically review and discuss the adequacy of this Mandate and, if applicable, recommend any proposed changes to the Board for approval.

**8. CURRENCY OF MANDATE**

8.1 Currency of Mandate – This Mandate is effective as of March 7, 2024.

# SCHEDULE B

## GLOSSARY OF TERMS

In this AIF, the following terms have the meanings set forth below, unless otherwise indicated:

"**2019 Notes Interest Reset Date**" has the meaning ascribed thereto under "Description of Capital Structure – Subordinated Notes".

"**2019 Subordinated Notes**" has the meaning ascribed thereto under "Description of Capital Structure – Preferred Shares – Series G Shares".

"**2022 Asset Recycling Transaction**" has the meaning ascribed thereto under "General Development of the Business – Three Year History – Fiscal 2022 – Renewable Energy Group".

"**2022 Subordinated Note Offering**" has the meaning ascribed thereto under "General Development of the Business – Three Year History – Fiscal 2022 – Corporate"

"**2022-A Interest Payment Date**" has the meaning ascribed thereto under "Description of Capital Structure – Subordinated Notes".

"**2022-A Notes Interest Reset Date**" has the meaning ascribed thereto under "Description of Capital Structure – Subordinated Notes".

"**2022-A Subordinated Notes**" has the meaning ascribed thereto under "General Development of the Business – Three Year History – Fiscal 2022 – Corporate".

"**2022-B Notes Interest Reset Date**" has the meaning ascribed thereto under "Description of Capital Structure – Subordinated Notes".

"**2022-B Subordinated Notes**" has the meaning ascribed thereto under "General Development of the Business – Three Year History – Fiscal 2022 – Corporate".

"**5-Year Government of Canada Yield**" has the meaning ascribed thereto in the first supplemental indenture dated as of January 18, 2022 between AQN and TSX Trust Company providing for the issue of the 2022-A Subordinated Notes.

"**AI**" has the meaning ascribed thereto under "Enterprise Risk Factors – Risk Factors Relating to Operations".

"**AIF**" means this annual information form.

"**Altavista Solar Facility**" means the 80 MW Altavista solar generation facility in Campbell County, Virginia

"**Amended and Restated Rights Plan**" has the meaning ascribed thereto under *"*Description of Capital Structure – Shareholders' Rights Plan *".*

"**Amherst Island Wind Facility**" means the approximately 74 MW Amherst Island wind energy facility located in Ontario on Amherst Island near the village of Stella.

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

"**APSC**" means Arkansas Public Services Commission.

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

"**Atlantica**" means Atlantica Sustainable Infrastructure plc (formerly Atlantica Yield plc), a NASDAQ-listed company.

**"Atlantica Strategic Review"** has the meaning ascribed thereto under "Enterprise Risk Factors – Risk Factors Relating to Strategic Planning and Execution".

"**AY Holdings**" has the meaning ascribed thereto under "Corporate Structure – Intercorporate Relationships".

"**Bakersfield I Solar Facility**" means the 20 MW Bakersfield solar generating facility in California.

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

"**Blue Hill Wind Facility**" means the 175 MW Blue Hill wind energy facility in Saskatchewan.

"**Board**" means the Algonquin Power & Utilities Corp. board of directors.

"**BRRBA**" means base revenue requirement balancing account.

"**CalPeco Electric System**" means an electricity distribution utility in the Lake Tahoe basin and surrounding areas.

"**CCRs**" has the meaning ascribed thereto under "Enterprise Risk Factors – Risk Factors Relating to Regulatory Environment".

"**CDOR**" means the Canadian Dollar Offered Rate.

"**Chevron**" means Chevron U.S.A. Inc.

"**Collateral Reset Level**" has the meaning ascribed thereto under "Enterprise Risk Factors – Risk Factors Relating to Financing and Financial Reporting".

"**Common Shares**" means the common shares of Algonquin Power & Utilities Corp.

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

"**CPUC**" means California Public Utilities Commission.

"**DBRS**" means the credit rating agency Dominion Bond Rating Service Limited.

"**Deerfield I Wind Facility**" means the 149 MW Deerfield wind energy facility in Michigan.

"**Deerfield II Wind Facility**" means the approximately 112 MW Deerfield II wind energy facility in Michigan.

"**EBITDA**" means earnings before interest, taxes, depreciation and amortization.

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

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

"**Empire District Electric System**" means an electricity distribution and generation utility in Missouri, Kansas, Oklahoma and Arkansas.

"**Energy Service**" has the meaning ascribed thereto under "Description of the Business – Regulated Services Group – Electric Distribution Systems – Selected Facilities".

"**EnergyNorth Gas System**" means a natural gas distribution utility in New Hampshire.

"**EPC**" means engineering, procurement and construction.

"**Equity Unit Offering**" has the meaning ascribed thereto under "General Development of the Business – Three Year History – Fiscal 2021 – Corporate".

"**Equity Units**" has the meaning ascribed thereto under "General Development of the Business – Three Year History – Fiscal 2021 – Corporate".

"**ERCOT**" means Electric Reliability Council of Texas.

"**ERM**" means enterprise risk management.

"**FERC**" means the Federal Energy Regulatory Commission.

"**FIT**" means feed-in tariff.

"**Fitch**" means Fitch Ratings, Inc.

"**Five-Year U.S. Treasury Rate**" has the meaning ascribed thereto in the third supplemental indenture dated as of January 18, 2022 among AQN, Equiniti Trust Company, LLC (as successor to American Stock Transfer & Trust Company, LLC) and TSX Trust Company providing for the issue of the 2022-B Subordinated Notes.

"**GAAP**" means Generally Accepted Accounting Principles.

"**GAF**" has the meaning ascribed thereto under "Description of the Business – Regulated Services Group – Description of Operations – Natural Gas Distribution Systems – Selected Facilities".

"**Granite State Electric System**" means an electricity distribution utility in New Hampshire.

"**Great Bay I Solar Facility**" means the 75 MW Great Bay I solar facility in Somerset County, Maryland.

"**Great Bay II Solar Facility**" means the 43 MW Great Bay II solar facility in Somerset County, Maryland.

"**GW**" means gigawatt.

"**IESO**" means Independent Electricity System Operator for Ontario.

"**ISO**" means independent system operator.

"**ISO-NE**" means Independent System Operator New England.

"**KCC**" means State Corporation Commission of the State of Kansas.

"**Kentucky Acquisition Agreement**" has the meaning ascribed thereto under "General Development of the Business – Three Year History – Fiscal 2021 – Regulated Services Group".

"**Kentucky Power Transaction**" has the meaning ascribed thereto under "General Development of the Business – Three Year History – Fiscal 2021 – Regulated Services Group".

"**Kentucky Power Transaction Termination**" has the meaning ascribed thereto under "General Development of the Business – Three Year History – Fiscal 2021 – Regulated Services Group"

"**Kings Point Wind Facility**" means the approximately 150 MW wind facility located in Barton County, southwestern Dade County, northeastern Jasper County, and northwestern Lawrence County, Missouri.

"**kV**" means kilovolt.

"**Liberty Apple Valley Water**" has the meaning ascribed thereto under "Description of the Business – Regulated Services Group – Description of Operations – Water Distribution and Wastewater Collection Systems".

"**Liberty Development**" has the meaning ascribed thereto under "Enterprise Risk Factors – Risk Factors Relating to Financing and Financial Reporting".

"**Liberty Development Secured Credit Facility**" has the meaning ascribed thereto under "Enterprise Risk Factors – Risk Factors Relating to Financing and Financial Reporting".

"**Liberty New York Water**" has the meaning ascribed thereto under "General Development of the Business – Three Year History – Fiscal 2022 – Regulated Services Group".

"**Liberty Park Water**" has the meaning ascribed thereto under "Description of the – Business Regulated Services Group – Description of Operations – Water Distribution and Wastewater Collection Systems".

"**Liberty Utilities**" has the meaning ascribed thereto under "Corporate Structure – Intercorporate Relationships".

"**Liberty Utilities Canada**" has the meaning ascribed thereto under "Corporate Structure – Intercorporate Relationships".

"**LIBOR**" has the meaning ascribed thereto in the second supplemental indenture dated as of May 23, 2019 between AQN, Equiniti Trust Company, LLC (as successor to American Stock Transfer & Trust Company, LLC) and TSX Trust Company (as successor to AST Trust Company (Canada)) providing for the issue of the 2019 Subordinated Notes.

"**Lilly**" has the meaning ascribed thereto under "Directors and Officers – Name, Occupation and Securities Holdings".

"**Litchfield Park Water System**" means the Litchfield Park water and wastewater system in Arizona.

"**Luning Solar Facility**" means the 50 MW solar generating facility located in Mineral County, Nevada.

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

"**Maverick Creek Wind Facility**" means the approximately 492 MW Maverick Creek wind facility in Concho County, Texas.

"**MD&A**" has the meaning ascribed thereto under "Caution Concerning Forward-looking Statements and Forward-looking Information".

"**MDPU**" means The Massachusetts Department of Public Utilities.

"**Meta**" has the meaning ascribed thereto under "General Development of the Business – Three Year History – Fiscal 2023 – Renewable Energy Group".

"**Midstates Gas Systems**" means natural gas distribution utility assets in Missouri, Iowa and Illinois.

"**Minonk Wind Facility**" means the Minonk wind energy facility in Illinois.

"**MISO**" means Midcontinent Independent System Operator, Inc.

"**Moody's**" means Moody's Investors Services, Inc.

"**MPSC**" means Missouri Public Service Commission.

"**MW**" means megawatt.

"**NB Energy Board**" means the New Brunswick Energy and Utilities Board.

"**Neosho Ridge Wind Facility**" means the approximately 300 MW wind facility located in Neosho County, Kansas.

"**NERC**" means the North American Electric Reliability Corporation.

"**New Brunswick Gas System**" means the natural gas distribution utility assets in New Brunswick.

"**New England Gas System**" means natural gas distribution utility assets in Massachusetts.

"**New Market Solar Facility**" means the New Market solar energy facility located in Ohio.

"**New York Water System**" means a water and wastewater utility system in New York.

"**NHPUC**" means the New Hampshire Public Utilities Commission.

"**North Fork Ridge Wind Facility**" means the approximately 150 MW wind facility located in northwestern Jasper County and southwestern Barton County, Missouri.

"**NV Energy**" means NV Energy, Inc.

"**NYSE**" means New York Stock Exchange.

"**OATT**" means open access transmission tariff.

"**OCC**" means Corporation Commission of Oklahoma.

"**Odell Wind Facility**" means the 200 MW Odell wind facility in Cottonwood, Jackson, Martina and Watonwan counties in Minnesota.

"**Offtake Contract**" has the meaning ascribed thereto under "Enterprise Risk Factors – Risk Factors Relating to Strategic Planning and Execution".

"**OPEB**" has the meaning ascribed thereto under "Enterprise Risk Factors – Risk Factors Relating to Financing and Financial Reporting".

"**Order**" means (a) a cease trade order; (b) an order similar to a cease trade order; or (c) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

"**Par Call Period**" has the meaning ascribed thereto under "Description of Capital Structure – Subordinated Notes".

"**Peach State Gas System**" means natural gas distribution utility assets in Georgia.

"**PGA**" means purchased gas adjustment.

"**PJM**" means PJM Interconnection, L.L.C.

"**PPA**" means power purchase agreement.

"**Primary Energy Production Hedge**" has the meaning ascribed thereto under "Description of the Business – Renewable Energy Group – Description of Operations – Wind Power Generating Facilities – Selected United States Facilities".

"**RAB**" means the Regulatory Authority of Bermuda.

"**REC**" means renewable energy credit.

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

"**RNG**" means renewable natural gas.

"**RWE Renewables**" means RWE Renewables Americas, LLC.

"**RTO**" means regional transmission organization.

"**S&P**" means Standard & Poor's Financial Services LLC.

"**Sandhill**" has the meaning ascribed thereto under "General Development of the Business – Three Year History – Fiscal 2022 – Renewable Energy Group".

"**Sandy Ridge I Wind Facility**" means the Sandy Ridge I wind energy facility located in Pennsylvania

"**Sandy Ridge II Wind Facility**" means the Sandy Ridge II wind energy facility located in Pennsylvania.

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

"**SEC**" means U.S. Securities and Exchange Commission.

"**Senior Notes**" has the meaning ascribed thereto under "General Development of the Business – Three Year History – Fiscal 2023 – Regulated Services Group".

"**Sellers**" has the meaning ascribed thereto under "General Development of the Business – Three Year History – Fiscal 2021 – Regulated Services Group".

"**Senate Wind Facility**" means the Senate wind energy facility in Texas.

"**Series A Shares**" has the meaning ascribed thereto under "Dividends – Preferred Shares".

"**Series A Shares Redemption Right**" has the meaning ascribed thereto under "Description of Capital Structure – Preferred Shares".

"**Series B Shares**" has the meaning ascribed thereto under "Description of Capital Structure – Preferred Shares".

"**Series C Shares**" has the meaning ascribed thereto under "Dividends – Preferred Shares".

"**Series D Shares**" has the meaning ascribed thereto under "Dividends – Preferred Shares".

"**Series D Shares Redemption Right**" has the meaning ascribed thereto under "Description of Capital Structure – Preferred Shares".

"**Series E Shares**" has the meaning ascribed thereto under "Description of Capital Structure – Preferred Shares".

"**Series G Shares**" has the meaning ascribed thereto under "Description of Capital Structure – Preferred Shares".

"**Series H Shares**" has the meaning ascribed thereto under "General Development of the Business – Three Year History – Fiscal 2022 – Corporate".

"**Series I Shares**" has the meaning ascribed thereto under "General Development of the Business – Three Year History – Fiscal 2022 – Corporate".

"**Shady Oaks I Wind Facility**" means the Shady Oaks I wind energy facility in Illinois.

"**Shady Oaks II Wind Facility**" means the Shady Oaks II wind energy facility in Illinois.

"**SPP**" means Southwest Power Pool.

"**St. Lawrence Gas System**" means natural gas distribution utility assets in northern New York State.

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

"**St. Leon Wind Facility**" means the approximately 104 MW and 16.5 MW wind facilities located at St. Leon, Manitoba.

"**Sugar Creek Wind Facility**" means the 202 MW Sugar Creek wind facility in Logan County, Illinois.

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

"**TCFD**" has the meaning ascribed thereto under "Description of the Business – Social and Environmental Policies and Commitment to Sustainability – ESG Report and Climate Change Assessment Report".

"**Texas Coastal Wind Facilities**" has the meaning ascribed thereto under "Description of the Business – Renewable Energy Group – Description of Operations – Wind Power Generating Facilities – Selected United States Facilities".

"**Tinker Hydro Facility**" means the electric generating facility and transmission assets in New Brunswick.

"**TSX**" means the Toronto Stock Exchange.

"**Turquoise Solar Facility**" means the 10 MW solar generating facility located in Washoe County, Nevada.

"**U.S. Exchange Act**" has the meaning ascribed thereto under "Enterprise Risk Factors – Risk Factors Relating to Financing and Financial Reporting".

**Consolidated Financial Statements of**
**Algonquin Power & Utilities Corp.**
**For the years ended December 31, 2023 and 2022**

# MANAGEMENT'S REPORT

## Financial Reporting

The accompanying consolidated financial statements and management discussion and analysis ("MD&A") are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management 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.

The Board of Directors and its committees are responsible for all aspects related to governance of the Company. The Audit & Finance 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 & Finance 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 consolidated 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, 2023, based on the framework established in *Internal Control – Integrated Framework (2013)* 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 of December 31, 2023. Ernst & Young LLP, the independent registered public accounting firm that audited the accompanying consolidated financial statements has issued its attestation report on the Company's internal control over financial reporting,

March 8, 2024

/s/ Chris Huskilson
Interim Chief Executive Officer

/s/ Darren Myers
Chief Financial Officer

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

***Opinion on the Consolidated Financial Statements***

We have audited the accompanying consolidated balance sheets of Algonquin Power & Utilities Corp. (the "Company"), as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income (loss), equity and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2023, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 8, 2024 expressed an unqualified opinion thereon.

***Basis for Opinion***

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

***Critical Audit Matter***

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that is communicated or required to be communicated to the Audit & Finance Committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

**Regulatory assets and liabilities—Recovery of costs through rate regulation**

| | |
|---|---|
| Description of the Matter | As described in Note 7 to the consolidated financial statements, the Company has approximately $1.33 billion in regulatory assets and approximately $734.30 million in regulatory liabilities that are subject to regulation by the public utility commissions of the regions in which they operate. Rates are determined under cost-of-service regulation. The regulation of rates is premised on the full recovery of prudently incurred costs and a reasonable rate of return on assets or common shareholder's equity. Regulatory decisions can have an impact on the timely recovery of costs and the approved returns. The recoverability of such costs through rate-regulation impacts multiple financial statement line items and disclosures, including property, plant, and equipment, regulatory assets and liabilities, derivative instruments, pension and other post-employment benefit obligation, regulated electricity, gas and water distribution revenues and the corresponding expenses, income tax expense, and depreciation and amortization expense.<br><br>Although the Company expects to recover its costs from customers through rates, there is a risk that the respective regulator will not approve full recovery of the costs incurred. Auditing the recoverability of these costs through rates is complex and highly judgmental due to the significant judgments and probability assessments made by the Company to support its accounting and disclosure for regulatory matters when final regulatory decisions or orders have not yet been obtained or when regulatory formulas are complex. There is also subjectivity involved in assessing the potential impact of future regulatory decisions on the financial statements. The Company's judgments include evaluating the probability of recovery of and recovery on costs incurred, or probability of refund to customers through future rates. |
| How We Addressed the Matter in Our Audit | We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's evaluation of the likelihood of recovery of regulatory assets and refund of regulatory liabilities, including management's controls over the initial recognition and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates, a refund, or future changes in rates.<br><br>We performed audit procedures that included, amongst others, evaluating the Company's assessment of the probability of future recovery for regulatory assets and refund of regulatory liabilities, by comparison to the relevant regulatory orders, filings and correspondence, and other publicly available information including past precedents. For regulatory matters for which regulatory decisions or orders have not yet been obtained, we inspected the Company's filings for any evidence that might contradict the Company's assertions, and reviewed other regulatory orders, filings and correspondence for other entities within the same or similar jurisdictions to assess the likelihood of recovery in future rates based on the respective regulator's treatment of similar costs under similar circumstances. We evaluated the Company's analysis and compared that analysis with letters from legal counsel, when appropriate, regarding cost recoveries or future changes in rates. We assessed the methodology and mathematical accuracy of the Company's calculations of regulatory asset and liability balances based on provisions and formulas outlined in rate orders and other correspondence with regulators. |

/s/ Ernst & Young LLP
Chartered Professional Accountants
Licensed Public Accountants

We have served as the Company's auditor since 2013.
Toronto, Canada
March 8, 2024

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

***Opinion on Internal Control over Financial Reporting***

We have audited Algonquin Power & Utilities Corp.'s internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). In our opinion, Algonquin Power & Utilities Corp. (the "Company") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2023, and 2022, the related consolidated statements of operations, comprehensive income (loss), equity and cash flows for the years then ended, and the related notes, and our report dated March 8, 2024, expressed an unqualified opinion thereon.

***Basis for Opinion***

The Company'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 in the Management Report on Internal Controls over Financial Reporting section contained in the accompanying Management Discussion and Analysis. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

***Definition and Limitations of Internal Control Over Financial Reporting***

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.

/s/ Ernst & Young LLP
Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
March 8, 2024

## Algonquin Power & Utilities Corp.
## Consolidated Statements of Operations

| *(thousands of U.S. dollars, except per share amounts)* | Years ended December 31 2023 | 2022 |
|---|---|---|
| **Revenue** | | |
| Regulated electricity distribution | **$ 1,295,497** | $ 1,278,912 |
| Regulated natural gas distribution | **621,173** | 686,744 |
| Regulated water reclamation and distribution | **399,052** | 364,383 |
| Non-regulated energy sales | **296,314** | 350,797 |
| Other revenue | **85,979** | 84,177 |
| | **2,698,015** | 2,765,013 |
| **Expenses** | | |
| Operating expenses | **906,985** | 851,489 |
| Regulated electricity purchased | **429,760** | 465,570 |
| Regulated natural gas purchased | **267,122** | 340,792 |
| Regulated water purchased | **19,564** | 18,308 |
| Non-regulated energy purchased | **19,499** | 41,684 |
| Administrative expenses | **90,359** | 80,232 |
| Depreciation and amortization | **466,996** | 455,520 |
| Asset impairment charge (notes 5, 8 and 16) | **23,492** | 159,568 |
| Loss on foreign exchange | **8,359** | 13,833 |
| | **2,232,136** | 2,426,996 |
| Gain on sale of renewable assets | **—** | 64,028 |
| **Operating income** | **465,879** | 402,045 |
| Interest expense (note 9) | **(353,656)** | (278,574) |
| Loss from long-term investments (note 8) | **(124,974)** | (483,385) |
| Other income (note 7) | **41,410** | 18,179 |
| Other net losses (note 19) | **(132,889)** | (21,391) |
| Pension and other post-employment non-service costs (note 10) | **(19,939)** | (10,950) |
| Gain on derivative financial instruments (note 24(b)(iv)) | **4,564** | 4,408 |
| **Loss before income taxes** | **(119,605)** | (369,668) |
| **Income tax recovery (expense) (note 18)** | | |
| Current | **9,740** | (7,843) |
| Deferred | **76,560** | 69,356 |
| | **86,300** | 61,513 |
| **Net loss** | **(33,305)** | (308,155) |
| Net effect of non-controlling interests (note 17) | | |
| Non-controlling interests | **87,901** | 111,323 |
| Non-controlling interests held by related party | **(25,922)** | (15,157) |
| | **$ 61,979** | $ 96,166 |
| **Net earnings (loss) attributable to shareholders of Algonquin Power & Utilities Corp.** | **$ 28,674** | $ (211,989) |
| Series A Shares and Series D Shares dividend (note 15) | **8,356** | 8,720 |
| **Net earnings (loss) attributable to common shareholders of Algonquin Power & Utilities Corp.** | **$ 20,318** | $ (220,709) |
| Basic and diluted net earnings (loss) per share (note 20) | **$ 0.03** | $ (0.33) |

See accompanying notes to consolidated financial statements

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

| *(thousands of U.S. dollars)* | Years ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Net loss | **$ (33,305)** | $ (308,155) |
| Other comprehensive income (loss) ("OCI"): | | |
| Foreign currency translation adjustment, net of tax recovery of $ 6,616 (2022 - tax expense $2,423), (notes 24(b)(iii) and 24(b)(iv)) | **(5,386)** | (23,502) |
| Change in fair value of cash flow hedges, net of tax recovery of $ 1,885 (2022 - tax expense of $20,644), (note 24(b)(ii)) | **59,487** | (94,295) |
| Change in pension and other post-employment benefits, net of tax expense of $ 1,612 (2022 - tax expense of $8,330), (note 10) | **4,693** | 27,761 |
| OCI, net of tax | **58,794** | (90,036) |
| Comprehensive income (loss) | **25,489** | (398,191) |
| Comprehensive loss attributable to the non-controlling interests | **(60,962)** | (97,816) |
| Comprehensive income (loss) attributable to shareholders of Algonquin Power & Utilities Corp. | **$ 86,451** | $ (300,375) |

See accompanying notes to consolidated financial statements

## Algonquin Power & Utilities Corp.
## Consolidated Balance Sheets

*(thousands of U.S. dollars)*

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 56,142** | $ 57,623 |
| Trade and other receivables, net (note 4) | **524,194** | 528,057 |
| Fuel and natural gas in storage | **48,982** | 95,350 |
| Supplies and consumables inventory | **178,150** | 129,571 |
| Regulatory assets (note 7) | **142,970** | 190,393 |
| Prepaid expenses | **81,926** | 58,653 |
| Derivative instruments (note 24) | **10,920** | 12,270 |
| Other assets (note 11) | **23,061** | 22,564 |
| | **1,066,345** | 1,094,481 |
| Property, plant and equipment, net (note 5) | **12,517,450** | 11,944,885 |
| Intangible assets, net (note 6) | **93,938** | 96,683 |
| Goodwill (note 6) | **1,324,062** | 1,320,579 |
| Regulatory assets (note 7) | **1,184,713** | 1,081,108 |
| Long-term investments (note 8) | | |
| Investments carried at fair value | **1,115,729** | 1,344,207 |
| Other long-term investments | **641,920** | 462,325 |
| Derivative instruments (note 24) | **72,328** | 71,630 |
| Deferred income taxes (note 18) | **158,483** | 84,416 |
| Other assets (note 11) | **198,993** | 127,299 |
| | **$ 18,373,961** | $ 17,627,613 |

See accompanying notes to consolidated financial statements

## Algonquin Power & Utilities Corp.
## Consolidated Balance Sheets (continued)

*(thousands of U.S. dollars)*

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **LIABILITIES AND EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | **$ 210,412** | $ 186,080 |
| Accrued liabilities | **554,875** | 555,792 |
| Dividends payable (note 15) | **74,916** | 125,655 |
| Regulatory liabilities (note 7) | **99,850** | 69,865 |
| Long-term debt (note 9) | **621,856** | 423,274 |
| Other long-term liabilities (note 12) | **80,458** | 134,212 |
| Derivative instruments (note 24) | **34,915** | 32,491 |
| Other liabilities | **7,898** | 7,091 |
| | **1,685,180** | 1,534,460 |
| Long-term debt (note 9) | **7,894,174** | 7,088,743 |
| Regulatory liabilities (note 7) | **634,446** | 558,317 |
| Deferred income taxes (note 18) | **578,902** | 565,639 |
| Derivative instruments (note 24) | **75,961** | 137,830 |
| Pension and other post-employment benefits obligation (note 10) | **96,653** | 125,579 |
| Other long-term liabilities (note 12) | **465,874** | 461,230 |
| | **9,746,010** | 8,937,338 |
| Redeemable non-controlling interests (note 17) | | |
| Redeemable non-controlling interest, held by related party | **308,350** | 307,856 |
| Redeemable non-controlling interests | **10,013** | 11,520 |
| | **318,363** | 319,376 |
| Equity: | | |
| Preferred shares | **184,299** | 184,299 |
| Common shares (note 13(a)) | **6,229,994** | 6,183,943 |
| Additional paid-in capital | **7,254** | 9,413 |
| Deficit | **(1,279,696)** | (997,945) |
| Accumulated other comprehensive loss (“AOCI”) (note 14) | **(102,286)** | (160,063) |
| Total equity attributable to shareholders of Algonquin Power & Utilities Corp. | **5,039,565** | 5,219,647 |
| Non-controlling interests (note 17) | | |
| Non-controlling interests - tax equity partnership units | **1,196,720** | 1,225,608 |
| Other non-controlling interests | **347,338** | 333,362 |
| Non-controlling interest, held by related party | **40,785** | 57,822 |
| | **1,584,843** | 1,616,792 |
| Total equity | **6,624,408** | 6,836,439 |
| Commitments and contingencies (note 22) | | |
| Subsequent events (notes 3(c), 7(a), 8(c), 9(c), 9(d), 16(a), 17(c)) | | |
| | **$ 18,373,961** | $ 17,627,613 |

See accompanying notes to consolidated financial statements

## Algonquin Power & Utilities Corp.
## Consolidated Statements of Equity

*(thousands of U.S. dollars)*
For the year ended December 31, 2023

| | Algonquin Power & Utilities Corp. Shareholders | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common shares | Preferred shares | Additional paid-in capital | Retained earnings (deficit) | AOCI | Non-controlling interests | Total |
| Balance, December 31, 2022 | $ 6,183,943 | $ 184,299 | $ 9,413 | $ (997,945) | $ (160,063) | $ 1,616,792 | $ 6,836,439 |
| Net earnings (loss) | — | — | — | 28,674 | — | (61,979) | (33,305) |
| Effect of redeemable non-controlling interests not included in equity (note 17) | — | — | — | — | — | (24,598) | (24,598) |
| OCI | — | — | — | — | 57,777 | 1,017 | 58,794 |
| Dividends declared and distributions to non-controlling interests | — | — | — | (279,634) | — | (54,322) | (333,956) |
| Dividends and issuance of shares under dividend reinvestment plan | 30,482 | — | — | (30,482) | — | — | — |
| Contributions received from non-controlling interests, net of cost | — | — | — | — | — | 107,933 | 107,933 |
| Common shares issued upon conversion of convertible debentures | 11 | — | — | — | — | — | 11 |
| Common shares issued under employee share purchase plan | 5,229 | — | — | — | — | — | 5,229 |
| Share-based compensation | — | — | 13,162 | — | — | — | 13,162 |
| Common shares issued pursuant to share-based awards | 10,329 | — | (15,321) | (309) | — | — | (5,301) |
| Balance, December 31, 2023 | $ 6,229,994 | $ 184,299 | $ 7,254 | $ (1,279,696) | $ (102,286) | $ 1,584,843 | $ 6,624,408 |

See accompanying notes to consolidated financial statements

## Algonquin Power & Utilities Corp.
## Consolidated Statements of Equity (continued)

*(thousands of U.S. dollars)*
For the year ended December 31, 2022

| | Algonquin Power & Utilities Corp. Shareholders | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common shares | Preferred shares | Additional paid-in capital | Deficit | AOCI | Non-controlling interests | Total |
| Balance, December 31, 2021 | $ 6,032,792 | $ 184,299 | $ 2,007 | $ (288,424) | $ (71,677) | $ 1,523,082 | $ 7,382,079 |
| Net loss | — | — | — | (211,989) | — | (96,166) | (308,155) |
| Effect of redeemable non-controlling interests not included in equity (note 17) | — | — | — | — | — | (8,859) | (8,859) |
| OCI | — | — | — | — | (88,386) | (1,650) | (90,036) |
| Dividends declared and distributions to non-controlling interests | — | — | — | (396,965) | — | (61,063) | (458,028) |
| Dividends and issuance of shares under dividend reinvestment plan | 97,801 | — | — | (97,801) | — | — | — |
| Contributions received from non-controlling interests, net of cost | — | — | — | — | — | 273,697 | 273,697 |
| Common shares issued upon conversion of convertible debentures | 6 | — | — | — | — | — | 6 |
| Common shares issued upon public offering, net of tax effected cost | 38,227 | — | — | — | — | — | 38,227 |
| Common shares issued under employee share purchase plan | 5,319 | — | — | — | — | — | 5,319 |
| Share-based compensation | — | — | 14,849 | — | — | — | 14,849 |
| Common shares issued pursuant to share-based awards | 9,798 | — | (14,743) | (2,766) | — | — | (7,711) |
| Non-controlling interest assumed on asset acquisition | — | — | 7,300 | — | — | (12,249) | (4,949) |
| Balance, December 31, 2022 | $ 6,183,943 | $ 184,299 | $ 9,413 | $ (997,945) | $ (160,063) | $ 1,616,792 | $ 6,836,439 |

See accompanying notes to consolidated financial statements

## Algonquin Power & Utilities Corp.
## Consolidated Statements of Cash Flows

| *(thousands of U.S. dollars)* | Years ended December 31 2023 | 2022 |
|---|---|---|
| **Cash provided by (used in):** | | |
| **Operating activities** | | |
| Net loss | **$ (33,305)** | $ (308,155) |
| Adjustments and items not affecting cash: | | |
| Depreciation and amortization | **466,996** | 455,520 |
| Deferred taxes | **(76,560)** | (69,356) |
| Initial value and changes in derivative financial instruments net of amortization | **(15,502)** | 2,462 |
| Share-based compensation | **10,397** | 10,920 |
| Cost of equity funds used for construction purposes | **(3,366)** | (1,896) |
| Change in value of investments carried at fair value | **229,988** | 499,125 |
| Pension and post-employment expense lower than contributions | **(7,838)** | (15,329) |
| Distributions received from equity investments, net of income | **11,730** | 23,829 |
| Impairment of assets (notes 5 and 8(c)) | **23,492** | 235,478 |
| Other (notes 19(c), 19(e) and 19(f)) | **108,338** | 8,116 |
| Net change in non-cash operating items (note 23) | **(86,336)** | (221,618) |
| | **628,034** | 619,096 |
| **Financing activities** | | |
| Increase in long-term debt | **3,033,503** | 4,622,937 |
| Repayments of long-term debt | **(2,297,346)** | (3,326,519) |
| Net change in commercial paper | **74,720** | 68,300 |
| Issuance of common shares, net of costs | **5,229** | 43,546 |
| Cash dividends on common shares | **(322,468)** | (378,597) |
| Dividends on preferred shares | **(8,356)** | (8,720) |
| Contributions from non-controlling interests and redeemable non-controlling interests (note 3) | **98,955** | 272,515 |
| Production-based cash contributions from non-controlling interest | **9,084** | 6,182 |
| Distributions to non-controlling interests, related party (note 17) | **(25,428)** | (34,816) |
| Distributions to non-controlling interests | **(51,164)** | (43,919) |
| Payments upon settlement of derivatives | **—** | (28,913) |
| Shares surrendered to fund withholding taxes on exercised share options | **(2,434)** | (4,667) |
| Redemption of Series C preferred shares (note 12(h)) | **(14,515)** | — |
| Acquisition of non-controlling interest | **—** | (1,580) |
| Increase in other long-term liabilities | **22,666** | 19,324 |
| Decrease in other long-term liabilities | **(79,638)** | (94,837) |
| | **442,808** | 1,110,236 |
| **Investing activities** | | |
| Additions to property, plant and equipment and intangible assets | **(1,026,171)** | (1,089,024) |
| Increase in long-term investments | **(243,742)** | (221,281) |
| Acquisitions of operating entities | **—** | (632,797) |
| Increase in other assets | **(12,220)** | (26,527) |
| Receipt of principal on development loans receivable | **174,763** | 178,300 |
| Decrease in long-term investments | **11,749** | 2,920 |
| | **(1,095,621)** | (1,788,409) |
| Effect of exchange rate differences on cash and restricted cash | **(267)** | (1,127) |
| Decrease in cash, cash equivalents and restricted cash | **(25,046)** | (60,204) |
| Cash, cash equivalents and restricted cash, beginning of year | **101,185** | 161,389 |
| Cash, cash equivalents and restricted cash, end of year | **$ 76,139** | $ 101,185 |

## Algonquin Power & Utilities Corp.
## Consolidated Statements of Cash Flows (continued)

| *(thousands of U.S. dollars)* | Years ended December 31 2023 | 2022 |
|---|---|---|
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid during the year for interest expense | **$ 368,511** | $ 272,734 |
| Cash paid during the year for income taxes | **$ 7,171** | $ 10,962 |
| Cash received during the year for distributions from equity investments | **$ 112,716** | $ 112,951 |
| **Non-cash financing and investing activities:** | | |
| Property, plant and equipment acquisitions in accruals | **$ 172,165** | $ 120,819 |
| Issuance of common shares under dividend reinvestment plan and share-based compensation plans | **$ 46,040** | $ 112,918 |
| Property, plant and equipment, intangible assets and accrued liabilities in exchange of note receivable | **$ 23,938** | $ 90,700 |

See accompanying notes to consolidated financial statements

Algonquin Power & Utilities Corp. ("AQN" or the "Company") is an incorporated entity under the *Canada Business Corporations Act*. AQN's operations are organized across two primary business units consisting of the Regulated Services Group and the Renewable Energy Group. The Regulated Services Group primarily owns and operates a portfolio of regulated electric, water distribution and wastewater collection, and natural gas utility systems and transmission operations in the United States, Canada, Bermuda and Chile; the Renewable Energy Group primarily owns and operates, or has investments in, a diversified portfolio of non-regulated renewable and thermal energy generation assets.

## 1. Significant accounting policies

(a) Basis of preparation

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

(b) Basis of consolidation

The accompanying consolidated financial statements of AQN include the accounts of AQN and variable interest entities ("VIEs") where the Company is the primary beneficiary (note 1(m)). Intercompany transactions and balances have been eliminated. Interests in subsidiaries owned by third parties are included in non-controlling interests (note 1(s)).

(c) Business combinations, intangible assets and goodwill

The Company accounts for acquisitions of entities or assets that meet the definition of a business as business combinations. Business combinations are accounted for using the acquisition method. Assets acquired and liabilities assumed are measured at their fair value at the acquisition date, except for deferred income taxes, which are accounted for as described in note 1(v). Acquisition costs are expensed in the period incurred. When the set of activities does not represent a business, the transaction is accounted for as an asset acquisition and includes acquisition costs.

Intangible assets acquired are recognized separately at fair value if they arise from contractual or other legal rights or are separable. Power sales contracts are amortized on a straight-line basis over the remaining term of the contract ranging from 6 to 25 years from the date of acquisition. Interconnection agreements are amortized on a straight-line basis over their estimated life of 40 years. The majority of the Company's customer relationships are amortized on a straight-line basis over their estimated lives of 25 to 40 years. Certain customer relationships and water rights in Chile as well as brand names are considered indefinite-lived intangibles and are not amortized, but assessed annually for indicators of impairment. Miscellaneous intangibles include renewable energy credits that are purchased by the Company's electric utilities to satisfy renewable portfolio standard obligations. These intangibles are not amortized but are derecognized when remitted to the respective state authority to satisfy the compliance obligation.

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

As at September 30 of each year, the Company assesses qualitative and quantitative factors to determine whether it is more likely than not that the fair value of a reporting unit to which goodwill is attributed 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 or if a quantitative assessment is elected, the Company calculates the fair value of the reporting unit. If the carrying amount of the reporting unit as a whole exceeds the reporting unit's fair value, an impairment charge is recorded in an amount of that excess, limited to the total amount of goodwill allocated to that reporting unit. 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.

**1. Significant accounting policies (continued)**

(d) Accounting for rate-regulated operations

The operating companies within the Regulated Services Group are subject to rate regulation generally overseen by the regulatory authorities of the jurisdictions in which they operate (the "Regulator"). The Regulator provides the final determination of the rates charged to customers. AQN's regulated operating companies are accounted for under the principles of U.S. Financial Accounting Standards Board ("FASB") ASC Topic 980, *Regulated Operations* ("ASC 980") except for AQN's Chilean operating company, Suralis (Chile) Water System ("Suralis") (formerly known as Empresa de Servicios Sanitarios de Los Lagos (ESSAL). The rates that are approved under the Chilean regulatory framework are designed to recover the costs of service of a model water utility. Because the rates are not designed to recover Suralis's specific costs of service, the utility does not meet the criteria to follow the accounting guidance under ASC 980.

Under ASC 980, regulatory assets and liabilities are recorded to the extent that they represent probable future revenue 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 matters", 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 or credit against earnings for any remaining regulatory assets or liabilities. The impact could be material to the Company's reported consolidated financial condition and consolidated results of operations.

The U.S. electric, gas and water utilities' accounts are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission ("FERC"), the applicable Regulator(s) and National Association of Regulatory Utility Commissioners in the United States. The New Brunswick Gas accounts are maintained in accordance with the *Gas Distribution Uniform Accounting Regulation - Gas Distribution Act, 1999 (New Brunswick)* .

(e) Cash and cash equivalents

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

(f) Restricted cash

Restricted cash represents reserves and amounts set aside pursuant to requirements of various debt agreements, deposits to be returned back to customers, and certain requirements related to generation and transmission operations. Cash reserves segregated from AQN's cash balances are maintained in accounts administered by a separate agent and disclosed separately as restricted cash in these consolidated financial statements. AQN cannot access restricted cash without the prior authorization of parties not related to AQN.

(g) 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, future economic conditions and outlook, 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.

**1. Significant accounting policies (continued)**

(h) Fuel and natural gas in storage

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

(i) 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 upon becoming obsolete. These items are stated at the lower of cost and net realizable value. Through rate orders and the regulatory environment, capitalized construction jobs are recovered through rate base, and repair and maintenance expenses are recovered through a cost of service calculation. Accordingly, the cost usually reflects the net realizable value.

(j) Property, plant and equipment

Property, plant and equipment are recorded at cost. Capitalization of development projects begins when it is probable that costs will be realized through the use of the asset or ultimate construction and operation of a facility. Project development costs for rate-regulated entities, including expenditures for preliminary surveys, plans, investigations, environmental studies, regulatory applications and other costs incurred for the purpose of determining the feasibility of capital expansion projects, are capitalized either as regulatory assets or property, plant and equipment when it is determined that recovery of such costs through regulated revenue of the completed project is probable.

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 funds used during construction ("AFUDC") for regulated property. Where possible, individual components are recorded and depreciated separately in the books and records of the Company. Plant and equipment under finance leases are initially recorded at cost determined as the present value of lease payments to be made over the lease term.

AFUDC represents the cost of borrowed funds and a return on other funds. 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, *Interest*. The interest capitalized that relates to debt reduces interest expense on the consolidated statements of operations. The AFUDC capitalized that relates to equity funds is recorded as interest and other income under income from long-term investments on the consolidated statements of operations.

Improvements that increase or prolong the service life or capacity of an asset are capitalized. Costs incurred for major expenditures or overhauls that occur at regular intervals over the life of an asset are capitalized and depreciated over the related interval. Maintenance and repair costs are expensed as incurred. Grants related to capital expenditures are recorded as a reduction to the cost of assets and are amortized at the rate of the related asset as a reduction to depreciation expense. Grants related to operating expenses such as maintenance and repairs costs are recorded as a reduction of the related expense. Contributions in aid of construction represent amounts contributed by customers, governments and developers to assist with the funding of some or all of the cost of utility capital assets. They also include amounts initially recorded as advances in aid of construction (note 12(c)) once 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.

**1. Significant accounting policies (continued)**

(j) Property, plant and equipment (continued)

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 with the exception of certain wind assets, as described below. The ranges of estimated useful lives and the weighted average useful lives are summarized below:

| | Range of useful lives | | Weighted average useful lives | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Generation | **3-60** | 3-60 | **33** | 33 |
| Distribution | **1-100** | 1-100 | **40** | 39 |
| Equipment | **5-54** | 5-54 | **15** | 11 |

The Company uses the unit-of-production method for certain components of its wind-generating facilities where the useful life of the component is directly related to the amount of production. The benefits of components subject to wear and tear from the power generation process are best reflected through the unit-of-production method. The Company generally uses wind studies prepared by third parties to estimate the total expected production of each component.

In accordance with regulator-approved accounting policies, when depreciable property, plant and equipment of the Regulated Services Group 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 operations 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.

(k) Commonly owned facilities

The Regulated Services Group owns undivided interests in three electric-generating facilities with ownership interest ranging from 7.52% to 60%, with a corresponding share of capacity and generation from the facility used to serve certain of its utility customers. The Company's investment in the undivided interest is recorded as plant in service and recovered through rate base. Commonly owned facilities represent cost of $552,701 (2022 - $559,630) and accumulated depreciation of $ 83,283 (2022 - $75,820). The Company's share of operating costs are recognized in operating expenses. Total expenditures incurred on these facilities for the year ended December 31, 2023 were $72,584 (2022 - $110,268).

(l) Impairment of long-lived assets

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

As at September 30 of each year, the Company assesses qualitative factors to determine whether it is more likely than not that the indefinite-lived intangible is impaired. If it is more likely than not that the indefinite-lived intangible asset is impaired, the Company calculates the fair value of the intangible asset. If the carrying value of the intangible asset exceeds its fair value, the Company recognizes an impairment loss in an amount equal to that excess. Indefinite-life intangibles are tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduces the fair value below its carrying amount.

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.

**1. Significant accounting policies (continued)**

(m) Variable interest entities

The Company performs analyses to assess whether its operations and investments represent VIEs. To identify potential VIEs, management reviews contracts under leases, long-term purchase power agreements and jointly owned facilities. VIEs for which the Company is deemed the primary beneficiary are consolidated. In circumstances where AQN is not deemed the primary beneficiary, the VIE is not consolidated (note 8).

The Company has equity and notes receivable interests in two power-generating facilities. AQN has determined that these entities are considered VIEs mainly based on total equity at risk not being sufficient to permit the legal entity to finance its activities without additional subordinated financial support. The key decisions that affect the generating facilities' economic performance relate to siting, permitting, technology, construction, operations and maintenance and financing. As AQN has both the power to direct the activities of the entities that most significantly impact its economic performance and the right to receive benefits or the obligation to absorb losses of the entities that could potentially be significant to the entities, the Company is considered the primary beneficiary.

Total net book values of assets and long-term debt of these facilities amount to $ 57,740 (2022 - $57,241) and $12,738 (2022 - $15,024), respectively. The financial performance of these entities reflected on the consolidated statements of operations includes non-regulated energy sales of $17,317 (2022 - $19,752), operating expenses and amortization of $ 5,986 (2022 - $5,834) and interest expense of $ 1,384 (2022 - $1,723).

(n) Long-term investments and development loans

Investments in which AQN has significant influence but not control are either accounted for using the equity method or at fair value. Equity-method investments are initially measured at cost including transaction costs and interest when applicable. AQN records its share in the income or loss of its equity-method investees in income from long-term investments in the consolidated statements of operations. AQN records in the consolidated statements of operations the fluctuations in the fair value of its investees held at fair value and dividend income when it is declared by the investee.

Notes receivable are financial assets with fixed or determined payments that are not quoted in an active market. Notes receivable are initially recorded at cost, which is generally face value. Subsequent to acquisition, the notes receivable are recorded at amortized cost using the effective interest method. The Company holds these notes receivable as long-term investments and does not intend to sell these instruments prior to maturity. Interest from long-term investments is recorded as earned and when collectability of both the interest and principal are reasonably assured.

If a loss in value of a long-term investment is considered other than temporary, an allowance for impairment on the investment is recorded for the amount of that loss. An allowance on notes receivable is recorded in order to present the net amount expected to be collected on the receivable. This allowance reflects the risk of loss over the remaining contractual life of the asset, taking into consideration historical experience, current conditions, and reasonable and supportable forecasts of future economic conditions. The impairment is measured based on the present value of expected future cash flows discounted at the note's effective interest rate.

**1. Significant accounting policies (continued)**

(o) Pension and other post-employment plans

The Company has established defined contribution pension plans, defined benefit pension plans, other post-employment benefit ("OPEB") plans and supplemental retirement program ("SERP") plans for its various employee groups. Employer contributions to the defined contribution pension plans are expensed as employees render service. The Company recognizes the funded status of its defined benefit pension plans, OPEB and SERP plans on the consolidated balance sheets. The Company's expense and liabilities are determined by actuarial valuations, using assumptions that are evaluated annually as of 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 and modifications to prior services are recorded as actuarial gains and losses in accumulated other comprehensive income (loss) ("AOCI") and amortized to net periodic cost over future periods using the corridor method. When settlements of the Company's pension plans occur, the Company recognizes associated gains or losses immediately in earnings if the cost of all settlements during the year is greater than the sum of the service cost and interest cost components of the pension plan for the year. The amount recognized is a pro rata portion of the gains and losses in AOCI equal to the percentage reduction in the projected benefit obligation as a result of the settlement.

The costs of the Company's pension for employees are expensed over the periods during which employees render service and the service costs are recognized as part of administrative expenses in the consolidated statements of operations. The components of net periodic benefit cost other than the service cost component are included in Pension and other post-employment non-service costs in the consolidated statements of operations.

(p) 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, during construction 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 and amortization expense on the consolidated statements of operations. 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. Actual expenditures incurred are charged against the obligation.

(q) Leases

The Company accounts for leases in accordance with ASC Topic 842, *Leases*. The Company leases land, buildings, vehicles, rail cars and office equipment for use in its day-to-day operations. The Company has options to extend the lease term of many of its lease agreements, with renewal periods ranging from one to five years.

The Renewable Energy Group enters into land easement agreements for the operation of its generation facilities. In assessing whether these contracts contain leases, the Company considers whether it has exclusive use of the land. In the majority of situations, the landowner or grantor of the easement still has full access to the land and can use the land in any capacity, as long as it does not interfere with the Company's operations. Therefore, these land easement agreements do not contain leases. For land easement agreements that provide exclusive access to and use of the land, these agreements meet the definition of a lease and are within the scope of ASC 842.

The right-of-use assets are included in property, plant and equipment while lease liabilities are included in other liabilities on the consolidated balance sheets. The discount rates used in the measurement of the Company's right-of-use assets and liabilities are the discount rates at the date of lease inception. The Company's lease balances as of December 31, 2023 and its expected lease payments for the next five years and thereafter are not significant.

**1. Significant accounting policies (continued)**

(r) Share-based compensation

The Company has several share-based compensation plans: a share option plan; an employee share purchase plan ("ESPP"); a deferred share unit ("DSU") plan; and a restricted share unit ("RSU") and performance share unit ("PSU") plan. 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. The fair value is recognized over the vesting period of the award granted, adjusted for estimated forfeitures. The compensation cost is recorded as administrative expenses in the consolidated statements of operations and additional paid-in capital in equity. Additional paid-in capital is reduced as the awards are exercised, and the amount initially recorded in additional paid-in capital is credited to common shares.

(s) Non-controlling interests

Non-controlling interests represent the portion of equity ownership in subsidiaries that is not attributable to the equity holders of AQN. Non-controlling interests are initially recorded at fair value and subsequently adjusted for the proportionate share of earnings (loss) and other comprehensive income (loss) ("OCI") attributable to the non-controlling interests and any dividends or distributions paid to the non-controlling interests.

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

Certain of the Company's U.S.-based wind and solar businesses are organized as limited liability corporations ("LLCs") and partnerships, and have non-controlling membership equity investors ("tax equity partnership units", or "Tax Equity Investors"), which are entitled to allocations of earnings, tax attributes and cash flows in accordance with contractual agreements. These LLCs and partnership agreements have liquidation rights and priorities that are different from the underlying percentage ownership interests. In those situations, simply applying the percentage ownership interest to U.S. GAAP net income in order to determine earnings or losses would not accurately represent the income allocation and cash flow distributions that will ultimately be received by the investors. As such, the share of earnings attributable to the non-controlling interest holders in these entities is calculated using the Hypothetical Liquidation at Book Value ("HLBV") method of accounting (note 17).

The HLBV method uses a balance sheet approach. A calculation is prepared as at each balance sheet date to determine the amount that Tax Equity Investors would receive if an equity investment entity were to liquidate all of its assets and distribute that cash to the investors based on the contractually defined liquidation priorities. The difference between the calculated liquidation distribution amounts at the beginning and the end of the reporting period is the Tax Equity Investors' share of the earnings or losses from the investment for that period.

Equity instruments subject to redemption upon the occurrence of uncertain events not solely within AQN's control are classified as temporary equity and presented as redeemable non-controlling interests on the consolidated balance sheets. The Company records temporary equity at issuance based on cash received less any transaction costs. As needed, the Company reevaluates the classification of its redeemable instruments, as well as the probability of redemption. If the redemption amount is probable or currently redeemable, the Company records the instruments at their redemption value. Increases or decreases in the carrying amount of a redeemable instrument are recorded within deficit. When the redemption feature lapses or other events cause the classification of an equity instrument as temporary equity to be no longer required, the existing carrying amount of the equity instrument is reclassified to permanent equity at the date of the event that caused the reclassification.

(t) Recognition of revenue

Revenue is recognized when control of the promised goods or services is transferred to the Company's customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. Refer to note 21, "Segmented information" for details of revenue disaggregation by business units.

**1. Significant accounting policies (continued)**

(t) Recognition of revenue (continued)

*Regulated Services Group revenue*

Regulated Services Group revenue derives primarily from the distribution and generation of electricity, water distribution, wastewater collection and distribution of natural gas.

Revenue related to utility electricity and natural gas sales and distribution is recognized over time as the energy 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 revenue is recorded. These estimates of unbilled revenue and sales 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 natural gas and current tariffs. Unbilled receivables are typically billed within the next month. Some customers elect to pay their bill on an equal monthly plan.

As a result, in some months cash is received in advance of the delivery of electricity. Deferred revenue is recorded for that amount. The amount of revenue recognized in the period from the balance of deferred revenue is not significant.

Water reclamation and distribution revenue is recognized over time when water is processed or delivered to customers. At the end of each month, the water delivered and wastewater collected from the customers from the date of their last meter read to the end of the month are estimated and the corresponding unbilled revenue is recorded. These estimates of unbilled revenue 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. Unbilled receivables are typically billed within the next month.

On occasion, a utility is permitted to implement new rates that have not been formally approved by the regulatory commission, which are subject to refund. The Company recognizes revenue based on the interim rate and, if needed, establishes a reserve for amounts that could be refunded based on experience for the jurisdiction in which the rates were implemented.

Revenue for certain of the Company's regulated utilities is subject to alternative revenue programs approved by their respective regulators. Under these programs, the Company charges approved annual delivery revenue on a systematic basis over the fiscal year. As a result, the difference between delivery revenue calculated based on metered consumption and approved delivery revenue is disclosed as alternative revenue in note 21, "Segmented information" and is recorded as a regulatory asset or liability to reflect future recovery or refund, respectively, from customers (note 7). The amount subsequently billed to customers is recorded as a recovery of the regulatory asset.

*Renewable Energy Group revenue*

Renewable Energy Group's revenue derives primarily from the sale of electricity, capacity and renewable energy credits.

Revenue related to the sale of electricity is recognized over time as the electricity is delivered. The electricity represents a single performance obligation that represents a promise to transfer to the customer a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer.

Revenue related to the sale of capacity is recognized over time as the capacity is provided. The nature of the promise to provide capacity is that of a stand-ready obligation. The capacity is generally expressed in monthly volumes and prices. The capacity represents a single performance obligation that represents a promise to transfer to the customer a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer.

**1. Significant accounting policies (continued)**

(t) Recognition of revenue (continued)

*Renewable Energy Group revenue (continued)*

Qualifying renewable energy projects receive renewable energy credits ("RECs") and solar renewable energy credits ("SRECs") for the generation and delivery of renewable energy to the power grid. The energy credit certificates represent proof that 1 MW of electricity was generated from an eligible energy source. The RECs and SRECs can be traded and the owner of the RECs or SRECs can claim to have purchased renewable energy. RECs and SRECs are primarily sold under fixed contracts, and revenue for these contracts is recognized at a point in time, upon generation of the associated electricity. Any RECs or SRECs generated above contracted amounts are held in inventory, with the offset recorded as a decrease in operating expenses.

The Company applies the invoicing expedient to the electricity and capacity in the Renewable Energy Group contracts. As such, revenue is recognized at the amount to which the Company has the right to invoice for services performed. Revenue is recorded net of sales taxes.

(u) Foreign currency translation

AQN's reporting currency is the U.S. dollar. Within these consolidated financial statements, the Company denotes any amounts denominated in Canadian dollars with "C$", in Chilean pesos with "CLP" and in Chilean Unidad de Fomento with "CLF" immediately prior to the stated amounts.

The Company's Canadian operations have the Canadian dollar as their functional currency since the preponderance of operating, financing and investing transactions are denominated in Canadian dollars. Similarly, the Company's Chilean and Bermudian operations' functional currency is the Chilean peso and the Bermudian dollar, respectively. The financial statements of these operations are translated into U.S. dollars using the current rate method, whereby assets and liabilities are translated at the rate prevailing as at the balance sheet date, and revenue and expenses are translated 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 OCI and are accumulated in a component of equity on the consolidated balance sheets, and are not recorded in income unless there is a complete or substantially complete sale or liquidation of the investment.

(v) 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 consolidated 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 tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the date of enactment. Investment tax credits for the rate-regulated operations are deferred and amortized as a reduction to income tax expense over the estimated useful lives of the properties. Investment tax credits along with other income tax credits in the non-regulated operations are treated as a reduction to income tax expense in the year the credit arises.

The organizational structure of AQN 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 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.

**1. Significant accounting policies (continued)**

(w) Financial instruments and derivatives

Accounts receivable and notes receivable are measured at amortized cost. Long-term debt and preferred shares, Series C (redeemed during the year) 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 asset's carrying value at inception. Transaction costs related to a recognized debt liability are presented in the consolidated balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts and premiums. Costs of arranging the Company's revolving credit facilities, Green equity units (note 11(a)) and intercompany loans are recorded in other assets. Deferred financing costs, premiums and discounts on long-term debt are amortized using the effective interest method while deferred financing costs relating to the revolving credit facilities and intercompany loans are amortized on a straight-line basis over the term of the respective instrument.

The Company uses derivative financial instruments as one method to manage exposures to fluctuations in exchange rates, interest rates and commodity prices. AQN recognizes all derivative instruments as either assets or liabilities on the consolidated balance sheets at their respective fair values. The fair value recognized on derivative instruments executed with the same counterparty under a master netting arrangement are presented on a gross basis on the consolidated balance sheets. The amounts that could net settle are not significant. The Company applies hedge accounting to some of its financial instruments used to manage its foreign currency risk, interest rate risk and price risk exposures associated with sales of generated electricity.

For derivatives designated in a cash flow hedge relationship, the change in fair value is recognized in OCI.

The amount recognized in AOCI is reclassified to earnings (loss) in the same period as the hedged cash flows affect earnings under the same line item in the consolidated statements of operations 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 remaining in AOCI is transferred to the consolidated statements of operations in the same period that the hedged item affects earnings. If the forecasted transaction is no longer expected to occur, then the balance in AOCI is recognized immediately in earnings (loss).

Foreign currency gain or loss on derivative or financial instruments designated as a hedge of the foreign currency exposure of a net investment in foreign operations that are effective as a hedge is reported in the same manner as the translation adjustment (in OCI) related to the net investment.

The Company's electric distribution and thermal generation facilities enter into power and natural gas purchase contracts for load serving and generation 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 ongoing basis for non-performance risk to ensure it does not impact the conclusion with respect to this exemption.

(x) 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 principal 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 the measurement date.

**1. Significant accounting policies (continued)**

(y) Commitments and contingencies

Liabilities for loss contingencies arising from environmental remediation, claims, assessments, litigation, fines, 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.

(z) 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 as at the date of these consolidated 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, intangible assets and goodwill; the recoverability of notes receivable and long-term investments; the recoverability of deferred tax assets; assessments of unbilled revenue; pension and OPEB obligations; timing effect of regulated assets and liabilities; contingencies related to environmental matters; the fair value of assets and liabilities acquired in a business combination; and the fair value of financial instruments. 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

The FASB issued Accounting Standards Update ("ASU") 2022-04, *Liabilities — Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, which require that a buyer in a supplier finance program disclose sufficient information about the program to allow a user of financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. See note 24(c) for details.

(b) Recently issued accounting guidance not yet adopted

The FASB issued ASU 2023-02, *Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method — A Consensus of the Emerging Issues Task Force,* which permits a reporting entity, if certain conditions are met, to elect to account for its tax equity investments by using the proportional amortization method regardless of the program from which it receives income tax credits. The amendments in this update are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the applicability and potential impact of the new guidance.

The FASB issued ASU 2023-05, *Joint Venture Formations: Recognition and Initial Measurement,* which requires a joint venture to recognize and initially measure its assets and liabilities at fair value as at the joint venture formation date. The amendments in this update are effective prospectively for all joint venture formations with a formation date on or after January 1, 2025. Additionally, a joint venture formed before January 1, 2025 may elect to apply the amendments retrospectively if it has sufficient information. Early adoption is permitted. The Company is currently assessing the applicability and potential impact of the new guidance.

The FASB issued ASU 2023-07, *Segment Reporting: Improvement to Reportable Segments Disclosures,* which requires enhanced disclosures about significant segment expenses. The amendments in this update are effective for annual periods beginning on December 15, 2023 and interim periods within annual periods beginning on December 15, 2024. Early adoption is permitted. The Company is currently assessing the relevant disclosure.

The FASB issued ASU 2023-09, *Income Taxes: Improvement to Income Tax Disclosures,* which requires a reporting entity to disclose additional income tax information primarily related to the rate reconciliation and income taxes paid information. The amendments in this update are effective prospectively for annual periods beginning on December 15, 2024. Early adoption is permitted. The Company is currently assessing the relevant disclosure.

## 3. Business acquisitions, development projects and disposition transactions

(a) Kentucky Power Company and AEP Kentucky Transmission Company, Inc .

On October 26, 2021, Liberty Utilities Co., an indirect subsidiary of AQN, entered into an agreement (the "Kentucky Acquisition Agreement") with American Electric Power Company, Inc. ("AEP") and AEP Transmission Company, LLC to acquire Kentucky Power Company and AEP Kentucky Transmission Company, Inc. (the "Kentucky Power Transaction"). On April 17, 2023, Liberty Utilities Co. mutually agreed with AEP and AEP Transmission Company, LLC to terminate the Kentucky Acquisition Agreement. The Company recognized $46,527 in other net losses for the year ended December 31, 2023 related to a write-off of costs incurred in preparation for the Kentucky Power Transaction and the termination of the Kentucky Acquisition Agreement. See note 19 for details.

(b) Acquisition of the Deerfield II Wind Facility

On June 15, 2023, the Company, acquired the remaining 50% ownership in the Deerfield II Wind Facility for consideration of $23,142. The transaction has been accounted for as an asset acquisition. Subsequent to acquisition, the tax equity investors provided additional funding of $98,955, and a third-party construction loan of $ 158,550 was repaid.

The following table summarizes the allocation of the aggregate purchase price to the assets acquired and liabilities assumed at the acquisition dates.

| | | **Deerfield II** |
|---|---|---|
| Working capital | $ | (10,709) |
| Property, plant and equipment | | 194,419 |
| Long-term debt | | (157,935) |
| Asset retirement obligation | | (1,030) |
| Deferred tax liability | | (1,603) |
| Total net assets acquired | | 23,142 |
| Cash and cash equivalents | | 1,662 |
| Net assets acquired, net of cash and cash equivalents | **$** | **21,480** |

(c) Acquisition of the Sandy Ridge II Wind Facility

Subsequent to year end, on February 15, 2024, the Company acquired the remaining 50% ownership in the Sandy Ridge II Wind Facility for consideration of $8,456. Subsequent to acquisition, the tax equity investors provided additional funding of $60,545, and a third-party construction loan of $ 162,805 was repaid. Due to the timing of the acquisition, the Company has not completed the fair value measurements. The Company will continue to review information and perform further analysis prior to finalizing the allocation of the consideration paid to the fair value of the assets acquired and liabilities assumed.

(d) Partial disposition of renewable assets

On December 29, 2022, the Company closed the sale of ownership interests in a portfolio of operating wind facilities in the United States and Canada. The transaction consisted of the sale of (1) a 49% ownership interest in three operating wind facilities in the United States totalling 551 MW of installed capacity: the Odell Wind Facility in Minnesota, the Deerfield I Wind Facility in Michigan and the Sugar Creek Wind Facility in Illinois; and (2) an 80% ownership interest in the operating 175 MW Blue Hill Wind Facility in Saskatchewan. The Company retains control over the U.S. facilities. The Company oversees day-to-day operations and provides management services to each of the facilities.

The cash proceeds of $277,500 for the U.S. facilities, which continue to be consolidated, were recorded as non-controlling interest (subject to certain post-closing adjustments). The investment in the Blue Hill Wind Facility continues to be recorded as an equity-method investee. Cash proceeds of C$108,610 were received for the Blue Hill Wind Facility (subject to certain post-closing adjustments). A gain on disposition of $62,828 was recognized and included in gain on sale of renewable assets on the consolidated statements of operations.

**3. Business acquisitions, development projects and disposition transactions (continued)**

(e) Acquisition of New York American Water Company, Inc.

Effective January 1, 2022, the Company completed the acquisition of New York American Water Company, Inc (subsequently renamed Liberty Utilities (New York Water) Corp. ("Liberty NY Water")). Liberty NY Water is a regulated water and wastewater utility, serving customers in eight counties in southeastern New York.

A purchase price of $609,000 was paid for this acquisition. The acquisition related costs were expensed through the consolidated statement of operations (note 19). The following table summarizes the final allocation of the purchase price to the assets acquired and liabilities assumed when control was obtained.

| | | |
|---|---|---|
| Working capital | $ | 4,820 |
| Property, plant and equipment (i) | | 499,252 |
| Goodwill (ii) | | 116,254 |
| Regulatory assets (iii) | | 65,621 |
| Other assets | | 4,507 |
| Pension and other post-employment benefits | | (13,402) |
| Regulatory liabilities (iii) | | (59,727) |
| Other liabilities | | (8,028) |
| **Total net assets acquired** | **$** | **609,297** |
| Cash and cash equivalents acquired | | 49 |
| **Total net assets acquired, net of cash and cash equivalents** | **$** | **609,248** |

The determination of the fair value of assets acquired and liabilities assumed is based upon management's estimates and certain assumptions.

i. Property, plant and equipment consist of regulated water distribution infrastructure and wastewater collection and treatment facilities. They are amortized in accordance with regulatory requirements over the estimated useful life of the assets using the straight-line method. The weighted average useful life of Liberty NY Water's assets is 64.74 years.

ii. Goodwill represents the excess of the purchase price over the aggregate fair value of net assets acquired. The contributing factors to the amount recorded as goodwill include future growth, potential synergies, and cost of savings in the delivery of certain shared administrative and other services. Goodwill is reported under the Regulated Services Group.

iii. The Company is subject to regulation by the New York State Public Service Commission ("NYPSC"), which has jurisdiction with respect to rates, service, accounting procedures, acquisitions and other matters. Under ASC 980, regulatory assets and liabilities are recorded to the extent that they represent probable future revenue or expenses associated with certain charges or credits that will be recovered from or refunded to customers through the rate making process (note 7). As part of the approval of the acquisition of Liberty NY Water, a settlement agreement was approved which requires a full year of ownership prior to the filing of a new rate case. As a result, new rates would not come into effect until 2024.

Liberty NY Water was consolidated upon acquisition. In 2022, Liberty NY Water generated approximately $ 125,370 in revenue and $21,776 operating income.

**4. Accounts receivable**

Accounts receivable as of December 31, 2023 include unbilled revenue of $ 107,001 (2022 - $149,015) from the Company's regulated utilities. Accounts receivable as of December 31, 2023 are presented net of allowance for doubtful accounts of $30,244 (2022 - $24,857).

## 5. Property, plant and equipment

Property, plant and equipment consist of the following:

**2023**

| | Cost | Accumulated depreciation | Net book value |
|---|---|---|---|
| Renewable generation facilities | **$ 4,200,559** | **$ 1,139,137** | **$ 3,061,422** |
| Utility plant | **9,332,092** | **1,191,013** | **8,141,079** |
| Land | **133,483** | **—** | **133,483** |
| Equipment | **122,929** | **53,181** | **69,748** |
| Construction-in-progress | | | |
| Generation | **378,043** | **—** | **378,043** |
| Distribution and transmission | **733,675** | **—** | **733,675** |
| | **$ 14,900,781** | **$ 2,383,331** | **$ 12,517,450** |

**2022**

| | Cost | Accumulated depreciation | Net book value |
|---|---|---|---|
| Renewable generation facilities | $ 4,119,514 | $ 1,016,784 | $ 3,102,730 |
| Utility plant | 8,640,224 | 990,975 | 7,649,249 |
| Land | 113,153 | — | 113,153 |
| Equipment | 111,707 | 50,904 | 60,803 |
| Construction-in-progress | | | |
| Generation | 196,287 | — | 196,287 |
| Distribution and transmission | 822,663 | — | 822,663 |
| | $ 14,003,548 | $ 2,058,663 | $ 11,944,885 |

During the fourth quarter of 2022, the Company concluded that some assets in the Renewable Energy Group may not be recoverable due to declining forecasted energy prices in the Electric Reliability Council of Texas ("ERCOT") market, mainly affecting the results of the Senate Wind Facility (which began commercial operations in 2012). Accordingly, the Company performed fair value analysis based on the income approach and recorded an impairment charge of $159,568 to reduce the carrying value of the Senate Wind Facility and other smaller assets from $259,942 to $100,374.

Renewable generation facilities include cost of $ 117,556 (2022 - $111,192) and accumulated depreciation of $ 52,506 (2022 - $46,666) related to facilities under financing lease or owned by consolidated VIEs. Depreciation expense of facilities under finance leases was $537 (2022 - $1,489). Utility plant includes cost of $ 3,270 (2022 - $3,076) and accumulated depreciation of $ 2,455 (2022 - $2,041) related to assets under finance lease.

Utility plant includes cost of $ 1,922,844 (2022 - $2,033,391) and accumulated depreciation of $ 141,466 (2022 - $133,644) related to regulated generation assets.

For the year ended December 31, 2023, contributions received in aid of construction of $238 (2022 - $1,299) have been credited to the cost of the assets.

## 5. Property, plant and equipment (continued)

Interest and AFUDC capitalized to the cost of the assets in 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Interest capitalized on non-regulated property | **$ 6,374** | $ 4,762 |
| AFUDC capitalized on regulated property: | | |
| Allowance for borrowed funds | **8,305** | 6,040 |
| Allowance for equity funds | **3,372** | 1,901 |
| | **$ 18,051** | $ 12,703 |

## 6. Intangible assets and goodwill

Intangible assets consist of the following:

| 2023 | Cost | Accumulated amortization | Net book value |
|---|---|---|---|
| Power sales contracts | **$ 58,200** | **$ 43,938** | **$ 14,262** |
| Customer relationships | **77,104** | **14,625** | **62,479** |
| Interconnection agreements | **10,329** | **1,977** | **8,352** |
| Other [(a)] | **10,352** | **1,507** | **8,845** |
| | **$ 155,985** | **$ 62,047** | **$ 93,938** |

| 2022 | Cost | Accumulated amortization | Net book value |
|---|---|---|---|
| Power sales contracts | $ 56,926 | $ 42,818 | $ 14,108 |
| Customer relationships | 77,850 | 13,709 | 64,141 |
| Interconnection agreements | 10,098 | 1,851 | 8,247 |
| Other [(a)] | 10,338 | 151 | 10,187 |
| | $ 155,212 | $ 58,529 | $ 96,683 |

[(a)] Other includes brand names, water rights and miscellaneous intangibles

Estimated amortization expense for intangible assets for each of the next five years is $ 2,674.

All goodwill pertains to the Regulated Services Group.

| | 2023 | 2022 |
|---|---|---|
| Opening balance | **$ 1,320,579** | $ 1,201,244 |
| Business acquisitions | **4,195** | 123,751 |
| Foreign exchange | **(712)** | (4,416) |
| Closing balance | **$ 1,324,062** | $ 1,320,579 |

## 7. Regulatory matters

The operating companies within the Regulated Services Group are subject to regulation by the respective Regulators of the jurisdictions in which they operate. The respective Regulators have jurisdiction with respect to rate, service, issuance of securities, acquisitions and other matters. Except for Suralis, these utilities operate under cost-of-service regulation as administered by these authorities. The Company's regulated utility operating companies are accounted for under the principles of 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 revenue or expenses associated with certain charges or credits that will be recovered from or refunded to customers through the rate-setting process.

**7. Regulatory matters (continued)**

At any given time, the Company can have several regulatory proceedings underway. The financial effects of these proceedings are reflected in the consolidated financial statements based on regulatory approval obtained to the extent that there is a financial impact during the applicable reporting period. The following regulatory proceedings were recently completed:

| Utility | State, Province or Country | Regulatory Proceeding Type | Details |
|---|---|---|---|
| Apple Valley Water System | California | General rate review | On February 3, 2023, the California Public Utilities Commission ("CPUC") issued a final order authorizing an annual revenue increase of $1,494. New rates became effective on April 7, 2023 retroactive to July 1, 2022. The retroactive impact of this final order was recorded in the first quarter of 2023. |
| Park Water System | California | General rate review | On February 3, 2023, the CPUC issued a final order authorizing an annual revenue increase of $1,105. New rates became effective on April 7, 2023 retroactive to July 1, 2022. The retroactive impact of this final order was recorded in the first quarter of 2023. |
| CalPeco Electric System | California | General rate review | On April 27, 2023, the California Public Utilities Commission ("CPUC") issued a final order approving a revenue increase of $26,979. New rates became effective on July 1, 2023 retroactive to January 2022. The retroactive impact of this final order was recorded in the second quarter of 2023. |
| St. Lawrence Gas | New York | General rate review | On June 22, 2023, the New York State Department of Public Services issued an Order authorizing a revenue increase of $5,249 to be implemented over the course of 2023-2025. New rates became effective July 1, 2023. |
| Pine Bluff Water | Arkansas | General rate review | On August 4, 2023, the Arkansas Public Service Commission issued an Order approving a unanimous settlement agreement filed by the parties authorizing an annual revenue increase of $3,400. New rates became effective August 15, 2023. |
| Gas New Brunswick | New Brunswick | General rate review | On September 21, 2023 the Energy & Utilities Board issued a decision authorizing a revenue decrease of $700. |
| Empire Electric | Arkansas | General rate review | On December 7, 2023, the Arkansas Public Service Commission issued an Order approving the settlement agreement authorizing a revenue increase of $5,300. New rates became effective January 1, 2024. |
| Empire Electric | Missouri | Securitization | On August 1, 2023, the Missouri Western District Court of Appeals affirmed the amount eligible for securitization in line with the Missouri Public Service Commission's ("MPSC") order of $290,383. Subsequent to year-end, on January 30, 2024. the Company completed the securitization to recover the costs associated with the extreme winter storm conditions experienced in Texas and parts of central U.S in February 2021 ("Midwest Extreme Weather Event") and the remaining book value of the Asbury generating plant. The MPSC's order excludes a portion of carrying costs and taxes associated with the retirement of the Asbury plant. Thus. the Company has incurred a one-time net loss of $63,495 ($48,452 net of tax) in the third quarter of 2023. |

**7. Regulatory matters (continued)**

Regulatory assets and liabilities consist of the following:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **Regulatory assets** | | |
| Fuel and commodity cost adjustments (a) | **$ 326,418** | $ 388,294 |
| Retired generating plant (b) | **183,732** | 174,609 |
| Rate adjustment mechanism (c) | **192,880** | 136,198 |
| Income taxes (d) | **101,939** | 97,414 |
| Deferred capitalized costs (e) | **124,517** | 90,121 |
| Pension and post-employment benefits (f) | **68,822** | 80,736 |
| Environmental remediation (g) | **66,779** | 70,529 |
| Wildfire mitigation and vegetation management (h) | **64,146** | 66,156 |
| Clean energy and other customer programs (i) | **37,214** | 28,145 |
| Asset retirement obligation (j) | **26,620** | 27,172 |
| Debt premium (k) | **18,995** | 24,888 |
| Cost of removal (l) | **11,084** | 11,084 |
| Rate review costs (m) | **8,815** | 9,481 |
| Long-term maintenance contract (n) | **4,932** | 6,504 |
| Other regulatory assets (o) | **90,790** | 60,170 |
| Total regulatory assets | **$ 1,327,683** | $ 1,271,501 |
| Less: current regulatory assets | **(142,970)** | (190,393) |
| Non-current regulatory assets | **$ 1,184,713** | $ 1,081,108 |
| | | |
| **Regulatory liabilities** | | |
| Income taxes (d) | **$ 290,121** | $ 312,671 |
| Cost of removal (l) | **185,786** | 191,173 |
| Pension and post-employment benefits (f) | **104,636** | 68,085 |
| Fuel and commodity cost adjustments (a) | **42,850** | 24,991 |
| Clean energy and other customer programs (i) | **12,730** | 11,572 |
| Rate adjustment mechanism (c) | **2,078** | 343 |
| Other regulatory liabilities (p) | **96,095** | 19,347 |
| Total regulatory liabilities | **$ 734,296** | $ 628,182 |
| Less: current regulatory liabilities | **(99,850)** | (69,865) |
| Non-current regulatory liabilities | **$ 634,446** | $ 558,317 |

As recovery of regulatory assets is subject to regulatory approval, if there were any changes in regulatory positions that indicate recovery is not probable, the related cost would be charged to earnings in the period of such determination. The Company generally does not earn a return on the regulatory balances except for carrying charges on fuel and commodity cost adjustments (a), rate adjustment mechanism (c), clean energy and other customer programs (i), and rate review costs of some jurisdictions (m). During 2023, the Company recognized $41,410 (2022 - $18,179) of carrying charges on regulatory balances on the consolidated statements of operations under other income and was computed using only the debt component of the allowed returned.

**7. Regulatory matters (continued)**

(a) Fuel and commodity cost adjustments

The revenue from the utilities includes a component that is designed to recover the cost of electricity and natural gas through rates charged to customers. To the extent actual costs of power or fuel purchased differ from power or fuel costs recoverable through current rates, that difference is deferred and recorded as a regulatory asset or liability on the consolidated balance sheets. These differences are reflected in adjustments to rates and recorded as an adjustment to cost of electricity and fuel in future periods ranging mostly from 6 to 24 months, subject to regulatory review. Derivatives are often utilized to manage the price risk associated with natural gas purchasing activities in accordance with the expectations of state regulators. The gains and losses associated with these derivatives (note 24(b)(i)) are recoverable through the commodity costs adjustment.

In February 2021, the Company's operations were impacted by the Midwest Extreme Weather Event. As a result of the Midwest Extreme Weather Event, the Company incurred incremental commodity costs during the period of record high pricing and elevated consumption. The Company has commodity cost mechanisms that allow for the recovery of prudently incurred expenses.

In early 2022, pursuant to the securitization statute, Empire Electric sought authorization for the issuance of $ 221,646 in securitized utility tariff bonds associated with the Midwest Extreme Weather Event and $140,774, in securitized utility tariff bonds for its Asbury costs, which included $21,283 in asset retirement obligations, which are estimates of costs that Empire Electric will recover from the Asbury retirement but which have not yet been incurred. On August 1, 2023, the Missouri Western District Court of Appeals affirmed the amount eligible for securitization in line with the MPSC's order of $290,383. The MPSC's order excludes a portion of carrying costs and taxes associated with the retirement of the Asbury plant. Thus, the Company has incurred a one-time net loss of $63,495 ($48,452 net of tax) in the third quarter of 2023.

Subsequent to year-end, on January 30, 2024, Empire District Bondco, LLC, a wholly owned subsidiary of The Empire District Electric Company, completed an offering of approximately $180.5 million of aggregate principal amount of 4.943% Securitized Utility Tariff Bonds with a maturity date of January 1, 2035 and $125 million aggregate principal amount of 5.091% Securitized Utility Tariff Bonds with a maturity date of January 1, 2039, to recover previously incurred qualified extraordinary costs associated with the Midwest Extreme Weather Event and energy transition costs related to the retirement of the Asbury generating plant.

(b) Retired generating plant

On March 1, 2020, the Company's 200 MW coal generation facility located in Asbury, Missouri, ceased operations. The Company transferred the remaining net book value of Asbury's plant retired from plant in-service to a regulatory asset. The net book value that may be retained as an asset on the consolidated balance sheets for the retired plant is dependent upon amounts that may be recovered through regulated rates, including any return. An impairment charge, if any, would equal the difference between the remaining net book value of the asset and the present value of the future revenues expected from the asset. The Company is also assessing the decommissioning requirements associated with the retirement of the facility.

Per commission orders in its jurisdictions, the Company is required to track the impact of Asbury's retirement on operating and capital expenses in Missouri for consideration in the next rate case. The Company recorded a regulatory liability for the estimated amount of revenues collected from customers for Asbury from March 1, 2020 to May 1, 2022 that AQN determined was probable of refund. This regulatory liability did not include revenues collected related to the return on investment in Asbury as AQN determined that they were not probable of refund to customers based on the relevant facts and circumstances. The Asbury regulatory liability will be offset for recovery purposes against its unrecovered investment in Asbury and as a result, the regulatory liability is netted against its retired generation facilities regulatory asset.

**7. Regulatory matters (continued)**

(b) Retired generating plant (continued)

On April 27, 2022, the MPSC issued an order consolidating, for purposes of hearing, the cases regarding the quantum financeable through securitization for Asbury and the Midwest Extreme Weather Event. As noted above under (a) *Fuel and commodity cost adjustments*, subsequent to year-end, on January 30, 2024, the Company completed the securitization of the costs associated with the retirement of the Asbury plant in accordance with the MPSC's order.

(c) Rate adjustment mechanism

Revenue for CalPeco Electric System, New England Gas System, Midstates Gas system, EnergyNorth Gas System, Granite State Electric System, Peach State Gas System and BELCO is subject to a revenue decoupling mechanism approved by their respective regulator, which allows revenue decoupling from sales. As a result, the difference between delivery revenue calculated based on metered consumption and approved delivery revenue is recorded as a regulatory asset or liability to reflect future recovery or refund, respectively, from customers over periods ranging from one to five years. The revenue from BELCO includes a component that is designed to recover budgeted capital and operating expenses for the current year. To the extent actual capital and operating expenditures are lower than the budgeted amounts, 80% of the shortfall is refundable to customers and is recorded as a regulatory liability. Retroactive rate adjustments for services rendered but to be collected over a period not exceeding 24 months are accrued upon approval of the final order. The difference between New Brunswick Gas' regulated revenues and its regulated cost of service in past years is also recorded as a regulatory asset and is recovered on a straight-line basis over 26 years. The Liberty NY Water System has similar trackers, which are recovered over periods ranging from one to two years.

(d) Income taxes

The income taxes regulatory assets and liabilities represent income taxes recoverable through future revenues required to fund flow-through deferred income tax liabilities over the life of the plants and amounts owed to customers for deferred taxes collected at a higher rate than the current statutory rates.

(e) Deferred capitalized costs

Deferred capitalized costs reflect deferred construction costs and fuel-related costs of specific generating facilities of the Empire Electric System. These amounts are being recovered over the life of the plants. The amount also includes capitalized operating and maintenance costs of New Brunswick Gas, and these amounts are being recovered at a rate of 2.43% annually.

In 2020, the Empire Electric System made an election under Missouri law to apply the plant-in-service accounting ("PISA") regulatory mechanism, which permits the Empire Electric System to defer, on a Missouri jurisdictional basis, 85% of the depreciation expense and carrying costs at the applicable weighted average cost of capital ("WACC") on certain property, plant and equipment placed in service after the election date and not included in base rates. The portions of regulatory asset balances that are not yet being recovered through rates shall include carrying costs at the WACC, plus applicable federal, state and local income or excise taxes. Regulatory asset balances included in rate base shall be recovered in rates through a 20-year amortization beginning on the effective date of new rates. The Company recognizes the cost of debt on PISA deferrals as reduction of interest expense. The difference between the WACC and cost of debt will be recognized in revenue when recovery of such deferrals is reflected in customer rates.

**7. Regulatory matters (continued)**

(f) Pension and post-employment benefits

To the extent pension and OPEB costs incurred differ from the costs recoverable through current rates, that difference is deferred and recorded as a regulatory asset or liability as approved by the applicable Regulators and is recovered through rates over a period of three to eight years. In addition, the annual movements in AOCI for pension and OPEB for Empire Electric System, Empire Gas Systems, St. Lawrence Gas System and Liberty NY Water System (note 10(a)) are reclassified to regulatory accounts in accordance with ASC 980. The balance is recovered through rates consistent with the treatment of OCI under ASC 712, Compensation Non-retirement Post-employment Benefits and ASC 715, Compensation Retirement Benefits. As part of certain business acquisitions, the regulators authorized a regulatory asset or liability being set up for the amounts of pension and post-employment benefits that had not yet been recognized in net periodic cost and were presented as AOCI prior to the acquisition. These balances are recovered through rates over the future service years of the employees (an average of 10 years) or consistent with the treatment of OCI under ASC 712, *Compensation Non-retirement Post-employment Benefits* and ASC 715, *Compensation Retirement Benefits* before the transfer to regulatory asset occurred.

(g) Environmental remediation

Actual expenditures incurred for the clean-up of certain former natural gas manufacturing facilities (note 12(d)) are recovered through rates over a period of seven years and are subject to an annual cap.

(h) Wildfire mitigation and vegetation management

The regulatory asset includes incremental wildfire liability insurance premium costs approved for tracking in the Company's California operations as well as the difference between actual and adopted spending related to dead trees program, to prevent future forest fires and general vegetation management. The assets are recovered over two years.

(i) Clean energy and other customer programs

The regulatory asset for clean energy and customer programs includes initiatives related to solar rebate applications processed and resulting rebate-related costs. The amount also includes other energy efficiency programs. The assets are generally included in rate base and recovered over periods of six to ten years.

(j) Asset retirement obligation

Asset retirement obligations are recorded for legally required removal costs of property, plant and equipment. The costs of retirement of assets as well as the on-going liability accretion and asset depreciation expense are expected to be recovered through rates once expenditures are made.

(k) Debt premium

Debt premium on acquired debt is recovered as a component of the weighted average cost of debt.

(l) Cost of removal

Rates charged to customers cover for costs that are expected to be incurred in the future to retire the utility plant. A regulatory liability (or asset) tracks the amounts that have been collected from customers net of costs incurred to date.

(m) Rate review costs

The cost to file, prosecute and defend rate review applications is referred to as rate review costs. These costs are capitalized and amortized over the period of rate recovery granted by the Regulator ranging from one to five years

(n) Long-term maintenance contract

To the extent actual costs of long-term maintenance incurred for one of Empire Electric System's power plants differ from the costs recoverable through current rates, that difference is generally included in rate base and recovered over five years.

(o) Other regulatory assets

The Company's regulated utilities incur other miscellaneous costs such as storm costs, property taxes, financing costs and equipment costs, which are probable of recovery under existing mechanisms.

**7. Regulatory matters (continued)**

(p) Other regulatory liabilities

During the year, the Company recognized a regulatory liability of $ 63,495 relating to the portion of additional securitization costs of Empire Electric that were not allowed as per the Securitization Statute.

**8. Long-term investments**

Long-term investments consist of the following:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **Long-term investments carried at fair value** | | |
| Atlantica (a) | **$ 1,052,703** | $ 1,268,140 |
| Atlantica Yield Energy Solutions Canada Inc. (b) | **61,064** | 74,083 |
| Other | **1,962** | 1,984 |
| | **$ 1,115,729** | $ 1,344,207 |

| | | |
|---|---|---|
| **Other long-term investments** | | |
| Equity-method investees (c) | **$ 456,393** | $ 381,802 |
| Development loans receivable from equity-method investees (d) | **158,110** | 52,923 |
| San Antonio Water System and other (e) | **27,417** | 27,600 |
| | **$ 641,920** | $ 462,325 |

Fair value change, income (loss) and impairment expense related to long-term investments from the years ended December 31 is as follows:

| | Year ended December 31, 2023 | 2022 |
|---|---|---|
| **Fair value loss on investments carried at fair value** | | |
| Atlantica | **$ (215,437)** | $ (482,774) |
| Atlantica Yield Energy Solutions Canada Inc. | **(14,684)** | (16,018) |
| Other | **133** | (333) |
| | **$ (229,988)** | $ (499,125) |
| **Dividend and interest income from investments carried at fair value** | | |
| Atlantica | **$ 87,154** | $ 86,664 |
| Atlantica Yield Energy Solutions Canada Inc. | **16,604** | 20,443 |
| Other | **49** | 36 |
| | **$ 103,807** | $ 107,143 |
| **Other long-term investments** | | |
| Equity method loss (c) | **$ (5,936)** | $ (21,416) |
| Impairment of equity-method investee (c) | **—** | (75,910) |
| Interest and other income | **7,143** | 5,923 |
| | **$ 1,207** | $ (91,403) |
| **Fair value change, income (loss) and impairment expense related to long-term investments** | **$ (124,974)** | $ (483,385) |

**8. Long-term investments (continued)**

(a) Investment in Atlantica

Liberty (AY Holdings) B.V. ("AY Holdings"), an entity controlled and consolidated by AQN, has a share ownership in Atlantica Sustainable Infrastructure PLC ("Atlantica") of approximately 42% (2022 - 42%). AQN has the flexibility, subject to certain conditions, to increase its ownership of Atlantica up to 48.5%. The total cost for the Atlantica shares as of December 31, 2023 is $1,167,444 (2022 - $1,167,444).

The Company has elected the fair value option under ASC 825, *Financial Instruments* to account for its investment in Atlantica, with changes in fair value reflected in the consolidated statements of operations.

(b) Investment in Atlantica Yield Energy Solutions Canada Inc.

AQN and Atlantica own Atlantica Yield Energy Solutions Canada Inc. ("AYES Canada"), a vehicle to channel co-investment opportunities in which Atlantica holds the majority of voting rights. AYES Canada invested in Windlectric Inc. ("Windlectric"). The investment by AYES Canada in Windlectric is presented as a non-controlling interest held by a related party .

AYES Canada is considered to be a VIE based on the disproportionate voting and economic interests of the shareholders. Atlantica is considered to be the primary beneficiary of AYES Canada. Accordingly, AQN's investment in AYES Canada is considered an equity-method investment. Under the AYES Canada shareholders agreement, AQN has the option to exchange approximately 3,500,000 shares of AYES Canada into ordinary shares of Atlantica on a one-for-one basis, subject to certain conditions. Consistent with the treatment of the Atlantica shares, the Company has elected the fair value option under ASC 825, *Financial Instruments* to account for its investment in AYES Canada, with changes in fair value reflected in the consolidated statements of operations.

As of December 31, 2023, the Company's maximum exposure to loss is $61,064 (2022 - $74,083), which represents the fair value of the investment.

(c) Equity-method investees

The Renewable Energy Group has non-controlling interests in operating renewable energy facilities and projects under construction with a total carrying value of $343,712 (2022 - $310,103). The Regulated Services Group has non-controlling interest of $112,180 (2022 - $56,199) in a power transmission line project under construction and other non-regulated operating entities owned by its utilities. The Liberty Development JV Inc. platform for non-regulated renewable energy, water and other sectors has a carrying value of $501 and (2022 - $15,500) is reported under Corporate.

Operating entities: The Company has interests in the operating entities listed below. The Company is not considered the primary beneficiary as the two partners have joint control and all key decisions must be unanimous. As such, the Company accounts for its interests using the equity method.

| | Economic interest | Capacity |
|---|---|---|
| Texas Coastal Wind Facilities | 51 % | 861 MW |
| Blue Hill Wind Facility | 20 % | 175 MW |
| Red Lily Wind Facility | 75 % | 26.4 MW |
| Val-Eo Wind Facility | 50 % | 24 MW |

During 2021, the Company acquired a 51% interest in four wind facilities located in Texas ("Texas Coastal Wind Facilities") for $344,883. All facilities achieved commercial operations in 2021. During the fourth quarter of 2022, the Company concluded that primarily as a result of continued challenges with congestion at the facilities, the carrying value of the interest in the Texas Coastal Wind Facilities was other-than-temporarily impaired. Accordingly, the Company performed a fair value analysis based on the income approach and recorded an impairment charge of $75,910 to reduce the carrying value of its equity investment in the Texas Coastal Wind Facilities from $282,726 to $206,816. Changes in assumptions of revenue forecasts, driven by expected production, basis difference and resulting spot prices, projected operating and capital expenditures would affect the estimated fair value.

**8. Long-term investments (continued)**

(c) Equity-method investees (continued)

As at December 31, 2023, the Company has issued $ 113,630 (2022 - $113,630) in letters of credit and guarantees of performance obligations under energy purchase agreements and decommissioning obligations on behalf of the Texas Coastal Wind Facilities.

Development: Pursuant to an agreement between AQN and funds managed by the Infrastructure and Power strategy of Ares Management, LLC ("Ares"), in November 2021 Ares became AQN's new partner in its non-regulated development platform for renewable energy, water and other sectors as both parties contributed cash or assets of $19,688 to Liberty Development JV Inc. The Company is not considered the primary beneficiary as the two partners have joint control and all key decisions must be unanimous. As such, the Company accounts for its interests using the equity method.

On July 5, 2023, the Company provided a $ 35,000 non-interest-bearing loan to Liberty Development JV Inc. The joint venture used these funds to return equity to its shareholders through which the Company received $17,500. Further, the Company recognized an impairment loss on its note receivable of $18,911 as it no longer expects to pursue development under this joint venture arrangement and the development fees are no longer expected to be realized. The impairment is recorded within asset impairment charge in the consolidated statements of operations. Subsequent to year-end, on January 4, 2024, the Company purchased Ares' 50% interest in Liberty Development JV Inc. and Liberty Development Energy Solutions B.V.

Construction: The Renewable Energy Group has 50% equity interests in several wind and solar power electric construction projects. AQN and Ares have formed Liberty Construction (US) JV LLC ("Liberty Construction JV") to jointly construct projects under the Renewable Energy Group. During the year, the Company contributed several projects to joint entities. The Company holds an option to acquire the remaining interest in most construction projects at a pre-agreed price. The Company is not considered the primary beneficiary as the partners have joint control and all key decisions must be unanimous. As such, the Company accounts for its interests using the equity method.

Changes in the carrying value of equity method investees were as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Carrying value, January 1 | **$** | **381,802** | $ | 433,850 |
| Additional investments | | **91,205** | | 110,441 |
| Net loss attributable to AQN | | **(5,936)** | | (21,416) |
| OCI attributable to AQN (a) | | **7,693** | | (67,110) |
| Dividend received | | **(4,600)** | | (1,183) |
| Impairment | | **—** | | (75,910) |
| Other | | **(13,771)** | | 3,130 |
| **Carrying value, December 31** | **$** | **456,393** | $ | 381,802 |

(a) OCI represents the Company's proportion of the change in fair value, recorded in OCI at the investee level, on energy derivative financial instruments designated as a cash flow hedge

**8. Long-term investments (continued)**

(c) Equity-method investees (continued)

Summarized combined information for AQN's equity method investees as of December 31 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Total assets | **$ 3,235,474** | $ 2,740,132 |
| Total liabilities | **1,962,115** | 1,507,079 |
| Net assets | **1,273,359** | 1,233,053 |
| AQN's ownership interest in the entities | **388,993** | 332,663 |
| Difference between investment carrying amount and underlying equity in net assets[(a)] | **67,400** | 49,139 |
| **Total carrying value** | **$ 456,393** | $ 381,802 |

[(a)] The difference between the investment carrying amount and the underlying equity in net assets relates primarily to interest capitalized while the projects are under construction, the fair value of guarantees provided by the Company in regards to the investments, development fees and transaction costs.

Summarized combined information for AQN's equity method investees for the year ended December 31 (presented at 100%) is as follows:

| | 2023 | 2022 |
|---|---|---|
| Revenue | **$ 111,446** | $ 65,025 |
| Net loss | **$ (3,633)** | $ (31,070) |
| OCI [(a)] | **$ 12,026** | $ (130,729) |
| **Net loss attributable to AQN** | **$ (5,936)** | $ (21,416) |
| **OCI attributable to AQN [(a)]** | **$ 7,693** | $ (67,110) |

[(a)] OCI represents the Company's proportion of the change in fair value, recorded in OCI at the investee level, on energy derivative financial instruments designated as a cash flow hedge

Except for Liberty Global Energy Solutions B.V. (formerly Abengoa-Algonquin Global Energy Solutions B.V.) ("Liberty Global Energy Solutions"), Liberty Development JV Inc. and all construction projects are considered VIEs due to the level of equity at risk and the disproportionate voting and economic interests of the shareholders. The Company has committed loan and credit support facilities with some of its equity investees. During construction, the Company has agreed to provide cash advances and credit support for the continued development and construction of the equity investees' projects. As of December 31, 2023, the Company has issued letters of credit and guarantees of performance obligations: under a security of performance for a development opportunity; wind turbine or solar panel supply agreements; engineering, procurement, and construction agreements; interconnection agreements; energy purchase agreements; renewable energy credit agreements; and construction loan agreements. The fair value of the support provided recorded as of December 31, 2023 amounts to $12,666 (2022 - $8,824).

**8. Long-term investments (continued)**

(c) Equity-method investees (continued)

Summarized combined information for AQN's VIEs as of December 31 is as follows:

| | 2023 | 2022 |
|---|---|---|
| AQN's maximum exposure in regards to VIEs | | |
| Carrying amount | **$ 179,728** | $ 122,752 |
| Development loans receivable (d) | **158,110** | 52,923 |
| Indirect guarantees of debt on behalf of VIEs | **740,866** | 436,790 |
| Other indirect guarantees and commitments on behalf of VIEs | **303,641** | 221,433 |
| | **$ 1,382,345** | $ 833,898 |

The commitments are presented on a gross basis assuming no recoverable value in the assets of the VIEs. The majority of the amounts committed on behalf of VIEs in the above relate to wind turbine or solar panel supply agreements as well as engineering, procurement, and construction agreements.

(d) Development loans receivable from equity investees

The Renewable Energy Group has committed loan and credit support facilities with some of its equity investees. During construction, the Company has agreed to provide cash advances and credit support (in the form of letters of credit, escrowed cash, guarantees or indemnities) in amounts necessary for the continued development and construction of the equity investees' projects. The loans generally mature on the twelfth anniversary of the development agreement or commercial operation date.

(e) San Antonio Water System and other

The Company does not have significant influence over San Antonio Water System investments. It is accounted for using the cost method and as at December 31, 2023, it is recorded at the cost of $25,634 (2022 - $25,634).

## 9. Long-term debt

Long-term debt consists of the following:

| Borrowing type | Weighted average coupon | Maturity | | Par value | December 31, 2023 | December 31, 2022 |
|---|---|---|---|---|---|---|
| Senior unsecured revolving credit facilities (a) | — | 2024-2028 | | N/A | **$ 1,624,186** | $ 351,786 |
| Senior unsecured bank credit facilities and delayed draw term facility (b) | — | 2024-2031 | | N/A | **786,962** | 773,643 |
| Commercial paper | — | 2024 | | N/A | **481,720** | 407,000 |
| **U.S. dollar borrowings** | | | | | | |
| Senior unsecured notes (Green Equity Units) | 1.18 % | 2026 | $ | 1,150,000 | **1,144,897** | 1,142,814 |
| Senior unsecured notes (c) | 3.36 % | 2024-2047 | $ | 1,415,000 | **1,406,278** | 1,496,101 |
| Senior unsecured utility notes | 6.30 % | 2025-2035 | $ | 137,000 | **147,589** | 154,271 |
| Senior secured utility bonds (d) | 4.71 % | 2026-2044 | $ | 556,199 | **551,166** | 554,822 |
| **Canadian dollar borrowings** | | | | | | |
| Senior unsecured notes (e) | 3.68 % | 2027-2050 | C$ | 1,200,000 | **904,604** | 882,899 |
| Senior secured project notes | 10.21 % | 2027 | C$ | 16,848 | **12,738** | 15,024 |
| **Chilean Unidad de Fomento borrowings** | | | | | | |
| Senior unsecured utility bonds | 3.90 % | 2028-2040 | CLF | 1,521 | **70,967** | 77,206 |
| | | | | | **$ 7,131,107** | $ 5,855,566 |
| **Subordinated borrowings** | | | | | | |
| Subordinated unsecured notes (f) | 5.25 % | 2082 | C$ | 400,000 | **298,382** | 291,238 |
| Subordinated unsecured notes (f) | 5.21 % | 2079-2082 | $ | 1,100,000 | **1,086,541** | 1,365,213 |
| | | | | | **$ 8,516,030** | $ 7,512,017 |
| Less: current portion | | | | | **(621,856)** | (423,274) |
| | | | | | **$ 7,894,174** | $ 7,088,743 |

Short-term obligations of $766,886 that are expected to be refinanced using the long-term credit facilities are presented as long-term debt.

Long-term debt issued at a subsidiary level (project notes or utility bonds) relating to a specific operating facility is generally collateralized by the respective facility with no other recourse to the Company. Long-term debt issued at a subsidiary level whether or not collateralized generally has certain financial covenants, which must be maintained on a quarterly basis. Non-compliance with the covenants could restrict cash distributions/dividends to the Company from the specific facilities.

**9. Long-term debt (continued)**

The following table sets out the bank credit facilities available to AQN and its operating groups as of December 31, 2023:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Revolving and term credit facilities | **$ 4,562,000** | $ 4,513,300 |
| Funds drawn on facilities/commercial paper issued | **(2,892,900)** | (1,532,500) |
| Letters of credit issued | **(469,100)** | (465,200) |
| Liquidity available under the facilities | **1,200,000** | 2,515,600 |
| Undrawn portion of uncommitted letter of credit facilities | **(254,100)** | (226,900) |
| Cash on hand | **56,142** | 57,623 |
| **Total liquidity and capital reserves** | **$ 1,002,042** | $ 2,346,323 |

Recent financing activities:

(a) Senior unsecured revolving credit facilities

Corporate

On March 31, 2023, the Company's senior unsecured revolving credit facility was amended and restated to increase the borrowing capacity from $500,000 to $1,000,000 with a new maturity date of March 31, 2028.

On March 31, 2023, the Company entered into a new $ 75,000 uncommitted bi-lateral credit facility.

On June 1, 2023, the Company terminated its former $ 50,000 uncommitted bi-lateral credit facility.

Regulated Services Group

On October 27, 2023, the Company extended the maturity date of the senior unsecured revolving credit facility of $ 500,000 from February 28, 2024 to October 25, 2024.

(b) Senior unsecured bank credit facilities and delayed draw term facilities

On April 25, 2023, the Regulated Services Group elected to terminate the undrawn amount of $ 489,600 of its $1,100,000 senior unsecured syndicated delayed draw term facility (the “Regulated Services Delayed Draw Term Facility”), which was intended to be used to partially fund the Kentucky Power Transaction. On October 27, 2023, the Company extended the maturity of the Regulated Services Delayed Draw Term Facility of $610,400 from November 29, 2023 to October 25, 2024.

(c) Senior unsecured notes

On March 13, 2023, the Company repaid a $ 15,000 senior unsecured note on its maturity.

On July 31, 2023, the Company repaid a $ 75,000 senior unsecured note on its maturity.

Subsequent to year-end, on January 12, 2024, Liberty Utilities Co., completed an offering of $ 500,000 aggregate principal amount of 5.577% senior notes due January 31, 2029 (the “2029 Notes”); and $ 350,000 aggregate principal amount of 5.869% senior notes due January 31, 2034 (the “2034 Notes” and together with the 2029 Notes, the “Senior Notes”). The Senior Notes are unsecured and unsubordinated obligations of Liberty Utilities Co. and rank equally with all of Liberty Utilities Co.’s existing and future unsecured and unsubordinated indebtedness and senior in right of payment to any existing and future Liberty Utilities Co.’s subordinated indebtedness. The 2029 Notes were priced at an issue price of 99.996% of their face value and the 2034 Notes were priced at an issue price of 99.995% of their face value. Liberty Utilities Co. used the net proceeds from the sale of the Senior Notes to repay indebtedness.

**9. Long-term debt (continued)**

(d) Senior unsecured utility bonds

Subsequent to the year-end, on January 30, 2024, Empire District Bondco, LLC, a wholly owned subsidiary of The Empire District Electric Company, completed an offering of approximately $180,500 of aggregate principal amount of 4.943% Securitized Utility Tariff Bonds with a maturity date of January 1, 2035 and $125,000 aggregate principal amount of 5.091% Securitized Utility Tariff Bonds with a maturity date of January 1, 2039, to recover previously incurred qualified extraordinary costs associated with the Midwest Extreme Weather Event and energy transition costs related to the retirement of the Asbury generating plant described in note 7.

(e) Senior unsecured utility notes

On November 1, 2023, the Company repaid a $5,000 senior unsecured utility note on its maturity.

(f) Subordinated unsecured notes

On November 6, 2023, the Company redeemed all $287,500 of its 6.875% fixed-to-floating subordinated notes - series 2018 - at a redemption price equal to 100% of the principal amount, together with accrued and unpaid interest.

As of December 31, 2023, the Company has accrued $74,493 in interest expense (2022 - $70,274). Interest expense for the year ended December 31 consists of the following:

| | | **2023** | | 2022 |
|---|---|---|---|---|
| Long-term debt | **$** | **251,539** | $ | 258,084 |
| Commercial paper, credit facility draws and related fees | | **134,678** | | 46,466 |
| Accretion of fair value adjustments | | **(23,834)** | | (16,547) |
| Capitalized interest and AFUDC capitalized on regulated property | | **(14,679)** | | (10,802) |
| Other | | **5,952** | | 1,373 |
| | **$** | **353,656** | $ | 278,574 |

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

| **2024** | **2025** | **2026** | **2027** | **2028** | **Thereafter** | **Total** |
|---|---|---|---|---|---|---|
| $621,856 | $140,241 | $1,193,531 | $1,280,846 | $819,122 | $4,481,961 | $8,537,557 |

**10. Pension and other post-employment benefits**

The Company provides defined contribution pension plans to substantially all of its employees. The Company's contributions for 2023 were $14,521 (2022 - $12,126).

The Company provides a defined benefit cash balance pension plan under which employees are credited with a percentage of base pay plus a prescribed interest rate credit. In conjunction with the utility acquisitions, the Company also assumes defined benefit pension, SERP and OPEB plans for qualifying employees in the related acquired businesses. The legacy plans are non-contributory defined pension plans covering substantially all employees of the acquired businesses. Benefits are based on each employee's years of service and compensation. The Company permanently freezes the accrual of benefits for participants in legacy plans. Thereafter, employees accrue benefits under the Company's cash balance plan. 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.

**10. Pension and other post-employment benefits (continued)**

(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 as of December 31:

| | Pension benefits | | OPEB | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| **Change in projected benefit obligation** | | | | |
| Projected benefit obligation, beginning of year | **$ 628,135** | $ 765,618 | **$ 217,330** | $ 292,646 |
| Projected benefit obligation assumed from business combination | **—** | 87,933 | **—** | 5,195 |
| Plan settlements | **(3,226)** | (112) | **—** | — |
| Service cost | **11,954** | 16,309 | **3,253** | 6,277 |
| Interest cost | **33,687** | 24,787 | **11,510** | 9,146 |
| Actuarial loss (gain) | **20,172** | (198,074) | **(10,913)** | (82,991) |
| Contributions from retirees | **—** | — | **2,189** | 2,220 |
| Plan amendments | **—** | — | **—** | (2,452) |
| Medicare Part D | **—** | — | **355** | 367 |
| Benefits paid | **(42,801)** | (68,197) | **(14,226)** | (13,078) |
| Foreign exchange | **(53)** | (129) | **—** | — |
| Projected benefit obligation, end of year | **$ 647,868** | $ 628,135 | **$ 209,498** | $ 217,330 |
| **Change in plan assets** | | | | |
| Fair value of plan assets, beginning of year | **569,255** | 648,864 | **172,167** | 192,375 |
| Plan assets acquired in business combination | **—** | 74,532 | **—** | 8,577 |
| Actual return on plan assets | **65,272** | (109,118) | **22,620** | (30,105) |
| Employer contributions | **22,326** | 23,296 | **10,677** | 11,811 |
| Plan settlements | **(3,226)** | (112) | **—** | — |
| Contributions from retirees | **—** | — | **2,189** | 2,220 |
| Medicare Part D subsidy receipts | **—** | — | **355** | 367 |
| Benefits paid | **(42,801)** | (68,197) | **(14,226)** | (13,078) |
| Foreign exchange | **2** | (10) | **—** | — |
| Fair value of plan assets, end of year | **$ 610,828** | $ 569,255 | **$ 193,782** | $ 172,167 |
| Unfunded status | **$ (37,040)** | $ (58,880) | **$ (15,716)** | $ (45,163) |
| Amounts recognized in the consolidated balance sheets consist of: | | | | |
| Non-current assets (note 11) | **12,598** | 12,264 | **35,879** | 14,218 |
| Current liabilities | **(1,416)** | (1,907) | **(3,164)** | (3,039) |
| Non-current liabilities | **(48,222)** | (69,237) | **(48,431)** | (56,342) |
| Net amount recognized | **$ (37,040)** | $ (58,880) | **$ (15,716)** | $ (45,163) |

The accumulated benefit obligations for the pension and OPEB plans are $ 827,559 and $815,589 as of December 31, 2023 and 2022, respectively.

**10. Pension and other post-employment benefits (continued)**

(a) Net pension and OPEB obligation (continued)

Information for pension and OPEB plans with an accumulated benefit obligation in excess of plan assets:

| | Pension | | OPEB | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Accumulated benefit obligation | **$ 425,842** | $ 413,041 | **$ 71,089** | $ 198,463 |
| Fair value of plan assets | **$ 393,857** | $ 364,229 | **$ 18,793** | $ 139,368 |

Information for pension and OPEB plans with a projected benefit obligation in excess of plan assets:

| | Pension | | OPEB | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Projected benefit obligation | **$ 507,612** | $ 489,140 | **$ 71,089** | $ 198,463 |
| Fair value of plan assets | **$ 458,497** | $ 417,994 | **$ 18,793** | $ 139,368 |

(b) Pension and post-employment actuarial changes

| **Change in AOCI, before tax** | Pension | | OPEB | |
|---|---|---|---|---|
| | **Actuarial losses (gains)** | **Past service losses (gains)** | **Actuarial losses (gains)** | **Past service losses (gains)** |
| Balance, January 1, 2022 | $ 15,807 | $ (4,195) | $ (15,630) | $ 310 |
| Additions to AOCI | (47,473) | — | (41,527) | (24) |
| Amortization in current period | (3,429) | 1,584 | 56 | (2,476) |
| Amortization due to plan settlements | 15 | — | — | — |
| Reclassification to regulatory accounts | 34,409 | (752) | 23,551 | — |
| Balance, December 31, 2022 | **$ (671)** | **$ (3,363)** | **$ (33,550)** | **$ (2,190)** |
| Additions to AOCI | **(12,600)** | **—** | **(23,797)** | **853** |
| Amortization in current period | **617** | **1,491** | **2,554** | **—** |
| Recognition of settlement gain | **235** | **—** | **—** | **—** |
| Reclassification to regulatory accounts | **5,517** | **(755)** | **19,518** | **—** |
| Balance, December 31, 2023 | **$ (6,902)** | **$ (2,627)** | **$ (35,275)** | **$ (1,337)** |

The movements related to pension and OPEB in AOCI for Empire Electric System, Empire Gas Systems, St. Lawrence Gas System and Liberty NY Water System are reclassified to regulatory accounts since it is probable the unfunded amount of these plans will be afforded rate recovery (note 7(f)).

**10. Pension and other post-employment benefits (continued)**

(c) Assumptions

Weighted average assumptions used to determine net benefit obligation for 2023 and 2022 were as follows:

| | Pension benefits | | OPEB | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Discount rate | **5.19 %** | 5.48 % | **5.22 %** | 5.49 % |
| Interest crediting rate (for cash balance plans) | **4.48 %** | 4.50 % | **N/A** | N/A |
| Rate of compensation increase | **3.60 %** | 3.70 % | **N/A** | N/A |
| Health care cost trend rate | | | | |
| Before age 65 | | | **7.00 %** | 6.00 % |
| Age 65 and after | | | **6.00 %** | 6.00 % |
| Assumed ultimate medical inflation rate | | | **4.50 %** | 4.75 % |
| Year in which ultimate rate is reached | | | **2034** | 2033 |

The mortality assumption for December 31, 2023 uses the Pri-2012 mortality table and the projected generationally scale MP-2021, adjusted to reflect the ultimate improvement rates in the 2021 Social Security Administration intermediate assumptions for plans in the United States. The mortality assumption for the Bermuda plan as of December 31, 2023 uses the 2014 Canadian Pensioners' Mortality Table combined with mortality improvement scale CPM-B.

In selecting an assumed discount rate, the Company uses a modelling 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 modelling 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.

The rate of return assumptions are based on projected long-term market returns for the various asset classes in which the plans are invested, weighted by the target asset allocations.

Weighted average assumptions used to determine net benefit cost for 2023 and 2022 were as follows:

| | Pension benefits | | OPEB | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Discount rate | **5.35 %** | 2.94 % | **5.49 %** | 3.00 % |
| Expected return on assets | **6.38 %** | 6.19 % | **6.45 %** | 6.48 % |
| Rate of compensation increase | **3.99 %** | 3.91 % | **n/a** | n/a |
| Health care cost trend rate | | | | |
| Before Age 65 | | | **6.00 %** | 5.88 % |
| Age 65 and after | | | **6.00 %** | 5.88 % |
| Assumed ultimate medical inflation rate | | | **4.75 %** | 4.75 % |
| Year in which ultimate rate is reached | | | **2033** | 2031 |

**10. Pension and other post-employment benefits (continued)**

(d) Benefit costs

The following table lists the components of net benefit cost for the pension and OPEB plans. Service cost is recorded as part of operating expenses and non-service costs are recorded as part of Pension and other post-employment non-service costs in the consolidated statements of operations. The employee benefit costs related to businesses acquired are recorded in the consolidated statements of operations from the date of acquisition.

| | Pension benefits | | OPEB | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Service cost | **$ 11,954** | $ 16,309 | **$ 3,253** | $ 6,277 |
| Non-service costs | | | | |
| Interest cost | **33,687** | 24,787 | **11,510** | 9,146 |
| Expected return on plan assets | **(31,990)** | (41,226) | **(9,736)** | (11,359) |
| Amortization of net actuarial loss | **(852)** | 3,452 | **(3,559)** | (56) |
| Amortization of prior service credits | **(1,491)** | (1,584) | **(853)** | 24 |
| Amortization due to plan settlements | **—** | (15) | **—** | — |
| Amortization of regulatory accounts | **16,258** | 22,952 | **6,965** | 4,829 |
| | **$ 15,612** | $ 8,366 | **$ 4,327** | $ 2,584 |
| Net benefit cost | **$ 27,566** | $ 24,675 | **$ 7,580** | $ 8,861 |

(e) Plan assets

The Company's investment strategy for its pension and post-employment 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 Company's target asset allocation is as follows:

| **Asset class** | **Target (%)** | **Range (%)** |
|---|---|---|
| Equity securities | **41.6 %** | **30% - 100%** |
| Debt securities | **48.6 %** | **20% - 60%** |
| Other | **9.8 %** | **0% - 20%** |
| | **100 %** | |

The fair values of investments as of December 31, 2023, by asset category, are as follows:

| **Asset class** | **2023** | **Percentage** |
|---|---|---|
| Equity securities | **$ 376,158** | **47 %** |
| Debt securities | **377,272** | **47 %** |
| Other | **51,180** | **6 %** |
| | **$ 804,610** | **100 %** |

As of December 31, 2023, the plan assets do not include any material investments in AQN.

## 10. Pension and other post-employment benefits (continued)

(e) Plan assets (continued)

All investments as of December 31, 2023 are valued using Level 1 inputs except for $ 26,381 of institutional private equity investments using Level 3 fair value measurement. These private equity funds invest in the private equity secondary market and in the credit markets. These funds are not traded in the open market, and are valued based on the underlying securities within the funds. The underlying securities are valued at fair value by the fund managers by using securities exchange quotations, pricing services, obtaining broker-dealer quotations, reflecting valuations provided in the most recent financial reports, or at a good faith estimate using fair market value principles.

The following table summarizes the changes fair value of these Level 3 assets as of December 31:

| | | **Level 3** |
|---|---|---|
| Balance, January 1, 2023 | **$** | **21,904** |
| Contributions into funds | | **4,603** |
| Return on assets | | **2,205** |
| Distributions | | **(2,331)** |
| Balance, December 31, 2023 | **$** | **26,381** |

(f) Cash flows

The Company expects to contribute $ 23,248 to its pension plans and $ 3,583 to its post-employment benefit plans in 2024.

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

| | **2024** | **2025** | **2026** | **2027** | **2028** | **2029-2033** |
|---|---|---|---|---|---|---|
| Pension plan | $ 48,271 | $ 49,652 | $ 49,389 | $ 50,443 | $ 50,751 | $ 255,465 |
| OPEB | $ 11,718 | $ 12,303 | $ 12,623 | $ 13,105 | $ 13,487 | $ 71,230 |

## 11. Other assets

Other assets consist of the following:

| | | **2023** | | **2022** |
|---|---|---|---|---|
| Restricted cash | **$** | **19,997** | $ | 43,562 |
| Pension and OPEB plan assets (note 10(a)) | | **48,477** | | 26,482 |
| Long-term deposits and cash collateral | | **19,336** | | 22,537 |
| Income taxes recoverable | | **9,988** | | 7,100 |
| Deferred financing costs (a) | | **27,176** | | 28,586 |
| Insurance recoveries (note 22(a)) | | **66,000** | | — |
| Other (b) | | **31,080** | | 21,596 |
| | **$** | **222,054** | $ | 149,863 |
| Less: current portion | | **(23,061)** | | (22,564) |
| | **$** | **198,993** | $ | 127,299 |

(a) Deferred financing costs

Deferred financing costs represent costs of arranging the Company's revolving credit facilities and intercompany loans as well as the portion of transactions costs related to the Green Equity Units that will be recorded against the common shares when issued.

**11. Other assets (continued)**

(b) Other

Other includes various deferred charges that are expected to be transferred to utility plant upon reaching certain milestones as well as prepaid long-term service contracts.

**12. Other long-term liabilities**

Other long-term liabilities consist of the following:

| | 2023 | 2022 |
|---|---|---|
| Contract adjustment payments (a) | **$ 39,590** | $ 113,876 |
| Asset retirement obligations (b) | **115,611** | 116,584 |
| Advances in aid of construction (c) | **88,135** | 88,546 |
| Environmental remediation obligation (d) | **40,772** | 42,457 |
| Customer deposits (e) | **36,294** | 34,675 |
| Unamortized investment tax credits (f) | **17,255** | 17,649 |
| Deferred credits and contingent consideration (g) | **40,945** | 39,498 |
| Preferred shares, Series C (h) | **—** | 12,072 |
| Hook-up fees (i) | **7,425** | 32,463 |
| Lease liabilities | **20,493** | 21,834 |
| Contingent development support obligations (j) | **12,666** | 8,824 |
| Note payable to related party (k) | **25,808** | 25,808 |
| Contingent liability (note 22(a)) | **66,000** | — |
| Other | **35,338** | 41,156 |
| | **$ 546,332** | $ 595,442 |
| Less: current portion | **(80,458)** | (134,212) |
| | **$ 465,874** | $ 461,230 |

(a) Contract adjustment payment

In June 2021, the Company sold 23,000,000 Green Equity Units for total gross proceeds of $ 1,150,000. Total annual distributions on the Green Equity Units are at a rate of 7.75%, consisting of interest on the notes ( 1.18% per year) and payments under the share purchase contract (6.57% per year). The present value of the contract adjustment payments was estimated at $222,378 and recorded in other liabilities. The contract adjustment payments amount is accreted over the three-year period.

(b) Asset retirement obligations

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 (cleanup of natural gas and polychlorinated biphenyls (“PCB”) contaminants) and cap natural gas mains within the natural gas distribution and transmission system when mains are retired in place, or sections of natural gas main are removed from the pipeline system; (iii) clean and remove storage tanks containing waste oil and other waste contaminants; (iv) remove certain river water intake structures and equipment; (v) dispose of coal combustion residuals and PCB contaminants; (vi) remove asbestos upon major renovation or demolition of structures and facilities; and (vii) decommission and restore power generation engines and related facilities.

**12. Other long-term liabilities (continued)**

(b) Asset retirement obligations (continued)

Changes in the asset retirement obligations are as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Opening balance | **$** | **116,584** | $ | 142,147 |
| Obligation assumed | | **1,077** | | 793 |
| Retirement activities | | **(6,902)** | | (27,980) |
| Accretion | | **4,440** | | 4,589 |
| Change in cash flow estimates | | **412** | | (2,965) |
| Closing balance | **$** | **115,611** | $ | 116,584 |

As the cost of retirement of utility assets in the United States is expected to be recovered through rates, a corresponding regulatory asset is recorded for liability accretion and asset depreciation expense (note 7(j)).

(c) 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.

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 5 to 40 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 2023, $238 (2022 - $1,299) was transferred from advances in aid of construction to contributions in aid of construction.

(d) Environmental remediation obligation

A number of the Company's regulated utilities were named as potentially responsible parties for remediation of several sites at which hazardous waste is alleged to have been disposed as a result of historical operations of manufactured natural gas plants ("MGP") and related facilities. The Company is currently investigating and remediating, as necessary, those MGP and related sites in accordance with plans submitted to the agency with authority for each of the respective sites.

The Company estimates the remaining undiscounted, unescalated cost of the environmental cleanup activities wil l be $46,187 (2022 - $48,346), which at discount rates ranging from 3.4% to 4.3% represents the recorded accrual of $40,772 as of December 31, 2023 (2022 - $42,457). Approximately $25,713 is expected to be incurred over the next three years, with the balance of cash flows to be incurred over the following 27 years.

Changes in the environmental remediation obligation are as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Opening balance | **$** | **42,457** | $ | 55,224 |
| Remediation activities | | **(3,687)** | | (5,243) |
| Accretion | | **1,616** | | 2,167 |
| Changes in cash flow estimates | | **1,395** | | 1,344 |
| Revision in assumptions | | **(1,009)** | | (11,035) |
| Closing balance | **$** | **40,772** | $ | 42,457 |

The Regulators for the New England Gas System and Energy North Gas System provide for the recovery of actual expenditures for site investigation and remediation over a period of seven years and, accordingly, as of December 31, 2023, the Company has reflected a regulatory asset of $66,779 (2022 - $70,529) for the MGP and re lated sites (note 7(g)).

**12. Other long-term liabilities (continued)**

(e) Customer deposits

Customer deposits result from the Company's obligation by 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.

(f) Unamortized investment tax credits

The unamortized investment tax credits were assumed in connection with the acquisition of the Empire Electric System. The investment tax credits are associated with an investment made in a generating station. The credits are being amortized over the life of the generating station.

(g) Deferred credits and contingent consideration

Deferred credits and contingent consideration include unresolved contingent consideration related to prior acquisitions which is expected to be paid.

(h) Preferred shares, Series C

During the year ended December 31, 2023, 100 Series C preferred shares of AQN that had previously been issued in exchange for 100 Class B limited partnership units of St. Leon Wind Energy LP, were redeemed for $ 14,515, and a loss on settlement of $2,377 was recorded in other net losses (note 19(f)) in the consolidated statements of operations. As a result of the redemption, no Series C preferred shares of AQN remain outstanding.

(i) Hook-up fees

Hook-up fees result from the collection from customers of funds for installation and connection to the utility's infrastructure. The fees are refundable as allowed under the facilities' regulatory agreement.

(j) Contingent development support obligations

The Company provides credit support necessary for the continued development and construction of its equity investees' wind and solar power electric development projects and infrastructure development projects. The contingent development support obligations represent the fair value of the support provided (note 8(c)).

(k) Note payable to related party

In 2021, a subsidiary of the Company made a tax equity investment into New Market Solar Investco, LLC, an equity investee of the Company and indirect owner of the New Market Solar Project. Following the closing of the construction financing facility for the New Market Solar Project, certain excess funds were distributed to the Company and in return the Company issued a promissory note of $25,808 payable to New Market Solar Investco, LLC. The promissory note bears an interest rate of 4% annually and has a maturity date of December 16, 2031.

**13. Shareholders' capital**

(a) Common shares

Number of common shares

| | **2023** | **2022** |
|---|---|---|
| Common shares, beginning of year | **683,614,803** | 671,960,276 |
| Public offering | **—** | 2,861,709 |
| Dividend reinvestment plan | **4,370,289** | 7,676,666 |
| Exercise of share-based awards (c) | **1,284,532** | 1,115,398 |
| Conversion of convertible debentures | **1,415** | 754 |
| Common shares, end of year | **689,271,039** | 683,614,803 |

**13. Shareholders' capital (continued)**

(a) Common shares (continued)

**Authorized**

AQN 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 of AQN (the "Board"); to one vote per share at meetings of the holders of common shares; and upon liquidation, dissolution or winding up of AQN to receive pro rata the remaining property and assets of AQN, subject to the rights of any shares having priority over the common shares.

The Company has a shareholders' rights plan (the "Rights Plan"), which expires in 2025. 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.

(i) At-the-market equity program

On August 15, 2022, AQN re-established its at-the-market equity program ("ATM Program") that allowed the Company to issue up to $500,000 (or the equivalent in Canadian dollars) of common shares from treasury to the public from time to time, at the Company's discretion, at the prevailing market price when issued on the Toronto Stock Exchange ("TSX"), the New York Stock Exchange ("NYSE") or any other existing trading market for the common shares of the Company in Canada or the United States.

During the year ended December 31, 2023, the Company did not issue any common shares under its ATM Program. The ATM Program terminated in accordance with its terms on December 19, 2023.

The Company has issued, since the inception of its initial ATM Program in 2019, a cumulative total of 36,814,536 common shares at an average price of $15.00 per share for gross proceeds of $ 551,086 ($544,295 net of commissions). Other related costs, primarily related to the establishment and subsequent re-establishments of the ATM program, were $4,843.

(ii) Dividend reinvestment plan

The Company has a common shareholder dividend reinvestment plan, which, when the plan is active, provides an opportunity for holders of AQN's common shares who reside in Canada, the United States, or, subject to AQN's consent, other jurisdictions, to reinvest the cash dividends paid on their common shares in additional common shares which, at AQN's election, are either purchased on the open market or newly issued from treasury. Effective March 3, 2022, common shares purchased under the plan were issued at a 3% discount (previously at 5%) to the prevailing market price (as determined in accordance with the terms of the plan). Effective March 16, 2023, AQN suspended the dividend reinvestment plan. Effective for the first quarter 2023 dividend (paid on April 14, 2023 to shareholders of record on March 31, 2023), shareholders participating in the dividend reinvestment plan began receiving cash dividends. If the Company elects to reinstate the dividend reinvestment plan in the future, shareholders who were enrolled in the dividend reinvestment plan at its suspension and remain enrolled at reinstatement will automatically resume participation in the dividend reinvestment plan.

(b) Preferred shares

AQN 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.

**13. Shareholders' capital (continued)**

The Company has the following Cumulative Rate Reset Preferred Shares, Series A (the "Series A Shares") and Cumulative Rate Reset Preferred Shares, Series D (the "Series D Shares") issued and outstanding as of December 31, 2023 and 2022:

| | Number of shares | Price per share | Carrying amount C$ | Carrying amount $ |
|---|---|---|---|---|
| Series A Shares | 4,800,000 | C$25.00 | C$ 116,546 | $ 100,463 |
| Series D Shares | 4,000,000 | C$25.00 | C$ 97,259 | $ 83,836 |
| | | | | $ 184,299 |

The holders of Series A Shares are entitled to receive quarterly fixed cumulative preferential cash dividends, if, as and when declared by the Board. The dividend for each year up to, but excluding, December 31, 2023 was an annual amount of C$1.2905 per share. The dividend rate for the five-year period from, and including December 31, 2023 but excluding December 31, 2028 will be an annual amount of C$1.6440 per share. The Series A Shares dividend rate will reset on December 31, 2028 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 Shares were redeemable at C$25 per share at the option of the Company on December 31, 2023 and are redeemable every fifth year thereafter. The holders of Series A Shares have the right to convert their shares into cumulative floating rate preferred shares, Series B, subject to certain conditions, on December 31, 2028 (or the next business day, if such day is not a business day), and every fifth year thereafter.

The holders of Series D Shares are entitled to receive fixed cumulative preferential dividends as and when declared by the Board at an annual amount of C$1.2728 per share for each year up to, but excluding, March 31, 2024. The Series D Share dividend will reset on March 31, 2024 and every five years thereafter at a rate equal to the then five-year Government of Canada bond plus 3.28%. The Series D Shares are redeemable at C$ 25 per share at the option of the Company on March 31, 2024 (or the next business day, if such day is not a business day) and every fifth year thereafter. Accordingly, the Series D Shares are redeemable by the Company on April 1, 2024, but the Company has elected not to exercise its redemption right. The holders of Series D Shares have the right to convert their shares into cumulative floating rate preferred shares, Series E, subject to certain conditions, on March 31, 2024 (or the next business day, if such day is not a business day), and every fifth year thereafter.

(c) Share-based compensation

For the year ended December 31, 2023, AQN recorded $11,293 (2022 - $10,920) in total share-based compensation expense as follows:

| | 2023 | 2022 |
|---|---|---|
| Share options | **$ 1,325** | $ 980 |
| Director deferred share units | **949** | 960 |
| Employee share purchase | **897** | 562 |
| Performance and restricted share units | **8,122** | 8,418 |
| Total share-based compensation | **$ 11,293** | $ 10,920 |

The compensation expense is recorded within operating expenses in the consolidated statements of operations. The portion of share-based compensation costs capitalized as cost of construction is insignificant.

As of December 31, 2023, total unrecognized compensation costs related to non-vested share-based awards are $ 23,883 and are expected to be recognized over a period of 1.8 years.

(i) Share option plan

The Company's share option plan (the "Plan") permits the grant of share options to officers, directors, employees and selected service providers. The aggregate number of shares that may be reserved for issuance under the Plan must not exceed 8% of the number of shares outstanding at the time the options are granted.

**13. Shareholders' capital (continued)**

(c) Share-based compensation (continued)

(i) Share option plan (continued)

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 (or the compensation committee of the Board ("Compensation Committee")) 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 that 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 common 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.

The Compensation Committee may accelerate the vesting of the unvested options then held by the optionee at the Compensation Committee's discretion. In the event that the Company restates its financial results, any unpaid or unexercised options may be cancelled at the discretion of the Compensation Committee in accordance with the terms of the Company's clawback policy.

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 historical volatility of the Company's common shares. The expected life was based on experience to date. The dividend yield rate was based upon recent historical dividends paid on AQN common shares.

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

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Risk-free interest rate | | **3.4 %** | | 1.9 % |
| Expected volatility | | **27 %** | | 23 % |
| Expected dividend yield | | **8.6 %** | | 4.3 % |
| Expected life | | **5.50 years** | | 5.50 years |
| Weighted average grant date fair value per option | **$** | **1.04** | $ | 2.44 |

Share option activity during the years is as follows:

| | Number of awards | | Weighted average exercise price | Weighted average remaining contractual term (years) | | Aggregate intrinsic value |
|---|---|---|---|---|---|---|
| Balance, January 1, 2022 | 2,040,528 | C$ | 15.45 | 6.11 | C$ | 3,145 |
| Granted | 646,090 | | 19.11 | 7.22 | | — |
| Exercised | (40,074) | | 13.92 | 5.95 | | 103 |
| Forfeited | (19,764) | | 19.11 | — | | — |
| Balance, December 31, 2022 | **2,626,780** | **C$** | **16.02** | **5.63** | **C$** | **—** |
| Granted | **1,368,744** | | **10.76** | **7.24** | | **—** |
| Exercised | **—** | | **—** | **—** | | **—** |
| Forfeited | **(1,327,799)** | | **16.55** | **—** | | **—** |
| Balance, December 31, 2023 | **2,667,725** | **C$** | **14.71** | **5.18** | **C$** | **—** |
| Exercisable, December 31, 2023 | **2,621,420** | **C$** | **17.11** | **4.50** | **C$** | **—** |

**13. Shareholders' capital (continued)**

(c) Share-based compensation (continued)

(ii) Employee share purchase plan

Under the Company's 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 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. Common shares purchased through the Company match portion shall not be eligible for sale by the participant for a period of one year following the purchase date on which such shares were acquired. At the Company's option, the common 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 or NYSE by an independent broker. The aggregate number of common shares reserved for issuance from treasury by AQN under the ESPP shall not exceed 4,000,000 common 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, 2023, a total of 752,582 common shares (2022 - 414,338) were issued to employees under the ESPP.

(iii) Director's deferred share units

Under the Company's DSU plan, non-employee directors of the Company may elect annually to receive all or any portion of their compensation in 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 shares. 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 common 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. For the year ended December 31, 2023, a total of 181,328 DSUs (2022 - 120,513) were issued and 102,460 DSUs (2022 - 5,176) were settled in exchange for 50,677 common shares issued from treasury, and 51,783 DSUs were settled at their cash value as payment for tax withholding related to the settlement of the awards. As of December 31, 2023, 724,583 (2022 - 645,714) DSUs are outstanding pursuant to the election of the directors to defer a percentage of their director's fee in the form of DSUs. The aggregate number of common shares reserved for issuance from treasury by AQN under the DSU plan shall not exceed 1,000,000 common shares.

(iv) Performance and restricted share units

The Company offers a PSU and RSU plan to its employees as part of the Company's long-term incentive program. PSUs have been granted annually for three-year overlapping performance cycles. The PSUs vest at the end of the three-year cycle and are calculated based on established performance criteria. At the end of the three-year performance periods, the number of common shares issued can range from 2.5% to 237% of the number of PSUs granted. RSU vesting conditions and dates vary by grant and are outlined in each award letter. RSUs are not subject to performance criteria. Dividends accumulating during the vesting period are converted to PSUs and RSUs based on the market value of the shares on that date and are recorded in equity as the dividends are declared. None of the PSUs or RSUs have voting rights. Any PSUs or RSUs not vested at the end of a performance period will expire. The PSUs and RSUs provide for settlement in cash or common shares at the election of the Company. As the Company does not expect to settle these instruments in cash, these units are accounted for as equity awards. The aggregate number of common shares reserved for issuance from treasury by AQN under the PSU and RSU plan shall not exceed 7,000,000 common shares.

Compensation expense associated with PSUs is recognized ratably over the performance period. Achievement of the performance criteria is estimated as at the consolidated balance sheet dates. Compensation cost recognized is adjusted to reflect the performance conditions estimated to date.

**13. Shareholders' capital (continued)**

(c) Share-based compensation (continued)

(iv) Performance and restricted share units (continued)

A summary of the PSUs and RSUs follows:

| | Number of awards | Weighted average grant-date fair value | Weighted average remaining contractual term (years) | Aggregate intrinsic value |
|---|---|---|---|---|
| Balance, January 1, 2022 | 2,443,672 | C$ 18.07 | 1.72 | C$ 44,646 |
| Granted, including dividends | 1,090,457 | 17.99 | 2.00 | 17,524 |
| Exercised | (1,221,620) | 12.62 | — | 23,636 |
| Forfeited | (202,799) | 18.94 | — | 418 |
| Balance, December 31, 2022 | **2,109,710** | **C$ 18.38** | **1.76** | **C$ 18,608** |
| Granted, including dividends | **2,841,967** | **10.98** | **2.02** | **25,329** |
| Exercised | **(922,883)** | **18.73** | — | **10,125** |
| Forfeited | **(451,047)** | **15.07** | **—** | **3,771** |
| Balance, December 31, 2023 | **3,577,747** | **C$ 18.38** | **1.76** | **C$ 29,910** |
| Exercisable, December 31, 2023 | **597,363** | **C$ 19.98** | **0.22** | **C$ 4,994** |

(v) Bonus deferral RSUs

Eligible employees have the option to receive a portion or all of their annual bonus payment in RSUs in lieu of cash. These RSUs provide for settlement in shares, and therefore these RSUs are accounted for as equity awards. The RSUs granted are 100% vested and, therefore, compensation expense associated with these RSUs is recognized immediately upon issuance.

During the year ended December, 31, 2023, 77,981 (2022 - 55,445) bonus deferral RSUs were granted to employees of the Company. In addition, the Company settled 69,115 (2022 - 178,368) bonus deferral RSUs in exchange for 31,455 (2022 - 82,886) common shares issued from treasury, and 37,660 (2022- 95,482) RSUs were settled at their cash value as payment for tax withholdings related to the settlement of the RSUs. As of December 31, 2023, 167,352 (2022 - 158,486) bonus deferral RSUs are outstanding.

## 14. Accumulated other comprehensive income (loss)

AOCI consists of the following balances, net of tax:

| | Foreign currency cumulative translation | Unrealized gain on cash flow hedges | Pension and post-employment actuarial changes | Total |
|---|---|---|---|---|
| Balance, January 1, 2022 | $ (76,615) | $ (3,514) | $ 8,452 | $ (71,677) |
| Other comprehensive income (loss) | (18,013) | (128,838) | 23,722 | (123,129) |
| Amounts reclassified from AOCI to the consolidated statement of operations | (5,489) | 34,543 | 4,039 | 33,093 |
| Net current period OCI | $ (23,502) | $ (94,295) | $ 27,761 | $ (90,036) |
| OCI attributable to the non-controlling interests | 1,650 | — | — | 1,650 |
| Net current period OCI attributable to shareholders of AQN | $ (21,852) | $ (94,295) | $ 27,761 | $ (88,386) |
| Balance, December 31, 2022 | $ (98,467) | $ (97,809) | $ 36,213 | $ (160,063) |
| Other comprehensive income (loss) | **(3,788)** | **57,351** | **8,395** | **61,958** |
| Amounts reclassified from AOCI to the consolidated statement of operations | **(1,598)** | **2,136** | **(3,702)** | **(3,164)** |
| Net current period OCI | **$ (5,386)** | **$ 59,487** | **$ 4,693** | **$ 58,794** |
| OCI attributable to the non-controlling interests | **(1,017)** | **—** | **—** | **(1,017)** |
| Net current period OCI attributable to shareholders of AQN | **$ (6,403)** | **$ 59,487** | **$ 4,693** | **$ 57,777** |
| Balance, December 31, 2023 | **$ (104,870)** | **$ (38,322)** | **$ 40,906** | **$ (102,286)** |

Amounts reclassified from AOCI for foreign currency cumulative translation affected interest expense and derivative gain (loss); those for unrealized gain (loss) on cash flow hedges affected revenue from non-regulated energy sales, interest expense and derivative gain (loss) while those for pension and post-employment actuarial changes affected pension and post-employment non-service costs.

## 15. Dividends

All dividends of the Company are made on a discretionary basis as determined by the Board. The Company declares and pays the dividends on its common shares in U.S. dollars. Dividends declared were as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Dividend | Dividend per share | Dividend | Dividend per share |
| Common shares | **$ 301,771** | **$ 0.4340** | $ 486,043 | $ 0.7130 |
| Series A Shares | **C$ 6,194** | **C$ 1.2905** | C$ 6,194 | C$ 1.2905 |
| Series D Shares | **C$ 5,091** | **C$ 1.2728** | C$ 5,091 | C$ 1.2728 |

## 16. Related party transactions

(a) Equity-method investments

The Company provides administrative and development services to its equity-method investees and is reimbursed for incurred costs. To that effect, during 2023, the Company charged its equity-method investees $34,733 (2022 - $38,215) for administrative services and $37,802 (2022 - $25,645) for development services. Additionally, Liberty Development JV Inc. (note 8(c)), an equity-method investee of the Company that is the Company's joint venture with funds managed by the Infrastructure and Power strategy of Ares Management, LLC for its non-regulated development platform, provides development services to the Company on specified projects, for which it earns a development fee upon reaching certain milestones. During the year, the development fees charged to the Company were $27,933 (2022 - $12,628).

Subsequent to year-end, on January 4, 2024, the Company purchased Ares' 50% interest in Liberty Development JV Inc. and Liberty Development Energy Solutions B.V.

Investments in and acquisitions of equity-method investments are described in note 8(c).

(b) Non-controlling interest and redeemable non-controlling interest held by related party

Non-controlling interest and redeemable non-controlling interest held by related party are described in note 17(c).

(c) Transactions with Atlantica

On December 28, 2023, Liberty Development Spain, S.A., a wholly owned subsidiary of the Company entered into an agreement to sell its 100% equity interests in Liberty Jimena, S.L. and Liberty Caparacena, S.L., and its 80% equity interest in Liberty Infrastructuras, S.L. to Atlantica for a nominal amount. As a result, the Company recorded an impairment loss of $1,481, included in asset impairment charge in the consolidated statements of operations. The transaction closed on January 23, 2024.

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

## 17. Non-controlling interests and redeemable non-controlling interests

Net effect attributable to non-controlling interests for the years ended December 31 consists of the following:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| HLBV and other adjustments attributable to: | | | | |
| Non-controlling interests - tax equity partnership units | **$** | **114,141** | $ | 108,695 |
| Non-controlling interests - redeemable tax equity partnership units | | **1,324** | | 6,298 |
| Other net earnings attributable to: | | | | |
| Non-controlling interests | | **(27,564)** | | (3,670) |
| | **$** | **87,901** | $ | 111,323 |
| Redeemable non-controlling interest, held by related party | | **(25,922)** | | (15,157) |
| Net effect of non-controlling interests | **$** | **61,979** | $ | 96,166 |

The non-controlling tax equity investors ("tax equity partnership units") in the Company's U.S. wind power and solar power-generating facilities are entitled to allocations of earnings, tax attributes and cash flows in accordance with contractual agreements. The share of earnings (loss) attributable to the non-controlling interest holders in these subsidiaries is calculated using the HLBV method of accounting as described in note 1(s).

**17. Non-controlling interests and redeemable non-controlling interests (continued)**

*Non-controlling interests*

| | Non-controlling interests - tax equity partnership units (a) | | Other non-controlling interests (b) | | Non-controlling interests held by related parties (c) | |
|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| Opening balance | **$ 1,225,608** | $ 1,377,117 | **$ 333,362** | $ 64,807 | **$ 57,822** | $ 81,158 |
| Net earnings (loss) attributable to NCI | **(114,141)** | (108,695) | **27,564** | 3,670 | **—** | — |
| Contributions received, net | **107,933** | 6,182 | **—** | 267,515 | **—** | — |
| Dividends and distributions declared | **(22,743)** | (36,736) | **(14,497)** | (3,350) | **(17,082)** | (20,978) |
| Repurchase of non-controlling interest | **—** | (12,249) | **—** | — | **—** | — |
| OCI | **63** | (11) | **909** | 720 | **45** | (2,358) |
| Closing balance | **$ 1,196,720** | $ 1,225,608 | **$ 347,338** | $ 333,362 | **$ 40,785** | $ 57,822 |

(a) Non-controlling interests - tax equity partnership units

The Company obtained control of the Deerfield II Wind Facility during the year (note 3). Post-acquisition, third-party tax equity investors funded $98,955 in exchange for Class A partnership units in the entity. In addition, the Company received $ 9,084 (2022 - $6,182) of production based cash contributions during the year relating to other projects.

(b) Other non-controlling interests

On December 29, 2022, the Company s old a 49% non-controlling interest in three operating wind facilities in the United States totalling 551 MW of installed capacity: the Odell Wind Facility in Minnesota, the Deerfield Wind Facility in Michigan and the Sugar Creek Wind Facility in Illinois. The consideration of $277,500 was recorded as an increase to non-controlling interest, except for a portion of $5,000, which is subject to refund if some conditions are met and as such was recorded as redeemable non-controlling interest.

(c) Non-controlling interest held by related parties

In November 2021, Liberty Development JV Inc. invest ed $39,376 in Algonquin (AY Holdco) B.V., a consolidated subsidiary of the Company. In May 2019, AYES Canada acquired an interest in a consolidated subsidiary of the Company for $96,752 (C$130,103) (note 8(b)). The investment by AYES Canada and Liberty Development JV Inc. are presented as a non-controlling interest held by related parties.

**17. Non-controlling interests and redeemable non-controlling interests (continued)**

*Redeemable non-controlling interests*

Non-controlling interests in subsidiaries that are redeemable upon the occurrence of uncertain events not solely within AQN's control are classified as temporary equity on the consolidated balance sheets. If the redemption is probable or currently redeemable, the Company records the instruments at their redemption value. Redemption is not considered probable as of December 31, 2023.

Liberty Global Energy Solutions (note 8(c)), an equity investee of the Company, has a secured credit facility in the amount of $ 306,500 with a previous maturity date of January 26, 2024. Subsequent to year-end, on January 8, 2024, the secured credit facility was renewed with a maturity date of September 30, 2024. It is collateralized through a pledge of Atlantica ordinary shares held by AY Holdings. A collateral shortfall would occur if the net obligation (as defined in the credit agreement) would equal or exceed 50% of the market value of such Atlantica shares, in which case the lenders would have the right to sell Atlantica shares to eliminate the collateral shortfall. The Liberty Global Energy Solutions secured credit facility is repayable on demand if Atlantica ceases to be a public company or if certain other events are announced or completed that could restrict AY Holdings' ability to sell or transfer its Atlantica ordinary shares. Liberty Global Energy Solutions has a preference share ownership in AY Holdings which AQN reflects as redeemable non-controlling interest held by related party.

As a result of the subsequent event described in note 8(c), the redeemable non-controlling interest held by related party will be reclassified to long-term debt in 2024.

Changes in redeemable non-controlling interests are as follows:

| | Redeemable non-controlling interests held by related party | | Redeemable non-controlling interests | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Opening balance | **$ 307,856** | $ 306,537 | **$ 11,520** | $ 12,989 |
| Net earnings (loss) attributable to NCI | **25,922** | 15,157 | **(1,324)** | (6,298) |
| Contributions, net of costs | **—** | — | **—** | 5,000 |
| Dividends and distributions declared | **(25,428)** | (13,838) | **(183)** | (171) |
| Closing balance | **$ 308,350** | $ 307,856 | **$ 10,013** | $ 11,520 |

**18. 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% (2022 - 26.5%). The differences are as follows:

| | **2023** | **2022** |
|---|---|---|
| Expected income tax recovery at Canadian statutory rate | **$ (31,696)** | $ (97,962) |
| Increase (decrease) resulting from: | | |
| Effect of differences in tax rates on transactions in and within foreign jurisdictions and change in tax rates | **(46,628)** | (55,315) |
| Adjustments from investments carried at fair value | **16,128** | 51,314 |
| Non-controlling interests share of income | **24,677** | 30,025 |
| Change in valuation allowance | **10,786** | 41,702 |
| Acquisition related state deferred tax adjustments | **—** | 5,998 |
| Capital gain rate differential on disposal of renewable assets | **—** | (7,340) |
| Tax credits | **(54,788)** | (18,440) |
| Amortization and settlement of excess deferred income tax | **(12,785)** | (14,855) |
| Deferred income taxes on regulated income recorded as regulatory assets | **(878)** | (1,986) |
| Other permanent differences | **5,341** | 4,591 |
| Other | **3,543** | 755 |
| Income tax recovery | **$ (86,300)** | $ (61,513) |

**18. Income taxes (continued)**

On December 27, 2023, the government of Bermuda enacted the Bermuda Corporate Income Tax Act 2023, setting a 15% corporate income tax rate effective for fiscal years commencing January 1, 2025. The Bermuda Corporate Income Tax Act 2023 includes various transition adjustments that may affect the recognition of deferred taxes and as such were considered as part of the initial measurement in the period that includes the December 2023 enactment date. No deferred taxes were required to be recognized as at December 31, 2023.

For the years ended December 31, 2023 and 2022, earnings (loss) before income taxes consist of the following:

| | 2023 | 2022 |
|---|---|---|
| Canada [1] | **$ (259,141)** | $ (363,050) |
| U.S. | **102,469** | (37,322) |
| Other regions | **37,067** | 30,704 |
| | **$ (119,605)** | $ (369,668) |

[1] Inclusive of fair value gain (loss) on investments carried at fair value (note 8)

Income tax expense (recovery) attributable to income (loss) consists of:

| | Current | Deferred | Total |
|---|---|---|---|
| Year ended December 31, 2023 | | | |
| Canada | **$ 4,352** | **(59,488)** | **(55,136)** |
| United States | **(14,820)** | **(23,099)** | **(37,919)** |
| Other regions | **728** | **6,027** | **6,755** |
| | **$ (9,740)** | **(76,560)** | **(86,300)** |
| Year ended December 31, 2022 | | | |
| Canada | $ 4,184 | (74,595) | (70,411) |
| United States | 1,579 | 6,183 | 7,762 |
| Other regions | 2,080 | (944) | 1,136 |
| | $ 7,843 | (69,356) | (61,513) |

**18. Income taxes (continued)**

The tax effect of temporary differences between the consolidated financial statement carrying amounts of assets and liabilities and their respective tax bases that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2023 and 2022 are presented below:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Deferred tax assets: | | | | |
| Non-capital loss, investment tax credits, currently non-deductible interest expenses, and financing costs | **$** | **1,030,801** | $ | 878,000 |
| Pension and OPEB | | **7,370** | | 16,845 |
| Environmental obligation | | **11,692** | | 12,118 |
| Regulatory liabilities | | **180,371** | | 156,285 |
| Other | | **72,109** | | 61,917 |
| Total deferred income tax assets | **$** | **1,302,343** | $ | 1,125,165 |
| Less: valuation allowance | | **(97,344)** | | (107,583) |
| Total deferred tax assets | **$** | **1,204,999** | $ | 1,017,582 |
| Deferred tax liabilities: | | | | |
| Property, plant and equipment | **$** | **883,447** | $ | 846,331 |
| Outside basis differentials | | **364,511** | | 315,581 |
| Regulatory accounts | | **317,820** | | 303,059 |
| Other | | **59,640** | | 33,834 |
| Total deferred tax liabilities | **$** | **1,625,418** | $ | 1,498,805 |
| Net deferred tax liabilities | **$** | **(420,419)** | $ | (481,223) |
| **Consolidated balance sheets classification:** | | | | |
| Deferred tax assets | **$** | **158,483** | $ | 84,416 |
| Deferred tax liabilities | | **(578,902)** | | (565,639) |
| Net deferred tax liabilities | **$** | **(420,419)** | $ | (481,223) |

The valuation allowance for deferred tax assets as of December 31, 2023 was $ 97,344 (2022 - $107,583). The valuation allowance primarily relates to operating losses that, in the judgment of management, are not more likely than not to be realized for the Renewable Energy Group.

The U.S. entities in the Renewable Energy Group continue to be in an overall deferred tax asset position as at December 31, 2023. In the course of assessing the U.S. deferred tax assets in the Renewable Energy Group, management concluded, similar to 2022, that it was not probable that the U.S. business of the Renewable Energy Group would generate sufficient taxable income to realize the benefit of the deferred tax assets of such group (with the exception of certain transferable tax credits). Management's conclusion is based on the balance of all available positive and negative evidence applicable to the Renewable Energy Group. The amount of the deferred tax asset considered realizable could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as management projections for growth.

The Company's overall deferred tax asset position related to Canadian attributes increased from $ 83,434 to $151,759 for the year ended December 31, 2023, primarily due to ongoing interest and financing expenses attributable to the Canadian entities and the decrease in the value of the Company's investment in Atlantica. As at December 31, 2023, it is considered more likely than not that there will be sufficient taxable income in the future that will allow realization of these deferred tax assets. The Company considered all evidence, both positive and negative, including the announcement of the sale of the renewable energy business, the availability of tax planning strategies, and the carryforward period of its Canadian net operating losses in making this assessment. The Company will continue to monitor this position at each balance sheet date.

**18. Income taxes (continued)**

The following table illustrates the annual movement in the deferred tax valuation allowance:

| | 2023 | 2022 |
|---|---|---|
| Beginning balance | **$ 107,583** | $ 27,471 |
| Charged to income tax expense | **10,786** | 41,702 |
| Charged (reduction) to OCI | **(16,696)** | 40,613 |
| Reductions to other accounts | **(4,329)** | (2,203) |
| **Ending balance** | **$ 97,344** | $ 107,583 |

As of December 31, 2023, the Company had non-capital losses carried forward and tax credits available to reduce future years' taxable income, which expire as follows:

| **Non-capital loss carryforward and credits** | **2024—2028** | **2029+** | **Total** |
|---|---|---|---|
| Canada | $ 3,339 | $ 913,781 | $ 917,120 |
| US | 8,441 | 1,897,609 | 1,906,050 |
| Total non-capital loss carryforward | $ 11,780 | $ 2,811,390 | $ 2,823,170 |
| Tax credits | $ 3,359 | $ 200,772 | $ 204,131 |

The Company has provided for deferred income taxes for the estimated tax cost of distributed earnings of certain of its subsidiaries. Deferred income taxes have not been provided on approximately $908,449 of undistributed earnings of certain foreign subsidiaries, as the Company has concluded that such earnings are indefinitely reinvested and should not give rise to additional tax liabilities. A determination of the amount of the unrecognized tax liability relating to the remittance of such undistributed earnings is not practicable.

**19. Other net losses**

Other net losses consist of the following:

| | 2023 | 2022 |
|---|---|---|
| Acquisition and transition-related costs | **$ —** | $ 6,834 |
| Kentucky termination costs (a) | **46,527** | 10,608 |
| Acquisition-related settlement payment (b) | **(11,983)** | — |
| Securitization write-off (c) | **63,495** | — |
| Renewable energy business sale costs (d) | **12,506** | — |
| Loss on redemption of long-term note (e) | **8,532** | — |
| Other (f) | **13,812** | 3,949 |
| | **$ 132,889** | $ 21,391 |

(a) Kentucky termination costs

The loss related to the termination of the Kentucky Power Transaction includes $ 38,795 for the write-off of capitalized costs, which are primarily related to the implementation of an enterprise software solution. The remaining amount relates to the transaction costs, severance costs and other termination costs. In 2022, the Company incurred $10,608 in anticipation of the Kentucky Power Transaction.

(b) Acquisition-related settlement payment

During the year, the Company received $ 12,814 as an acquisition-related settlement payment in connection with the Suralis acquisition. The Company also incurred legal fees of $831 in relation to this settlement.

**19. Other net losses (continued)**

(c) Securitization write-off

During the year, the Company has written off $ 63,495 relating to the portion of additional securitization costs of Empire Electric that were not allowed as per the Securitization Statute (note 7(a)).

(d) Renewable energy business sale costs

The Company announced that it is pursuing a sale of its renewable energy business. The Company incurred costs of $ 12,506 related to this process in 2023.

(e) Loss on redemption of long-term note

During Q4, 2023, the Company redeemed subordinated unsecured long-term note (note 9(f)) and incurred loss on redemption of $8,532.

(f) Other

Other losses for the year consist primarily of provisions on litigation matters, executive severance costs, the Series C preferred share redemption loss and other miscellaneous write-offs.

**20. Basic and diluted net earnings (loss) per share**

Basic and diluted earnings (loss) per share have been calculated on the basis of net earnings attributable to the common shareholders of the Company and the weighted average number of common shares and bonus deferral restricted share units outstanding. Diluted net earnings per share is computed using the weighted average number of common shares, additional shares issued subsequent to year-end under the dividend reinvestment plan, PSUs, RSUs and DSUs outstanding during the year and, if dilutive, potential incremental common shares related to the convertible debentures or resulting from the application of the treasury stock method to outstanding share options and Green Equity Units (note 9(c)).

The reconciliation of the net earnings (loss) and the weighted average shares used in the computation of basic and diluted earnings (loss) per share are as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Net earnings (loss) attributable to shareholders of AQN | **$** | **28,674** | $ | (211,989) |
| Preferred shares, Series A dividend | | **4,586** | | 4,786 |
| Preferred shares, Series D dividend | | **3,770** | | 3,934 |
| Net earnings (loss) attributable to common shareholders of AQN – basic and diluted | **$** | **20,318** | $ | (220,709) |
| Weighted average number of shares | | | | |
| Basic | | **688,738,717** | | 677,862,207 |
| Effect of dilutive securities | | **2,024,509** | | — |
| Diluted | | **690,763,226** | | 677,862,207 |

This calculation of diluted shares excludes the potential impact of the Green Equity Units and 5,699,593 potential incremental shares that may become issuable pursuant to outstanding securities of the Company for the year ended December 31, 2023, as they are anti-dilutive. This calculation of diluted shares for the year ended December 31, 2022 excludes all potential incremental shares that may become issuable pursuant to outstanding securities of the Company as they are anti-dilutive.

## 21. Segmented information

The Company is managed under two primary business units consisting of the Regulated Services Group and the Renewable Energy Group. The two business units are the two segments of the Company.

The Regulated Services Group, the Company's regulated operating unit, owns and operates a portfolio of electric, water distribution and wastewater collection, and natural gas utility systems and transmission operations in the United States, Canada, Bermuda and Chile; the Renewable Energy Group, the Company's non-regulated operating unit, owns and operates, or has investments in, a diversified portfolio of renewable and thermal energy generation assets.

For purposes of evaluating the performance of the business units, the Company allocates the realized portion of any gains or losses on financial instruments to the specific business units. Dividend income from Atlantica and AYES Canada are included in the operations of the Renewable Energy Group, while interest income from SAWS is included in the operations of the Regulated Services Group. Equity method gains and losses are included in the operations of the Regulated Services Group or Renewable Energy Group based on the nature of the activities of the investees. The change in value of investments carried at fair value and unrealized portion of any gains or losses on derivative instruments not designated in a hedging relationship are not considered in management's evaluation of divisional performance and are therefore allocated and reported under corporate.

| | Year ended December 31, 2023 | | | |
|---|---|---|---|---|
| | **Regulated Services Group** | **Renewable Energy Group** | **Corporate** | **Total** |
| Revenue [1][2] | **$ 2,315,722** | **$ 296,314** | **$ —** | **$ 2,612,036** |
| Other revenue | **51,137** | **33,395** | **1,447** | **85,979** |
| Fuel, power and water purchased | **716,446** | **19,499** | **—** | **735,945** |
| Net revenue | **1,650,413** | **310,210** | **1,447** | **1,962,070** |
| Operating expenses | **786,608** | **119,013** | **1,364** | **906,985** |
| Administrative expenses | **46,386** | **36,554** | **7,419** | **90,359** |
| Depreciation and amortization | **346,188** | **119,576** | **1,232** | **466,996** |
| Asset impairment charge | **—** | **23,492** | **—** | **23,492** |
| Loss on foreign exchange | **—** | **—** | **8,359** | **8,359** |
| Operating income (loss) | **471,231** | **11,575** | **(16,927)** | **465,879** |
| Interest expense | **(160,998)** | **(61,261)** | **(131,397)** | **(353,656)** |
| Income (loss) from long-term investments | **44,953** | **102,188** | **(230,705)** | **(83,564)** |
| Other expenses | **(121,146)** | **(4,002)** | **(23,116)** | **(148,264)** |
| Earnings (loss) before income taxes | **$ 234,040** | **$ 48,500** | **$ (402,145)** | **$ (119,605)** |
| Property, plant and equipment | **$ 8,945,637** | **$ 3,539,069** | **$ 32,744** | **$ 12,517,450** |
| Investments carried at fair value | **1,962** | **1,113,767** | **—** | **1,115,729** |
| Equity-method investees | **112,180** | **343,712** | **501** | **456,393** |
| Total assets | **12,658,955** | **5,367,011** | **347,995** | **18,373,961** |
| Capital expenditures | **$ 816,788** | **$ 209,383** | **$ —** | **$ 1,026,171** |

[1] Renewable Energy Group revenue includes $5,695 related to net hedging gain from energy derivative contracts and availability credits for the year ended December 31, 2023 that do not represent revenue recognized from contracts with customers.

[2] Regulated Services Group revenue includes $32,839 related to alternative revenue programs for the year ended December 31, 2023 that do not represent revenue recognized from contracts with customers.

**21. Segmented information (continued)**

| | Year ended December 31, 2022 | | | |
|---|---|---|---|---|
| | Regulated Services Group | Renewable Energy Group | Corporate | Total |
| Revenue [1][2] | $ 2,330,039 | $ 350,797 | $ — | $ 2,680,836 |
| Other revenue | 54,229 | 28,447 | 1,501 | 84,177 |
| Fuel and power purchased | 824,670 | 41,684 | — | 866,354 |
| Net revenue | 1,559,598 | 337,560 | 1,501 | 1,898,659 |
| Operating expenses | 736,515 | 114,463 | 511 | 851,489 |
| Administrative expenses | 46,484 | 26,424 | 7,324 | 80,232 |
| Depreciation and amortization | 317,300 | 137,203 | 1,017 | 455,520 |
| Asset impairment charge | — | 159,568 | — | 159,568 |
| Loss on foreign exchange | — | — | 13,833 | 13,833 |
| | 459,299 | (100,098) | (21,184) | 338,017 |
| Gain on sale of renewable assets | — | 64,028 | — | 64,028 |
| Operating income (loss) | 459,299 | (36,070) | (21,184) | 402,045 |
| Interest expense | (113,482) | (64,285) | (100,807) | (278,574) |
| Income (loss) from long-term investments | 21,884 | 15,254 | (502,344) | (465,206) |
| Other expenses | (14,765) | (570) | (12,598) | (27,933) |
| Earnings (loss) before income taxes | $ 352,936 | $ (85,671) | $ (636,933) | $ (369,668) |
| Property, plant and equipment | $ 8,554,938 | $ 3,360,687 | $ 29,260 | $ 11,944,885 |
| Investments carried at fair value | 1,984 | 1,342,223 | — | 1,344,207 |
| Equity-method investees | 56,199 | 310,103 | 15,500 | 381,802 |
| Total assets | 12,109,575 | 5,251,933 | 266,105 | 17,627,613 |
| Capital expenditures | $ 908,676 | $ 180,348 | $ — | $ 1,089,024 |

[1] Renewable Energy Group revenue includes $63,717 related to net hedging loss from energy derivative contracts for the year ended December 31, 2022 that do not represent revenue recognized from contracts with customers.

[2] Regulated Services Group revenue includes $21,640 related to alternative revenue programs for the year ended December 31, 2022 that do not represent revenue recognized from contracts with customers.

The majority of non-regulated energy sales are earned from contracts with large public utilities. The Company has sought to mitigate its credit risk by selling energy to large utilities in various North American locations. None of the utilities contribute more than 10% of total revenue.

## 21. Segmented information (continued)

AQN operates in the independent power and utility industries in the United States, Canada and other regions. Information on operations by geographic area is as follows:

| | 2023 | 2022 |
|---|---|---|
| Revenue | | |
| United States | **$ 2,169,239** | $ 2,232,817 |
| Canada | **162,740** | 175,005 |
| Other regions | **366,036** | 357,191 |
| | **$ 2,698,015** | $ 2,765,013 |
| Property, plant and equipment | | |
| United States | **$ 10,826,738** | $ 10,351,736 |
| Canada | **924,389** | 848,560 |
| Other regions | **766,323** | 744,589 |
| | **$ 12,517,450** | $ 11,944,885 |
| Intangible assets | | |
| United States | **$ 18,666** | $ 18,818 |
| Canada | **18,111** | 19,038 |
| Other regions | **57,161** | 58,827 |
| | **$ 93,938** | $ 96,683 |

Revenue is attributed to the regions based on the location of the underlying generating and utility facilities.

## 22. Commitments and contingencies

(a) Contingencies

AQN and its subsidiaries are involved in various claims and litigation arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider AQN's exposure to such litigation to be material to these consolidated financial statements. Accruals for any contingencies related to these items are recorded in the consolidated financial statements at the time it is concluded that its occurrence is probable and the related liability is estimable.

*Mountain View fire*

On November 17, 2020, a wildfire now known as the Mountain View Fire occurred in the territory of Liberty Utilities (CalPeco Electric) LLC ("Liberty CalPeco"). The cause of the fire remains under investigation, and CAL FIRE has not yet released its final report. There are currently 21 active lawsuits that name certain subsidiaries of the Company as defendants in connection with the Mountain View Fire, as well as one non-litigation claim brought by the U.S. Department of Agriculture seeking reimbursement for alleged fire suppression costs. Fourteen lawsuits are brought by groups of individual plaintiffs alleging causes of action including negligence, inverse condemnation, nuisance, trespass, and violations of Cal. Pub. Util. Code 2106 and Cal. Health and Safety Code 13007 (one of these 14 lawsuits also alleges the wrongful death of an individual and various subrogation claims on behalf of insurance companies). On March 6, 2024, a trial commenced in Los Angeles County Superior Court on four bellwether cases with respect to inverse condemnation liability only. If the Company's subsidiaries were found liable in those cases, the damages, if any, would not be determined at this trial. In another lawsuit, County of Mono, Antelope Valley Fire Protection District and Bridgeport Indian Colony allege similar causes of action and seek damages for fire suppression costs, law enforcement costs, property and infrastructure damage, and other costs. In six other lawsuits, insurance companies allege inverse condemnation and negligence and seek recovery of amounts paid and to be paid to their insureds. The likelihood of success in these lawsuits is uncertain.

**22. Commitments and contingencies (continued)**

(a) Contingencies (continued)

In 2023, Liberty CalPeco accrued estimated losses of $66,000 for claims related to the Mountain View Fire, against which Liberty CalPeco has recorded expected recoveries from insurance of $66,000. The resulting net charge to earnings was $nil. The estimate of losses is subject to change as additional information becomes available. The actual amount of losses may be higher or lower than these estimates. While the Company may incur a material loss in excess of the amount accrued, the Company cannot estimate the upper end of the range of reasonably possible losses that may be incurred. The Company has wildfire liability insurance that is expected to apply up to applicable policy limits.

(b) Commitments

In addition to the commitments related to the development projects disclosed in note 8, the following significant commitments exist as of December 31, 2023.

AQN has outstanding purchase commitments for power purchases, natural gas supply and service agreements, service agreements, capital project commitments, land easements and other commitments.

Detailed below are estimates of future commitments under these arrangements:

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Power purchase (1) | $ 55,312 | $ 33,869 | $ 12,274 | $ 12,520 | $ 12,768 | $ 129,818 | $ 256,561 |
| Natural gas supply and service agreements (2) | 121,188 | 71,949 | 42,643 | 33,215 | 30,803 | 154,757 | 454,555 |
| Service agreements | 73,687 | 61,889 | 56,591 | 53,140 | 52,898 | 259,510 | 557,715 |
| Capital projects | 5,598 | — | — | — | — | — | 5,598 |
| Land easements and other | 16,437 | 15,057 | 15,269 | 15,425 | 15,639 | 536,129 | 613,956 |
| Total | $ 272,222 | $ 182,764 | $ 126,777 | $ 114,300 | $ 112,108 | $ 1,080,214 | $ 1,888,385 |

(1) Power purchase: AQN's electric distribution facilities have commitments to purchase physical quantities of power for load serving requirements. The commitment amounts included in the table above are based on market prices as of December 31, 2023. However, the effects of purchased power unit cost adjustments are mitigated through a purchased power rate-adjustment mechanism.

(2) Natural gas supply and service agreements: AQN's natural gas distribution facilities and thermal generation facilities have commitments to purchase physical quantities of natural gas under contracts for purposes of load serving requirements and of generating power.

## 23. Non-cash operating items

The changes in non-cash operating items consist of the following:

| | 2023 | 2022 |
|---|---|---|
| Accounts receivable | **$ 3,863** | $ (124,631) |
| Fuel and natural gas in storage | **46,368** | (21,140) |
| Supplies and consumables inventory | **(48,539)** | (24,088) |
| Income taxes recoverable | **(2,889)** | 549 |
| Prepaid expenses | **(13,218)** | (4,269) |
| Accounts payable | **23,847** | 24,395 |
| Accrued liabilities | **(488)** | 127,076 |
| Current income tax liability | **1,096** | (2,741) |
| Asset retirements and environmental obligations | **(1,015)** | (22,342) |
| Net regulatory assets and liabilities | **(95,361)** | (174,427) |
| | **$ (86,336)** | $ (221,618) |

## 24. Financial instruments

(a) Fair value of financial instruments

| December 31, 2023 | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| Long-term investments carried at fair value | $ 1,115,729 | $ 1,115,729 | $ 1,054,665 | $ — | $ 61,064 |
| Development loans and other receivables | 158,110 | 155,735 | — | 155,735 | — |
| Derivative instruments: | | | | | |
| Interest rate swap designated as a hedge | 72,936 | 72,936 | — | 72,936 | — |
| Interest rate cap not designated as a hedge | 1,854 | 1,854 | — | 1,854 | — |
| Congestion revenue rights not designated as a cash flow hedge | 8,458 | 8,458 | — | — | 8,458 |
| Total derivative instruments | 83,248 | 83,248 | — | 74,790 | 8,458 |
| Total financial assets | $ 1,357,087 | $ 1,354,712 | $ 1,054,665 | $ 230,525 | $ 69,522 |
| Long-term debt | $ 8,516,030 | $ 7,423,318 | $ 2,532,608 | $ 4,890,710 | $ — |
| Notes payable to related party | 25,808 | 15,320 | — | 15,320 | — |
| Convertible debentures | 230 | 276 | 276 | — | — |
| Derivative instruments: | | | | | |
| Energy contracts designated as a cash flow hedge | 68,070 | 68,070 | — | — | 68,070 |
| Energy contracts not designated as a cash flow hedge | 5,593 | 5,593 | — | — | 5,593 |
| Cross-currency swap designated as a net investment hedge | 10,533 | 10,533 | — | 10,533 | — |
| Currency forward contract designated as hedge | 6,779 | 6,779 | — | 6,779 | — |
| Interest rate swaps designated as a hedge | 11,790 | 11,790 | — | 11,790 | — |
| Cross currency swap designated as a cash flow hedge | 5,547 | 5,547 | — | 5,547 | — |
| Commodity contracts for regulated operations | 2,564 | 2,564 | — | 2,564 | — |
| Total derivative instruments | 110,876 | 110,876 | — | 37,213 | 73,663 |
| Total financial liabilities | $ 8,652,944 | $ 7,549,790 | $ 2,532,884 | $ 4,943,243 | $ 73,663 |

**24. Financial instruments (continued)**

(a) Fair value of financial instruments (continued)

| December 31, 2022 | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| Long-term investment carried at fair value | $ 1,344,207 | $ 1,344,221 | $ 1,270,138 | $ — | $ 74,083 |
| Development loans and other receivables | 53,680 | 50,300 | — | 50,300 | — |
| Derivative instruments: | | | | | |
| Energy contracts not designated as a cash flow hedge | 393 | 393 | — | — | 393 |
| Interest rate swap designated as a hedge | 69,188 | 69,188 | — | 69,188 | — |
| Currency forward contract not designated as a hedge | 2,659 | 2,659 | — | 2,659 | — |
| Congestion revenue rights not designated as a cash flow hedge | 10,110 | 10,110 | — | — | 10,110 |
| Cross-currency swap designated as a net investment hedge | 1,267 | 1,267 | — | 1,267 | — |
| Commodity contracts for regulated operations | 283 | 283 | — | 283 | — |
| Total derivative instruments | 83,900 | 83,900 | — | 73,397 | 10,503 |
| Total financial assets | $ 1,481,787 | $ 1,478,421 | $ 1,270,138 | $ 123,697 | $ 84,586 |
| Long-term debt | $ 7,512,017 | $ 6,699,031 | $ 2,623,628 | $ 4,075,403 | $ — |
| Notes payable to related party | 25,808 | 15,180 | — | 15,180 | — |
| Convertible debentures | 245 | 276 | 276 | — | — |
| Preferred shares, Series C | 12,072 | 11,675 | — | 11,675 | — |
| Derivative instruments: | | | | | |
| Energy contracts designated as a cash flow hedge | 120,284 | 120,284 | — | — | 120,284 |
| Energy contracts not designated as a cash flow hedge | 8,617 | 8,617 | — | — | 8,617 |
| Cross-currency swap designated as a net investment hedge | 24,371 | 24,371 | — | 24,371 | — |
| Cross-currency swap designated as a cash flow hedge | 15,435 | 15,435 | — | 15,435 | — |
| Commodity contracts for regulated operations | 1,614 | 1,614 | — | 1,614 | — |
| Total derivative instruments | 170,321 | 170,321 | — | 41,420 | 128,901 |
| Total financial liabilities | $ 7,720,463 | $ 6,896,483 | $ 2,623,904 | $ 4,143,678 | $ 128,901 |

The Company has determined that the carrying value of its short-term financial assets and liabilities approximates fair value as of December 31, 2023 and 2022 due to the short-term maturity of these instruments.

**24. Financial instruments (continued)**

(a) Fair value of financial instruments (continued)

The fair value of the investment in Atlantica (Level 1) is measured at the closing price on the NASDAQ stock exchange.

The fair value of development loans and other receivables (Level 2) is determined using a discounted cash flow method, using estimated current market rates for similar instruments adjusted for estimated credit risk as determined by management.

The Company's Level 1 fair value of long-term debt is measured at the closing price on the NYSE and the Canadian over-the-counter closing price. The Company's Level 2 fair value of long-term debt at fixed interest rates and notes payable to related party have been determined using a discounted cash flow method and current interest rates. The Company's Level 2 fair value of convertible debentures has been determined as the greater of their face value and the quoted value of AQN's common shares on a converted basis.

The Company's Level 2 fair value derivative instruments primarily consist of swaps, options, rights, caps, subscription agreements and forward physical derivatives where market data for pricing inputs are observable. Level 2 pricing inputs are obtained from various market indices and utilize discounting based on quoted interest rate curves, which are observable in the marketplace.

The Company's Level 3 instruments consist of energy contracts for electricity sales, congestion revenue rights ("CRRs") and the fair value of the Company's investment in AYES Canada. The significant unobservable inputs used in the fair value measurement of energy contracts are the internally developed forward market prices ranging from $26.32 to $144.02 with a weighted average of $38.44 as of December 31, 2023. The weighted average forward market prices are developed based on the quantity of energy expected to be sold monthly and the expected forward price during that month. The change in the fair value of the energy contracts is detailed in notes 24(b)(ii) and 24(b)(iv). The significant unobservable inputs used in the fair value measurement of CRRs are recent CRR auction prices ranging from $nil to $$52.02 with a weighted average of $ 5.69 as of December 31, 2023. The fair value of the investment in AYES Canada is determined using a discounted cash flow approach combined with a binomial tree approach. The significant unobservable inputs used in the fair value measurement of the Company's AYES Canada investment are the expected cash flows, the discount rates applied to these cash flows ranging fr om 8.00% to 8.50% with a weighted average of 8.27%, and the expected volatility of Atlantica's share price ranging fro m 27.47% to 33.19% as of December 31, 2023. Significant increases (decreases) in expected cash flows or increases (decreases) in discount rate in isolation would have resulted in a significantly lower (higher) fair value measurement.

(b) Derivative instruments

Derivative instruments are recognized on the consolidated balance sheets as either assets or liabilities and measured at fair value at each reporting period.

(i) Commodity derivatives – regulated accounting

The Company uses derivative financial instruments to reduce the cash flow variability associated with the purchase price for a portion of future natural gas purchases associated with its regulated natural gas and electric service territories. The Company's strategy is to minimize fluctuations in natural gas sale prices to regulated customers. As at December 31, 2023, the commodity volume, in dekatherms, associated with the above derivative contracts is 2,117,039.

**24. Financial instruments (continued)**

(b) Derivative instruments (continued)

(i) Commodity derivatives – regulated accounting (continued)

The accounting for these derivative instruments is subject to guidance for rate-regulated enterprises. Therefore, the fair value of these derivatives is recorded as current or long-term assets and liabilities, with offsetting positions recorded as regulatory assets and regulatory liabilities in the consolidated balance sheets. Most of the gains or losses on the settlement of these contracts are included in the calculation of the fuel and commodity costs adjustments (note 7(a)). As a result, the changes in fair value of these natural gas derivative contracts and their offsetting adjustment to regulatory assets and liabilities had no earnings impact.

(ii) Cash flow hedges

The Company reduces the price risk on the expected future sale of power generation by entering into the following long-term energy derivative contracts.

| Notional quantity (MW-hrs) | Expiry | Receive average prices (per MW-hr) | Pay floating price (per MW-hr) |
|---|---|---|---|
| 353,597 | December 2028 | $29.19 | PJM Western HUB |
| 1,492,926 | December 2027 | $21.34 | NI HUB |
| 1,332,645 | December 2027 | $36.46 | ERCOT North HUB |
| 3,534,802 | September 2030 | $24.54 | Illinois Hub |

The Company mitigates the risk that interest rates will increase over the life of certain term loan facilities by entering into the following interest rate swap contracts. For an interest rate swap or cross-currency interest rate swap designated as hedging the exposure to variable cash flows of a future transaction, the effective portion of this derivative's gain or loss is initially reported as a component of other comprehensive income (loss) and subsequently reclassified into earnings once the future transaction impacts earnings. Amounts for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt.

| Derivative | Notional quantity | | Expiry | Hedged item |
|---|---|---|---|---|
| Forward-starting interest rate swap | $ | 350,000 | July 2029 | $350,000 subordinated unsecured notes |
| Cross-currency interest rate swap | C$ | 400,000 | January 2032 | C$400,000 subordinated unsecured notes |
| Forward-starting interest rate swap | $ | 750,000 | April 2032 | $750,000 subordinated unsecured notes |
| Forward-starting interest rate swap | $ | 575,000 | June 2026 | First $575,000 of the expected $1,150,000 senior unsecured notes issuance |

**24. Financial instruments (continued)**

(b) Derivative instruments (continued)

(ii) Cash flow hedges (continued)

The following table summarizes OCI attributable to derivative financial instruments designated as a cash flow hedge:

| | 2023 | 2022 |
|---|---|---|
| Effective portion of cash flow hedge | **$ 57,351** | $ (128,838) |
| Amortization of cash flow hedge | **(6,173)** | (12,180) |
| Amounts reclassified from AOCI | **8,309** | 46,723 |
| OCI attributable to shareholders of AQN | **$ 59,487** | $ (94,295) |

The Company expects $25,895 of unrealized losses currently in AOCI to be reclassified, net of taxes into non-regulated energy sales, investment loss, interest expense and derivative gains, respectively, within the next 12 months, as the underlying hedged transactions settle.

(iii) Foreign exchange hedge of net investment in foreign operation

The functional currency of most of AQN's operations is the U.S. dollar. The Company designates obligations denominated in Canadian dollars as a hedge of the foreign currency exposure of its net investment in its Canadian investments and subsidiaries. The related foreign currency transaction gain or loss designated as, and effective as, a hedge of the net investment in a foreign operation is reported in the same manner as the translation adjustment (in OCI) related to the net investment. A foreign currency loss of$12,330 for the year ended December 31, 2023 (2022 - gain of $ 2,262) was recorded in OCI.

On May 23, 2019, the Company entered into a cross-currency swap, coterminous with the subordinated unsecured notes issued on such date, to effectively convert the $350,000 U.S. dollar-denominated offering into Canadian dollars. The change in the carrying amount of the notes due to changes in spot exchange rates is recognized each period in the consolidated statements of operations as gain (loss) on foreign exchange. The Company designated the entire notional amount of the cross-currency fixed-for-fixed interest rate swap as a hedge of the foreign currency exposure related to cash flows for the interest and principal repayments on the notes. Upon the change in functional currency of AQN to the U.S. dollar on January 1, 2020, this hedge was dedesignated. The OCI related to this hedge will be amortized into earnings in the period that future interest payments affect earnings over the remaining life of the original hedge. The Company redesignated this swap as a hedge of AQN's net investment in its Canadian subsidiaries.

The related foreign currency transaction gain or loss designated as a hedge of the net investment in a foreign operation is reported in the same manner as the translation adjustment (in OCI) related to the net investment. The fair value of the derivative on the redesignation date will be amortized over the remaining life of the original hedge. A foreign currency gain of $6,976 for the year ended December 31, 2023 (2022 - gain of $22,091) was recorded in OCI.

*Canadian operations*

The Company is exposed to currency fluctuations from its Canadian-based operations. AQN manages this risk primarily through the use of natural hedges by using Canadian long-term debt to finance its Canadian operations and a combination of foreign exchange forward contracts and spot purchases.

The Company’s Canadian operations are determined to have the Canadian dollar as their functional currency and are exposed to currency fluctuations from their U.S. dollar transactions. The Company designates obligations denominated in U.S. dollars as a hedge of the foreign currency exposure of its net investment in its U.S. investments and subsidiaries. The related foreign currency transaction gain or loss designated as, and effective as, a hedge of the net investment in a foreign operation is reported in the same manner as the translation adjustment (in OCI) related to the net investment. A foreign currency gain of $606 for the year ended December 31, 2023 (2022 - loss of $ 18,561) was recorded in OCI.

**24. Financial instruments (continued)**

(b) Derivative instruments (continued)

(iii) Foreign exchange hedge of net investment in foreign operation (continued)

*Canadian operations (continued)*

The Company is party to C$ 300,000 (2022 - C$300,000) fixed-for-fixed cross-currency swaps to effectively convert Canadian dollar debentures into U.S. dollars. In February 2022, the Company settled the cross-currency swap related to its C$200,000 (2021 - C$150,000) debenture that was repaid. The Company designated the entire notional amount of the cross-currency fixed-for-fixed interest rate swap and related short-term U.S. dollar payables created by the monthly accruals of the swap settlement as a hedge of the foreign currency exposure of its net investment in the Renewable Energy Group's U.S. operations. The gain or loss related to the fair value changes of the swap and the related foreign currency gains and losses on the U.S. dollar accruals that are designated as, and are effective as, a hedge of the net investment in a foreign operation are reported in the same manner as the translation adjustment (in OCI) related to the net investment. A gain of $5,959 for the year ended December 31, 2023 (2022 - loss of $11,082) was recorded in OCI.

On April 9, 2021, the Renewable Energy Group entered into a fixed-for-fixed cross-currency interest rate swap, coterm inous with the senior unsecured debentures issued on such date, to effectively convert the C$400,000 Canadian-dollar-denominated offering into U.S. dollars. The Renewable Energy Group designated the entire notional amount of the fixed-for-fixed cross-currency interest rate swap and related short-term U.S. dollar payables created by the monthly accruals of the swap settlement as a hedge of the foreign currency exposure of its net investment in the Renewable Energy Group's U.S. operations. The gain or loss related to the fair value changes of the swap and the related foreign currency gains and losses on the U.S. dollar accruals that are designated as, and are effective as, a hedge of the net investment in a foreign operation are reported in the same manner as the translation adjustment (in OCI) related to the net investment. A gain of $8,420 for the year ended December 31, 2023 (2022 - loss of $13,374) was recorded in OCI.

*Chilean operations*

The Company is exposed to currency fluctuations from its Chilean-based operations. The Company's Chilean operations are determined to have the Chilean peso as their functional currency. Chilean long-term debt used to finance the operations is denominated in Chilean Unidad de Fomento.

(iv) Other derivatives and risk management

In the normal course of business, the Company is exposed to financial risks that potentially impact its operating results. The Company employs risk management strategies with a view to mitigating these risks to the extent possible on a cost-effective basis. Derivative financial instruments are used to manage certain exposures to fluctuations in exchange rates, interest rates and commodity prices. The Company does not enter into derivative financial agreements for speculative purposes. For derivatives that are not designated as hedges, the changes in the fair value are immediately recognized in earnings (loss).

The Company was party to an interest rate cap agreement in the amount of $ 390,000 for the period between January 15, 2023 and January 15, 2024. On September 29, 2023, the Company entered into a new interest rate cap agreement in the amount of $390,000 million for the period between January 15, 2024 and June 17, 2024.

The Company was party to interest rate swaps with a notional quantity of C$ 489,506 to mitigate the interest rate risk related to debt at its Blue Hill Wind Facility. The contract was novated upon the sale of the Blue Hill Wind Facility in 2022. A recognized loss of C$9,732 on the derivative was recorded as a reduction of the gain on sale of renewable assets on the audited consolidated statements of operations.

The Company mitigates the volatility of energy congestion charges at the ERCOT transmission grid by entering into CRRs, which as of December 31, 2023 had notional quantity of 5,486,961 MW-hours at prices ranging from $ 0.55 per MW-hr to $ 24.88 per MW-hr with a weighted average of $5.16 per MW-hr for January 2024 to June 2026. These CRRs are not designated as an accounting hedge.

**24. Financial instruments (continued)**

(b) Derivative instruments (continued)

(iv) Other derivatives and risk management (continued)

The Company mitigates the price risk on the expected future sale of power generation of one of its solar facilities through a long-term energy derivative contract with a notional quantity of 516,202 MW-hours, a price of $25.15 per MW-hr and expiring in August 2030 as an economic hedge to the price of energy sales. The derivative contract is not designated as an accounting hedge.

The effects on the consolidated statements of operations of derivative financial instruments not designated as hedges consist of the following:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Unrealized gain (loss) on derivative financial instruments: | | | | |
| Energy derivative contracts | **$** | **(372)** | $ | (945) |
| Commodity contracts | | **411** | | 185 |
| Total unrealized gain (loss) on derivative financial instruments | **$** | **39** | $ | (760) |
| Realized gain (loss) on derivative financial instruments: | | | | |
| Energy derivative contracts | **$** | **(4,896)** | $ | 6,939 |
| Interest rate swaps | | **—** | | (7,185) |
| Total realized loss on derivative financial instruments | **$** | **(4,896)** | $ | (246) |
| Loss on derivative financial instruments not accounted for as hedges | | **(4,857)** | | (1,006) |
| Amortization of AOCI gains frozen as a result of hedge dedesignation | | **3,989** | | 3,465 |
| | **$** | **(868)** | $ | 2,459 |
| Consolidated statements of operations classification: | | | | |
| Gain on derivative financial instruments | **$** | **4,564** | $ | 4,408 |
| Renewable energy sales | | **(5,432)** | | 5,236 |
| Reduction to gain on sale of renewable assets | | **—** | | (7,185) |
| | **$** | **(868)** | $ | 2,459 |

(c) Supplier financing programs

In the normal course of business, the Company enters into supplier financing programs under which the suppliers can voluntarily elect to sell their receivables. The Company agrees to pay, on the invoice maturity date, the stated amount of the invoices that the Company has confirmed through the execution of bills of exchange. The terms of the trade payable arrangement are consistent with customary industry practice and are not impacted by the supplier's decision to sell amounts under these arrangements.

The roll forwards of the Company's outstanding obligations confirmed as valid under its supplier finance programs for years ended December 31, 2023 and 2022, are as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Confirmed obligations outstanding at the beginning of the year | **$** | **16,785** | $ | 49,910 |
| Invoices confirmed during the year | | **90,780** | | 16,785 |
| Confirmed invoices paid during the year | | **(45,392)** | | (49,910) |
| Confirmed obligations outstanding at the end of the year | **$** | **62,173** | $ | 16,785 |

**24. Financial instruments (continued)**

(d) Risk management

In addition to the risk management strategies described above, the Company manages exposure to risks arising from financial instruments, including credit risk and liquidity risk.

*Credit risk*

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, accounts receivable, notes receivable and derivative instruments. The Company limits its exposure to credit risk with respect to cash equivalents by ensuring available cash is deposited with its senior lenders, all of which have a credit rating of A or better. The Company does not consider the risk associated with the accounts receivable to be significant as the majority of revenue from power generation is earned from large utility customers having a credit rating of Baa2 or better by Moody's, or BBB or higher by S&P, or BBB or higher by DBRS. Revenue is generally invoiced and collected within 45 days.

The remaining revenue is primarily earned by the Regulated Services Group, which consists of electric, water distribution and wastewater, and natural gas utilities in the United States, Canada, Bermuda and Chile. In this regard, the credit risk related to Regulated Services Group accounts receivable balances of $364,084 is spread over hundreds of thousands of customers. The Company has processes in place to monitor and evaluate this risk on an ongoing basis including background credit checks and security deposits from new customers. In addition, most of the Regulators of the Regulated Services Group allow for a reasonable bad debt expense to be incorporated in the rates and therefore recovered from rate payers.

As of December 31, 2023, the Company's maximum exposure to credit risk for these financial instruments is as follows:

| | | 2023 |
|---|---|---|
| Cash and cash equivalents and restricted cash | **$** | **76,145** |
| Accounts receivable | | **554,438** |
| Allowance for doubtful accounts | | **(30,244)** |
| Notes receivable | | **158,836** |
| | **$** | **759,175** |

In addition, the Company monitors the creditworthiness of the counterparties to its foreign exchange, interest rate, and energy derivative contracts and assesses each counterparty's ability to perform on the transactions set forth in the contracts. The counterparties consist primarily of financial institutions. This concentration of counterparties may impact the Company's overall exposure to credit risk, either positively or negatively, in that the counties may be similarly affected by changes in economic, regulatory or other conditions.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to take steps to ensure, to the extent possible, that it will have sufficient liquidity to meet liabilities when due. As of December 31, 2023, in addition to cash on hand of $56,147, the Company has $ 945,853 available to be drawn on its revolving and term credit facilities. Each of the Company's revolving credit facilities contain covenants that may limit amounts available to be drawn.

**24. Financial instruments (continued)**

(d) Risk management (continued)

*Liquidity risk (continued)*

The Company's liabilities mature as follows:

| | Due less than 1 year | Due 2 to 3 years | Due 4 to 5 years | Due after 5 years | Total |
|---|---|---|---|---|---|
| Long-term debt obligations | $ 621,856 | $ 1,333,772 | $ 2,099,968 | $ 4,481,961 | $ 8,537,557 |
| Interest on long-term debt | 391,493 | 602,761 | 419,950 | 3,496,032 | 4,910,236 |
| Purchase obligations | 767,287 | — | — | — | 767,287 |
| Environmental obligation | 3,136 | 22,577 | 1,820 | 18,654 | 46,187 |
| Advances in aid of construction | 3,640 | — | — | 84,495 | 88,135 |
| Derivative financial instruments: | | | | | |
| Cross-currency swap | 2,419 | 4,243 | 144 | 9,623 | 16,429 |
| Interest rate forwards | 11,790 | — | — | — | 11,790 |
| Energy derivative and commodity contracts | 14,276 | 29,273 | 20,550 | 12,127 | 76,226 |
| Contract adjustment payments on Green Equity Units | 39,590 | — | — | — | 39,590 |
| Other obligations | 27,796 | 2,901 | 2,304 | 247,480 | 280,481 |
| Total obligations | $ 1,883,283 | $ 1,995,527 | $ 2,544,736 | $ 8,350,372 | $ 14,773,918 |

**25. Comparative figures**

Certain of the comparative figures have been reclassified to conform to the consolidated financial statement presentation adopted in the current year.

# Management Discussion & Analysis

Management of Algonquin Power & Utilities Corp. ("AQN", "Company" or the "Corporation") has prepared the following discussion and analysis to provide information to assist its securityholders' understanding of the financial results for the three and twelve months ended December 31, 2023. This Management Discussion & Analysis ("MD&A") should be read in conjunction with AQN's annual consolidated financial statements for the years ended December 31, 2023 and 2022. This material is available on SEDAR+ at www.sedarplus.com, on EDGAR at www.sec.gov/edgar, and on the AQN website at www.AlgonquinPowerandUtilities.com. Additional information about AQN, including the most recent Annual Information Form ("AIF"), can be found on SEDAR+ at www.sedarplus.com and on EDGAR at www.sec.gov/edgar.

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## Explanatory Notes

Unless otherwise indicated, financial information provided for the years ended December 31, 2023 and 2022 has been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”). As a result, the Company's financial information may not be comparable with financial information of other Canadian companies that provide financial information on another basis.

All monetary amounts are in U.S. dollars, except where otherwise noted. We denote any amounts denominated in Canadian dollars with "C$" immediately prior to the stated amount. Certain amounts in this MD&A may not total due to rounding.

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

The term “rate base” is used in this document. Rate base is a measure specific to rate-regulated utilities that is not intended to represent any financial measure as defined by U.S. GAAP. The measure is used by the regulatory authorities in the jurisdictions where the Company’s rate-regulated subsidiaries operate. The calculation of this measure may not be comparable to similarly-titled measures used by other companies.

Unless noted otherwise, this MD&A is based on information available to management as of March 8, 2024.

## Caution Concerning Forward-Looking Statements and Forward-Looking Information

This document may contain statements that constitute "forward-looking information" within the meaning of applicable securities laws in each of the provinces and territories of Canada and the respective policies, regulations and rules under such laws or "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 (collectively, “forward-looking information”). The words "aims", “anticipates”, “believes”, “budget”, “could”, “estimates”, “expects”, “forecasts”, “intends”, “may”, “might”, “plans”, “projects”, “schedule”, “should”, “will”, “would”, "seeks", "strives", "targets" (and grammatical variations of such terms) and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. Specific forward-looking information in this document includes, but is not limited to, statements relating to: expected future growth, earnings and results of operations; the sale of the Corporation's renewable energy business and the anticipated impact thereof on the Corporation; liquidity, capital resources and operational requirements; sources of funding, including adequacy and availability of credit facilities, cash flows from operations, capital markets financing, and asset recycling or asset sales initiatives; ongoing and planned acquisitions, dispositions, projects, initiatives or other transactions, including expectations regarding timing, costs, proceeds, financing, results, ownership structures, regulatory matters, in-service dates and completion dates; financing plans; expectations regarding future macroeconomic conditions; expectations regarding the Company's corporate development activities and the results thereof; expectations regarding regulatory hearings, motions, filings, appeals and approvals, including rate reviews, and the timing, impacts and outcomes thereof; expectations regarding the exercise of the Company's purchase option in respect of the remaining 50% interests in the Sandy Ridge II and Shady Oaks II Wind Facilities; expectations regarding the redemption of outstanding notes; expected future generation, capacity and production of the Company’s energy facilities; expectations regarding future capital investments, including expected timing, investment plans, sources of funds and impacts; capital management plans and objectives; expectations regarding the outcome of legal claims and disputes; strategy and goals; dividends to shareholders, including expectations regarding the sustainability thereof and the Company's ability to achieve its targeted annual dividend payout ratio; expectations regarding future "greening the fleet" initiatives; credit ratings and equity credit from rating agencies, including expectations regarding the resolution of rating watches related to the intended sale of the Corporation’s renewable energy business; expectations regarding debt repayment and refinancing; the future impact on the Company of actual or proposed laws, regulations and rules; the expected impact of changes in customer usage on the Regulated Services Group’s revenue; accounting estimates; interest rates, including the anticipated effect of an increase thereof; the implementation of new technology systems and infrastructure, including the expected timing thereof; financing costs; and currency exchange rates. All forward-looking information is given pursuant to the “safe harbour” provisions of applicable securities legislation.

The forecasts and projections that make up the forward-looking information contained herein are based on certain factors or assumptions which include, but are not limited to: the receipt of applicable regulatory approvals and requested rate decisions; the absence of material adverse regulatory decisions being received and the expectation of regulatory stability; the absence of any material equipment breakdown or failure; availability of financing (including tax equity financing and self-monetization transactions for U.S. federal tax credits) on commercially reasonable terms; the stability of credit ratings of the Corporation and its subsidiaries; the absence of unexpected material liabilities or uninsured losses; the continued availability of commodity supplies and stability of commodity prices; the absence of interest rate increases or significant currency exchange rate fluctuations; the absence of significant operational, financial or supply chain disruptions or liability, including relating to import controls and tariffs; the continued ability to maintain systems and facilities to ensure their continued performance; the absence of a severe and prolonged downturn in general economic, credit, social or market conditions; the successful and timely development and construction of new projects; the closing of pending acquisitions substantially in accordance with the expected timing for such acquisitions; the absence of capital project or financing cost overruns; sufficient liquidity and capital resources; the continuation of long-term weather patterns and trends; the absence of significant counterparty defaults; the continued competitiveness of electricity pricing when compared with alternative sources of energy; the realization of the anticipated benefits of the Corporation’s acquisitions and joint ventures; the absence of a change in applicable laws, political conditions, public policies and directions by governments materially negatively affecting the Corporation; the ability to obtain and maintain licenses and permits; maintenance of adequate insurance coverage; the absence of material fluctuations in market energy prices; the absence of material disputes with taxation authorities or changes to applicable tax laws; continued maintenance of information technology infrastructure and the absence of a material breach of cybersecurity; the successful implementation of new information technology systems and infrastructure; favourable relations with external stakeholders; favourable labour relations; that the Corporation will be able to successfully integrate newly acquired entities, and the absence of any material adverse changes to such entities prior to closing; the absence of undisclosed liabilities of entities being acquired; that such entities will maintain constructive regulatory relationships with applicable regulatory authorities; the ability of the Corporation to retain key personnel of acquired entities and the value of such employees; no adverse developments in the business and affairs of the sellers during the period when transitional services are provided to the Corporation in connection with any acquisition; the ability of the Corporation to satisfy its liabilities and meet its debt service obligations following completion of any acquisition; and the ability of the Corporation to successfully execute future “greening the fleet” initiatives; and the ability of the Corporation to effect a sale of its renewable energy business and realize the anticipated benefits therefrom.

The forward-looking information contained herein is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. Factors which could cause results or events to differ materially from current expectations include, but are not limited to: changes in general economic, credit, social or market conditions; changes in customer energy usage patterns and energy demand; reductions in the liquidity of energy markets; global climate change; the incurrence of environmental liabilities; natural disasters, diseases, pandemics, public health emergencies and other force majeure events and the collateral consequences thereof, including the disruption of economic activity, volatility in capital and credit markets and legislative and regulatory responses; critical equipment breakdown or failure; supply chain disruptions; the imposition of import controls or tariffs; the failure of information technology infrastructure and other cybersecurity measures to protect against data, privacy and cybersecurity breaches; failure to successfully implement, and cost overruns and delays in connection with, new information technology systems and infrastructure; physical security breach; the loss of key personnel and/or labour disruptions; seasonal fluctuations and variability in weather conditions and natural resource availability; reductions in demand for electricity, natural gas and water due to developments in technology; reliance on transmission systems owned and operated by third parties; issues arising with respect to land use rights and access to the Corporation's facilities; terrorist attacks; fluctuations in commodity and energy prices; capital expenditures; reliance on subsidiaries; the incurrence of an uninsured loss; a credit rating downgrade; an increase in financing costs or limits on access to credit and capital markets; inflation; increases and fluctuations in interest rates and failure to manage exposure to credit and financial instrument risk; currency exchange rate fluctuations; restricted financial flexibility due to covenants in existing credit agreements; an inability to refinance maturing debt on favourable terms; disputes with taxation authorities or changes to applicable tax laws; failure to identify, acquire, develop or timely place in service projects to maximize the value of tax credits; requirement for greater than expected contributions to post-employment benefit plans; default by a counterparty; inaccurate assumptions, judgments and/or estimates with respect to asset retirement obligations; failure to maintain required regulatory authorizations; changes in, or failure to comply with, applicable laws and regulations; failure of compliance programs; failure to identify attractive acquisition or development candidates necessary to pursue the Corporation's growth strategy; failure to dispose of assets (at all or at a competitive price) to fund the Company's operations and growth plans; delays and cost overruns in the design and construction of projects; loss of key customers; failure to complete or realize the anticipated benefits of acquisitions or joint ventures; Atlantica (as defined herein) or a third party joint venture partner acting in a manner contrary to the Corporation's interests; a drop in the market value of Atlantica's ordinary shares; facilities being condemned or otherwise taken by governmental entities; increased external stakeholder activism adverse to the Corporation's interests; fluctuations in the price and liquidity of the Corporation's common shares and the Corporation's other securities; impact of significant demands placed on the Corporation as a result of pending acquisitions or growth strategies; potential undisclosed liabilities of any entities being acquired by the Corporation; uncertainty regarding the length of time required to complete pending acquisitions; the failure to implement the Corporation's strategic objectives or achieve expected benefits relating to acquisitions, dispositions or other initiatives, including with respect to the intended sale of the Corporation's renewable energy business; the possibility of adverse reactions or changes in business relationships or relationships with employees resulting from the announcement or completion of the intended sale of the Corporation's renewable energy business; risks relating to the diversion of the Board's (as defined herein) or management's attention in connection with the intended sale of the Corporation's renewable energy business; indebtedness of any entity being acquired by the Corporation; unanticipated expenses and/or cash payments as a result of change of control and/or termination provisions in purchase or sale agreements; and the reliance on third parties for certain transitional services following the completion of an acquisition. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Some of these and other factors are discussed in more detail under the heading Enterprise Risk Management in this MD&A and under the heading Enterprise Risk Factors in the Corporation's most recent AIF.

Forward-looking information contained herein (including any financial outlook) is provided for the purposes of assisting the reader in understanding the Corporation and its business, operations, risks, financial performance, financial position and cash flows as at and for the periods indicated and to present information about management's current expectations and plans relating to the future, and the reader is cautioned that such information may not be appropriate for other purposes. Forward-looking information contained herein is made as of the date of this document and based on the plans, beliefs, estimates, projections, expectations, opinions and assumptions of management on the date hereof. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information. While subsequent events and developments may cause the Corporation's views to change, the Corporation disclaims any obligation to update any forward-looking information or to explain any material difference between subsequent actual events and such forward-looking information, except to the extent required by applicable law. All forward-looking information contained herein is qualified by these cautionary statements.

## Caution Concerning Non-GAAP Measures

AQN uses a number of financial measures to assess the performance of its business lines. Some measures are calculated in accordance with U.S. GAAP, while other measures do not have a standardized meaning under U.S. GAAP. These non-GAAP measures include non-GAAP financial measures and non-GAAP ratios, each as defined in Canadian National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure*. AQN's method of calculating these measures may differ from methods used by other companies and therefore may not be comparable to similar measures presented by other companies.

The terms "Adjusted Net Earnings", "Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization" ("Adjusted EBITDA"), "Adjusted Funds from Operations", "Net Energy Sales", "Net Utility Sales" and "Divisional Operating Profit", which are used throughout this MD&A, are non-GAAP financial measures. An explanation of each of these non-GAAP financial measures is set out below and a reconciliation to the most directly comparable U.S. GAAP measure, in each case, can be found in this MD&A. In addition, "Adjusted Net Earnings" is presented throughout this MD&A on a per common share basis. Adjusted Net Earnings per common share is a non-GAAP ratio and is calculated by dividing Adjusted Net Earnings by the weighted average number of common shares outstanding during the applicable period.

AQN does not provide reconciliations for forward-looking non-GAAP financial measures as AQN is unable to provide a meaningful or accurate calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing or amount of various events that have not yet occurred, are out of AQN's control and/or cannot be reasonably predicted, and that would impact the most directly comparable forward-looking U.S. GAAP financial measure. For these same reasons, AQN is unable to address the probable significance of the unavailable information. Forward-looking non-GAAP financial measures may vary materially from the corresponding U.S. GAAP financial measures.

The compositions of Adjusted EBITDA, Adjusted Net Earnings, Adjusted Funds from Operations, and Divisional Operating Profit have been changed from those previously disclosed in AQN's MD&A for the three and twelve months ended December 31, 2022 to exclude gains and losses on disposition of assets. This change was made as gains and losses on disposition of assets are no longer used by management to evaluate the operating performance of the Company. Comparative figures for these metrics have been adjusted for the new compositions.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure used by many investors to compare companies on the basis of ability to generate cash from operations. AQN uses these calculations to monitor the amount of cash generated by AQN. AQN uses Adjusted EBITDA to assess the operating performance of AQN without the effects of (as applicable): depreciation and amortization expense, income tax expense or recoveries, acquisition and transition costs (including costs related to the 2023 strategic review of the Company's renewable energy business), certain litigation expenses, interest expense, gain or loss on derivative financial instruments, write down of intangibles and property, plant and equipment, earnings attributable to non-controlling interests exclusive of Hypothetical Liquidation at Book Value ("HLBV") income (which represents the value of net tax attributes earned in the period from electricity generated by certain of its U.S. wind power and U.S. solar generation facilities), non-service pension and post-employment costs, cost related to tax equity financing, costs related to management succession and executive retirement, costs related to prior period adjustments due to changes in tax law, costs related to condemnation proceedings, gain or loss on foreign exchange, earnings or loss from discontinued operations, changes in value of investments carried at fair value, gains and losses on disposition of assets, and other typically non-recurring or unusual items. AQN adjusts for these factors as they may be non-cash, unusual in nature and are not factors used by management for evaluating the operating performance of the Company. AQN believes that presentation of this measure will enhance an investor's understanding of AQN's operating performance. Adjusted EBITDA is not intended to be representative of cash provided by operating activities or results of operations determined in accordance with U.S. GAAP, and can be impacted positively or negatively by these items. For a reconciliation of Adjusted EBITDA to net earnings, see *Non-GAAP Financial Measures* starting on page 38 of this MD&A.

Adjusted Net Earnings

Adjusted Net Earnings is a non-GAAP financial measure used by many investors to compare net earnings from operations without the effects of certain volatile primarily non-cash items that generally have no current economic impact or items such as acquisition expenses or certain litigation expenses that are viewed as not directly related to a company's operating performance. AQN uses Adjusted Net Earnings to assess its performance without the effects of (as applicable): gains or losses on foreign exchange, foreign exchange forward contracts, interest rate swaps, acquisition and transition costs (including costs related to the 2023 strategic review of the Company's renewable energy business), one-time costs of arranging tax equity financing, certain litigation expenses and write down of intangibles and property, plant and equipment, earnings or loss from discontinued operations, unrealized mark-to-market revaluation impacts, costs related to management succession and executive retirement, costs related to prior period adjustments due to changes in tax law, costs related to condemnation proceedings, changes in value of investments carried at fair value, gains and losses on disposition of assets, and other typically non-recurring or unusual items as these are not reflective of the performance of the underlying business

of AQN. AQN believes that analysis and presentation of net earnings or loss on this basis will enhance an investor's understanding of the operating performance of its businesses. Adjusted Net Earnings is not intended to be representative of net earnings or loss determined in accordance with U.S. GAAP, and can be impacted positively or negatively by these items. For a reconciliation of Adjusted Net Earnings to net earnings, see *Non-GAAP Financial Measures* starting on page 39 of this MD&A.

Adjusted Funds from Operations

Adjusted Funds from Operations is a non-GAAP financial measure used by investors to compare cash provided by operating activities without the effects of certain volatile items that generally have no current economic impact or items such as acquisition expenses that are viewed as not directly related to a company's operating performance. AQN uses Adjusted Funds from Operations to assess its performance without the effects of (as applicable): changes in working capital balances, acquisition and transition costs, certain litigation expenses, cash provided by or used in discontinued operations, cash provided by disposition of assets and other typically non-recurring items affecting cash from operations as these are not reflective of the long-term performance of the underlying businesses of AQN. AQN believes that analysis and presentation of funds from operations on this basis will enhance an investor's understanding of the operating performance of its businesses. Adjusted Funds from Operations is not intended to be representative of cash provided by operating activities as determined in accordance with U.S. GAAP, and can be impacted positively or negatively by these items. For a reconciliation of Adjusted Funds from Operations to cash provided by operating activities, see *Non-GAAP Financial Measures* starting on page 40 of this MD&A.

Net Energy Sales

Net Energy Sales is a non-GAAP financial measure used by investors to identify revenue after commodity costs used to generate revenue where such revenue generally increases or decreases in response to increases or decreases in the cost of the commodity used to produce that revenue. AQN uses Net Energy Sales to assess its revenues without the effects of fluctuating commodity costs as such costs are predominantly passed through either directly or indirectly in the rates that are charged to customers. AQN believes that analysis and presentation of Net Energy Sales on this basis will enhance an investor's understanding of the revenue generation of the Renewable Energy Group. It is not intended to be representative of revenue as determined in accordance with U.S. GAAP. For a reconciliation of Net Energy Sales to revenue, see *Renewable Energy Group - 2023 Renewable Energy Group Operating Results* on page 33 of this MD&A.

Net Utility Sales

Net Utility Sales is a non-GAAP financial measure used by investors to identify utility revenue after commodity costs, either water, natural gas or electricity, where these commodity costs are generally included as a pass through in rates to its utility customers. AQN uses Net Utility Sales to assess its utility revenues without the effects of fluctuating commodity costs as such costs are predominantly passed through and paid for by utility customers. AQN believes that analysis and presentation of Net Utility Sales on this basis will enhance an investor's understanding of the revenue generation of the Regulated Services Group. It is not intended to be representative of revenue as determined in accordance with U.S. GAAP. For a reconciliation of Net Utility Sales to revenue, see *Regulated Services Group - 2023 Regulated Services Group Operating Results* on page 23 of this MD&A.

Divisional Operating Profit

Divisional Operating Profit is a non-GAAP financial measure. AQN uses Divisional Operating Profit to assess the operating performance of its business groups without the effects of (as applicable): depreciation and amortization expense, corporate administrative expenses, income tax expense or recoveries, acquisition costs, certain litigation expenses, interest expense, gain or loss on derivative financial instruments, write down of intangibles and property, plant and equipment, gain or loss on foreign exchange, earnings or loss from discontinued operations (excluding the sale of assets in the course of normal operations), non-service pension and post-employment costs, gains and losses on disposition of assets, and other typically non-recurring or unusual items. AQN adjusts for these factors as they may be non-cash, unusual in nature and are not factors used by management for evaluating the operating performance of the divisional units. Divisional Operating Profit is calculated inclusive of interest, dividend and equity income earned from indirect investments, and HLBV income. AQN believes that presentation of this measure will enhance an investor's understanding of AQN's divisional operating performance. Divisional Operating Profit is not intended to be representative of cash provided by operating activities or results of operations determined in accordance with U.S. GAAP, and can be impacted positively or negatively by these items. For a reconciliation of Divisional Operating Profit to revenue for AQN's main business units, see *Regulated Services Group - 2023 Regulated Services Group Operating Results* on page 23 and *Renewable Energy Group - 2023 Renewable Energy Group Operating Results* on page 33 of this MD&A.

## Overview and Business Strategy

AQN is incorporated under the *Canada Business Corporations Act*. AQN owns and operates a diversified portfolio of regulated and non-regulated generation, distribution, and transmission assets. Through its activities, the Company aims to drive growth in earnings and cash flows to support a sustainable dividend and share price appreciation. AQN strives to achieve these results while also seeking to maintain a business risk profile consistent with its BBB flat investment grade credit ratings and a strong focus on Environmental, Social and Governance factors.

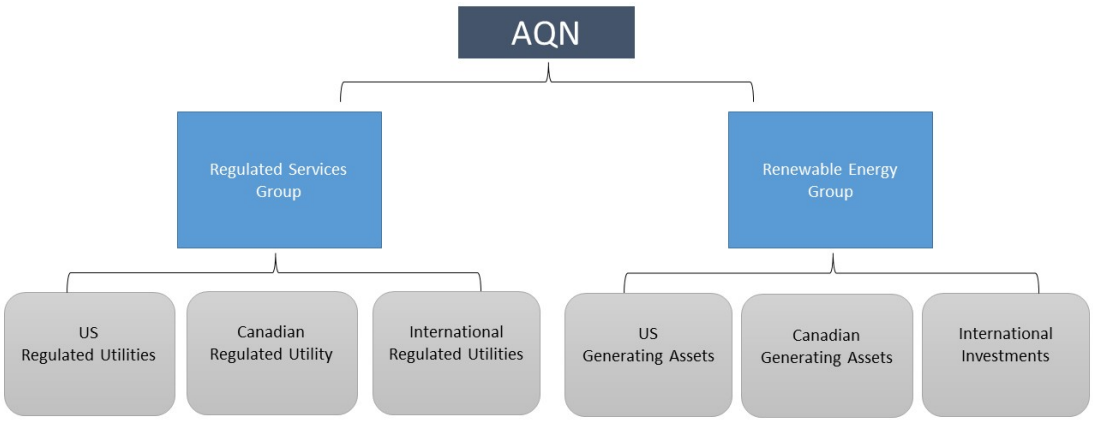
AQN's current quarterly dividend to shareholders is $0.1085 per common share, or $0.4340 per common share on an annualized basis. AQN believes that, on a long-term basis, its targeted annual dividend payout will allow for both a return on investment for shareholders and retention of cash within AQN to partially fund growth opportunities. Changes in the level of dividends paid by AQN are at the discretion of AQN's Board of Directors (the "Board"), with dividend levels being reviewed periodically by the Board in the context of AQN's financial performance and growth prospects.

AQN's operations are organized across two primary business units consisting of: the Regulated Services Group, which primarily owns and operates a portfolio of regulated electric, water distribution and wastewater collection and natural gas utility systems and transmission operations in the United States, Canada, Bermuda and Chile; and the Renewable Energy Group, which primarily owns and operates, or has investments in, a diversified portfolio of non-regulated renewable and thermal energy generation assets.

The Company is pursuing a sale of its renewable energy business. Due to the uncertainty regarding whether, when and on what terms such a sale may be consummated, the Company is not providing 2024 Adjusted Net Earnings per Common Share guidance (see *Caution Concerning Non-GAAP Measures*).

### Summary Structure of the Business

The following chart depicts, in summary form, AQN's key businesses. A more detailed description of AQN's organizational structure can be found in the most recent AIF.



## Regulated Services Group

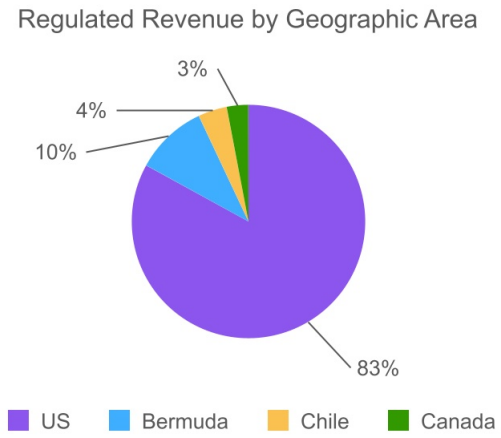
The Regulated Services Group primarily operates a diversified portfolio of regulated utility systems located in the United States, Canada, Bermuda and Chile serving approximately 1,256,000 customer connections as at December 31, 2023 (using an average of 2.5 customers per connection, this translates into approximately 3,140,000 customers). The Regulated Services Group seeks to provide safe, high quality, and reliable services to its customers and to deliver stable and predictable earnings to AQN. In addition to encouraging and supporting organic growth within its service territories, the Regulated Services Group may seek to deliver long-term growth through acquisitions of additional utility systems and pursuing “greening the fleet” opportunities.

The Regulated Services Group's regulated electrical distribution utility systems and related generation assets are located in the U.S. states of Arkansas, California, Kansas, Missouri, Nevada, New Hampshire and Oklahoma, as well as in Bermuda, which together served approximately 309,000 electric customer connections as at December 31, 2023. The group also owns and operates generating assets with a gross capacity of approximately 2.0 GW and has investments in generating assets with approximately 0.3 GW of net generation capacity.

The Regulated Services Group's regulated water distribution and wastewater collection utility systems are located in the U.S. States of Arizona, Arkansas, California, Illinois, Missouri, New York, and Texas as well as in Chile which together served approximately 572,000 customer connections as at December 31, 2023.

The Regulated Services Group's regulated natural gas distribution utility systems are located in the U.S. States of Georgia, Illinois, Iowa, Massachusetts, New Hampshire, Missouri, and New York, and in the Canadian Province of New Brunswick, which together served approximately 375,000 natural gas customer connections as at December 31, 2023.

Below is a breakdown of the Regulated Services Group’s Revenue by geographic area for the twelve months ended December 31, 2023.



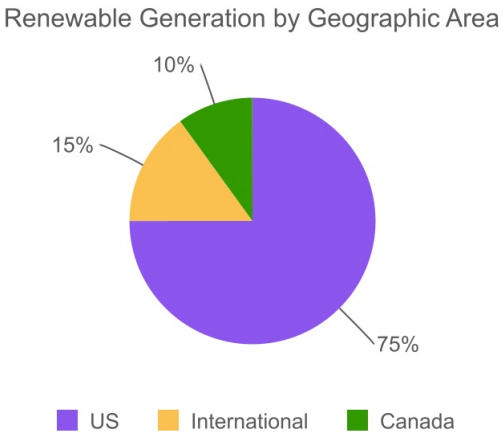
## Renewable Energy Group

The Renewable Energy Group generates and sells electrical energy produced by its diverse portfolio of renewable power generation and clean power generation facilities located in the United States and Canada. The Renewable Energy Group seeks to deliver growth through new power generation projects and complementary projects, such as energy storage.

The Renewable Energy Group has economic interests in hydroelectric, wind, solar, renewable natural gas ("RNG") and thermal facilities which, as of December 31, 2023, had a combined net generating capacity attributable to the Renewable Energy Group of approximately 2.7 GW. Approximately 84% of the electrical output is sold pursuant to long-term contractual arrangements which as of December 31, 2023 had a production-weighted average remaining contract life of approximately 10 years.

In addition, the Renewable Energy Group has an approximately 42% indirect beneficial interest in Atlantica Sustainable Infrastructure plc ("Atlantica"). Atlantica owns and operates a portfolio of international clean energy and water infrastructure assets under long-term contracts with a Cash Available for Distribution weighted average remaining contract life of approximately 13 years as of December 31, 2023.

Below is a breakdown of the net generating capacity attributable to the Renewable Energy Group as of December 31, 2023, including the Company's approximately 42% interest in Atlantica.



## Significant Updates

### Operating Results

AQN's operating results relative to the same period last year are as follows:

| (all dollar amounts in $ millions except per share information) | Three months ended December 31 | | | Twelve months ended December 31 | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Net earnings (loss) attributable to shareholders | **$186.3** | $(74.4) | **350%** | **$28.7** | $(212.0) | **114%** |
| Adjusted Net Earnings[1,2] | **$115.5** | $97.6 | **18%** | **$372.0** | $420.3 | **(11)%** |
| Adjusted EBITDA[1,3] | **$334.3** | $295.5 | **13%** | **$1,235.4** | $1,192.8 | **4%** |
| Net earnings (loss) per common share | **$0.27** | $(0.11) | **345%** | **$0.03** | $(0.33) | **109%** |
| Adjusted Net Earnings per common share[1,2] | **$0.16** | $0.14 | **14%** | **$0.53** | $0.61 | **(13)%** |

1 See *Caution Concerning Non-GAAP Measures*.

2 Excludes gain on sale of renewable assets of $53.4 million and $54.6 million including tax adjustments, respectively, for the three and twelve months ended December 31, 2022.

3 Excludes gain on sale of renewable assets of $62.8 million and $64.0 million, respectively, for the three and twelve months ended December 31, 2022.

### Termination of Acquisition of Kentucky Power Company and AEP Kentucky Transmission Company, Inc.

On April 17, 2023, Liberty Utilities Co. (“Liberty Utilities”), an indirect subsidiary of AQN, mutually agreed with American Electric Power Company, Inc. and AEP Transmission Company, LLC to terminate the stock purchase agreement regarding the acquisition of Kentucky Power Company and AEP Kentucky Transmission Company, Inc. (the “Kentucky Power Transaction Termination”).

### Proposed Sale of Renewable Energy Business

On May 11, 2023, the Company announced that the Board had initiated a strategic review of its renewable energy business (the“Strategic Review”). To oversee the strategic review process, the Board formed a Strategic Review Committee, comprised of directors Chris Huskilson (Chair), Amee Chande and Dan Goldberg. On August 10, 2023, the Company announced that it is pursuing a sale of its renewable energy business.

### Business Simplification

Aligned with the Company’s previously stated goal to simplify its business, on January 4, 2024, the Company purchased the 50% interest previously owned by Ares (as defined herein) in Liberty Development Energy Solutions B.V. and Liberty Development JV Inc. (collectively “the Joint Ventures”), which the Company used as its non-regulated development platform. As a result, the Company recorded a non-cash loss in 2023 of $18.9 million on development loans to the Joint Ventures for expenditures which would have been eligible for capitalization as development fees under the previous structure. The redeemable non-controlling interest of $306.5 million held by the Joint Ventures was reclassified to long-term debt in 2024.

Additionally, on January 26, 2024, the Company began to wind down its international non-regulated development activities and sold its interest in three development solar assets in Spain to Atlantica (as defined herein) for a nominal amount and recorded a write-down of $1.5 million.

### Completion of renewable projects:

#### Deerfield II Wind Facility

On March 23, 2023, the Renewable Energy Group achieved full commercial operations (“COD”) at its approximately 112 MW Deerfield II Wind Facility, located in Huron County, Michigan. The Deerfield II Wind Facility has agreed to sell all of its output to Siculus, Inc., a subsidiary of Meta, pursuant to a renewable energy purchase agreement. On June 15, 2023, the Company completed the purchase of the remaining 50% equity interest in the Deerfield II Wind Facility which it did not previously own.

#### Sandy Ridge II Wind Facility

On September 16, 2023, the Renewable Energy Group achieved COD at the approximately 88 MW Sandy Ridge II Wind Facility, located in both Center County and Blair County, Pennsylvania. The Sandy Ridge II Wind Facility has agreed to sell output to a leading technology company pursuant to a renewable energy purchase agreement. On February 15, 2024, the Company completed the purchase of the remaining 50% equity interest in the Sandy Ridge II Wind Facility which it did not previously own.

**Shady Oaks II Wind Facility**

On October 10, 2023, the Renewable Energy Group achieved COD at the approximately 108 MW Shady Oaks II Wind Facility, located in Illinois. The Shady Oaks II Wind Facility has agreed to sell output to a leading financial institution pursuant to a renewable energy purchase agreement. The Company holds a 50% equity interest in the facility which is accounted for using the equity method of accounting and holds a purchase option on the remaining 50% equity interest.

**New Market Solar Facility**

On March 1, 2024, the Renewable Energy Group achieved COD at the approximately 100 MW New Market Solar Facility, located in Ohio. The New Market Solar Facility has agreed to sell output to the City of Cincinnati and a leading electric service provider pursuant to renewable energy purchase agreements. The Company holds a 50% equity interest in the facility which is accounted for using the equity method of accounting and holds a purchase option on the remaining 50% equity interest.

### California Rate Cases

During March and April 2023, the Regulated Services Group received final rate case orders at its Apple Valley Water, Park Water and CalPeco Electric systems, with aggregate annual revenue increases of $29.6 million, including approximately $9.7 million due to increases in rate base. A one-time net earnings benefit of approximately $3.7 million from the retroactive impact of the orders was recorded in the first quarter of 2023, with a further $11.4 million in the second quarter of 2023.

### Issuance of approximately $850 million of Senior Unsecured Notes

On January 12, 2024, Liberty Utilities completed an offering of $500 million aggregate principal amount of 5.577% senior notes due January 31, 2029 and $350 million aggregate principal amount of 5.869% senior notes due January 31, 2034 (together the “Senior Note Offering”). Liberty Utilities used the net proceeds from the Senior Note Offering to repay indebtedness.

### Issuance of approximately $305.5 million of Securitized Utility Tariff Bonds

On January 30, 2024, Empire District Bondco, LLC, a wholly owned subsidiary of The Empire District Electric Company, completed an offering of approximately $180.5 million of aggregate principal amount of 4.943% Securitized Utility Tariff Bonds with a maturity date of January 1, 2035 and $125.0 million aggregate principal amount of 5.091% Securitized Utility Tariff Bonds with a maturity date of January 1, 2039 (collectively, the “Securitization Bonds”), to recover previously incurred qualified extraordinary costs associated with the Midwest Extreme Weather Event (as defined herein) and energy transition costs related to the retirement of the Asbury generating plant. The principal asset securing these bonds is the securitized utility tariff property.

## 2023 Fourth Quarter Results From Operations

| Key Financial Information<br>**(all dollar amounts in $ millions except per share information)** | **Three months ended December 31** | |
|---|---|---|
| | **2023** | **2022** |
| Revenue | **$ 666.9** | $ 748.0 |
| Net earnings (loss) attributable to shareholders | **186.3** | (74.4) |
| Cash provided by operating activities | **200.7** | 214.6 |
| Adjusted Net Earnings[1] | **115.5** | 97.6 |
| Adjusted EBITDA[1] | **334.3** | 295.5 |
| Adjusted Funds from Operations[1] | **198.9** | 191.9 |
| Dividends declared to common shareholders | **75.6** | 123.7 |
| Weighted average number of common shares outstanding | **688,717,137** | 683,281,170 |
| **Per share** | | |
| Basic net earnings (loss) | **$ 0.27** | $ (0.11) |
| Diluted net earnings (loss) | **$ 0.27** | $ (0.11) |
| Adjusted Net Earnings[1] | **$ 0.16** | $ 0.14 |
| Dividends declared to common shareholders | **$ 0.11** | $ 0.18 |

[1] See *Caution Concerning Non-GAAP Measures.*

For the three months ended December 31, 2023, AQN reported basic net earnings per common share of $0.27 as compared to basic net loss per common share of $0.11 during the same period in 2022, an increase of $0.38.

The net earnings attributable to shareholders of $186.3 million for the three months ended December 31, 2023, was primarily driven by:

- Adjusted Net Earnings of $115.5 million, as further discussed below (see *Caution Concerning Non-GAAP Measures*); and
- a gain on investments carried at fair value (primarily the Company's investment in Atlantica) of $122.8 million; partially offset by
- an impairment of $23.5 million on development loans related to the simplification of the Company's development strategy; and
- other net losses of $13.9 million primarily due to costs associated with the Strategic Review and the pursuit of the sale of the Company's renewable energy business and write-off of deferred financing costs on the redemption of debt.

The net loss attributable to shareholders of $74.4 million for the three months ended December 31 2022, was primarily driven by:

- Adjusted Net Earnings of $97.6 million, as further discussed below (see *Caution Concerning Non-GAAP Measures)*;
- a gain on asset sales of $62.8 million in the Renewable Energy Group; and
- a gain on derivative financial instruments of $6.4 million; offset by
- non-cash losses on asset impairment charges of $159.6 million, mainly on the Senate Wind Facility (which began commercial operations in 2012) due to declining forecasted energy prices in ERCOT and an impairment of $75.9 million on the equity-method investment in the Texas Coastal Wind Facilities (as defined herein) primarily as a result of continued challenges with congestion at the facilities (collectively the "2022 Impairment").

For the three months ended December 31, 2023 AQN reported Adjusted Net Earnings per common share of $0.16 as compared to $0.14 per common share during the same period in 2022, an increase of $0.02 (*see Caution Concerning Non-GAAP Measures*). Adjusted Net Earnings increased by $17.9 million year over year (see *Caution Concerning Non-GAAP Measures*). This increase was primarily driven by:

- an increase of $23.9 million in the Regulated Services Group's operating profit primarily due to regulatory mechanisms and the implementation of new rates;
- an increase of $6.1 million in the Renewable Energy Group's operating profit primarily due to higher equity income from the Texas Coastal Wind Facilities; and
- an increase in tax recovery of $7.0 million primarily due to higher recognition of investment tax credits ("ITCs") and production tax credits ("PTCs") associated with renewable energy projects; partially offset by

- an increase of $7.3 million in depreciation expense driven by additional capital invested by the Company; and
- an increase of $9.9 million in interest expense, driven by higher interest rates as well as increased borrowings to support growth initiatives.

For the three months ended December 31, 2023, AQN experienced an average exchange rate of Canadian to U.S. dollars of approximately 0.7343 as compared to 0.7364 in the same period in 2022, and an average exchange rate of Chilean pesos to U.S. dollars of approximately 0.0011 for the three months ended December 31, 2023 as compared to 0.0011 for the same period in 2022. As such, any year over year variance in revenue or expenses, in local currency, at any of AQN's Canadian or Chilean entities is affected by a change in the average exchange rate upon conversion to AQN's reporting currency.

For the three months ended December 31, 2023, AQN reported total revenue of $666.9 million as compared to $748.0 million during the same period in 2022, a decrease of $81.1 million or 10.8%. The major factors impacting AQN's revenue in the three months ended December 31, 2023 as compared to the same period in 2022 are as follows:

| (all dollar amounts in $ millions) | | Three months ended December 31 |
|---|---|---|
| **Comparative Prior Period Revenue** | **$** | **748.0** |
| **REGULATED SERVICES GROUP** | | |
| **Existing Facilities** | | |
| Electricity: Decrease is primarily due to lower wind pricing of approximately $12.0 million and unfavourable weather of approximately $6.0 million at the Empire (MO, KS, AR, OK) Electric System, with the remaining decrease primarily due to lower pass through commodity costs and other costs at the Granite State (NH) and Empire Electric Systems. | | (38.6) |
| Natural Gas: Decrease is primarily due to lower pass through commodity costs. | | (54.6) |
| Water: Increase is primarily due to the inflationary rate increase mechanism at the Suralis (Chile) Water System and organic growth at the Litchfield Park (AZ) Water and Sewer System and Gold Canyon (AZ) Sewer System. | | 5.4 |
| Other: Decrease is primarily due to lower activity in the non-regulated business in Bermuda. | | (4.0) |
| | | **(91.8)** |
| **Rate Reviews** | | |
| Electricity: Increase is primarily due to the implementation of new rates at the CalPeco (CA), Empire (OK), Granite State (NH) and Bermuda Electric Light Company ("BELCO") Electric Systems. | | 11.1 |
| Natural Gas: | | 0.4 |
| Water: Increase is primarily due to the implementation of new rates at the Park Water (CA) and Pine Bluff (AR) Water Systems. | | 5.2 |
| | | **16.7** |
| **Foreign Exchange** | | **0.5** |
| **RENEWABLE ENERGY GROUP** | | |
| **Existing Facilities** | | |
| Hydro: | | (0.2) |
| Wind CA: Decrease is primarily due to lower wind resources across all Canadian wind facilities. | | (0.8) |
| Wind U.S.: Decrease is primarily due to lower wind resources across the majority of the U.S. wind facilities and lower availability revenue at the Maverick Creek Wind Facility. | | (8.7) |
| Solar: Increase is primarily due to favourable capacity revenues across majority of the Solar facilities. | | 2.8 |
| Thermal & Renewable Natural Gas: Decrease is primarily due to unfavourable overall energy market pricing for the Windsor Locks Thermal Facility partially offset by favourable capacity revenue for the Sanger Thermal Facility. | | (0.6) |
| Other: Decrease is primarily due to lower portfolio optimization revenue. | | (2.0) |
| | | **(9.5)** |
| **New Facilities** | | |
| Wind U.S: Increase is primarily driven by the Deerfield II Wind Facility (achieved COD in March 2023) | | 3.3 |
| | | **3.3** |
| **Foreign Exchange** | | **(0.3)** |
| **Current Period Revenue** | **$** | **666.9** |

## 2023 Annual Results From Operations

| Key Financial Information<br>(all dollar amounts in $ millions except per share information) | Twelve months ended December 31<br>2023 | 2022 | 2021 |
|---|---|---|---|
| Revenue | **$ 2,698.0** | $ 2,765.0 | $ 2,274.1 |
| Net earnings (loss) attributable to shareholders | **28.7** | (212.0) | 264.9 |
| Cash provided by operating activities | **628.0** | 619.1 | 157.5 |
| Adjusted Net Earnings[1] | **372.0** | 420.3 | 449.0 |
| Adjusted EBITDA[1] | **1,235.4** | 1,192.8 | 1,076.3 |
| Adjusted Funds from Operations[1] | **724.6** | 790.3 | 757.9 |
| Dividends declared to common shareholders | **301.8** | 486.0 | 423.0 |
| Weighted average number of common shares outstanding | **688,738,717** | 677,862,207 | 622,347,677 |
| **Per share** | | | |
| Basic net earnings (loss) | **$ 0.03** | $ (0.33) | $ 0.41 |
| Diluted net earnings (loss) | **$ 0.03** | $ (0.33) | $ 0.41 |
| Adjusted Net Earnings[1] | **$ 0.53** | $ 0.61 | $ 0.71 |
| Dividends declared to common shareholders | **$ 0.43** | $ 0.71 | $ 0.67 |
| Total assets | **18,374.0** | 17,627.6 | 16,797.5 |
| Long-term debt[2] | **8,516.3** | 7,512.3 | 6,211.7 |

1 See *Caution Concerning Non-GAAP Measures*.

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

For the twelve months ended December 31, 2023, AQN reported basic net earnings per common share of $0.03 as compared to basic net loss per common share of $0.33 during the same period in 2022, an increase of $0.36.

The net earnings attributable to shareholders of $28.7 million for the twelve months ended December 31, 2023, was primarily driven by:

- Adjusted Net Earnings of $372.0 million, as further discussed below (see *Caution Concerning Non-GAAP Measures)*; partially offset by
- a loss on investments carried at fair value (primarily the Company's investment in Atlantica) of $230.0 million; and
- other net losses of $132.9 million, including the Securitization Write-Off (as defined herein) of $63.5 million, and impairment of assets and other losses of $46.5 million incurred as a result of the Kentucky Power Transaction Termination (the "Kentucky Power Impairment").

The net loss attributable to shareholders of $212.0 million for the twelve months ended December 31, 2022, was primarily driven by:

- Adjusted Net Earnings of $420.3 million, as further discussed below (see *Caution Concerning Non-GAAP Measures)*; and
- a gain on asset sales of $64.0 million in the Renewable Energy Group; offset by
- a loss on investments carried at fair value (primarily the Company's investment in Atlantica) of $499.1 million; and
- the 2022 Impairment of $235.5 million.

For the twelve months ended December 31, 2023, AQN reported Adjusted Net Earnings per common share of $0.53 compared to $0.61 per common share during the same period in 2022, a decrease of $0.08 (see *Caution Concerning Non-GAAP Measures*). Adjusted Net Earnings decreased by $48.3 million year over year (see *Caution Concerning Non-GAAP Measures*), primarily due to:

- a decrease of $26.4 million in the Renewable Energy Group's HLBV income as a result of the end of PTC eligibility on projects commissioned in 2012;
- a decrease of $12.5 million in the Renewable Energy Group's operating profit primarily as a result of a 5.3% decrease in wind production compared to the same period in 2022;

- an increase in earnings attributable to minority interest, exclusive of HLBV, of $34.6 million primarily due to the Company's sale in the fourth quarter of 2022 of a 49% ownership interest in the Odell, Deerfield and Sugar Creek Wind Facilities;
- an increase in interest expense of $75.1 million, driven by higher interest rates as well as increased borrowings to support growth initiatives;
- an increase in depreciation expense of $11.5 million, driven by additional capital invested by the Company; and
- an increase in administrative expenses of $10.2 million primarily due to technology costs, including costs associated with cyber security; partially offset by
- an increase of $90.5 million in the Regulated Services Group's operating profit primarily due to the implementation of new rates; and
- an increase in tax recovery of $39.2 million primarily due to higher recognition of ITCs and PTCs associated with renewable energy projects, and the tax impact of lower net earnings.

For the twelve months ended December 31, 2023, AQN experienced an average exchange rate of Canadian to U.S. dollars of approximately 0.7410 as compared to 0.7682 in the same period in 2022, and an average exchange rate of Chilean pesos to U.S. dollars of approximately 0.0012 for the twelve months ended December 31, 2023 as compared to 0.0011 for the same period in 2022. As such, any year-over-year variance in revenue or expenses, in local currency, at any of AQN's Canadian or Chilean entities is affected by a change in the average exchange rate upon conversion to AQN's reporting currency.

For the twelve months ended December 31, 2023, AQN reported total revenue of $2,698.0 million as compared to $2,765.0 million during the same period in 2022, a decrease of $67.0 million or 2.4%. The major factors resulting in the increase in AQN's revenue for the twelve months ended December 31, 2023 as compared to the same period in 2022 are as follows:

| (all dollar amounts in $ millions) | | Twelve months ended December 31 |
|---|---|---|
| **Comparative Prior Period Revenue** | **$** | **2,765.0** |
| **REGULATED SERVICES GROUP** | | |
| **Existing Facilities** | | |
| Electricity: Decrease is primarily due to lower wind pricing of approximately $27.0 million and unfavourable weather of approximately $27.0 million at the Empire (MO, KS, AR, OK) Electric System with the remaining decrease primarily due to one-time insurance proceeds for the Neosho Ridge Wind Facility. | | (66.7) |
| Natural Gas: Decrease is primarily due to lower pass through commodity costs. | | (72.0) |
| Water: Increase is primarily due to the inflationary rate increase mechanism at the Suralis (Chile) Water System and organic growth at the Litchfield Park (AZ) Water and Sewer System and Gold Canyon (AZ) Sewer System. | | 21.3 |
| Other: Decrease is primarily due to lower activity in the non-regulated business in Bermuda. | | (5.6) |
| | | **(123.0)** |
| **Rate Reviews** | | |
| Electricity: Increase is primarily due to the implementation of new rates at the CalPeco (CA) Electric System retroactive to the first quarter of 2022, as well as the implementation of new rates at the Empire (OK, MO), Granite State (NH) and BELCO (Bermuda) Electric Systems. | | 84.6 |
| Natural Gas: Increase is primarily due to the implementation of new rates at the EnergyNorth (NH), Peach State (GA), St. Lawrence (NY), Midstates (MO) and Empire (MO) Gas Systems. | | 5.2 |
| Water: Increase is primarily due to the implementation of new rates at the Park (CA) Water System with one-time retroactive revenues to the third quarter of 2022 and the implementation of new rates at the Pine Bluff (AR) Water System. | | 12.4 |
| | | **102.2** |
| **Foreign Exchange** | | **3.4** |
| **RENEWABLE ENERGY GROUP** | | |
| **Existing Facilities** | | |
| Hydro: Decrease is primarily driven by lower retail sales in the Maritimes Region and unfavourable energy market pricing for Western Canada Region. | | (5.3) |
| Wind CA: Decrease is primarily due to lower wind resources across all Canadian wind facilities. | | (7.6) |
| Wind U.S.: Decrease is primarily due to lower wind resources across the U.S. wind facilities. | | (14.8) |
| Solar: Decrease is primarily driven by unfavourable energy market pricing across majority of the Solar facilities. | | (2.1) |
| Thermal & Renewable Natural Gas: Decrease is primarily driven by unfavourable energy market pricing at the Sanger and Windsor Locks Thermal Facilities. | | (17.3) |
| Other: Decrease is primarily due to lower portfolio optimization revenue. | | (7.4) |
| | | **(54.5)** |
| **New Facilities** | | |
| Wind U.S: Increase is primarily driven by the Deerfield II Wind Facility (achieved COD in March 2023). | | 4.5 |
| Other: Increase is primarily driven by the Blue Hill Wind Facility (achieved COD in April 2022). | | 4.4 |
| | | **8.9** |
| **Foreign Exchange** | | **(4.0)** |
| **Current Period Revenue** | **$** | **2,698.0** |

## 2023 Net Earnings Summary

Net earnings attributable to shareholders for the three months ended December 31, 2023 totaled $186.3 million as compared to net loss attributable to shareholders of $74.4 million during the same period in 2022, an increase of $260.7 million or 350.4%. Net earnings attributable to shareholders for the twelve months ended December 31, 2023 totaled $28.7 million as compared to net loss attributable to shareholders of $212.0 million during the same period in 2022, an increase of $240.7 million or 113.5%. The following table outlines the changes to net earnings (loss) attributable to shareholders for the three and twelve months ended December 31, 2023 as compared to the same periods in 2022. A more detailed analysis of these factors can be found under *AQN: Corporate and Other Expenses.*

| **Change in net earnings (loss) attributable to shareholders**<br>**(all dollar amounts in $ millions)** | **Three months ended December 31 2023** | **Twelve months ended December 31 2023** |
|---|---|---|
| **Net loss attributable to shareholders – Prior Period Balance** | **$ (74.4)** | **$ (212.0)** |
| Adjusted EBITDA[1] | 38.8 | 42.6 |
| Net earnings attributable to the non-controlling interest, exclusive of HLBV | (10.5) | (34.6) |
| Income tax recovery | (27.4) | 24.8 |
| Interest expense | (9.9) | (75.1) |
| Other net losses | (11.8) | (111.5) |
| Asset impairment charge | 136.1 | 136.1 |
| Impairment of equity-method investee | 75.9 | 75.9 |
| Unrealized loss on energy derivatives included in revenue | (2.6) | (6.6) |
| Pension and post-employment non-service costs | (0.2) | (8.9) |
| Change in value of investments carried at fair value | 137.5 | 269.1 |
| Tax equity issuance costs | — | (1.2) |
| Gain on derivative financial instruments | (5.8) | 0.2 |
| Gain on sale of assets | (62.8) | (64.0) |
| Foreign exchange | 10.7 | 5.4 |
| Depreciation and amortization | (7.3) | (11.5) |
| **Net earnings attributable to shareholders – Current Period Balance** | **$ 186.3** | **$ 28.7** |
| Change in Net Earnings ($) | **$ 260.7** | **$ 240.7** |
| Change in Net Earnings (%) | **350.4 %** | **113.5 %** |

1 See *Caution Concerning Non-GAAP Measures*.

During the three months ended December 31, 2023, cash provided by operating activities totaled $200.7 million as compared to $214.6 million during the same period in 2022, a decrease of $13.9 million primarily as a result of changes in working capital items. During the three months ended December 31, 2023, Adjusted Funds from Operations totaled $198.9 million as compared to Adjusted Funds from Operations of $191.9 million during the same period in 2022, an increase of $7.0 million (see *Caution Concerning Non-GAAP Measures*).

During the three months ended December 31, 2023, Adjusted EBITDA totaled $334.3 million as compared to $295.5 million during the same period in 2022, an increase of $38.8 million or 13.1% (see *Caution Concerning Non-GAAP Measures*). A more detailed analysis of this variance is presented within the reconciliation of Adjusted EBITDA to net earnings set out below under *Non-GAAP Financial Measures*.

During the twelve months ended December 31, 2023, cash provided by operating activities totaled $628.0 million as compared to $619.1 million during the same period in 2022, an increase of $8.9 million primarily as a result of changes in working capital items. During the twelve months ended December 31, 2023, Adjusted Funds from Operations totaled $724.6 million as compared to Adjusted Funds from Operations of $790.3 million during the same period in 2022, a decrease of $65.7 million (see *Caution Concerning Non-GAAP Measures*).

During the twelve months ended December 31, 2023, Adjusted EBITDA totaled $1,235.4 million as compared to $1,192.8 million during the same period in 2022, an increase of $42.6 million or 3.6% (see *Caution Concerning Non-GAAP Measures*). A more detailed analysis of this variance is presented within the reconciliation of Adjusted EBITDA to net earnings set out below under *Non-GAAP Financial Measures*.

## 2023 Adjusted EBITDA Summary

Adjusted EBITDA (see *Caution Concerning Non-GAAP Measures*) for the three months ended December 31, 2023 totaled $334.3 million as compared to $295.5 million during the same period in 2022, an increase of $38.8 million or 13.1%. Adjusted EBITDA for the twelve months ended December 31, 2023 totaled $1,235.4 million as compared to $1,192.8 million during the same period in 2022, an increase of $42.6 million or 3.6%. The breakdown of Adjusted EBITDA by the Company's main business units and a summary of changes are shown below.

| **Adjusted EBITDA[1] by business units** | **Three months ended December 31** | | **Twelve months ended December 31** | |
|---|---|---|---|---|
| **(all dollar amounts in $ millions)** | **2023** | **2022** | **2023** | **2022** |
| Divisional Operating Profit for Regulated Services Group[1] | **$ 238.3** | $ 214.4 | **$ 954.1** | $ 863.6 |
| Divisional Operating Profit for Renewable Energy Group[1] | **107.6** | 101.5 | **371.8** | 410.7 |
| Administrative Expenses | **(19.3)** | (21.2) | **(90.4)** | (80.2) |
| Other Income & Expenses | **7.7** | 0.8 | **(0.1)** | (1.3) |
| **Total AQN Adjusted EBITDA[1]** | **$ 334.3** | $ 295.5 | **$ 1,235.4** | $ 1,192.8 |
| Change in Adjusted EBITDA[1] ($) | **$ 38.8** | | **$ 42.6** | |
| Change in Adjusted EBITDA[1] (%) | **13.1 %** | | **3.6 %** | |

| **Change in Adjusted EBITDA[1] Breakdown** | **Three months ended December 31, 2023** | | | |
|---|---|---|---|---|
| **(all dollar amounts in $ millions)** | **Regulated Services** | **Renewable Energy** | **Corporate** | **Total** |
| **Prior period balances** | **$ 214.4** | **$ 101.5** | **$ (20.4)** | **$ 295.5** |
| Existing Facilities and Investments | 12.1 | 5.4 | 6.9 | 24.4 |
| New Facilities and Investments | — | (1.4) | — | (1.4) |
| Rate Reviews | 11.7 | — | — | 11.7 |
| Foreign Exchange Impact | 0.1 | 2.1 | — | 2.2 |
| Administrative Expenses | — | — | 1.9 | 1.9 |
| **Total change during the period** | **$ 23.9** | **$ 6.1** | **$ 8.8** | **$ 38.8** |
| **Current period balances** | **$ 238.3** | **$ 107.6** | **$ (11.6)** | **$ 334.3** |

| **Change in Adjusted EBITDA[1] Breakdown** | **Twelve months ended December 31, 2023** | | | |
|---|---|---|---|---|
| **(all dollar amounts in $ millions)** | **Regulated Services** | **Renewable Energy** | **Corporate** | **Total** |
| **Prior period balances** | **$ 863.6** | **$ 410.7** | **$ (81.5)** | **$ 1,192.8** |
| Existing Facilities and Investments | 26.7 | (45.4) | 1.2 | (17.5) |
| New Facilities and Investments | — | 9.1 | — | 9.1 |
| Rate Reviews | 62.6 | — | — | 62.6 |
| Foreign Exchange Impact | 1.2 | (2.6) | — | (1.4) |
| Administrative Expenses | — | — | (10.2) | (10.2) |
| **Total change during the period** | **$ 90.5** | **$ (38.9)** | **$ (9.0)** | **$ 42.6** |
| **Current period balances** | **$ 954.1** | **$ 371.8** | **$ (90.5)** | **$ 1,235.4** |

[1] See *Caution Concerning Non-GAAP Measures*.

## REGULATED SERVICES GROUP

The Regulated Services Group primarily operates rate-regulated utilities that as of December 31, 2023 provided distribution services to approximately 1,256,000 customer connections in the electric, natural gas, and water and wastewater sectors which is an increase of approximately 6,000 customer connections as compared to December 31, 2022.

The Regulated Services Group's strategy is to grow its business organically and through acquisitions. The Regulated Services Group believes that its business results are maximized by building constructive regulatory and customer relationships, and enhancing customer connections in the communities in which it operates.

### Utility System Type

| | As at December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| (all dollar amounts in $ millions) | Assets | Net Utility Sales[1] | Total Customer Connections[2] | Assets | Net Utility Sales[1] | Total Customer Connections[2] |
| Electricity | **5,142.7** | **865.7** | **309,000** | **5,016.5** | **813.4** | **309,000** |
| Natural Gas | **1,843.5** | **354.1** | **375,000** | **1,722.6** | **345.9** | **375,000** |
| Water and Wastewater | **1,678.1** | **379.5** | **572,000** | **1,525.1** | **346.1** | **566,000** |
| Other | **281.3** | **51.1** | | **290.7** | **54.2** | |
| **Total** | **$ 8,945.6** | **$ 1,650.4** | **1,256,000** | **$ 8,554.9** | **$ 1,559.6** | **1,250,000** |
| Accumulated Deferred Income Taxes Liability | **$ 750.8** | | | $ 689.1 | | |

[1] Net Utility Sales for the twelve months ended December 31, 2023 and 2022. See *Caution Concerning Non-GAAP Measures*.

[2] Total Customer Connections represents the sum of all active and vacant customer connections.

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

The electric distribution systems are comprised of regulated electrical distribution utility systems and served approximately 309,000 customer connections in the U.S. States of California, New Hampshire, Missouri, Kansas, Oklahoma and Arkansas and in Bermuda as at December 31, 2023.

The natural gas distribution systems are comprised of regulated natural gas distribution utility systems and served approximately 375,000 customer connections located in the U.S. States of New Hampshire, Illinois, Iowa, Missouri, Georgia, Massachusetts and New York and in the Canadian Province of New Brunswick as at December 31, 2023.

The water and wastewater distribution systems are comprised of regulated water distribution and wastewater collection utility systems and served approximately 572,000 customer connections located in the U.S. States of Arkansas, Arizona, California, Illinois, Missouri, New York, and Texas and in Chile as at December 31, 2023.

## 2023 Annual Usage Results

### Electric Distribution Systems

| | Three months ended December 31 | | Twelve months ended December 31 | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Average Active Electric Customer Connections For The Period** | | | | |
| Residential | **262,900** | 262,500 262500 | **262,700** | 261,900 |
| Commercial and industrial | **42,900** | 43,200 | **42,700** | 42,800 |
| **Total Average Active Electric Customer Connections For The Period** | **305,800** | 305,700 | **305,400** | 304,700 |
| **Customer Usage (GW-hrs)** | | | | |
| Residential | **635.1** | 653.3 | **2,741.5** | 2,899.6 |
| Commercial and industrial | **902.2** | 924.2 | **3,820.0** | 3,849.3 |
| **Total Customer Usage (GW-hrs)** | **1,537.3** | 1,577.5 | **6,561.5** | 6,748.9 |

For the three months ended December 31, 2023, the electric distribution systems' usage totaled 1,537.3 GW-hrs as compared to 1,577.5 GW-hrs for the same period in 2022, a decrease of 40.2 GW-hrs or 2.5%. The decrease in electricity consumption is primarily due to warmer weather at the Empire Electric System.

For the twelve months ended December 31, 2023, the electric distribution systems' usage totaled 6,561.5 GW-hrs as compared to 6,748.9 GW-hrs for the same period in 2022, a decrease of 187.4 GW-hrs or 2.8%. The decrease in electricity consumption is primarily due to a warmer winter and a cooler summer at the Empire Electric System.

Approximately 47% of the Regulated Services Group's electric distribution systems' revenues are not expected to be impacted by changes in customer usage, as they are subject to volumetric decoupling or represent fixed fee billings.

### Natural Gas Distribution Systems

| | Three months ended December 31 | | Twelve months ended December 31 | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Average Active Natural Gas Customer Connections For The Period** | | | | |
| Residential | **325,600** | 321,100 | **326,500** | 320,300 |
| Commercial and industrial | **40,800** | 39,100 | **40,600** | 38,800 |
| **Total Average Active Natural Gas Customer Connections For The Period** | **366,400** | 360,200 | **367,100** | 359,100 |
| **Customer Usage (MMBTU)** | | | | |
| Residential | **4,358,000** | 5,433,000 | **18,822,000** | 20,912,000 |
| Commercial and industrial | **4,894,000** | 5,723,000 | **20,215,000** | 20,607,000 |
| **Total Customer Usage (MMBTU)** | **9,252,000** | 11,156,000 | **39,037,000** | 41,519,000 |

For the three months ended December 31, 2023, usage at the natural gas distribution systems totaled 9,252,000 MMBTU as compared to 11,156,000 MMBTU during the same period in 2022, a decrease of 1,904,000 MMBTU, or 17.1%. The decrease in customer usage was primarily due to warmer weather at the Mid-States and Empire District Gas Systems.

For the twelve months ended December 31, 2023, usage at the natural gas distribution systems totaled 39,037,000 MMBTU as compared to 41,519,000 MMBTU during the same period in 2022, a decrease of 2,482,000 MMBTU, or 6.0%. The decrease in customer usage was primarily due to warmer weather at the Mid-States, New England Gas and Empire District Gas Systems.

Approximately 86% of the Regulated Services Group's gas distribution systems' revenues are not expected to be impacted by changes in customer usage, as they are subject to volumetric decoupling or represent fixed fee billings.

## Water and Wastewater Distribution Systems

| | Three months ended December 31 | | Twelve months ended December 31 | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Average Active Customer Connections For The Period** | | | | |
| Wastewater customer connections | **55,600** | 49,100 | **52,100** | 48,100 |
| Water distribution customer connections | **506,300** | 504,600 | **508,400** | 501,300 |
| **Total Average Active Customer Connections For The Period** | **561,900** | 553,700 | **560,500** | 549,400 |
| **Gallons Provided (millions of gallons)** | | | | |
| Wastewater treated | **869** | 822 | **3,350** | 3,233 |
| Water provided | **10,188** | 9,851 | **41,435** | 41,527 |
| **Total Gallons Provided (millions of gallons)** | **11,057** | 10,673 | **44,785** | 44,760 |

For the three months ended December 31, 2023, the water and wastewater distribution systems provided approximately 10,188 million gallons of water to customers and treated approximately 869 million gallons of wastewater. This is compared to 9,851 million gallons of water provided and 822 million gallons of wastewater treated during the same period in 2022, an increase in total gallons provided of 337 million or 3.4% and an increase in total gallons treated of 47 million or 5.7%. This increase in water provided is primarily due to customer growth at the Litchfield Park Water System and the increase in wastewater treated is primarily due to customer growth at the Litchfield Park and Rio Rico Water Systems.

For the twelve months ended December 31, 2023, the water and wastewater distribution systems provided approximately 41,435 million gallons of water to customers and treated approximately 3,350 million gallons of wastewater. This is compared to 41,527 million gallons of water provided and 3,233 million gallons of wastewater treated during the same period in 2022, a decrease in total gallons provided of 92 million or 0.2% and an increase in total gallons treated of 117 million or 3.6%. This decrease in water provided is mainly due to California drought restrictions at the Park Water System. The increase in wastewater treated is primarily due to customer growth at the Litchfield Park and Rio Rico Water Systems.

Approximately 50% of the Regulated Services Group's water and wastewater distribution systems' revenues are not expected to be impacted by changes in customer usage, as they are subject to volumetric decoupling or represent fixed fee billings.

## 2023 Regulated Services Group Operating Results

| (all dollar amounts in $ millions) | Three months ended December 31 2023 | 2022 | Twelve months ended December 31 2023 | 2022 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Regulated electricity distribution | **$ 297.0** | $ 325.8 | **$ 1,295.5** | $ 1,278.9 |
| Less: Regulated electricity purchased | **(95.7)** | (124.2) | **(429.8)** | (465.5) |
| Net Utility Sales - electricity[1] | **201.3** | 201.6 | **865.7** | 813.4 |
| Regulated gas distribution | **167.4** | 221.8 | **621.2** | 686.7 |
| Less: Regulated gas purchased | **(71.6)** | (125.5) | **(267.1)** | (340.8) |
| Net Utility Sales - natural gas[1] | **95.8** | 96.3 | **354.1** | 345.9 |
| Regulated water reclamation and distribution | **100.5** | 89.0 | **399.1** | 364.4 |
| Less: Regulated water purchased | **(5.9)** | (8.6) | **(19.6)** | (18.3) |
| Net Utility Sales - water reclamation and distribution[1] | **94.6** | 80.4 | **379.5** | 346.1 |
| Other revenue[2] | **11.6** | 14.5 | **51.1** | 54.2 |
| **Net Utility Sales[1,3]** | **403.3** | 392.8 | **1,650.4** | 1,559.6 |
| Operating expenses | **(193.4)** | (185.8) | **(786.6)** | (736.5) |
| Income from long-term investments | **11.6** | 5.2 | **45.0** | 21.9 |
| HLBV[4] | **16.8** | 2.2 | **45.3** | 18.6 |
| **Divisional Operating Profit[1,5]** | **$ 238.3** | $ 214.4 | **$ 954.1** | $ 863.6 |

1 See *Caution Concerning Non-GAAP Measures*.

2 See *Note 21* in the annual consolidated financial statements.

3 This table contains a reconciliation of Net Utility Sales to revenue. The relevant sections of the table are derived from and should be read in conunction with the consolidated statement of operations and *Note 21* in the annual consolidated financial statements, "Segmented Information". This supplementary disclosure is intended to more fully explain disclosures related to Net Utility Sales and provides additional information related to the operating performance of the Regulated Services Group. Investors are cautioned that Net Utility Sales should not be construed as an alternative to revenue.

4 HLBV income represents the value of net tax attributes monetized by the Regulated Services Group in the period at the Luning and Turquoise Solar Facilities and the Neosho Ridge, Kings Point and North Fork Ridge Wind Facilities.

5 This table contains a reconciliation of Divisional Operating Profit to revenue for the Regulated Services Group. The relevant sections of the table are derived from and should be read in conjunction with the consolidated statement of operations and *Note 21* in the annual consolidated financial statements, "Segmented Information". This supplementary disclosure is intended to more fully explain disclosures related to Divisional Operating Profit and provides additional information related to the operating performance of the Regulated Services Group. Investors are cautioned that Divisional Operating Profit should not be construed as an alternative to revenue.

## 2023 Fourth Quarter Operating Results

For the three months ended December 31, 2023, the Regulated Services Group reported revenue of $564.9 million (i.e., $297.0 million of regulated electricity distribution, $167.4 million of regulated gas distribution and $100.5 million of regulated water reclamation and distribution) as compared to revenue of $636.6 million in the comparable period in the prior year (i.e., $325.8 million of regulated electricity distribution, $221.8 million of regulated gas distribution and $89.0 million of regulated water reclamation and distribution).

For the three months ended December 31, 2023, the Regulated Services Group reported a Divisional Operating Profit (excluding corporate administration expenses) of $238.3 million as compared to $214.4 million for the comparable period in the prior year (see *Caution Concerning Non-GAAP Measures*).

Highlights of the changes are summarized in the following table:

| (all dollar amounts in $ millions) | | Three months ended December 31 |
|---|---|---|
| **Prior Period Divisional Operating Profit[1]** | **$** | **214.4** |
| **Existing Facilities** | | |
| Electricity: Increase is primarily due to higher HLBV income, partially offset by unfavourable weather at the Empire (MO, KS, AR, OK) Electric System. | | 10.5 |
| Natural Gas: | | (0.9) |
| Water: Decrease is primarily due to higher operating expenses. | | (2.8) |
| Other: Increase is primarily driven by higher interest income on regulatory asset accounts. | | 5.3 |
| | | **12.1** |
| **Rate Reviews** | | |
| Electricity: Increase is primarily due to the implementation of new rates at the CalPeco (CA), Empire (OK), Granite State (NH) and BELCO (Bermuda) Electric Systems. | | 6.1 |
| Natural Gas: | | 0.4 |
| Water: Increase is primarily due to the implementation of new rates at the Park Water (CA) and Pine Bluff (AR) Water Systems. | | 5.2 |
| | | **11.7** |
| **Foreign Exchange** | | **0.1** |
| **Current Period Divisional Operating Profit[1]** | **$** | **238.3** |

1 See *Caution Concerning Non-GAAP Measures*.

## 2023 Annual Operating Results

For the twelve months ended December 31, 2023, the Regulated Services Group reported revenue of $2,315.7 million (comprised of $1,295.5 million of regulated electricity distribution revenue, $621.2 million of regulated natural gas distribution revenue and $399.1 million of regulated water reclamation and distribution revenue) as compared to revenue of $2,330.0 million in the same period in the prior year (comprised of $1,278.9 million of regulated electricity distribution revenue, $686.7 million of regulated natural gas distribution revenue and $364.4 million of regulated water reclamation and distribution revenue).

For the twelve months ended December 31, 2023, the Regulated Services Group reported a Divisional Operating Profit (excluding corporate administration expenses) of $954.1 million as compared to $863.6 million in the comparable period in the prior year (see *Caution Concerning Non-GAAP Measures*).

Highlights of the changes are summarized in the following table:

| (all dollar amounts in $ millions) | | Twelve months ended December 31 |
|---|---|---|
| **Prior Period Divisional Operating Profit[1]** | **$** | **863.6** |
| **Existing Facilities** | | |
| Electricity: Increase is primarily due to higher HLBV income partially offset by unfavourable weather at the Empire (MO, KS, OK, AR) Electric System and one-time insurance proceeds for the Neosho Ridge Facility. | | 2.7 |
| Natural Gas: | | (0.3) |
| Water: Increase is primarily due to organic growth at the Litchfield Park (AZ) Water and Sewer System and Gold Canyon (AZ) Sewer System. | | 2.3 |
| Other: Increase is primarily driven by higher interest income on regulatory asset accounts. | | 22.0 |
| | | **26.7** |
| **Rate Reviews** | | |
| Electricity: Increase is primarily due to the implementation of new rates at the CalPeco (CA) Electric System retroactive to the first quarter of 2022, as well as the implementation of new rates at the Empire (OK, MO), Granite State (NH) and BELCO (Bermuda) Electric Systems. | | 45.0 |
| Natural Gas: Increase is primarily due to the implementation of new rates at the EnergyNorth (NH), Peach State (GA), St. Lawrence (NY), Midstates (MO) and Empire (MO) Gas Systems. | | 5.2 |
| Water: Increase is primarily due to the implementation of new rates at the Park (CA) Water System with one-time retroactive revenues to the third quarter of 2022 and the implementation of new rates at the Pine Bluff (AR) Water System. | | 12.4 |
| | | **62.6** |
| **Foreign Exchange** | | **1.2** |
| **Current Period Divisional Operating Profit[1]** | **$** | **954.1** |

1 See *Caution Concerning Non-GAAP Measures*.

## Regulatory Proceedings

The following table summarizes the major regulatory proceedings currently underway or completed or effective in 2023 within the Regulated Services Group.

| Utility | Jurisdiction | Regulatory Proceeding Type | Rate Request (millions) | Current Status |
|---|---|---|---|---|
| **Completed Rate Reviews** | | | | |
| BELCO | Bermuda | General Rate Case ("GRC") | $34.8 | On September 30, 2021, filed its revenue allowance application in which it requested a $34.8 million increase for 2022 and a $6.1 million increase for 2023. On March 18, 2022, the Regulatory Authority (“RA”) approved an annual increase of $22.8 million, for a revenue allowance of $224.1 million for 2022 and $226.2 million for 2023. The RA authorized a 7.16% rate of return, comprised of a 62% equity and an 8.92% return on equity (“ROE”). In April 2022, BELCO filed an appeal in the Supreme Court of Bermuda challenging the decisions made by the RA through the recent Retail Tariff Review. On February 19, 2024, the Bermuda Supreme Court issued an order denying the BELCO appeal. Any further appeal must be filed by April 4, 2024. |
| Apple Valley Water System | California | GRC | $2.9 | On July 2, 2021, filed an application requesting revenue increases of $2.9 million for 2022, $2.1 million for 2023, and $2.3 million for 2024 based on an ROE of 9.4% and on a 57% equity capital structure. The California Public Utilities Commission ("CPUC") Public Advocates Office issued its report in January 2022. Rebuttal testimony was filed in February 2022 and a hearing was held in March 2022. On February 3, 2023, the CPUC issued a Final Order authorizing an annual revenue increase of $1.5 million in 2022, and subsequent expected increases of $1.6 million and $1.5 million in 2023 and 2024, respectively. New rates became effective April 7, 2023 retroactive to July 1, 2022. |
| Park Water System | California | GRC | $5.5 | On July 2, 2021, filed an application requesting revenue increases of $5.5 million for 2022, $1.8 million for 2023, and $1.8 million for 2024 based on an ROE of 9.4% and on a 57% equity capital structure. CPUC Public Advocates Office issued its report in January 2022. Rebuttal testimony was filed in February 2022 and a hearing was held in March 2022. On February 3, 2023, the CPUC issued a Final Order authorizing an annual revenue increase of $1.1 million in 2022, and subsequent expected increases of $1.5 million and $1.5 million in 2023 and 2024, respectively. New rates became effective April 7, 2023 retroactive to July 1, 2022. |
| CalPeco Electric System | California | GRC | $35.7 | On May 28, 2021, filed an application requesting a revenue increase of $35.7 million for 2022 based on an ROE of 10.5% and on a 54% equity capital structure. CPUC Public Advocates Office issued its report on February 23, 2022 and CalPeco filed its rebuttal testimony in March 2022. In May 2022, a settlement was reached resolving all issues except ROE. The CPUC issued a Final Order on April 27, 2023 authorizing an annual revenue increase of $27.0 million. New rates became effective July 1, 2023 retroactive to January 2022. |

| Utility | Jurisdiction | Regulatory Proceeding Type | Rate Request (millions) | Current Status |
|---|---|---|---|---|
| St. Lawrence Gas | New York | GRC | $4.1 | On November 24, 2021, filed an application requesting a revenue increase of $3.4 million based on an ROE of 10.5% and a capital structure of 50% equity. On January 31, 2022, filed a supplemental filing to update the requested revenue increase to $4.1 million. New York State Department of Public Service Staff filed testimony on June 3, 2022 and St. Lawrence Gas filed rebuttal testimony on June 24, 2022. On March 31, 2023, a joint proposal was filed by the parties resolving all issues. On June 22, 2023, the Commission issued an Order approving the terms of the joint proposal and authorizing a revenue increase of $5.2 million to be implemented over the course of 2023-2025. New rates became effective July 1, 2023. |
| Pine Bluff Water | Arkansas | GRC | $5.9 | On September 30, 2022, filed an application seeking an increase in revenues of $5.9 million based on an ROE of 10.5% and an equity ratio of 52% to be phased in over three years. On August 4, 2023, the Arkansas Public Service Commission issued an Order approving a unanimous settlement agreement filed by the parties authorizing an annual revenue increase of $3.4 million. New rates became effective August 15, 2023. |
| Gas New Brunswick | New Brunswick | GRC | -$0.6 | On March 3, 2023, filed an application for a revenue decrease of $0.6 million based on the Energy & Utilities Board's recent decisions authorizing a capital structure of 45% equity and an ROE of 9.8%. On September 21, 2023 the Energy & Utilities Board issued a decision authorizing a revenue decrease of $0.7 million. |
| Empire Electric | Arkansas | GRC | $7.3 | On February 14, 2023, filed an application seeking an increase in revenues of $7.3 million based on an ROE of 10.25% and an equity ratio of 56% to be phased in over three years. On December 7, 2023, the Arkansas Public Service Commission issued an Order approving the settlement agreement authorizing a revenue increase of $5.3 million. New rates became effective January 1, 2024. |
| Various | Various | Various | $0.1 | On February 22, 2023, the Arizona Corporation Commission issued an Order approving the proposed consolidation of rates and tariffs for two wastewater utilities and new rates to be effective March 1, 2023. |
| **Pending Rate Reviews** | | | | |
| Granite State Electric | New Hampshire | GRC | $15.5 | On May 5, 2023, filed an application seeking a permanent increase in revenues of $15.5 million based on an ROE of 10.35% and an equity ratio of 55%. Temporary rates of $5.5 million were implemented on July 1, 2023. On December 13, 2023, the Department of Energy filed a motion seeking to dismiss the case. An evidentiary hearing was held on January 23, 2024. The case has been stayed by the New Hampshire Public Utilities Commission (“NHPUC”) until April 15, 2024 so that it may contemplate the motion and so that the Company can provide the Commission with a third-party review of the financial information within the rate application. |

| Utility | Jurisdiction | Regulatory Proceeding Type | Rate Request (millions) | Current Status |
|---|---|---|---|---|
| New York Water | New York | GRC | $39.7 | On May 4, 2023, filed an application seeking an increase in revenues of $39.7 million based on an ROE of 10% and an equity ratio of 50%. |
| EnergyNorth Gas | New Hampshire | GRC | $27.5 | On July 27, 2023, filed an application seeking an increase in revenues of $27.5 million based on an ROE of 10.35% and an equity ratio of 55%. Temporary rates of $8.7 million were approved by the Commission on October 31, 2023. The temporary rate increase is retroactive to October 1, 2023. On February 5, 2024, the Company requested that the NHPUC stay the case until April 12, 2024 so that the Company can provide the Commission with a third-party review of the financial information upon which the revenue requirement is predicated. On February 16, 2024, the Department of Energy filed a motion seeking to dismiss the case. A hearing was held on March 6, 2024 on the motion to dismiss and the request for the stay. |
| Midstates Gas | Illinois | GRC | $5.3 | On December 20, 2023, filed an application seeking an increase in revenues of $5.3 million based on an ROE of 10.80% and an equity ratio of 54%. |
| Rio Rico Water & Sewer, Bella Vista Water, Beardsley Water, Cordes Lakes Water | Arizona | GRC | $5.4 | On December 28, 2023, filed an application seeking an increase in revenues of $5.4 million based on an ROE of 10.95% and an equity ratio of 54%. |
| Park Water | California | GRC | $9.3 | On January 2, 2024, filed an application seeking an increase in revenues of $9.3 million based on an ROE of 9.35% and an equity ratio of 57%. |
| Apple Valley Water | California | GRC | $3.1 | On January 2, 2024, filed an application seeking an increase in revenues of $3.1 million based on an ROE of 9.35% and an equity ratio of 57%. |

**Proceedings related to the Midwest Extreme Weather Event and the Retirement of Asbury**

The February 2021 extreme winter storm conditions experienced in Texas and parts of the central U.S. (the "Midwest Extreme Weather Event") resulted in an extraordinary increase in costs incurred by Empire Electric for the purchase of fuel and power on behalf of its customers.

When Empire Electric filed its most recent Missouri rate case (the "Empire Rate Case") in May 2021, a request to recover the costs related to the Midwest Extreme Weather Event was included. In July 2021, Missouri House Bill 734 was signed into law, creating an option for utilities to finance the recovery of extraordinary weather event costs through securitization (the "Securitization Statute"). When it filed its surrebuttal testimony in January 2022, Empire Electric removed all costs related to the Midwest Extreme Weather Event from its rate request. Pursuant to the Securitization Statute, Empire Electric sought authorization for the issuance of approximately $222 million in securitized utility tariff bonds associated with the Midwest Extreme Weather Event.

In addition, as part of its 2017 and 2019 Integrated Resource Plans (“IRPs”), Empire Electric analyzed the effects of retiring Asbury, a coal-fired generation unit that was constructed in 1970, and determined that doing so would generate significant savings to customers. Asbury was retired on March 1, 2020. On July 23, 2020, the Missouri Public Service Commission ("MPSC") issued an Administrative Accounting Order ("AAO") that directed Empire Electric to establish regulatory asset and liability accounts, beginning January 1, 2020, to reflect the impact of the closure of Asbury on operating and capital expenses in Missouri.

Empire Electric initially sought to recover its Asbury related revenues and expenses, along with the balance of the AAO, in the Empire Rate Case. Following the passage of the Securitization Statute, all Asbury related balances were removed from the Empire Rate Case and, on March 21, 2022, Empire Electric filed a petition to securitize the Asbury related balances pursuant to the Securitization Statute. Empire Electric sought authority to issue approximately $141 million in securitized utility tariff bonds for its Asbury costs, which include approximately $21 million in Asset Retirement Obligations, which are estimates of costs that Empire Electric will recover from the Asbury retirement but which have not yet been incurred.

On April 27, 2022, the MPSC issued an order consolidating, for purposes of hearing, the cases regarding the quantum financeable through securitization for Asbury and the Midwest Extreme Weather Event, which hearing was held the week of June 13, 2022. On August 18, 2022, and September 22, 2022, the MPSC issued and amended, respectively, a Report and Order authorizing Empire Electric to securitize approximately $290.4 million in qualified extraordinary costs (Midwest Extreme Weather Event), energy transition costs (Asbury) and upfront financing costs associated with the proposed securitization (the “Securitization Order”). The amounts authorized by the Securitization Order are generally consistent with the costs deferred by the Company in relation to these matters. Empire Electric filed a request for rehearing seeking reconsideration of the MPSC’s denial of recovery of five percent of the Midwest Extreme Weather Event costs, its calculation of accumulated deferred income taxes, and the exclusion of certain carrying charges associated with the Asbury plant, among other issues. On October 12, 2022, the MPSC denied all rehearing motions. Empire Electric appealed to the Missouri Court of Appeals – Western District on November 10, 2022. Oral arguments were heard in July 2023. On August 1, 2023, the court affirmed the amount eligible for securitization of $290.4 million as well as certain additional carrying costs to the date of issuance. The Company completed its issuance of Securitization Bonds in the aggregate principal amount of $305.5 million on January 30, 2024 in line with the MPSC’s order to recover the costs associated with the Midwest Extreme Weather Event and the remaining book value of Asbury. The MPSC's order excluded a portion of carrying costs and taxes associated with Asbury, and the Company incurred a one-time net loss of $63.5 million ($48.5 million net of tax) (the “Securitization Write-Off”).

## RENEWABLE ENERGY GROUP

### 2023 Electricity Generation Performance

| (Performance in GW-hrs sold) | Long-Term Average Resource[1] | Three months ended December 31 2023 | 2022 | Long-Term Average Resource[1] | Twelve months ended December 31 2023 | 2022 |
|---|---|---|---|---|---|---|
| **Hydro Facilities:** | | | | | | |
| Maritime Region | **37.6** | **43.3** | 48.2 | **148.2** | **157.1** | 149.1 |
| Quebec Region | **72.6** | **76.7** | 74.1 | **273.3** | **294.8** | 292.0 |
| Ontario Region | **26.2** | **29.9** | 27.9 | **120.4** | **107.7** | 116.0 |
| Western Region | **12.6** | **11.0** | 10.2 | **65.0** | **51.8** | 52.1 |
| | **149.0** | **160.9** | 160.4 | **606.9** | **611.4** | 609.2 |
| **Canadian Wind Facilities:** | | | | | | |
| St. Damase | **22.7** | **19.1** | 23.4 | **76.9** | **64.0** | 77.7 |
| St. Leon | **121.4** | **116.3** | 125.4 | **430.2** | **373.6** | 435.0 |
| Red Lily[2] | **24.1** | **24.9** | 25.3 | **88.5** | **80.0** | 90.8 |
| Morse | **30.5** | **29.6** | 26.1 | **108.8** | **92.8** | 103.7 |
| Amherst | **67.9** | **60.2** | 67.6 | **229.8** | **187.0** | 219.5 |
| Blue Hill[3] | **200.4** | **144.5** | 140.2 | **683.2** | **501.4** | 464.2 |
| EBR[3] | **21.0** | **15.5** | 21.1 | **74.4** | **53.7** | 71.0 |
| | **488.0** | **410.1** | 429.1 | **1,691.8** | **1,352.5** | 1,461.9 |
| **U.S. Wind Facilities:** | | | | | | |
| Sandy Ridge | **43.6** | **34.9** | 11.7 | **158.3** | **114.4** | 105.5 |
| Minonk | **189.8** | **166.4** | 208.5 | **673.7** | **580.4** | 696.9 |
| Senate | **140.0** | **115.3** | 114.2 | **520.4** | **463.2** | 490.0 |
| Shady Oaks | **100.5** | **94.7** | 114.9 | **355.6** | **318.7** | 362.2 |
| Odell[5] | **238.0** | **203.2** | 250.9 | **831.8** | **738.7** | 869.3 |
| Deerfield[5] | **167.9** | **151.3** | 168.8 | **546.0** | **481.3** | 554.9 |
| Sugar Creek[5] | **212.6** | **177.5** | 193.0 | **724.8** | **606.9** | 661.4 |
| Maverick Creek | **480.2** | **354.0** | 362.6 | **1,920.6** | **1,472.1** | 1,620.9 |
| Deerfield II[6] | **116.0** | **89.5** | — | **281.6** | **181.1** | — |
| Sandy Ridge II[9] | **75.1** | **64.7** | — | **87.8** | **70.5** | — |
| Shady Oaks II[10] | **95.8** | **79.2** | — | **95.8** | **79.2** | — |
| | **1,859.5** | **1,530.7** | **1,424.6** | **6,196.4** | **5,106.5** | **5,361.1** |
| **Solar Facilities:** | | | | | | |
| Cornwall | **2.2** | **1.8** | 2.4 | **14.7** | **14.0** | 14.8 |
| Bakersfield | **13.0** | **9.4** | 9.9 | **77.2** | **61.9** | 67.2 |
| Great Bay | **37.6** | **46.6** | 44.1 | **205.7** | **211.7** | 214.7 |
| Altavista | **31.4** | **35.0** | 33.0 | **164.4** | **169.0** | 167.7 |
| Croton | **0.9** | **1.0** | 1.1 | **5.4** | **5.1** | 5.4 |
| Dalewood[7] | **0.2** | **0.1** | — | **1.0** | **0.8** | — |
| Hayhurst New Mexico[11] | **5.8** | **6.2** | — | **5.8** | **6.2** | — |
| | **91.1** | **100.1** | **90.5** | **474.2** | **468.7** | **469.8** |
| **Renewable Energy Performance** | **2,587.6** | **2,201.8** | 2,104.6 | **8,969.3** | **7,539.1** | 7,902.0 |
| **Thermal Facilities:** | | | | | | |
| Windsor Locks | **N/A[7]** | **30.9** | 29.7 | **N/A[7]** | **118.0** | 127.5 |
| Sanger | **N/A[7]** | **0.8** | — | **N/A[7]** | **11.9** | 149.1 |
| | | **31.7** | 29.7 | | **129.9** | 276.6 |
| **Total Performance[12]** | | **2,233.5** | 2,134.3 | | **7,669.0** | 8,178.6 |

[1] Long-Term Average Resource ("LTAR") is based on weather resource studies done at the inception of each project.

[2] AQN owns a 75% equity interest but accounts for the facility using the equity method. Figures show full energy produced by the facility.

[3] The Blue Hill Wind Facility achieved COD on April 14, 2022. AQN owns a 20% equity interest but accounts for the facility using the equity method. Figures show expected LTAR and full energy produced by the facility during the quarter.

[4] AQN owns a 50% equity interest but accounts for the facility using the equity method. Figures show full energy produced by the facility during the quarter.

[5] AQN owns a 51% equity interest in the Sugar Creek, Odell and Deerfield Wind Facilities but consolidates the facilities for accounting purposes. Figures show full energy produced by the facilities during the quarter.

[6] The Deerfield II Wind Facility achieved COD on March 23, 2023. Prior to June 15, 2023, AQN owned a 50% interest in the facility. On June 15, 2023, AQN acquired the remaining 50% interest that it did not previously own. Figures show full energy produced by the facility during the quarter.

[7] The Dalewood Solar Facility achieved COD on December 21, 2022.

[8] Natural gas fired co-generation facility.

[9] The Sandy Ridge II Wind Facility achieved COD on September 16, 2023. AQN owns a 50% interest in the facility, but accounts for the facility using the equity method. Figures show full energy produced by the facility during the quarter.

[10] The Shady Oaks II Wind Facility achieved COD on October 10, 2023. AQN owns a 50% interest in the facility, but accounts for the facility using the equity method. Figures show full energy produced by the facility during the quarter.

[11] The Hayhurst New Mexico Solar Facility achieved COD on November 6, 2023. AQN owns 50% equity interest but accounts for the facility using the equity method. Figures show expected LTAR and full energy produced by the facility during the quarter.

[12] Total Performance represents actual energy produced by each facility. Lower than expected turbine availability will contribute to generation shortfalls relative to LTAR in some instances. The Company recognizes availability revenue when such shortfalls are compensated for under various long term service and maintenance agreements. The compensated generation is not reflected in the actual energy produced by each facility.

## 2023 Fourth Quarter Renewable Energy Group Performance

For the three months ended December 31, 2023, the Renewable Energy Group generated 2,233.5 GW-hrs of electricity as compared to 2,134.3 GW-hrs during the same period in 2022.

For the three months ended December 31, 2023, the hydro facilities generated 160.9 GW-hrs of electricity as compared to 160.4 GW-hrs produced in the same period in 2022, an increase of 0.3%. Electricity generated represented 108.0% of LTAR as compared to 107.7% during the same period in 2022.

For the three months ended December 31, 2023, the wind facilities produced 1,940.8 GW-hrs of electricity as compared to 1,853.7 GW-hrs produced in the same period in 2022, an increase of 4.70%. Excluding the Deerfield II Wind Facility, which achieved COD on March 23, 2023, the Sandy Ridge II Wind Facility, which achieved COD on September 16, 2023, and the Shady Oaks II Wind Facility, which achieved COD on October 10, 2023, production was 7.9% below the same period last year. The wind facilities, including new facilities, generated electricity equal to 82.7% of LTAR as compared to 90.0% during the same period in 2022.

For the three months ended December 31, 2023, the solar facilities generated 100.1 GW-hrs of electricity as compared to 90.5 GW-hrs of electricity in the same period in 2022, an increase of 10.6%. Excluding the Dalewood Solar Facility, which achieved COD on December 21, 2022, and the Hayhurst New Mexico Solar Facility, which achieved COD on November 6, 2023, production was 3.6% above the same period last year. The solar facilities, including new facilities, generated electricity equal to 109.9% of LTAR as compared to 106.3% in the same period in 2022.

For the three months ended December 31, 2023, the thermal facilities generated 31.7 GW-hrs of electricity as compared to 29.7 GW-hrs of electricity during the same period in 2022. During the same period, the Windsor Locks Thermal Facility generated 144.9 billion lbs of steam as compared to 130.5 billion lbs of steam during the same period in 2022.

## 2023 Annual Renewable Energy Group Performance

For the twelve months ended December 31, 2023, the Renewable Energy Group generated 7,669.0 GW-hrs of electricity as compared to 8,178.6 GW-hrs during the same period in 2022.

For the twelve months ended December 31, 2023, the hydro facilities generated 611.4 GW-hrs of electricity as compared to 609.2 GW-hrs produced in the same period in 2022, an increase of 0.4%. Electricity generated represented 100.7% of LTAR as compared to 100.4% during the same period in 2022.

For the twelve months ended December 31, 2023, the wind facilities produced 6,459.0 GW-hrs of electricity as compared to 6,823.0 GW-hrs produced in the same period in 2022, a decrease of 5.3%. Excluding the Blue Hill Wind Facility, which achieved COD on April 14, 2022, the Deerfield II Wind Facility, which achieved COD on March 23, 2023, the Sandy Ridge II Wind Facility, which achieved COD on September 16, 2023, and the Shady Oaks II Wind Facility, which achieved COD on October 10, 2023, production was 11.5% below the same period last year. The wind facilities generated electricity equal to 81.9% of LTAR as compared to 93.5% during the same period in 2022.

For the twelve months ended December 31, 2023, the solar facilities generated 468.7 GW-hrs of electricity as compared to 469.8 GW-hrs of electricity produced in the same period in 2022, a decrease of 0.2%. Excluding the Dalewood Solar Facility, which achieved COD on December 21, 2022, and the Hayhurst New Mexico Solar Facility, which achieved COD on November 6, 2023, production was 1.7% below the same period last year. The solar facilities generated electricity equal to 98.8% of LTAR as compared to 100.5% in the same period in 2022.

For the twelve months ended December 31, 2023, the thermal facilities generated 129.9 GW-hrs of electricity as compared to 276.6 GW-hrs of electricity during the same period in 2022. For the twelve months ended December 31, 2023, the Windsor Locks Thermal Facility generated 523.9 billion lbs of steam as compared to 520.2 billion lbs of steam during the same period in 2022.

## 2023 Renewable Energy Group Operating Results

| (all dollar amounts in $ millions) | Three months ended December 31 2023 | 2022 | Twelve months ended December 31 2023 | 2022 |
|---|---|---|---|---|
| **Revenue**[1] | | | | |
| Hydro | **$ 9.0** | $ 13.1 | **$ 35.4** | $ 51.5 |
| Wind | **59.4** | 64.5 | **199.5** | 221.4 |
| Solar | **6.6** | 2.8 | **31.0** | 30.1 |
| Thermal | **7.1** | 8.2 | **30.4** | 47.8 |
| **Total Non-Regulated Energy Sales** | **$ 82.1** | $ 88.6 | **$ 296.3** | $ 350.8 |
| Less: | | | | |
| Cost of Sales - Energy[2] | **(0.3)** | (0.2) | **(2.6)** | (7.1) |
| Cost of Sales - Thermal | **(3.7)** | (5.2) | **(16.9)** | (34.5) |
| **Net Energy Sales** [3,4] | **$ 78.1** | $ 83.2 | **$ 276.8** | $ 309.2 |
| Renewable Energy Credits[5] | **5.9** | 7.6 | **27.5** | 27.8 |
| Other Revenue | **2.0** | 0.3 | **5.9** | 0.6 |
| **Total Net Revenue** | **$ 86.0** | $ 91.1 | **$ 310.2** | $ 337.6 |
| Expenses & Other Income | | | | |
| Operating expenses | **(30.5)** | (31.7) | **(119.0)** | (114.5) |
| Dividend, interest, equity and other income [6] | **32.8** | 21.6 | **109.3** | 91.2 |
| HLBV income[7] | **19.3** | 20.5 | **71.3** | 96.4 |
| **Divisional Operating Profit**[3,8,9] | **$ 107.6** | $ 101.5 | **$ 371.8** | $ 410.7 |

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

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

3 See *Caution Concerning Non-GAAP Measures*.

4 This table contains a reconciliation of Net Energy Sales to revenue. The relevant sections of the table are derived from and should be read in conjunction with the consolidated statement of operations and *Note 21* in the annual consolidated financial statements, "Segmented information". This supplementary disclosure is intended to more fully explain disclosures related to Net Energy Sales and provides additional information related to the operating performance of AQN. Investors are cautioned that Net Energy Sales should not be construed as an alternative to revenue.

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

6 Includes dividends received from Atlantica and related parties (see *Notes 8 and 16* in the annual consolidated financial statements) as well as the equity investment in the Stella, Cranell, East Raymond and West Raymond Wind Facilities (collectively, the "Texas Coastal Wind Facilities").

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

PTCs are earned as wind energy is generated based on a dollar per kW-hr rate prescribed in applicable federal and state statutes. For the twelve months ended December 31, 2023, the Renewable Energy Group's eligible facilities generated 3,299.0 GW-hrs representing approximately $92.4 million in PTCs earned as compared to 4,998.9 GW-hrs representing $130.0 million in PTCs earned during the same period in 2022. The majority of the PTCs have been allocated to tax equity investors to monetize the value to AQN of the PTCs and other tax attributes which are the primary drivers of HLBV income offset by the return earned by the investor. Some PTCs have been utilized directly by the Company which has lowered its overall effective tax rate.

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

9 This table contains a reconciliation of Divisional Operating Profit to revenue for the Renewable Energy Group. The relevant sections of the table are derived from and should be read in conjunction with the consolidated statement of operations and *Note 21* in the annual consolidated financial statements, "Segmented Information". This supplementary disclosure is intended to more fully explain disclosures related to Divisional Operating Profit and provides additional information related to the operating performance of the Renewable Energy Group. Investors are cautioned that Divisional Operating Profit should not be construed as an alternative to revenue.

## 2023 Fourth Quarter Operating Results

For the three months ended December 31, 2023, the Renewable Energy Group's facilities generated operating revenue of $82.1 million (i.e., non-regulated energy sales) as compared to $88.6 million in the comparable period in the prior year.

For the three months ended December 31, 2023, the Renewable Energy Group's facilities generated $107.6 million of Divisional Operating Profit as compared to $101.5 million during the same period in 2022, which represents an increase of $6.1 million or 6.0% (see *Caution Concerning Non-GAAP Measures*).

Highlights of the changes are summarized in the following table:

| (all dollar amounts in $ millions) | | Three months ended December 31 |
|---|---|---|
| **Prior Period Divisional Operating Profit[1]** | **$** | **101.5** |
| **Existing Facilities and Investments** | | |
| Hydro: Increase is primarily driven by lower operating expenses across Hydro facilities | | 1.8 |
| Wind CA: Decrease is primarily due to lower wind resources across all Canadian wind facilities. | | (1.9) |
| Wind U.S.: Decrease is primarily due to lower wind resources across the majority of the U.S. wind facilities and lower availability revenue at the Maverick Creek Wind Facility. This is partially offset by lower operating expenses across most U.S. wind facilities. | | (6.1) |
| Solar: Increase is primarily due to favourable HLBV income as a result of tax attribute eligibility on the Great Bay Solar I Facility commissioned in 2018 ending and favourable capacity revenues for majority of the Solar Facilities. | | 4.3 |
| Thermal & Renewable Natural Gas: Increase is primarily driven by favourable capacity revenues at the Sanger Thermal Facility. | | 1.7 |
| Investments and Other: Increase is primarily due to higher equity income from the Texas Coastal Wind Facilities partially offset by unfavourable portfolio optimization revenue. | | 5.6 |
| | | **5.4** |
| **New Facilities and Investments** | | |
| Wind U.S: Decrease is primarily driven by the Deerfield II Wind Facility HLBV loss (achieved COD in March 2023) | | (1.4) |
| | | **(1.4)** |
| **Foreign Exchange** | | **2.1** |
| **Current Period Divisional Operating Profit[1]** | **$** | **107.6** |

[1] See *Caution Concerning Non-GAAP Measures*.

## 2023 Annual Operating Results

For the twelve months ended December 31, 2023, the Renewable Energy Group's facilities generated operating revenue of $296.3 million (i.e., non-regulated energy sales) as compared to $350.8 million in the comparable period in the prior year.

For the twelve months ended December 31, 2023, the Renewable Energy Group's facilities generated $371.8 million of Divisional Operating Profit as compared to $410.7 million during the sam e period in 2022, which represents a decrease of $38.9 million or 9.5% (see *Caution Concerning Non-GAAP Measures*).

Highlights of the changes are summarized in the following table:

| (all dollar amounts in $ millions) | | Twelve months ended December 31 |
|---|---|---|
| **Prior Period Divisional Operating Profit[1]** | **$** | **410.7** |
| **Existing Facilities** | | |
| Hydro: Increase is primarily driven by lower purchased power in the Maritimes Region and lower operating expenses across Hydro Facilities. | | 4.7 |
| Wind CA: Decrease is primarily due to lower wind resources across all Canadian wind facilities. | | (10.0) |
| Wind U.S.: Decrease is primarily driven by lower wind resources across all U.S. wind facilities and lower HLBV income as a result of tax attribute eligibility on projects commissioned in 2012 ending. | | (41.3) |
| Solar: Decrease is primarily driven by unfavourable energy market pricing across majority of the Solar facilities. This is partially offset favourable capacity revenues across majority of the Solar facilities. | | (4.8) |
| Thermal & Renewable Natural Gas: | | (0.2) |
| Investments and Other: Increase is primarily due to higher equity income from the Texas Coastal Wind Facilities partially offset by unfavourable portfolio optimization revenue. | | 6.2 |
| | | **(45.4)** |
| **New Facilities and Investments** | | |
| Wind U.S.: Increase is primarily driven by the Deerfield II Wind Facility (achieved COD in March 2023). | | 2.5 |
| Thermal & RNG: Increase is primarily driven by the Five Star and Bach RNG Facilities (Fully acquired in August 2022). | | 2.3 |
| Other: Increase is primarily driven by the Blue Hill Wind Facility (achieved COD in April 2022). | | 4.3 |
| | | **9.1** |
| **Foreign Exchange** | | **(2.6)** |
| **Current Period Divisional Operating Profit[1]** | **$** | **371.8** |

1 See *Caution Concerning Non-GAAP Measures*.

## AQN: CORPORATE AND OTHER EXPENSES

| (all dollar amounts in $ millions) | Three months ended December 31 2023 | 2022 | Twelve months ended December 31 2023 | 2022 |
|---|---|---|---|---|
| Corporate and other expenses: | | | | |
| Administrative expenses | **$ 19.3** | $ 21.2 | **$ 90.4** | $ 80.2 |
| Loss on foreign exchange | **3.4** | 14.1 | **8.4** | 13.8 |
| Interest expense | **87.9** | 78.0 | **353.7** | 278.6 |
| Depreciation and amortization | **122.1** | 114.8 | **467.0** | 455.5 |
| Change in value of investments carried at fair value | **(122.8)** | 14.7 | **230.0** | 499.1 |
| Interest, dividend, equity, and other loss (income) [1] | **(7.8)** | (2.5) | **0.7** | 3.2 |
| Pension and other post-employment non-service costs | **4.8** | 4.6 | **19.9** | 11.0 |
| Other net losses | **13.9** | 2.1 | **132.9** | 21.4 |
| Gain on derivative financial instruments | **(0.6)** | (6.4) | **(4.6)** | (4.4) |
| Income tax recovery | **(1.2)** | (28.6) | **(86.3)** | (61.5) |

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

### 2023 Fourth Quarter Corporate and Other Expenses

For the three months ended December 31, 2023, administrative expenses totaled $19.3 million as compared to $21.2 million in the same period in 2022. The decrease is primarily due to timing of expenses.

For the three months ended December 31, 2023, interest expense totaled $87.9 million as compared to $78.0 million in the same period in 2022. The increase was approximately one-quarter due to the funding of capital deployed in 2023 and three-quarters due to the increase in interest rates on variable rate borrowings.

For the three months ended December 31, 2023, depreciation expense totaled $122.1 million as compared to $114.8 million in the same period in 2022.

For the three months ended December 31, 2023, change in investments carried at fair value totaled a gain of $122.8 million as compared to a loss of $14.7 million in the same period in 2022. The Company records certain of its investments, including Atlantica, using the fair value method and accordingly any change in the fair value of the investment is recorded in the consolidated statement of operations (see *Note 8* in the annual consolidated financial statements).

For the three months ended December 31, 2023, pension and post-employment non-service costs totaled $4.8 million as compared to $4.6 million in the same period in 2022. The increase was primarily due to higher interest costs and lower expected return on plan assets.

For the three months ended December 31, 2023, other net losses were $13.9 million as compared to $2.1 million in the same period in 2022. The increase was primarily due to costs associated with the pursuit of a sale of the Company's renewable energy business of $5.0 million, and $8.5 million for write-off of deferred financing costs on the redemption of the Company's 6.875% fixed-to-floating subordinated notes – Series 2018-A (the "2018 Subordinated Notes"). See *Note 19* in the annual consolidated financial statements.

For the three months ended December 31, 2023, the gain on derivative financial instruments totaled $0.6 million as compared to a gain of $6.4 million in the same period in 2022. AQN uses derivative instruments to manage exposure to changes in commodity prices, foreign exchange rates, and interest rates. The gains in the fourth quarter of both 2023 and 2022 were primarily related to mark-to-markets on interest rate derivatives.

For the three months ended December 31, 2023, an income tax recovery of $1.2 million was recorded as compared to an income tax recovery of $28.6 million during the same period in 2022. The decrease in income tax recovery was primarily due to increased earnings and the tax impact associated with the change in fair value of the investment in Atlantica. The decrease in income tax recovery was partially offset by the tax impact associated with the valuation allowance recorded on the Renewable Energy Group in 2022 and accrued tax credits. For the three months ended December 31, 2023, the Company accrued $19.3 million of ITCs and PTCs primarily associated with renewable energy projects that had been placed in service by the end of 2023 as compared to a $4.7 million recorded in the same period in 2022.

## 2023 Annual Corporate and Other Expenses

During the twelve months ended December 31, 2023, administrative expenses totaled $90.4 million as compared to $80.2 million in the same period in 2022. The increase is primarily due to technology costs, including costs associated with cyber security, as well as costs previously shown as operating expenses now shown within administrative expenses as the Company increased usage of its shared services model in an effort to drive future operational efficiencies.

For the twelve months ended December 31, 2023, interest expense totaled $353.7 million as compared to $278.6 million in the same period in 2022. The increase was approximately one-quarter due to the funding of capital deployed in 2023 and three-quarters due to the increase in interest rates on variable rate borrowings.

For the twelve months ended December 31, 2023, depreciation expense totaled $467.0 million as compared to $455.5 million in the same period in 2022. The increase was primarily due to higher overall property, plant and equipment.

For the twelve months ended December 31, 2023, change in investments carried at fair value totaled a loss of $230.0 million as compared to a loss of $499.1 million in the same period in 2022. The Company records certain of its investments, including Atlantica, using the fair value method and accordingly any change in the fair value of the investment is recorded in the consolidated statement of operations (see *Note 8* in the annual consolidated financial statements).

For the twelve months ended December 31, 2023, pension and post-employment non-service costs totaled $19.9 million as compared to $11.0 million in the same period in 2022. The increase was primarily due to higher interest cost and lower expected return on plan assets.

For the twelve months ended December 31, 2023, other net losses were $132.9 million as compared to $21.4 million in the same period in 2022. The increase was primarily due to the $46.5 million Kentucky Power Impairment, the Securitization Write-Off of $63.5 million, write-off of deferred financing costs on the redemption of the 2018 Subordinated Notes of $8.5 million and costs associated with the Strategic Review and the pursuit of a sale of the Company's renewable energy business of $12.5 million, partially offset by a $12.0 million contingent gain resulting from settlement of the purchase price of the Suralis Water System acquired in 2020. See *Note 19* in the annual consolidated financial statements.

For the twelve months ended December 31, 2023, the gain on derivative financial instruments totaled $4.6 million as compared to a gain of $4.4 million in the same period in 2022. AQN uses derivative instruments to manage exposure to changes in commodity prices, foreign exchange rates, and interest rates. The gains for both the twelve months ended December 31, 2023 and for the twelve months ended December 31, 2022 were primarily related to mark-to-markets on interest rate derivatives.

For the twelve months ended December 31, 2023, an income tax recovery of $86.3 million was recorded as compared to an income tax recovery of $61.5 million during the same period in 2022. The increase in income tax recovery was primarily due to the tax impact associated with the valuation allowance recorded on the Renewable Energy Group in 2022 and accrued tax credits. These tax recoveries were partially offset by the tax impact associated with the change in fair value of the investment in Atlantica and an increase in earnings. For the twelve months ended December 31, 2023, the Company accrued $54.8 million of ITCs and PTCs primarily associated with renewable energy projects that had been placed in service by the end of 2023 as compared to $18.4 million recorded in the same period in 2022.

# NON-GAAP FINANCIAL MEASURES

## Reconciliation of Adjusted EBITDA to Net Earnings

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

| | Three months ended December 31 | | Twelve months ended December 31 | |
|---|---|---|---|---|
| **(all dollar amounts in $ millions)** | **2023** | **2022** | **2023** | **2022** |
| Net earnings (loss) attributable to shareholders | **$ 186.3** | $ (74.4) | **$ 28.7** | $ (212.0) |
| Add (deduct): | | | | |
| Net earnings attributable to the non-controlling interest, exclusive of HLBV | **16.5** | 6.0 | **53.5** | 18.9 |
| Income tax recovery | **(1.2)** | (28.6) | **(86.3)** | (61.5) |
| Interest expense | **87.9** | 78.0 | **353.7** | 278.6 |
| Other net losses[1] | **13.9** | 2.1 | **132.9** | 21.4 |
| Unrealized loss (gain) on energy derivatives included in revenue[2] | **0.5** | (2.1) | **7.5** | 0.9 |
| Asset impairment charge | **23.5** | 159.6 | **23.5** | 159.6 |
| Impairment of equity-method investee | **—** | 75.9 | **—** | 75.9 |
| Pension and post-employment non-service costs | **4.8** | 4.6 | **19.9** | 11.0 |
| Change in value of investments carried at fair value[3] | **(122.8)** | 14.7 | **230.0** | 499.1 |
| Costs related to tax equity financing | **—** | — | **1.2** | — |
| Gain on derivative financial instruments | **(0.6)** | (6.4) | **(4.6)** | (4.4) |
| Gain on sale of renewable assets | **—** | (62.8) | **—** | (64.0) |
| Loss on foreign exchange | **3.4** | 14.1 | **8.4** | 13.8 |
| Depreciation and amortization | **122.1** | 114.8 | **467.0** | 455.5 |
| **Adjusted EBITDA** | **$ 334.3** | $ 295.5 | **$ 1,235.4** | $ 1,192.8 |

[1] See *Note 19* in the annual consolidated financial statements.

[2] Includes $7.1 million of unrealized losses on derivatives included in equity income for the twelve months ended December 31, 2023. See *Note 8* in the annual consolidated financial statements.

[3] See *Note 8* in the annual consolidated financial statements.

## Reconciliation of Adjusted Net Earnings to Net Earnings

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

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

| | Three months ended December 31 | | Twelve months ended December 31 | |
|---|---|---|---|---|
| **(all dollar amounts in $ millions except per share information)** | **2023** | **2022** | **2023** | **2022** |
| Net earnings (loss) attributable to shareholders | **$ 186.3** | $ (74.4) | **$ 28.7** | $ (212.0) |
| Add (deduct): | | | | |
| Gain on derivative financial instruments | **(0.6)** | (6.4) | **(4.6)** | (4.4) |
| Gain on sale of renewable assets | **—** | (62.8) | **—** | (64.0) |
| Other net losses[1] | **13.9** | 2.1 | **132.9** | 21.4 |
| Asset impairment charge | **23.5** | 159.6 | **23.5** | 159.6 |
| Impairment of equity-method investee | **—** | 75.9 | **—** | 75.9 |
| Loss on foreign exchange | **3.4** | 14.1 | **8.4** | 13.8 |
| Unrealized loss (gain) on energy derivatives included in revenue[2] | **0.5** | (2.1) | **7.5** | 0.9 |
| Change in value of investments carried at fair value[3] | **(122.8)** | 14.7 | **230.0** | 499.1 |
| Costs related to tax equity financing | **—** | — | **1.2** | — |
| Adjustment for taxes related to above | **11.3** | (23.1) | **(55.6)** | (70.0) |
| **Adjusted Net Earnings** | **$ 115.5** | $ 97.6 | **$ 372.0** | $ 420.3 |
| **Adjusted Net Earnings per common share** | **$ 0.16** | $ 0.14 | **$ 0.53** | $ 0.61 |

1 See *Note 19* in the annual consolidated financial statements.

2 Includes $7.1 million of unrealized losses on derivatives included in equity income for the twelve months ended December 31, 2023. See *Note 8* in the annual consolidated financial statements.

3 See *Note 8* in the annual consolidated financial statements.

For the three months ended December 31, 2023, Adjusted Net Earnings totaled $115.5 million as compared to Adjusted Net Earnings of $97.6 million for the same period in 2022, an increase of $17.9 million.

For the twelve months ended December 31, 2023, Adjusted Net Earnings totaled $372.0 million as compared to Adjusted Net Earnings of $420.3 million for the same period in 2022,a decrease of $48.3 million.

## Reconciliation of Adjusted Funds from Operations to Cash Provided by Operating Activities

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

The following table shows the reconciliation of cash provided by operating activities to Adjusted Funds from Operations exclusive of these items:

| | Three months ended December 31 | | Twelve months ended December 31 | |
|---|---|---|---|---|
| **(all dollar amounts in $ millions)** | **2023** | **2022** | **2023** | **2022** |
| Cash provided by operating activities | **$ 200.7** | $ 214.6 | **$ 628.0** | $ 619.1 |
| Add (deduct): | | | | |
| Changes in non-cash operating items | **(1.8)** | 41.2 | **86.3** | 221.6 |
| Production based cash contributions from non-controlling interests | **—** | — | **9.1** | 6.2 |
| Gain on sale of renewable assets | **—** | (62.8) | **—** | (64.0) |
| Costs related to tax equity financing | **—** | — | **1.2** | — |
| Acquisition-related costs | **—** | (1.1) | **—** | 7.4 |
| **Adjusted Funds from Operations** | **$ 198.9** | $ 191.9 | **$ 724.6** | $ 790.3 |

For the three months ended December 31, 2023, Adjusted Funds from Operations totaled $198.9 million as compared to Adjusted Funds from Operations of $191.9 million for the same period in 2022, an increase of $7.0 million primarily due to higher cash interest paid in 2023.

For the twelve months ended December 31, 2023, Adjusted Funds from Operations totaled $724.6 million as compared to Adjusted Funds from Operations of $790.3 million for the same period in 2022, a decrease of $65.7 million primarily due to higher cash interest paid in 2023.

# SUMMARY OF PROPERTY, PLANT AND EQUIPMENT EXPENDITURES

| | Three months ended December 31 | | Twelve months ended December 31 | |
|---|---|---|---|---|
| **(all dollar amounts in $ millions)** | **2023** | **2022** | **2023** | **2022** |
| **Regulated Services Group** | | | | |
| Rate Base Maintenance[1] | **89.4** | $ 78.5 | **347.4** | 316.5 |
| Rate Base Growth | **137.7** | 253.5 | **394.6** | 669.1 |
| Property, Plant & Equipment Acquired[2] | **—** | — | **—** | 609.3 |
| | **$ 227.1** | $ 332.0 | **$ 742.0** | $ 1,594.9 |
| **Renewable Energy Group** | **$ 32.6** | $ 103.4 | **$ 320.3** | $ 176.6 |
| **Total Capital Expenditures** | **$ 259.7** | $ 435.4 | **$ 1,062.3** | $ 1,771.5 |

[1] Maintenance expenditures are calculated based on the depreciation expense for the period.

[2] Includes expenditures on Property, Plant & Equipment, equity-method investees, and acquisitions of operating entities that may have been jointly developed by the Company with another third party developer. Excludes temporary advances to joint venture partners in connection with capital projects under development or construction.

## 2023 Fourth Quarter Property, Plant and Equipment Expenditures

During the three months ended December 31, 2023, the Regulated Services Group made capital expenditures of $227.1 million as compared to $332.0 million during the same period in 2022. The Regulated Services Group's investments during the fourth quarter of 2023 were primarily related to the construction of transmission and distribution main replacements, work on new and existing substation assets, and initiatives relating to the safety and reliability of water, electric and natural gas systems.

During the three months ended December 31, 2023, the Renewable Energy Group made capital expenditures of $32.6 million as compared to $103.4 million during the same period in 2022. The Renewable Energy Group's investments during the fourth quarter of 2023 were primarily related to the development and/or construction of various projects and ongoing maintenance capital at existing operating sites.

## 2023 Annual Plant and Equipment Expenditures

During the twelve months ended December 31, 2023, the Regulated Services Group incurred capital expenditures of $742.0 million as compared to $1,594.9 million during the same period in 2022. The Regulated Services Group's investments in 2023 were primarily related to the construction of transmission and distribution main replacements, work on new and existing substation assets, and initiatives relating to the safety and reliability of electric and natural gas systems. The Regulated Services Group's investments in 2022 included $609.0 million for the acquisition of Liberty Utilities (New York Water) Corp. (formerly New York American Water Company Inc.).

During the twelve months ended December 31, 2023, the Renewable Energy Group incurred capital expenditures of $320.3 million as compared to $176.6 million during the same period in 2022. The Renewable Energy Group's investments in 2023 were primarily related to the acquisition of the previously unowned portion of the Deerfield II Wind Facility and the development and/or construction of various projects and ongoing sustaining capital at existing operating sites.

## LIQUIDITY AND CAPITAL RESERVES

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

### Bank Credit Facilities

The following table sets out the Bank Credit Facilities available to AQN and its operating groups as at December 31, 2023:

| | As at December 31, 2023 | | | | As at December 31, 2022 |
|---|---|---|---|---|---|
| **(all dollar amounts in $ millions)** | **Corporate** | **Regulated Services Group** | **Renewable Energy Group** | **Total** | **Total** |
| Revolving and term credit facilities | $ 1,075.0 | [1] $ 2,387.0 | [2] $ 1,100.0 | [3] **$ 4,562.0** | $ 4,513.3 |
| Funds drawn on facilities / commercial paper issued | (779.1) | (1,851.2) | (262.6) | **(2,892.9)** | (1,532.5) |
| Letters of credit issued | (37.9) | (39.2) | (392.0) | **(469.1)** | (465.2) |
| Liquidity available under the facilities | **258.0** | **496.6** | **445.4** | **1,200.0** | 2,515.6 |
| Undrawn portion of uncommitted letter of credit facilities | (39.5) | — | (214.6) | **(254.1)** | (226.9) |
| Cash on hand | | | | **56.1** | 57.6 |
| **Total Liquidity and Capital Reserves** | **$ 218.5** | **$ 496.6** | **$ 230.8** | **$ 1,002.0** | $ 2,346.3 |

[1] Includes a $75 million uncommitted standalone letter of credit facility.

[2] Includes $176.5 million fully drawn term facilities of Suralis and BELCO as at December 31, 2023 ($163.3 million as at December 31, 2022).

[3] Includes $600 million of uncommitted standalone letter of credit facilities.

*Corporate*

On March 31, 2023, the Company's senior unsecured revolving credit facility (the "Corporate Credit Facility") was amended and restated to increase the borrowing capacity from $500.0 million to $1.0 billion with a new maturity date of March 31, 2028. As at December 31, 2023, the Corporate Credit Facility had $779.1 million drawn and had $2.4 million of outstanding letters of credit.

On March 31, 2023, the Company entered into a new $75.0 million uncommitted bi-lateral credit facility. On June 1, 2023, the Company terminated its former $50.0 million uncommitted bi-lateral credit facility. As at December 31, 2023, the Company had issued $35.5 million of letters of credit from its $75.0 million uncommitted letter of credit facility.

*Regulated Services Group*

As at December 31, 2023, the Regulated Services Group's $1.0 billion senior unsecured revolving credit facility (the "Long-Term Regulated Services Credit Facility") had $371.0 million drawn and had $39.2 million of outstanding letters of credit. The Long-Term Regulated Services Credit Facility matures on April 29, 2027. As at December 31, 2023, the Regulated Services Group had $481.7 million of commercial paper issued and outstanding. On October 27, 2023, the Company extended the maturity date of the Regulated Services Group's $500.0 million senior unsecured revolving credit facility (the "Short-Term Regulated Services Credit Facility") from February 28, 2024 to October 25, 2024. As at December 31, 2023, the Short-Term Regulated Services Credit Facility had $125.0 million drawn and no outstanding letters of credit.

As at December 31, 2023, the Regulated Services Group's $75.0 million senior unsecured revolving credit facility (the "Bermuda Credit Facility") had $75.0 million drawn. Subsequent to the quarter end, on January 29, 2024, the Company amended the Bermuda Credit Facility, increasing the limit by $25 million to $100 million.

As at December 31, 2023, the Regulated Services Group's $25.0 million senior unsecured bilateral revolving credit facility (the "Bermuda Working Capital Facility") had $11.5 million drawn.

On November 30, 2022, the Regulated Services Group amended and restated its $1.1 billion senior unsecured syndicated delayed draw term facility ("the "Regulated Services Delayed Draw Term Facility") with a new maturity date of November 29, 2023. On April 25, 2023, the Company elected to terminate the remaining undrawn amount of $489.6 million. On October 27, 2023, the Company extended the maturity date of the Regulated Services Delayed Draw Term Facility from November 29, 2023 to October 25, 2024. As at December 31, 2023, the Regulated Services Delayed Draw Term Facility had $610.4 million drawn in connection with the acquisition of Liberty NY Water.

*Renewable Energy Group*

As at December 31, 2023, the Renewable Energy Group's $500.0 million senior unsecured syndicated revolving credit facility (the "Renewable Energy Credit Facility") had $262.6 million drawn and had $6.6 million in outstanding letters of credit. The Renewable Energy Credit Facility matures on July 22, 2027.

As at December 31, 2023, the Renewable Energy Group's bank lines consisted of $600.0 million letter of credit facilities (the "Renewable Energy LC Facilities"), including a $250.0 million uncommitted bilateral letter of credit facility and a $350.0 million uncommitted letter of credit facility. As at December 31, 2023, the Renewable Energy LC Facilities had $385.4 million in outstanding letters of credit.

## Long-Term Debt

On March 13, 2023, the Company repaid a $15.0 million senior unsecured note on its maturity.

On July 31, 2023, the Company repaid a $75.0 million senior unsecured note on its maturity.

On November 1, 2023, the Company repaid a $5.0 million senior unsecured note on its maturity.

On November 6, 2023, the Company redeemed all $287.5 million of its 2018 Subordinated Notes at a redemption price equal to 100% of the principal amount, together with accrued and unpaid interest.

Issuance of $850 Million of Senior Unsecured Notes

On January 12, 2024, Liberty Utilities completed the Senior note Offering of $500 million aggregate principal amount of 5.577% senior notes due January 31, 2029; (the "2029 Notes") and $350 million aggregate principal amount of 5.869% senior notes due January 31, 2034 (the "2034 Notes" and, together with the 2029 Notes, the "Senior Notes"). The Senior Notes are unsecured and unsubordinated obligations of Liberty Utilities and rank equally with all of Liberty Utilities' existing and future unsecured and unsubordinated indebtedness and senior in right of payment to any existing and future Liberty Utilities subordinated indebtedness. The 2029 Notes were priced at an issue price of 99.996% of their face value and the 2034 Notes were priced at an issue price of 99.995% of their face value. Liberty Utilities used the net proceeds from the sale of the Senior Notes to repay indebtedness.

Issuance of $305.5 Million of Securitized Utility Tariff Bonds

On January 30, 2024, Empire District Bondco, LLC, a wholly owned subsidiary of The Empire District Electric Company, completed an offering of Securitization Bonds comprised of approximately $180.5 million of aggregate principal amount of 4.943% Securitized Utility Tariff Bonds with a maturity date of January 1, 2035 and $125.0 million aggregate principal amount of 5.091% Securitized Utility Tariff Bonds with a maturity date of January 1, 2039, to recover previously incurred qualified extraordinary costs associated with the Midwest Extreme Weather Event and energy transition costs related to the retirement of the Asbury generating plant. The principal asset securing the Securitization Bonds is the securitized utility tariff property.

Issuance of approximately $1.1 Billion of Subordinated Notes

On January 18, 2022, the Company closed (i) an underwritten public offering in the United States of $750 million aggregate principal amount of 4.75% fixed-to-fixed reset rate junior subordinated notes series 2022-B due January 18, 2082 (the "U.S. Notes"); and (ii) an underwritten public offering in Canada of C$400 million aggregate principal amount of 5.25% fixed-to-fixed reset rate junior subordinated notes series 2022-A due January 18, 2082 (the "Canadian Notes" and, together with the U.S. Notes, the "Subordinated Notes"). The following table summarizes the expected use of the net proceeds from the offerings of the Subordinated Notes compared to the actual use of such net proceeds:

| Expected Use of Net Proceeds | Actual Use of Net Proceeds |
|---|---|
| As disclosed in the Company's prospectus supplements dated January 12, 2022 relating to the offerings of the Subordinated Notes, the Company previously expected that the net proceeds of the offerings of the Subordinated Notes would be used to partially finance the proposed acquisition of Kentucky Power Company and AEP Kentucky Transmission Company, Inc. (the "Kentucky Power Acquisition"); provided that, in the "short-term", prior to the closing of the Kentucky Power Acquisition, the Company expected to use the net proceeds to reduce indebtedness as follows: (i) approximately $385.0 million to the Corporate Credit Facility; (ii) approximately $40.0 million to the Renewable Energy Credit Facility; (iii) approximately $415.0 million of commercial paper issued by Liberty Utilities; and (iv) approximately $219.9 million to the Long-Term Regulated Services Credit Facility. | As a result of the Kentucky Power Transaction Termination, the Company's actual use of the net proceeds from the offerings of the Subordinated Notes is the reduction of indebtedness in such amounts as previously disclosed as the "short-term" use of the proceeds. |

*Credit Ratings*

AQN has a long-term consolidated corporate credit rating of BBB from Standard & Poor's Financial Services LLC, ("S&P"), a BBB rating from DBRS Limited ("DBRS") and a BBB issuer rating from Fitch Ratings Inc. ("Fitch"). Liberty Utilities has a corporate credit rating of BBB from S&P, a BBB issuer rating from Fitch and a Baa2 issuer rating from Moody's Investor Service, Inc. ("Moody's"). Debt issued by Liberty Utilities has a rating of BBB from S&P, BBB+ from Fitch and Baa2 from Moody's. Debt issued by Liberty Utilities Finance GP1 ("Liberty GP") has a rating of BBB (high) from DBRS, BBB+ from Fitch, BBB from S&P and Baa2 from Moody's. Empire has an issuer rating of BBB from S&P and a Baa1 rating from Moody's. Liberty Utilities (Canada) LP, the parent company for the Canadian regulated utilities under the Regulated Services Group, has an issuer rating of BBB from DBRS. Algonquin Power Co. ("APCo") has a BBB issuer rating from S&P, a BBB issuer rating from DBRS and a BBB issuer rating from Fitch. The fixed-rate securitized utility tariff bonds (series 2024-A) issued by Empire District Bondco, LLC have a rating of AAA (sf) from S&P and Moody's.

In April 2023, following the announcement of the Kentucky Power Transaction Termination, each of DBRS, Fitch, S&P and Moody's made announcements regarding the credit ratings of the Corporation and its subsidiaries. DBRS and Fitch both affirmed their ratings and stable outlook on the Corporation and its subsidiaries, S&P affirmed its ratings and revised its outlooks to stable from negative on the Corporation and its subsidiaries and Moody's affirmed its ratings and stable outlooks on Liberty Utilities and Liberty GP.

In May 2023, following the announcement of the Strategic Review, S&P placed APCo on credit watch with negative implications. APCo is the parent company for the U.S. and Canadian generating assets under the Renewable Energy Group. In August 2023, following the conclusion of the Strategic Review and the Company's announcement that it will pursue the sale of its renewable energy business, S&P and Fitch made announcements regarding the credit ratings of the Corporation and its subsidiaries. S&P affirmed its ratings on AQN and its regulated utility subsidiaries and revised the outlook on APCo from credit watch with negative implications to developing. Fitch affirmed the ratings of AQN and placed APCo on rating watch evolving. Both S&P and Fitch expect to resolve their respective rating watch on APCo once more details are known on the transaction.

## Contractual Obligations

Information concerning contractual obligations as of December 31, 2023 is shown below:

| (all dollar amounts in $ millions) | Total | Due in less than 1 year | Due in 1 to 3 years | Due in 4 to 5 years | Due after 5 years |
|---|---|---|---|---|---|
| Principal repayments on debt obligations[1,2] | **$ 8,537.7** | $ 621.9 | $ 1,333.8 | $ 2,100.0 | $ 4,482.0 |
| Advances in aid of construction | **88.1** | 3.6 | — | — | 84.5 |
| Interest on long-term debt obligations[2] | **4,910.3** | 391.5 | 602.8 | 420.0 | 3,496.0 |
| Purchase obligations | **765.3** | 765.3 | — | — | — |
| Environmental obligations | **46.2** | 3.1 | 22.6 | 1.8 | 18.7 |
| Derivative financial instruments: | | | | | |
| Cross currency interest rate swaps | **16.4** | 2.4 | 4.2 | 0.1 | 9.7 |
| Interest rate swaps | **11.8** | 11.8 | — | — | — |
| Energy derivative and commodity contracts | **76.3** | 14.3 | 29.3 | 20.6 | 12.1 |
| Purchased power | **256.6** | 55.3 | 46.1 | 25.3 | 129.9 |
| Gas delivery, service and supply agreements | **454.6** | 121.2 | 114.6 | 64.0 | 154.8 |
| Service agreements | **557.7** | 73.7 | 118.5 | 106.0 | 259.5 |
| Capital projects | **5.6** | 5.6 | — | — | — |
| Land easements | **614.0** | 16.4 | 30.3 | 31.1 | 536.2 |
| Contract adjustment payments on equity units | **39.6** | 39.6 | — | — | — |
| Other obligations | **282.1** | 29.4 | 2.9 | 2.3 | 247.5 |
| **Total Obligations[3]** | **$ 16,662.3** | **$ 2,155.1** | **$ 2,305.1** | **$ 2,771.2** | **$ 9,430.9** |

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

2 The Company's subordinated unsecured notes have a maturity in 2079 and 2082, respectively. However, the Company currently anticipates repaying such notes in advance of maturity upon exercise of the Company's redemption rights in accordance with the terms of the applicable indenture.

3 Excludes performance guarantees and other commitments on behalf of variable interest entities. See *Note 8* in the annual consolidated financial statements.

## Equity

The common shares of AQN are publicly traded on the Toronto Stock Exchange ("TSX") and the New York Stock Exchange ("NYSE") under the trading symbol "AQN". As at March 6, 2024, AQN had 689,436,570 issued and outstanding common shares.

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

AQN is also authorized to issue an unlimited number of preferred shares, issuable in one or more series, containing terms and conditions as approved by the Board. As at March 7, 2024, AQN had outstanding:

- 4,800,000 Cumulative Rate Reset Preferred Shares, Series A, yielding 6.576% annually for the five-year period ending on December 31, 2028: and
- 4,000,000 Cumulative Rate Reset Preferred Shares, Series D, yielding 5.091% annually for the five year period ending on March 31, 2024.

In addition, AQN's outstanding equity units (the "Green Equity Units") (that are in the form of "corporate units") are listed on the NYSE under the ticker symbol "AQNU". As at March 7, 2024, there were 23,000,000 Green Equity Units outstanding. Pursuant to the purchase contract forming part of each outstanding Green Equity Unit, holders are required to purchase AQN common shares by no later than June 15, 2024. The minimum settlement rate under each purchase contract is 2.7778 common shares and the maximum settlement rate is 3.3333 common shares, resulting in a minimum of 63,889,400 common shares and a maximum of 76,665,900 common shares issuable on settlement of the purchase contracts.

During the year ended December 31, 2023, 100 Series C preferred shares of AQN that had previously been issued in exchange for 100 Class B limited partnership units of St. Leon Wind Energy LP were redeemed for $14.5 million, and a loss of $2.4 million related to the redemption has been recognized.

**Declaration of 2024 First Quarter Dividend of $0.1085 (C$0.1468) per Common Share**

AQN currently targets annual growth in dividends payable to shareholders underpinned by increases in earnings and cash flow.

The Board has declared a first quarter 2024 dividend of $0.1085 per common share payable on April 15, 2024 to shareholders of record on March 29, 2024.

The Canadian dollar equivalent for the first quarter 2024 dividend is C$0.1468 per common share.

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

| | Q2 2023 | Q3 2023 | Q4 2023 | Q1 2024 | Total |
|---|---|---|---|---|---|
| U.S. dollar dividend | $ 0.1085 | $ 0.1085 | $ 0.1085 | $ 0.1085 | $0.4340 |
| Canadian dollar equivalent | $ 0.1453 | $ 0.1460 | $ 0.1497 | $ 0.1468 | $0.5878 |

At-The-Market Equity Program

On August 15, 2022, AQN re-established an at-the-market equity program (“ATM Program”) that allowed the Company to issue up to $500 million of common shares from treasury to the public from time to time, at the Company’s discretion, at the prevailing market price when issued on the TSX, the NYSE or any other existing trading market for the common shares of the Company in Canada or the United States.

During the twelve months ended December 31, 2023, the Company did not issue any common shares under the ATM Program. The ATM Program terminated in accordance with its terms on December 19, 2023.

The Company has issued, since the inception of its initial ATM Program in 2019, a cumulative total of 36,815 common shares at an average price of $0.02 per share for gross proceeds of approximately $551.1 million (approximately $544.3 million net of commissions). Other related costs, primarily related to the establishment and subsequent re-establishments of the ATM Program, were approximately $4.8 million.

Dividend Reinvestment Plan

Effective March 16, 2023, AQN suspended its shareholder dividend reinvestment plan ("the Reinvestment Plan") for registered holders of common shares of AQN. Effective for the first quarter 2023 dividend (paid on April 14, 2023 to shareholders of record on March 31, 2023), shareholders participating in the Reinvestment Plan began receiving cash dividends. If the Company elects to reinstate the Reinvestment Plan in the future, shareholders who were enrolled in the Reinvestment Plan at its suspension and remain enrolled at reinstatement will automatically resume participation in the Reinvestment Plan.

As at December 31, 2023, 168,595,010 common shares representing approximately 24% of total common shares outstanding had been registered with the Reinvestment Plan. On January 13, 2023, 4,370,289 common shares were issued under the Reinvestment Plan in connection with the Company's fourth quarter 2022 dividend.

## SHARE-BASED COMPENSATION PLANS

For the three and twelve months ended December 31, 2023, AQN recorded $3.5 million and $11.3 million in total share-based compensation expense, respectively, as compared to $3.9 million and $10.9 million for the same periods in 2022. The compensation expense is recorded as part of operating 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, 2023, total unrecognized compensation costs related to non-vested share-based awards was $23.9 million and is expected to be recognized over a period of 1.8 years.

### Stock Option Plan

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

AQN determines the fair value of options granted using the Black-Scholes option-pricing model. The estimated fair value of options, including the effect of estimated forfeitures, is recognized as an expense on a straight-line basis over the options’ vesting periods while ensuring that the cumulative amount of compensation cost recognized at least equals the value of the

vested portion of the award at that date. During the twelve months ended December 31, 2023, the Company granted 1,368,744 options to executives of the Company. The options allow for the purchase of common shares at a weighted average price of C$10.76, the market price of the underlying common share at the date of grant. One-third of the options vest on each of December 31, 2023, 2024 and 2025. The options may be exercised up to eight years following the date of grant. No stock options were exercised during the twelve months ended December 31, 2023.

As at December 31, 2023, a total of 2,667,725 options were issued and outstanding under the stock option plan.

### Performance and Restricted Share Units

AQN issues performance share units (“PSUs”) and restricted share units ("RSUs") to certain employees as part of AQN’s long-term incentive program. During the twelve months ended December 31, 2023, the Company granted (including dividends) a combined total of 2,841,967 PSUs and RSUs to employees of the Company. The awards vest based on the terms of each agreement ranging from February 2023 to January 2025. During the twelve months ended December 31, 2023, the Company settled 922,883 PSUs, of which 451,003 PSUs were exchanged for common shares issued from treasury and 471,880 PSUs were settled at their cash value as payment for tax withholdings related to the settlement of the PSUs.

As at December 31, 2023, a combined total of 3,577,747 PSUs and RSUs were granted and outstanding under the performance and restricted share unit plan.

### Directors' Deferred Share Units

AQN has a Directors' Deferred Share Unit Plan. Under the plan, non-employee directors of AQN receive all or any portion of their annual compensation in deferred share units (“DSUs”) and may elect to receive any portion of their remaining compensation in DSUs. During the twelve months ended December 31, 2023, the Company issued 181,328 DSUs (including DSUs in lieu of dividends) to the non-employee directors of the Company. During the twelve months ended December 31, 2023, the Company settled 102,460 DSUs, of which 50,677 DSUs were exchanged for common shares issued from treasury and 51,783 DSUs were settled at their cash value as payment for tax withholdings related to the settlement of DSUs.

As at December 31, 2023, a total of 724,583 DSUs were outstanding under the Directors’ Deferred Share Unit Plan.

### Bonus Deferral Restricted Share Units

The Company has a bonus deferral RSU program that is available to certain employees. The eligible employees have the option to receive a portion or all of their annual bonus payment in RSUs in lieu of cash. The RSUs provide for settlement in common shares, and therefore these RSUs are accounted for as equity awards. During the twelve months ended December 31, 2023, the Company settled 69,115 bonus RSUs, of which 31,455 were exchanged for common shares issued from treasury and 37,660 RSUs were settled at their cash value as payment for tax withholdings related to the settlement of the RSUs. In addition, during the twelve months ended December 31, 2023, 77,981 bonus deferral RSUs were granted (including RSUs in lieu of dividends) to employees of the Company pursuant to the bonus deferral RSU program. The RSUs are 100% vested.

### Employee Share Purchase Plan

AQN has an Employee Share Purchase Plan (the “ESPP”) which allows eligible employees to use a portion of their earnings to purchase common shares of AQN. The aggregate number of common shares reserved for issuance from treasury by AQN under this plan shall not exceed 4,000,000 shares. During the twelve months ended December 31, 2023, the Company issued 752,582 common shares to employees under the ESPP.

As at December 31, 2023, a total of 3,110,532 common shares had been issued under the ESPP.

## MANAGEMENT OF CAPITAL STRUCTURE

AQN views its capital structure in terms of its debt and equity levels at its individual operating groups and at an overall company level.

AQN’s objectives when managing capital are:

- To maintain its capital structure consistent with investment grade credit metrics appropriate to the sectors in which AQN operates;
- To maintain appropriate debt and equity levels and to limit financial constraints on the use of capital;
- To have available capital to finance capital expenditures sufficient to maintain existing assets;

- To generate sufficient cash to fund sustainable dividends to shareholders as well as meet current tax and internal capital requirements; and
- To have appropriately sized revolving credit facilities available for ongoing investment in growth and development opportunities.

AQN monitors its cash position on a regular basis in an effort to have available funds to meet normal course capital and other expenditures.

## RELATED PARTY TRANSACTIONS

**Equity-method investments**

The Company entered into a number of transactions with equity-method investees in 2023 and 2022 (see *Note 16* in the annual consolidated financial statements).

The Company provides administrative and development services to its equity-method investees and is reimbursed for incurred costs. To that effect, the Company charged its equity-method investees[1] $72.5 million in 2023, as compared to $63.9 million in 2022. Additionally, one of the equity-method investees (Liberty Development JV Inc., the Company's former joint venture with funds managed by the Infrastructure and Power strategy of Ares Management, LLC for its non-regulated development platform) provides development services to the Company on specified projects, for which it earns a development fee that is capitalized by the Company, upon reaching certain milestones. During the year, the development fees charged to the Company were $27.9 million (2022 - $12.6 million). See *Note 16* in the annual consolidated financial statements.

On July 5, 2023, the Company provided a $35 million non-interest-bearing loan to Liberty Development JV Inc. The joint venture used these funds to return equity to its shareholders through which the Company received $17.5 million.

**Redeemable non-controlling interest held by related party**

Redeemable non-controlling interest held by related party represents a preference share in a consolidated subsidiary of the Company acquired by Liberty Development Energy Solutions B.V. (a joint venture between the Company and Ares), an equity-method investee of the Company. (see *Note 16* in the annual consolidated financial statements). Redemption is not considered probable as at December 31, 2023. The preference share was used to finance a portion of the Company's investment in Atlantica. During the year ended December 31, 2023, the Company incurred non-controlling interest attributable to Liberty Development Energy Solutions B.V. of $25.9 million, as compared to $15.2 million during the same period in 2022, and recorded distributions of $25.4 million, for the year ended December 31, 2023 as compared to $13.8 million during the same period in 2022 (see *Note 16* in the annual consolidated financial statements).

Liberty Development Energy Solutions B.V. has a secured credit facility in the amount of $306.5 million maturing on September 30, 2024. It is collateralized through a pledge of Atlantica ordinary shares. A collateral shortfall would occur if the net obligation as defined in the credit agreement would equal or exceed 50% of the market value of such Atlantica shares, in which case the lenders would have the right to sell Atlantica shares to eliminate the collateral shortfall. The Liberty Development Energy Solutions B.V. secured credit facility is repayable on demand if Atlantica ceases to be a public company or if certain other events are announced or completed that could restrict AY Holdings' ability to sell or transfer its Atlantica ordinary shares.

On January 4, 2024, the Company purchased the remaining 50% of the equity of Liberty Development JV Inc. and Liberty Development Energy Solutions B.V. for $7.9 million. As a result, the redeemable non-controlling interest held by related party will be reclassified to long-term debt in 2024.

**Non-controlling interest held by related party**

Non-controlling interest held by related party represents interest in a consolidated subsidiary of the Company acquired by a subsidiary of Atlantica in May 2019 for $96.8 million and an interest in Algonquin (AY Holdco) B.V., a consolidated subsidiary of the Company, acquired by Liberty Development JV Inc. in November 2021 for $39.4 million. The interest was used to finance a portion of the Company's investment in the Amherst Island Wind Facility. During the year ended December 31, 2023, the Company recorded distributions of $17.1 million, as compared to $21.0 million during the same period in 2022.

[1] Primarily Liberty Development JV Inc. and its subsidiaries, Blue Hill Wind Energy Project Partnership and Red Lily Wind Energy Partnership.

**Transactions with Atlantica**

On December 28, 2023, Liberty Development Spain, S.A., a wholly owned subsidiary of the Company entered into an agreement to sell its 100% equity interests in Liberty Jimena, S.L. and Liberty Caparacena, S.L., and its 80% equity interest in Liberty Infrastructuras, S.L. to Atlantica for a nominal amount. As a result, the Company recorded an impairment loss of $1.5 million. The transaction closed on January 23, 2024.

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

# ENTERPRISE RISK MANAGEMENT

The Corporation is subject to a number of risks and uncertainties, certain of which are described below. The risks discussed below are not intended to be a complete list of all risks that AQN, its subsidiaries and affiliates are encountering or may encounter. Please see the Company's most recent AIF available on SEDAR+ and EDGAR for a further discussion of risk factors to which the Company is subject. To the extent of any inconsistency, the risks discussed below are intended to provide an update on those that were previously disclosed.

## Risks Related to Changes in Laws and Regulations

The operations and activities of the Company, its subsidiaries and its business units are subject to the laws, regulations, orders and other requirements of a variety of federal, state, provincial and local governments, including regulatory commissions, environmental agencies and other regulatory bodies, which laws, regulations, orders, rules and other requirements affect the operations and activities of, and costs incurred by, the Company. The Company is accordingly subject to: risks associated with changing political conditions and changes in, modifications to, reinterpretations of or application of existing laws, rules, orders or regulations, the imposition of new laws, rules, orders or regulations (including the power of eminent domain), and the taking of other action by governmental or regulatory authorities, including, but not limited to, revocation, lapse, limitation or non-renewal of utility franchises or other rights to provide utility services to existing or new customers, potential limitations on water rights used by utilities in providing service, actions to municipalize utility service areas or limitations on utility growth and/or expansions of service areas, any of which could adversely affect the Company's business, regulatory approvals, assets, results of operations and financial condition. If the Company or any of its subsidiaries or business units were found to be in violation of such applicable laws, regulations, orders or other requirements, they could be subject to significant penalties or legal actions.

## Treasury Risk Management

**Downgrade in the Company's Credit Rating Risk**

AQN has a long-term consolidated corporate credit rating of BBB from S&P, a BBB issuer rating from DBRS and a BBB issuer rating from Fitch. APCo, the parent company for the U.S. and Canadian generating assets under the Renewable Energy Group, has a BBB issuer credit rating from S&P, a BBB issuer rating from DBRS and a BBB issuer rating from Fitch. Liberty Utilities, the parent company for the U.S. regulated utilities under the Regulated Services Group, has a issuer credit rating of BBB from S&P, a BBB issuer rating from Fitch and a Baa2 issuer rating from Moody's. Debt issued by Liberty Utilities has a rating of BBB from S&P, BBB+ from Fitch and Baa2 from Moody's. Debt issued by Liberty GP, a special purpose financing entity of Liberty Utilities, has a rating of BBB (high) from DBRS, BBB+ from Fitch, BBB from S&P and Baa2 from Moody's. Empire has a BBB issuer rating from S&P and a Baa1 issuer rating from Moody's. Liberty Utilities (Canada) LP, the parent company for the Canadian regulated utilities under the Regulated Services Group has a BBB issuer rating from DBRS. The fixed-rate securitized utility tariff bonds (series 2024-A) issued by Empire District Bondco, LLC have a rating of AAA (sf) from S&P and Moody's. There can be no assurance that any of the current ratings of AQN or its subsidiaries will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances in the future so warrant.

The ratings indicate the agencies' assessment of the ability to pay the interest and principal of debt securities issued by such entities. A rating is not a recommendation to purchase, sell or hold securities and each rating should be evaluated independently of any other rating. The lower the rating, the higher the interest cost of the securities when they are sold. A downgrade in AQN's or any of its subsidiaries' issuer corporate credit ratings would result in an increase in AQN's borrowing costs under its bank credit facilities and future long-term debt securities issued. Any such downgrade could also adversely impact the market price of the outstanding securities of the Company, could impact the Company's ability to acquire additional regulated utilities and could require the Company or its subsidiaries to post additional or replacement security under certain contracts and hedging arrangements, which could result in increased costs to the Company. If any of AQN's ratings fall below investment grade (defined as BBB- or above for S&P and Fitch, BBB (low) or above for DBRS and Baa3 or above for Moody's), AQN's ability to issue short-term debt or other securities or to market those securities would be constrained or made more difficult or expensive. Therefore, any downgrade could have a material adverse effect on AQN's business, cost of capital, financial condition and results of operations.

The Company is not adopting or endorsing such ratings, and such ratings do not indicate AQN's assessment of its own ability to pay the interest or principal of debt securities it issues. The Company is providing such ratings only to assist with the assessment of future risks and effects of ratings on the Company's financing costs.

Each rating agency employs proprietary scoring methodologies that assess business and financial risks of the entity rated. There can be no assurance that the principles on which the rating is based remain consistently applied, and these principles are subject to change from time to time at each rating agency's discretion. For example, a rating agency's views on total allowable leverage, specific industry risk factors, country risk and the company's business mix, among other factors, may change. Such changes could require AQN to adjust its business and strategy in order to maintain its credit ratings. AQN currently anticipates that to continue to maintain a BBB flat investment grade credit rating, it will, among other things, need to execute its growth and asset recycling strategies in a manner that preserves financial leverage targets and continues to generate at least 70% of EBITDA (as determined by applicable rating agency methodologies) from AQN's Regulated Services Group. There can be no assurance that AQN will be successful, and the failure to do so could have a negative impact on AQN's credit ratings. The business mix target may from time to time require AQN to grow its Regulated Services Group or implement other strategies in order to pursue investment opportunities within the Renewable Energy Group. The Corporation is pursuing a sale of its renewable energy business, which, if completed, is expected to impact the activities needed in order to maintain a BBB flat investment grade rating. APCo's credit ratings may be subject to evaluation and/or downgrade by one or more notches (including to a sub-investment grade rating) in connection with the Company's pursuit of a sale of its renewable energy business.

**Capital Markets and Liquidity Risk**

As at December 31, 2023, the Company had approximately $8,516.3 million of long-term consolidated indebtedness. Management of the Company believes, based on its current expectations as to the Company's future performance, that the cash flow from operations, the funds available under its credit facilities, the proceeds of the proposed sale of the renewable energy business or from other potential future dispositions, and its ability to access capital markets will be adequate to enable the Company to finance its operations, execute its business strategy and maintain an adequate level of liquidity. However, the Company's expected revenue and capital expenditures are only estimates. Moreover, actual cash flows from operations will depend on regulatory, market and other conditions that are beyond the Company's control and which may be impacted by the risk factors herein. As a result, there can be no assurance that management's expectations as to future performance will be realized.

The Company's ability to obtain additional debt or equity or issue other securities, on favourable terms or at all, may be adversely affected by negative perceptions of the Company, any adverse financial or operational performance, financial market disruptions, the failure or collapse of any financial institution, prevailing market views or perceptions, or other factors outside the Company's control. In addition, the Company may at times incur indebtedness in excess of its long-term leverage targets, in advance of raising the additional equity or similar securities or executing on asset recycling strategies necessary to repay such indebtedness and maintain its long-term leverage target. Any increase in the Company's leverage or degradation of key credit metrics below threshold levels could, among other things: limit the Company's ability to obtain additional financing for working capital, investment in subsidiaries, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes; restrict the Company's flexibility and discretion to operate its business; limit the Company's ability to declare dividends or maintain prior dividend levels; require the Company to dedicate a portion of cash flows from operations to the payment of interest on its existing indebtedness, in which case such cash flows would not be available for other purposes; cause rating agencies to re-evaluate or downgrade the Company's existing credit ratings; require the Company to post additional collateral security under some of its contracts and hedging arrangements; expose the Company to increased interest expense on borrowings at variable rates; limit the Company's ability to adjust to changing market conditions; place the Company at a competitive disadvantage compared to its competitors; make the Company vulnerable to any downturn in general economic conditions; render the Company unable to make expenditures that are important to its future growth strategies and require the Company to pursue alternative funding strategies, which may include accelerated asset recycling initiatives.

The Company will need to refinance or reimburse amounts outstanding under the Company's existing consolidated indebtedness over time. There can be no assurance the Company will be successful in refinancing its indebtedness when necessary or that additional financing will be obtained when needed, on commercially reasonable terms or at all. In the event that the Company cannot refinance its indebtedness or raise additional indebtedness on terms that are no less favourable than the current terms, the Company's cash flows and ability to declare dividends or repay its indebtedness may be adversely affected.

The Company's ability to meet its debt service requirements will depend on its ability to generate cash in the future, which depends on many factors, including the Company's financial performance, debt service obligations, the realization of the anticipated benefits of acquisition, disposition and investment activities, and working capital and capital expenditure requirements. In addition, the Company's ability to borrow funds in the future to make payments on outstanding debt will depend on the satisfaction of covenants in existing credit agreements and other agreements. A failure to comply with any covenants or obligations under the Company's consolidated indebtedness could result in a default under one or more such

instruments, which, if not cured or waived, could result in the termination of dividends by the Company and permit acceleration of the relevant indebtedness. There can be no assurance that, if such indebtedness were to be accelerated, the Company's assets would be sufficient to repay such indebtedness in full. There can also be no assurance that the Company will generate cash flow in amounts sufficient to pay its outstanding indebtedness or to fund the Company's liquidity needs.

**Interest Rate Risk**

The Company is exposed to interest rate risk due to the impact of increasing benchmark interest rates and credit spreads on certain outstanding variable interest indebtedness, as well as any new borrowings on existing and new credit facilities and other debt issuances. Fluctuations in interest rates may also impact the costs to obtain other forms of capital and the feasibility of planned growth initiatives.

In addition, for the Regulated Services Group, costs resulting from interest rate increases may not be recoverable in whole or in part, and "regulatory lag" may cause a time delay in the payment to the Regulated Services Group of any such costs that are recoverable. Rising interest rates may also negatively impact the economics of development projects, acquisitions, dispositions and energy facilities, especially where project financing is being renewed or arranged.

As a result, fluctuations in interest rates, including the rate increases experienced in 2022 and 2023, could materially increase the Corporation's financing costs, limit the Corporation's options for financing or investment and adversely affect its results of operations, cash flows, key credit metrics, borrowing capacity and ability to implement its business strategy.

As at December 31, 2023, approximately 85% of debt outstanding in AQN and its subsidiaries was subject to a fixed rate of interest and as a result, such debt is not subject to significant interest rate risk in the short-term time horizon.

Borrowings subject to variable interest rates can fluctuate significantly from month to month, quarter to quarter and year to year. AQN's target is to maintain a minimum of 85% fixed rate debt. As a result, the Company hedges the interest rate risk on its variable interest rate borrowings from time to time. On December 17, 2022, the Company entered into an interest rate cap agreement in the amount of $390 million for the period between January 15, 2023 and January 15, 2024. On September 29, 2023, the Company entered into a new interest rate cap agreement in the amount of $390 million for the period between January 15, 2024 and June 17, 2024.

Based on amounts outstanding as at December 31, 2023, the impact to interest expense on variable rate loans from changes in interest rates are as follows:

- the Corporate Credit Facility is subject to a variable interest rate and had $779.1 million outstanding as at December 31, 2023. The Corporate Credit Facility has locked in $197.5 million of the variable rate until March 29, 2024, $245.0 million of the variable rate until April 5, 2024 and $30.0 million of the variable rate until June 28, 2024 through a six month interest election request. As a result, a 100 basis point change in the variable rate charged would impact interest expense by $3.1 million annually;
- the Long-Term Regulated Services Credit Facility is subject to a variable interest rate and had $371.0 million outstanding as at December 31, 2023. As a result, a 100 basis point change in the variable rate charged would impact interest expense by $3.7 million annually;
- the Short-Term Regulated Services Credit Facility is subject to a variable interest rate and had $125.0 million outstanding as at December 31, 2023. As a result, a 100 basis point change in the variable rate charged would impact interest expense by $1.3 million annually;
- the Regulated Services Delayed Draw Term Facility is subject to a variable interest rate and had $610.4 million outstanding as at December 31, 2023. The Regulated Services Group has locked in the variable rate until April 27, 2024 through an interest elec tion request. As a result, a 100 basis point change in the variable rate charged would not impact interest expense;
- the Bermuda Credit Facility is subject to a variable interest rate and had $75.0 million outstanding as at December 31, 2023. As a result, a 100 basis point change in the variable rate charged would impact interest expense by $0.8 million annually;
- the Bermuda Working Capital Facility is subject to a variable interest rate and had $11.5 million outstanding as at December 31, 2023. As a result, a 100 basis point change in the variable rate charged would impact interest expense by $0.1 million annually;
- the Regulated Services Group's commercial paper program is subject to a variable interest rate and had $481.7 million outstanding as at December 31, 2023. As a result, a 100 basis point change in the variable rate charged would impact interest expense by $4.8 million annually;

- the Renewable Energy Credit Facility is subject to a variable interest rate and had $262.6 million outstanding as at December 31, 2023. The Renewable Energy Credit Facility has locked in $120.0 million of th e variable rate until June 28, 2024. As a result, a 100 basis point change in the variable rate charged would impact interest expense by $1.4 million annually; and
- term facilities at Suralis that are subject to variable interest rates had $115.6 million outstanding as at December 31, 2023. As a result, a 100 basis point change in the variable rate charged would impact interest expense by $1.2 million annually.

The term loan facility at BELCO is subject to variable interest rates. However, the Company separately entered into an interest swap agreement to hedge the risk associated with interest rate fluctuation.

**Foreign Currency Risk**

The functional currency of most of AQN's operations is the U.S. dollar, however AQN is exposed to currency fluctuations from its Canadian and Chilean operations and may utilize equipment and/or commodities purchased from foreign suppliers.

AQN may enter into derivative contracts to hedge all or a portion of currency exchange rate exposure that is transactional in nature and where a natural economic hedge does not exist (see *Note 24 (b)(iii)* in the annual consolidated financial statements). To the extent that the Company does enter into currency hedges, the Company may not realize the full benefits of favourable exchange rate movement, and is subject to risks that the counterparty to the hedging contracts may prove unable or unwilling to perform their obligations under the contracts.

*Canadian operations*

The Company is exposed to currency fluctuations from its Canadian-based operations. AQN manages this risk primarily through the use of natural hedges by using long-term debt in Canadian Dollars to finance its Canadian operations and a combination of foreign exchange forward contracts and spot purchases.

*Chilean operations*

The Company is exposed to currency fluctuations from its Chilean-based operations. AQN manages this risk primarily through the use of natural hedges by using long-term debt in Chilean pesos or indexed to the Chilean Peso to finance its Chilean operations.

**Tax Risk and Uncertainty**

The Corporation is subject to income and other taxes primarily in the United States, Canada, Bermuda, and Chile, though it is subject to tax in other jurisdictions. Changes in tax laws or interpretations or applications thereof, which may or may not have a retroactive effect, in the jurisdictions in which the Corporation does business could adversely affect the Company's results from operations, returns to shareholders, and cash flows.

Pending tax law changes that may adversely impact the Corporation’s effective tax rate (and hence, financial results) or result in additional cash taxes include, but are not limited to:

- legislation proposed in Canada to generally limit the deductibility of interest and financing expenses to 30% of tax EBITDA. If enacted in the form proposed, this legislation will generally apply to taxation years of the Corporation beginning on or after October 1, 2023; and
- implementation of global minimum tax rules in the various jurisdictions in which the Corporation operates pursuant to the Organization for Economic Development’s initiative to prevent perceived base erosion and profit shifting. Legislation has been proposed in Canada pursuant to this initiative which, if enacted in the form proposed, will generally be applicable for fiscal years of a “qualifying MNE group” (as defined in such proposed legislation) beginning on or after December 31, 2023.

The proposed rules are complex and once enacted will be subject to the Corporation’s judgment in its application until further guidance is available.

The Corporation cannot provide assurance that the Canada Revenue Agency, the Internal Revenue Service or any other applicable taxation authority will agree with the tax positions taken by the Corporation, including with respect to claimed expenses and the cost amount of the Corporation’s depreciable properties. A successful challenge by an applicable taxation authority regarding such tax positions could adversely affect the results of operations and financial position of the Corporation.

Development by the Corporation of renewable power generation facilities in the United States depends in part on federal tax credits and other tax incentives. The Inflation Reduction Act has extended and expanded certain energy credits, providing greater certainty regarding the availability of these credits on a going forward basis. However, the rules governing these tax credits still include technical requirements for credit eligibility. If the Corporation is unable to complete construction on current or planned projects within certain deadlines or satisfy certain new requirements relating to prevailing wage and apprenticeship requirements, the reduced incentives or elimination of incentives may be insufficient to

support continued development or may result in substantially reduced financial benefits from facilities that are completed. In addition, the Corporation has entered into certain tax equity financing transactions with financial partners for certain of its renewable power facilities in the United States, under which allocations of future cash flows to the Corporation from the applicable facility could be adversely affected in the event that there are changes in U.S. tax laws that apply to facilities previously placed in service.

**Credit/Counterparty Risk**

AQN and its subsidiaries are subject to credit risk with respect to the ability of customers and other counterparties to perform their obligations to the Company, including paying amounts that they owe to AQN or its subsidiaries. This credit risk exists with respect to utility customers, banks and other financing sources, as well as counterparties to long-term PPAs, trade receivables, derivative financial instruments, energy management agreements, Engineering, Procurement, and Construction contracts, manufacturer contracts, and natural gas supply agreements, among others. Additionally, bank deposits in excess of deposit insurance limits are subject to the risk that such excess amounts could be lost or forfeited in the event of a bank failure.

The Renewable Energy Group's revenues are approximately 11% of total Company revenues with the majority earned from large investment-grade customers having a credit rating of Baa2 or better by Moody's, or BBB or higher by S&P and Fitch or BBB or higher by DBRS.

The remaining revenue of the Company is primarily earned by the Regulated Services Group.

The credit exposure attributed to the Regulated Services Group's accounts receivable balances at the water and wastewater distribution systems total $83.6 million which is spread over approximately 572,000 customer connections, resulting in an average outstanding balance of approximately $150 dollars per customer connection.

The natural gas distribution systems accounts receivable balances related to the natural gas utilities total $126.6 million, while electric distribution systems accounts receivable balances related to the electric utilities total $150.8 million. The natural gas and electrical utilities both derive over 85% of their revenue from residential customers and have a per customer connection average outstanding balance of $338 dollars and $488 dollars respectively. Counterparty performance risk also exists in the natural gas distribution utilities where suppliers could potentially fail to supply natural gas leading to disruptions and potentially higher procurement costs. These risks are mitigated through the receipt of collateral from counterparties.

Adverse conditions in the energy and water industries or in the general economy, as well as circumstances of individual customers or counterparties, may adversely affect the ability of a customer or counterparty to perform as required under its contract with the Company. Losses from a utility customer may not be offset by bad debt reserves approved by the applicable utility regulator. If a customer under a PPA, unit contingent or fixed-shape offtake contract or other energy offtake or hedging arrangement with the Company is unable to perform, the Renewable Energy Group may be unable to replace the contract on comparable terms, in which case sales of power (and, if applicable, RECs and ancillary services) from the facility would be subject to market price risk and may require refinancing of indebtedness related to the facility or otherwise have a material adverse effect. Default by other counterparties, including lenders and counterparties to supply and construction contracts, service contracts, hedging contracts that are in an asset position, short-term investments, agreements for the purchase of goods or services or other agreements, also could adversely affect the financial results of the Corporation. Losses associated with equipment failure, defects, design flaws or other issues resulting from counterparty non-performance may not be covered by warranties or insurance.

**Market Price Risk**

The Renewable Energy Group enters into long-term offtake contracts at project inception. Offtake contracts are either unit contingent (volumes are contingent on energy produced and price is fixed) or fixed for floating financial swaps (fixed contract volumes and pricing). These offtake contracts can be exposed to market settlements related to transmission congestion, hedge shortfall and uncontracted generation prices.

Basis risk exists on both unit contingent and fixed volume financial swaps if the offtake contract settles at a different point (i.e. hub settlement point vs. the point of injection to the system or the asset price node). In an effort to mitigate basis risk, the Company has from time to time entered into additional financial contracts to fix the basis price.

There is a risk that the Renewable Energy Group is not able to generate the specified amount of power at the specified time resulting in production shortfalls which can impact the settlement of fixed volume financial swaps. This risk is known as "hedge shortfall". A fixed volume financial swap pays the Renewable Energy Group a fixed price for a fixed volume. When the energy produced is less than the fixed volume, the asset pays the settled market price (i.e. price node value) to the offtaker. In an effort to mitigate the risk of production shortfalls under hedges, the Renewable Energy Group has from time to time sized the hedges to cover less than 100% of the anticipated production, thereby reducing the risk of not producing the minimum hedge quantities. Events that can reduce production include (but are not limited to) weather events (such as icing, low wind resource, cloud cover), transmission outages and mechanical failure.

Merchant (uncontracted) generation may increase earnings volatility. In a rising price environment, merchant generation generally results in higher earnings than a fully contracted portfolio. In a falling price environment, merchant generation generally results in lower earnings than a fully contracted portfolio. The Renewable Energy Group is subject to the risk of impairment to its renewable power generation assets associated with potential declines in long-term forecasted power prices if the forecasted power prices are materially lower than current contracted prices for the period following the expiration of the offtake agreement. The market price risk for the Renewable Energy Group is primarily within the ERCOT, PJM, and MISO markets.

The Company has elected the fair value option under ASC 825, Financial Instruments to account for its investment in Atlantica, with changes in fair value reflected in the annual consolidated statement of operations. As a result, each dollar change in the traded price of Atlantica shares will correspondingly affect the Company's net earnings by approximately $44 million.

**Commodity Price Risk**

The Regulated Services Group is exposed to energy and natural gas price risks at its electric and natural gas systems. The Renewable Energy Group's exposure to commodity prices is primarily limited to exposure to natural gas price risk. In this regard, a representative discussion of these risks is set out as follows:

*Regulated Services Group*

The CalPeco Electric System provides electric service to the Lake Tahoe California basin and surrounding areas at rates approved by the CPUC. The CalPeco Electric System purchases the energy, capacity, and related service requirements for its customers from NV Energy via a PPA at rates reflecting NV Energy’s system average costs.

The CalPeco Electric System's tariffs allow for the pass-through of energy costs to its rate payers on a dollar for dollar basis, through the Energy Cost Adjustment Clause ("ECAC") mechanism, which allows for the recovery or refund of changes in energy costs that are caused by the fluctuations in the price of fuel and purchased power. On a monthly basis, energy costs are compared to the CPUC approved base tariff energy rates and the difference is deferred to a balancing account. Annually, based on the balance of the ECAC balancing account, if the ECAC revenues were to increase or decrease by more than 5%, the CalPeco Electric System's ECAC tariff allows for a potential adjustment to the ECAC rates which would eliminate the risk associated with the fluctuating cost of fuel and purchased power.

The Granite State Electric System is an open access electric utility allowing for its customers to procure commodity services from competitive energy suppliers. For those customers that do not choose their own competitive energy supplier, Granite State Electric System provides a Default Service offering to each class of customers through a competitive bidding process. This process is undertaken semi-annually for all Default Service customers. The winning bidder is obligated to provide a full requirements service based on the actual needs of the Granite State Electric System’s Default Service customers. Since this is a full requirements service, the winning bidder(s) take on the risk associated with fluctuating customer usage and commodity prices. The supplier is paid for the commodity by the Granite State Electric System which in turn receives pass-through rate recovery through a formal filing and approval process with the NHPUC on a semi-annual basis. The Granite State Electric System is only committed to the winning Default Service supplier(s) after approval by the NHPUC so that there is no risk of commodity commitment without pass-through rate recovery.

The EnergyNorth Natural Gas System purchase pipeline capacity, storage and commodity from a variety of counterparties. The EnergyNorth Natural Gas System's portfolio of assets and its planning and forecasting methodology are commonly approved periodically by the NHPUC through Least Cost Integrated Resource Plan filings which typically are filed bi-annually but can be as long as a five-year interim period depending on the length of the review process. In addition, EnergyNorth Natural Gas System files with the NHPUC for recovery of its transportation and commodity costs on an annual basis through the Cost of Gas ("COG") filing and approval process. The EnergyNorth Natural Gas System establishes rates for its customers based on the NHPUC's approval of its filed COG. These rates are designed to fully recover its anticipated transportation and commodity costs. In order to minimize commodity price fluctuations, the EnergyNorth Natural Gas System locks in a fixed price basis for approximately 16% of its normal winter period purchases under a NHPUC approved hedging program. All costs associated with the fixed basis hedging program are allowed to be a pass-through to customers through the COG filing and the approved rates in said filing. Should commodity prices increase or decrease relative to the initial annual COG rate filing, the EnergyNorth Natural Gas System has the right to automatically adjust its COG rates going forward up to 25% in order to minimize any under or over collection of its natural gas costs. In addition, any under collections may be carried forward with interest to the next year’s corresponding COG period (i.e. winter to winter and summer to summer).

The Midstates Gas and Empire Gas Systems purchases pipeline capacity, storage and commodity from a variety of counterparties, and file with the individual state commissions for recovery of their respective transportation and commodity costs through an annual Purchase Gas Adjustment (“PGA”) filing and approval process. The Midstates Gas Systems serves customers in Missouri, Illinois and Iowa and establishes rates for its customers within the PGA filing in each state and these rates are designed to fully recover its anticipated transportation, storage and commodity costs. In order to minimize

commodity price fluctuations, the Midstates Gas System has implemented a commodity hedging program, consistent with regulator expectations and approvals, designed to hedge approximately 25-50% of its non-storage related commodity purchases. All gains and losses associated with the hedging program are allowed to be a pass-through to customers through the PGA filing and are embedded in the approved rates in said filing. Rates can be adjusted on a monthly or quarterly basis in order to account for any commodity price increase or decrease relative to the initial PGA rate, minimizing any under or over collection of its natural gas costs. Similar to the Midstates Gas System, the Empire Gas System serves customers in Missouri, and also implements a commodity hedging program designed to hedge 70% to 90% of its winter demand inclusive of storage volumes withdrawn during the winter period. All related costs are embedded in approved rates and allowed to be a pass through to customers in the PGA. The Empire Gas System is permitted to file an Actual Cost Adjustment ("ACA") once a year which also includes a PGA filing. In addition to the ACA filing, three more optional PGA filings are allowed during the year. The Empire Gas System's ACA year is from September 1 to August 31 for each year.

The Peach State Gas System purchases pipeline capacity, storage and commodity from a variety of counterparties, and files with the Georgia Public Service Commission ("PSC") for recovery of its transportation, storage and commodity costs through a monthly PGA filing process. The Peach State Gas System establishes rates for its customers within the PGA filings and these rates are designed to fully recover its anticipated transportation, storage and commodity costs. In order to minimize commodity price fluctuations, the annual Gas Supply Plan filed by the Company and approved by the Georgia PSC includes a commodity hedging program designed to hedge approximately 30% of its non-storage related commodity purchases during the winter months. All gains and losses associated with the hedging program are passed through to customers in the PGA filings and are embedded in the approved rates in such filings. Rates can be adjusted on a monthly basis in order to account for any differences in natural gas costs relative to the amounts assumed in the PGA filings, minimizing any under or over collection of its natural gas costs.

The Empire Electric System's natural gas procurement program for electrical generation is designed to manage costs to mitigate volatile natural gas prices. The Empire Electric System periodically enters into fixed price contracts with counterparties to hedge future natural gas prices in an attempt to lessen the volatility in fuel expenditures. Generally, the over/under variances associated with the hedging program are passed through to customers in the fuel adjustment clause assuming they are deemed to be prudently incurred.

BELCO purchases Heavy Fuel Oil, Light Fuel Oil and diesel which are transported and stored in facilities in Bermuda until such time as they are delivered and consumed in its electricity generation operations. While the cost of this fuel is included in traditional rate filings through a Fuel Adjustment Rate ("FAR"), the variability in the commodity pricing has led the Regulatory Authority of Bermuda to establish a quarterly reconciliation and adjustment to the FAR. This filing evaluates current commodity pricing and usage as well as projected commodity pricing to develop the FAR for the upcoming quarter. Additionally, BELCO has periodically used hedging to lock in commodity rates in an effort to reduce pricing volatility and protect customer rates.

*Renewable Energy Group*

The Sanger Thermal Facility sells capacity (Reserve Adequacy) in the California market which carries dispatch obligations to CAISO. Sanger is dispatched in the CAISO energy market based on the price of its energy offers submitted to CAISO. These energy offers are priced using Sanger's cost of production which includes fuel costs, fuel energy required (Heat rate), variable operating costs and environmental offsets. As the fuel price changes, Sanger's cost of production and CAISO energy market offers are adjusted accordingly thereby insulating Sanger from fuel price exposure.

## OPERATIONAL RISK MANAGEMENT

**Dispositions, including Risks Relating to the Planned Sale of the Company's Renewable Energy Business**

For financial, strategic and other reasons, the Corporation may from time to time dispose of, or desire to dispose of, businesses or assets (in whole or in part) that it owns. Any disposition by the Corporation may result in recognition of a loss upon such a sale and may result in a decrease to its revenues, cash flows and net income and a change to its business mix. A disposition may also result in liabilities to the Corporation, including as a result of any post-closing indemnities or purchase price adjustments. In addition, the Corporation may not be able to dispose of businesses or assets that the Corporation desires to sell for financial, strategic and other business reasons at all or at a price acceptable to the Corporation. Failure to execute on any planned disposition may require the Corporation to seek alternative sources of funds, including one or more potential issuances of equity, or incur additional indebtedness, which may, among other things, cause rating agencies to re-evaluate or downgrade the Corporation's existing credit ratings. Each of the foregoing items may have an adverse effect on the Corporation's business, results of operations, cost of capital or financial condition.

On August 10, 2023, the Company announced its pursuit of a sale of its renewable energy business. There can be no assurance about the outcome of this sale process, the specific assets that will be sold (if any), that any specific transaction will be identified or consummated, or that any such transaction will achieve any expected result or benefit. Divesting any or all of the assets comprising the Company's renewable energy business involves a number of risks and uncertainties, including complexities involved in separating assets that may be sold from assets the Company will retain, the need to

obtain regulatory approvals and other third-party consents, which could, among other things, disrupt customer and supplier relationships, and the fact that the Company may be subject to additional tax obligations or loss of certain tax benefits. If the Company disposes of all or a portion of the assets comprising the Company's renewable energy business, it may not be able to successfully cause a buyer to assume the liabilities related to such assets or, even if such liabilities are assumed, the Company may have difficulties enforcing its rights, contractual or otherwise, against the buyer. The Company may be required to provide transitional services to the buyer for a period of time following closing of a transaction, and the Company may retain obligations related to divested assets, and may be subject to potential liabilities that arise because of the disposition or the subsequent breaches of obligations or duties by the buyer. There are factors that could delay, prevent or otherwise adversely affect the planned sale, including but not limited to market conditions or delays in obtaining necessary counterparty approvals, regulatory approvals or clearances. In addition, whether or not any specific transaction is identified, pursued and/or consummated, the process could cause disruptions in the business of the Company by diverting the attention of the Board and management and diverting other resources (including costs) towards such process and the preparation of the Company to pursue and consummate a transaction. The process could also impact the Company's relationships with employees, including by increasing employee departures and turnover, could give rise to disputes with potential buyers and could result in accounting changes, restructuring and other disposition charges, as well as potential impairment charges or losses. The sale of any or all of the assets comprising the Company's renewable energy business could negatively impact the Company's profitability, financial results and dividends because of losses that may result from such a sale, the loss of revenues or a decrease in cash flows or cash available for distribution. In addition, APCo may be subject to one or more credit rating downgrades as a result of the Corporation's pursuit of its renewable energy business. Following a sale of any or all of the assets comprising the Company's renewable energy business, the Company would also have less diversity in the asset mix of its business and in the markets it serves. Any or all of these risks could impact the Company's financial results and business reputation.

**Mechanical and Operational Risks**

AQN's profitability could be impacted by, among other things, equipment failure, the failure of a major customer to fulfill its contractual obligations, reductions in average energy prices, a strike or lock-out at a facility, natural disasters, diseases and other force majeure events, interruption in supply chain and expenses related to claims or clean-up to adhere to environmental and safety standards.

The Regulated Services Group's water and wastewater distribution systems operate under pressurized conditions within pressure ranges approved by regulators. Should a water distribution network become compromised or damaged, the resulting release of pressure could result in serious injury or death to individuals or damage to other property. In addition, contamination of water or equipment in a in drinking water distribution system could result in severe injury, illness or death to those who drink the impacted water.

The Regulated Services Group's electric distribution systems are subject to storm events, usually winter storm events, whereby power lines can be brought down, with the attendant risk to individuals and property. Wildfires have occurred, and may in the future occur, within the Regulated Services Group's electric distribution service territories, including, without limitation, in California and other parts of the United States in which the Corporation operates, such as the Mountain View fire that occurred on November 17, 2020 within the CalPeco Electric System's service territory in California. Trees falling on and lightning strikes to, distribution lines or equipment, can ignite wildfires which may pose a risk to life and property. If the Company is accused or found to be responsible for such a fire (regardless of whether it is at fault or negligent), the Company could suffer costs, losses and damages, including inverse condemnation, all or some of which may not be recoverable through insurance, legal, regulatory recovery and other processes.

The Regulated Services Group's natural gas distribution systems are subject to risks which may lead to fire and/or explosion which may impact life and property. Risks include third party damage, compromised system integrity, type/age of pipelines, and severe weather events.

The Company's hydro assets utilize dams to pond water for generation and if the dams fail/breach potentially catastrophic amounts of water would flood downriver from the facility. The dams can be subjected to drought conditions and lose the ability to generate during peak load conditions, causing the facilities to fall short of either hedged or PPA committed production levels. The risks of the hydro facilities are mitigated by regular dam inspections and a maintenance program of the facility to lessen the risk of dam failure.

The Company's assets could catch on fire and, depending on the season, could ignite significant amounts of forest or crop downwind from the wind farms. The wind units could also be affected by large atmospheric conditions, which could lower wind levels below the Company's PPA and hedge minimum production levels. The wind units can experience failures in the turbine blades or in the supporting towers. Production risks associated with the wind turbine generators failures is mitigated by properly maintaining the units, using long-term maintenance agreements with the turbine O&Ms which provide for regular inspections and maintenance of property, and liability insurance policies.

The Company's Thermal Energy Division uses natural gas and oil, and produces exhaust gases, which if not properly treated and monitored could cause hazardous chemicals to be released into the atmosphere. The units could also be restricted

from purchasing natural gas/oil due to either shortages or pollution levels, which could hamper output of the facility. The mechanical and operational risks at the thermal facilities are mitigated through the regular maintenance of the boiler system, and by continual monitoring of exhaust gases. Fuel restrictions can be hedged in part by long-term purchases.

All of the Renewable Energy Group's electric generating stations are subject to mechanical breakdown. The risk of mechanical breakdown is mitigated by properly maintaining the units and by regular inspections.

In general, these risks are, in part, mitigated through the diversification of AQN's operations, both operationally and geographically. In addition, AQN seeks to mitigate these risks through the use of regular maintenance programs, including pipeline safety programs and compliance programs, the provision of adequate insurance, an active Enterprise Risk Management program and the establishment of reserves for expenses.

**Regulatory Risk**

Profitability of AQN businesses is, in part, dependent on regulatory climates in the jurisdictions in which those businesses operate. In the case of some of Renewable Energy Group's hydroelectric facilities, water rights are owned by governments that reserve the right to control water levels, which may affect revenue.

The Regulated Services Group's facilities are subject to rate setting by its regulatory agencies. The Regulated Services Group operates utilities in 13 U.S. states, one Canadian province, Bermuda and Chile and therefore is subject to regulation from 17 different regulatory agencies including FERC. The time between the incurrence of costs and the granting of the rates to recover those costs by regulatory agencies is known as regulatory lag. As a result of regulatory lag, inflationary effects and timing delays may impact the ability to recover expenses and/or capital costs, and profitability could be impacted. In order to mitigate this exposure, the Regulated Services Group seeks to obtain approval for regulatory constructs in the states in which it operates to allow for timely recovery of operating expenses and capital costs. A fundamental risk faced by any regulated utility is the disallowance of operating expenses or capital costs to be placed into its revenue requirement by the utility's regulator. As the Company is in the process of updating its technology infrastructure systems, there is a risk that financial data required for rate filings could be difficult to produce or deemed unreliable for ratemaking purposes, thus increasing the risk of disallowance and/or regulatory lag. In addition, capital investments that have become stranded may pose additional risk for cost recovery and could be subject to legislative proposals that would impact the extent to which such costs could be recovered. To the extent proposed costs are not included in the utility's revenue requirement, the utility will be required to find other efficiencies, growth opportunities or cost savings to achieve its allowed returns.

The Regulated Services Group regularly works with its governing authorities to manage the affairs of the business, employing local, state level, and corporate resources.

*Condemnation Expropriation Proceedings*

The Regulated Services Group's distribution systems could be subject to condemnation or other methods of taking by government entities under certain conditions. Any taking by government entities would legally require fair compensation to be paid. Determination of such fair compensation is undertaken pursuant to a legal proceeding and, therefore, there is no assurance that the value received for assets taken will be in excess of book value.

**Inflation Risk**

AQN's profitability could be impacted by inflation increases above long-term averages. The Regulated Services Group's facilities are subject to rate setting by its regulatory agencies. The time between the incurrence of costs and the granting of the rates to recover those costs by regulatory agencies is known as regulatory lag. As a result of regulatory lag, inflationary effects and timing delays may impact the ability to recover expenses and/or capital costs, and profitability could be impacted. In the event of significant inflation, the impact of regulatory lag on the Company would be increased. In order to mitigate this exposure, the Regulated Services Group seeks to obtain approval for regulatory constructs in the states in which it operates to allow for timely recovery of operating expenses and capital costs.

The Renewable Energy Group's assets are subject to long-term PPAs and other offtake agreements, most of which are not indexed to inflation and could experience declines in profitability if operating costs increase at a rate greater than the offtake price.

Development and construction projects could experience a decrease in expected returns as a result of increased costs. To mitigate the risk of inflation the Company attempts to enter into fixed price construction agreements and fixed price offtake agreements.

**Tariff Risk**

Changes in tariffs or duties, such as antidumping and countervailing duty rates related to the U.S. Department of Commerce's investigation into an antidumping and countervailing duties circumvention claim on solar cells and panels supplied from Malaysia, Vietnam, Thailand and Cambodia, may adversely affect the capital expenditures required to develop or construct the Corporation's projects, as well as the timing for completion, or viability, of such projects. In the

U.S., tariffs have been imposed in recent years on imports of solar panels, solar cells, aluminum and steel, among other goods and raw materials. These occurrences may have adverse impacts to the Corporation, as the buyer of goods, which could adversely affect the Corporation's expected returns, results of operations and cash flows.

**International Investment Risk**

The Company operates in markets, or may pursue growth opportunities in new markets, that are subject to regulation by various foreign governments and regulatory authorities and to the application of foreign laws. Such foreign laws or regulations may not provide the same type of legal certainty and rights, in connection with the Company's contractual relationships in such countries, as are afforded to the Company in Canada and the U.S., which may adversely affect the Company's ability to receive revenues or enforce its rights in connection with any operations or projects in such jurisdictions. In addition, the laws and regulations of some countries may limit the Company's ability to hold a majority interest in certain projects, thus limiting the Company's ability to control the operations of such projects. Any existing or new operations or interests of the Company may also be subject to significant political, economic and financial risks, which vary by country, and may include: (i) changes in government laws, policies or personnel or a country's constitution; (ii) changes in general economic conditions; (iii) restrictions on currency transfer or convertibility; (iv) changes in labour relations; (v) political instability and civil unrest; (vi) regulatory or other changes adversely affecting the local utility market; (vii) breach or repudiation of important contractual undertakings and expropriation and confiscation of assets and facilities without compensation or compensation that is less than fair market value; (viii) less developed or efficient financial markets than in North America; (ix) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements; (x) less government supervision and regulation; (xi) a less developed legal or regulatory environment, including uncertainty in outcomes and actions that may be inconsistent with the rule of law; (xii) heightened exposure to bribery and corruption risk; (xiii) political hostility to investments by foreign investors, including laws affecting foreign ownership; (xiv) less publicly available information in respect of companies; (xv) adversely higher or lower rates of inflation; (xvi) higher transaction costs; and (xvii) fewer investor protections.

The Company may suffer a significant loss resulting from fraud, bribery, corruption or other illegal acts, or from inadequate or failed internal processes or systems. The Company operates in multiple jurisdictions and it is possible that its operations and development activities may expand into new jurisdictions. Doing business in multiple jurisdictions requires the Company to comply with the laws and regulations of such jurisdictions. These laws and regulations may apply to the Company, its subsidiaries, individual directors, officers, employees and third-party agents. The Company is also subject to anti-bribery and anti-corruption laws, including the Canadian Corruption of Foreign Public Officials Act and the U.S. Foreign Corrupt Practices Act. As the Company makes acquisitions and pursues development activities internationally, it is exposed to increased corruption-related risks, including potential violations of applicable anti-corruption laws.

The Company relies on its infrastructure, controls, systems and personnel, as well as central groups focusing on enterprise-wide management of specific operational risks such as fraud, trading, outsourcing, and business disruption, to manage the risk of illegal and corrupt acts or failed systems. The Company also relies on its employees and certain third parties to comply with its policies and processes as well as applicable laws. The failure to adequately identify or manage these risks, and the acquisition of businesses with weak internal controls to manage the risk of illegal or corrupt acts, could result in direct or indirect financial loss, regulatory censure and/or harm to the Company's reputation.

**Risks Specific to the Atlantica Investment**

The Company's investment in Atlantica exposes the Company to certain risks that are particular to Atlantica's business and the markets in which Atlantica operates.

Atlantica owns, manages and acquires renewable energy, conventional power, electric transmission lines and water assets in certain jurisdictions where the Company may not operate. The Company, through its investment in Atlantica, is indirectly exposed to certain risks that are particular to the markets in which it operates, including, but not limited to, risks related to: conditions in the global economy; changes to national and international laws, political, social and macroeconomic risks relating to the jurisdictions in which Atlantica operates, including in emerging markets, which could be subject to economic, social and political uncertainties; anti-bribery and anti-corruption laws and substantial penalties and reputational damage from any non-compliance therewith; significant currency exchange rate fluctuations; Atlantica's ability to identify and/or consummate future acquisitions on favourable terms or at all; Atlantica's inability to replace, on similar or commercially favourable terms, expiring or terminated offtake agreements; termination or revocation of Atlantica's concession agreements or offtake agreements; and various other factors. These risks could affect the profitability and growth of Atlantica's business, and ultimately the profitability of the Company's anticipated investment therein. On February 21, 2023, Atlantica announced that its board of directors had commenced a process to explore and evaluate potential strategic alternatives to maximize shareholder value (the "Atlantica Strategic Review"). There is a risk that the Atlantica Strategic Review could result in the approval or completion of a transaction or other change in Atlantica's business strategy that is not aligned with the Company's interests. If any of the foregoing were to occur, the value of the Company's investment could decrease and the Company's financial condition, results of operations and cash flows could be adversely affected.

The Company's international activities and operations expose the Company to similar risks and could likewise affect the profitability, financial condition and growth of the Company.

The Company accounts for its investment in Atlantica using the Fair Value Method (see *Note 8(a)* in the annual consolidated financial statements). AQN records in the consolidated statement of operations the fluctuations in the fair value of Atlantica shares and dividend income when it is declared. Dividends declared and paid by Atlantica are made at the discretion of Atlantica's board of directors. The Company does not control the board of directors of Atlantica. Therefore, there can be no assurance that dividends will continue to be paid on Atlantica's ordinary shares, will continue to be paid at the same rate as they are currently being paid or will be paid at any specified target rate. A loss of Atlantica dividend income, as a result of any reduction or suspension by Atlantica of its dividend or in the event that the Company were to dispose of its equity interest in Atlantica, could have a material adverse impact on the Company's cash flows and net income.

**Joint Venture Investment Risk**

The Company has, and may in the future continue to have, an equity interest of less than 100% and/or partners in certain projects and facilities. As a result, the Company may not operate or control all or any decision-making in respect of such projects and facilities and its interest may be subject to the decision-making of third parties, and the Company may be reliant on a third party's personnel, good faith, contractual compliance, expertise, historical performance, technical resources and information systems, proprietary information and judgment in providing the services. This may limit the Company's flexibility and financial returns with respect to these projects and facilities, and create risks to the Company, including that the joint venture partner may:

- have economic or business interests or goals that are inconsistent with the Company's economic or business interests or goals;
- take actions contrary to the Company's policies or objectives with respect to the Company's investments;
- contravene applicable anti-bribery laws that carry substantial penalties for non-compliance and could cause reputational damage and a material adverse effect on the business, financial position and results of operations of the joint venture and the Company;
- have to give its consent with respect to certain transactions and decisions, including among others, the sale of the Corporation's renewable energy business and decisions relating to funding and transactions with affiliates;
- become bankrupt, limiting its ability to meet calls for capital contributions and potentially making it more difficult to refinance or sell projects;
- become engaged in a dispute with the Company that might affect the Company's ability to develop, construct or operate a project;
- have competing interests in the Company's markets that could create conflict of interest issues; or
- have different accounting policies than the Company.

The Company has entered into Equity Capital Contribution Agreements ("ECCA") with certain of its project development entities it holds an equity interest in. The ECCAs obligate the Company to provide funding upon the realization of certain completion milestones related to the projects under development. The ECCAs have been pledged as collateral against construction loans obtained by the project entities and may require the Company to fund in amounts in excess of the underlying value of the assets. The Company has also provided guarantees of performance for certain development projects owned by the equity investees. The Company's maximum exposure to loss (as defined in U.S. GAAP under ASC 810) on these agreements and guarantees is $1,044.5 million as of December 31, 2023.

Please refer to *Note 8* in the annual consolidated financial statements for a description of the Company's Long-Term Investments and Notes Receivable.

**Asset Retirement Obligations**

AQN and its subsidiaries complete periodic reviews of potential asset retirement obligations that may require recognition. As part of this process, AQN and its subsidiaries consider the contractual requirements outlined in their operating permits, leases, and other agreements, the probability of the agreements being extended, the ability to quantify such expense, the timing of incurring the potential expenses, as well as other factors which may be considered in evaluating if such obligations exist and in estimating the fair value of such obligations.

In conjunction with acquisitions and developed projects, the Company assumed certain asset retirement obligations. The asset retirement obligations mainly relate to legal requirements for: (i) removal or decommissioning of power generating facilities; (ii) cut (disconnect from the distribution system), purge (clean of natural gas and PCB contaminants), and cap natural gas mains within the natural gas distribution and transmission system when mains are retired in place, or dispose of sections of natural gas mains 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.

**Cycles and Seasonality**

*Regulated Services Group*

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

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

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

There is a risk that climate change impacts the seasonality and demand for water, electricity and natural gas.

The Company attempts to mitigate the above noted risks by seeking regulatory mechanisms during rate review proceedings. While not all regulatory jurisdictions have approved mechanisms to mitigate demand fluctuations, to date, the Regulated Services Group has successfully obtained regulatory approval to implement such decoupling mechanisms in 7 of 13 states. An example of such a mechanism is seen at the Peach State Gas System in Georgia, where a weather normalization adjustment is applied to customer bills during the months of October through May that adjusts commodity rates to stabilize the revenues of the utility for changes in billing units attributable to weather patterns.

*Renewable Energy Group*

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

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

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

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

**Development and Construction Risk**

The Company actively engages in the development and construction of new power generation and water and wastewater facilities, and currently has a pipeline of renewable energy generation and storage projects in development or construction, as well as the development and construction of transmission and distribution assets and other complementary projects. There can be no assurance that the Corporation will be able to identify attractive acquisition or development candidates or that it will be able to realize growth opportunities that improve the Corporation's financial results or increase the amount of cash available for distribution There is always a risk that material delays, technical issues with interconnection and the interconnection utility, required upgrades to interconnection facilities, required curtailments of generation, delays in obtaining interconnection rights, and/or cost overruns or lost revenue could be incurred in any of the projects planned or currently in construction affecting the Company’s overall performance. There are risks that actual costs may exceed budget estimates, delays may occur in obtaining permits and materials, suppliers and contractors may not perform as required under their contracts, warranties under contracts may be unfilled or insufficient, there may be inadequate availability, productivity or increased cost of qualified craft or local labour, start-up activities may take longer than planned, curtailment

of a facility's output may be required, the scope, actual or expected returns, and timing of projects may change, and other events beyond the Company's control may occur, in each case that may materially affect the viability, schedule, budget, cost and performance of projects. Regulatory approvals can be challenged by a number of mechanisms which vary across state and provincial jurisdictions. Such permitting challenges could identify issues that may result in permits being modified or revoked.

*Risks Specific to Renewable Generation Projects*:

The strength and consistency of the wind resource will vary from the estimate set out in the initial wind studies that were relied upon to determine the feasibility of the wind facility. If weather patterns change or the historical data proves not to accurately reflect the strength and consistency of the actual wind, the assumptions underlying the financial projections as to the amount of electricity to be generated by the facility may be different and cash could be impacted.

The amount of solar radiance will vary from the estimate set out in the initial solar studies that were relied upon to determine the feasibility of the solar facility. If weather patterns change or the historical data proves not to accurately reflect the strength and consistency of the solar radiance, the assumptions underlying the financial projections as to the amount of electricity to be generated by the facility may be different and cash could be impacted.

For certain of its development projects, the Company relies on financing from third party tax equity investors or purchasers of tax credits, the participation of which depends upon the qualification of the project for U.S, tax incentives and satisfaction of the investors' investment criteria. These investors typically provide funding upon commercial operation of the facility. Should certain facilities not meet the conditions required for tax equity funding, expected returns from the facilities may be adversely impacted.

**Litigation Risks and Other Contingencies**

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

*Mountain View Fire*

On November 17, 2020, a wildfire now known as the Mountain View Fire occurred in the territory of Liberty Utilities (CalPeco Electric) LLC ("Liberty CalPeco"). The cause of the fire remains under investigation, and CAL FIRE has not yet released its final report. There are currently 21 lawsuits that name certain subsidiaries of the Company as defendants in connection with the Mountain View Fire, as well as a non-litigation claim brought by the U.S. Department of Agriculture seeking reimbursement for alleged fire suppression costs and a notice from the U.S. Bureau of Land Management seeking damages for the alleged burning of public lands without authorization. Fourteen lawsuits are brought by groups of individual plaintiffs alleging causes of action including negligence, inverse condemnation, nuisance, trespass, and violations of Cal. Pub. Util. Code 2106 and Cal. Health and Safety Code 13007 (one of these 14 lawsuits also alleges the wrongful death of an individual and various subrogation claims on behalf of insurance companies). On March 6, 2024, a trial commenced in Los Angeles County Superior Court on four bellwether cases with respect to inverse condemnation liability only. If the Company’s subsidiaries were found liable in those cases, the damages, if any, would not be determined at this trial. In another lawsuit, County of Mono, Antelope Valley Fire Protection District, and Bridgeport Indian Colony allege similar causes of action and seek damages for fire suppression costs, law enforcement costs, property and infrastructure damage, and other costs. In six other lawsuits, insurance companies allege inverse condemnation and negligence and seek recovery of amounts paid and to be paid to their insureds. The likelihood of success in these lawsuits is uncertain. Liberty CalPeco intends to vigorously defend them. In 2023, Liberty CalPeco accrued estimated losses of $66 million for claims related to the Mountain View Fire, against which Liberty CalPeco has recorded expected recoveries from insurance of $66 million. The resulting net charge to earnings was $nil. The estimate of losses is subject to change as additional information becomes available. The actual amount of losses may be higher or lower than these estimates. While the Company may incur a material loss in excess of the amount accrued, the Company cannot estimate the upper end of the range of reasonably possible losses that may be incurred. The Company has wildfire liability insurance that is expected to apply up to applicable policy limits.

*Apple Valley Condemnation Proceedings*

On January 7, 2016, the Town of Apple Valley filed a lawsuit seeking to condemn the utility assets of Liberty Utilities (Apple Valley Ranchos Water) Corp. (“Liberty Apple Valley”). On May 7, 2021, the Court issued a Tentative Statement of Decision denying the Town of Apple Valley’s attempt to take the Apple Valley water system by eminent domain. The ruling confirmed that Liberty Apple Valley’s continued ownership and operation of the water system is in the best interest of the community. On October 14, 2021, the Court issued the Final Statement of Decision. The Court signed and entered an Order of Dismissal and Judgment on November 12, 2021. On January 7, 2022, the Town filed a notice of appeal of the judgment entered by the Court. On August 2, 2022, the Court issued a ruling awarding Liberty Apple Valley approximately

$13.2 million in attorney's fees and litigation costs. The Town filed a notice of appeal of the fee award on August 22, 2022. The Town's appeal of the condemnation judgment and fee award have been consolidated into one appellate docket, which is proceeding before the Court of Appeals.

**Information Security Risk**

The Company relies upon its and third-party information and operational technology networks, systems and devices to process, transmit and store electronic information and to manage and support a variety of business processes and activities and safely operate its assets. The Company also uses its and third-party information technology systems to record, process and summarize financial information and results of operations for internal reporting purposes and to comply with financial reporting, legal and tax requirements. The Company's and certain of its third-party vendors' technology networks, systems and devices collect and store sensitive data, including system operating information and proprietary business information belonging to the Company and third parties, as well as personal information belonging to the Company's customers, employees and other stakeholders. As the Company operates critical infrastructure, it may be at an increased risk of cyber-attacks or other security threats by third parties.

The Company's, its third-party vendors' or other counterparties' technology systems and technology networks, devices and infrastructure may be vulnerable to damage, disruptions or shutdowns due to attacks by hackers or breaches due to employee error or malfeasance, disruptions during software or hardware upgrades, telecommunication failures, theft, politically-driven attacks (including as a result of geopolitical tension, and any associated sanctions imposed or actions taken by the United States, Canada or other countries or retaliatory measures by nation states or other actors), acts of war or terrorism, natural disasters or other similar events. In addition, certain sensitive information and data may be stored by the Company on physical devices, in physical files and records on its premises or transmitted to the Company verbally, subjecting such information and data to a risk of loss, theft, release and misuse. Methods used to attack critical assets could include social engineering and general purpose or industry specific malware or ransomware delivered via network transfer, removable media, viruses, attachments, or links in e-mails. The methods used by attackers are continuously evolving and can be difficult to predict and detect. The occurrence of any of these events could negatively impact the Company's operations, power generation facilities and utility distribution and transmission systems; could cause services disruptions or system failures; could adversely affect safety; could expose the Company, its customers or its employees to a risk of loss or misuse of information; could affect the ability to earn or collect revenue or correctly record, process and report financial information; and could result in increased costs, legal claims or proceedings, liability or regulatory penalties against the Company, damage the Company's reputation or otherwise harm the Company's business.

The long-term impact of terrorist attacks and cyber-attacks and the magnitude of the threat of future terrorist attacks and cyber-attacks on the utility and power generation industries in general, and on the Company in particular, cannot be known. Increased security measures to be taken by the Company as a precaution against possible terrorist attacks and cyber-attacks may result in increased costs to the Company. The Company must also comply with data privacy laws in each of the jurisdictions in which it operates. Certain data privacy laws and other cybersecurity regulations have expanded in recent years, leading to increased obligations, and fines for breaches of such laws and regulations have increased. The Company may incur additional costs to maintain compliance, or significant financial penalties, in the event of a breach.

The Company cannot accurately assess the probability that a security breach may occur or accurately quantify the potential impact of such an event. The Company provides no assurance that it will be able to identify, protect against and remedy all cybersecurity, physical security or system vulnerabilities or that unauthorized access or errors will be identified and remedied. Should a breach occur, the Company may suffer costs, losses and damages, all or some of which may not be recoverable through insurance, legal, regulatory, or other processes, and could materially adversely affect the Company's business and results of operations including its reputation with customers, regulators, governments and financial markets. Resulting costs could include, among others, response, recovery (including ransom costs) and remediation costs, increased protection or insurance costs, and costs arising from damages and losses incurred by third parties.

Uncertainty surrounding continued hostilities or sustained military campaigns (including as a result of the conflict between Russia and Ukraine, and any associated sanctions imposed or actions taken by the United States, Canada or other countries or retaliatory measures by Russia or other geopolitical conflicts) may affect operations of the Company in unpredictable ways, including disruptions of supplies and markets for products of the Company, and the possibility that the Company's operations or facilities could be direct targets of, or indirect casualties of, an act of terror or cyber-security attack. The effects of hostilities, military campaigns or terrorist or cyber-security attacks could include disruption to the Company's generation, transmission and distribution systems or to the electrical grid in general, and could result in a decline in the general economy and have a material adverse effect on the Company.

**Technology Infrastructure Implementation Risk**

The Company relies upon various information and operational technology infrastructure systems to carry out its business processes and operations. This subjects the Company to inherent costs and risks associated with maintaining, upgrading, replacing and changing information and operational technology systems. This includes impairment of its technology systems, potential disruption of operations, business process and internal control systems, substantial capital expenditures,

demands on management time and other risks of delays, and difficulties in upgrading, transitioning and integrating technology systems .

AQN and certain of its subsidiaries are in the process of updating their technology infrastructure systems through the implementation of an integrated customer solution platform, which includes customer billing, enterprise resource planning systems and asset management systems. The implementation of these systems is being managed by a dedicated team. Following pilot implementations, deployment began in 2022 and has occurred in a phased approach that is expected to be completed in 2024. The implementation of such technology systems requires the investment of significant financial and human resources. Disruptions, delays or deficiencies in the design, implementation, or operation of these technology systems or integration of these systems with other existing information technology or operations technology could: adversely affect the Company's operations, including its ability to monitor its business, pay its suppliers, bill its customers, and report financial information accurately and on a timely basis; lead to higher than expected costs; lead to increased regulatory scrutiny or adverse regulatory consequences; or result in the failure to achieve the expected benefits. As a result, the Company's operations, financial condition, cash flows and results of operations could be adversely affected.

**Energy Consumption and Advancement in Technologies Risk**

The Company's generation, distribution and transmission assets are affected by energy and water demand, sales and operating costs, among other things, in the jurisdictions in which they operate. Demand, sales and operating costs may change as a result of, among other things, fluctuations in general economic conditions, energy and commodity prices, inflation, interest rates, employment levels, personal disposable income, customer preferences, advancements in new technologies, population or demographic changes and housing starts. Significantly reduced energy or water demand in the Company's service territories could reduce capital spending forecasts, and specifically capital spending related to new customer growth. A reduction in capital spending could, in turn, affect the Company's rate base and earnings growth. A downturn in economic conditions may have an adverse effect on the Company's results of operations, financial condition and cash flows despite regulatory measures, where applicable, available to compensate for some or all of the reduced demand and increased costs, which recovery, if any, may lag costs incurred by the Company. In addition, an extended decline in economic conditions could make it more difficult for customers to pay for the utility services they consume, thereby affecting the aging and collection of the utilities' trade receivables.

Initiatives designed to reduce greenhouse gas emissions and control or limit the effects of climate change have resulted in incentives and programs to increase energy efficiency and reduce water and energy consumption, including efforts to reduce the availability and reliance on natural gas. There may also be efforts to move to deregulation in certain of the markets in which the Regulated Services Group operates, which could adversely affect the Company's business, financial condition and results of operations.

Significant technological advancements are taking place in the generation and utility industry, including advancements related to self-generation and distributed energy technologies such as fuel cells, micro turbines, battery storage, wind turbines, solar panels and technologies related to lower energy, natural gas and water use. Adoption of these and other technologies may increase as a result of government subsidies or policies, improving economics and changing customer preferences.

Increased adoption of these practices, requirements and technologies could reduce demand for utility-scale electricity generation and electric, water, and natural gas distribution, and as a result, the Company's business, financial condition and results of operations could be adversely affected.

The Company may also invest in and use newly developed, less proven, technologies or generation methods in its development and construction projects or in maintaining or enhancing its existing operations and assets. There is no guarantee that such new technologies will perform as anticipated. The failure of a new technology or generation method to perform as anticipated may adversely affect the profitability of a particular development project or existing operations and assets.

The Regulated Services Group seeks to actively engage with regulators, governments and customers, as appropriate, in an effort to ensure these changes in consumption do not negatively impact the services provided.

**Uninsured Risk**

The Company maintains insurance coverage for certain exposures, but this coverage is limited and the Company is generally not fully insured against all potential significant losses. Insurance coverage for the Company is subject to policy conditions and exclusions, coverage limits, and various deductibles, and not all types of liabilities and losses may be covered by insurance. Further, certain assets and facilities of the Company are not fully insured, as the cost of the coverage may not be economically viable or may not otherwise be available. Insurance may not continue to be offered on an economically feasible basis, or at all, and may not cover all events that could give rise to a loss or claim involving the Company's assets or operations. There can also be no assurance that insurers will fulfill their obligations. The Company's ability to obtain and maintain insurance and the terms of any available insurance coverage could be materially adversely

affected by international, national, state or local events and company-specific events, as well as the financial condition of insurers.

If the Company were to incur a serious uninsured loss or a loss significantly exceeding the limits of its insurance policies, the results could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows. In the event of a large uninsured loss, including those caused by severe weather conditions, wildfires, natural disasters and certain other events beyond the control of the Regulated Services Group, the Company may make an application to an applicable regulatory authority for the recovery of these costs through customer rates to offset any loss. However, the Company cannot provide assurance that the regulatory authorities would approve any such application in whole or in part. This potential recovery mechanism is not available to the Renewable Energy Group.

## QUARTERLY FINANCIAL INFORMATION

The following is a summary of unaudited quarterly financial information for the eight quarters ended December 31, 2023:

| (all dollar amounts in $ millions except per share information) | 1st Quarter 2023 | 2nd Quarter 2023 | 3rd Quarter 2023 | 4th Quarter 2023 |
|---|---|---|---|---|
| Revenue | $ 778.6 | $ 627.9 | $ 624.6 | $ 666.9 |
| Net earnings (loss) attributable to shareholders | 270.1 | (253.2) | (174.5) | 186.3 |
| Net earnings (loss) per share | 0.39 | (0.37) | (0.26) | 0.27 |
| Diluted net earnings (loss) per share | 0.39 | (0.37) | (0.26) | 0.27 |
| Adjusted Net Earnings[1] | 119.9 | 56.2 | 80.5 | 115.5 |
| Adjusted Net Earnings per common share[1] | 0.17 | 0.08 | 0.11 | 0.16 |
| Adjusted EBITDA[1] | 341.0 | 277.7 | 282.5 | 334.3 |
| Total assets | 17,927.1 | 17,968.7 | 17,982.8 | 18,374.0 |
| Long-term debt[2] | 7,849.2 | 8,083.4 | 8,367.3 | 8,516.3 |
| Dividend declared per common share | $ 0.11 | $ 0.11 | $ 0.11 | $ 0.11 |

| | 1st Quarter 2022 | 2nd Quarter 2022 | 3rd Quarter 2022 | 4th Quarter 2022 |
|---|---|---|---|---|
| Revenue | $ 733.2 | $ 619.4 | $ 664.4 | $ 748.0 |
| Net earnings (loss) attributable to shareholders | 91.0 | (33.4) | (195.2) | (74.4) |
| Net earnings (loss) per share | 0.13 | (0.05) | (0.29) | (0.11) |
| Diluted net earnings (loss) per share | 0.13 | (0.05) | (0.29) | (0.11) |
| Adjusted Net Earnings[1] | 140.0 | 109.6 | 73.5 | 97.6 |
| Adjusted Net Earnings per common share[1] | 0.20 | 0.16 | 0.11 | 0.14 |
| Adjusted EBITDA[1] | 329.3 | 289.2 | 276.1 | 295.5 |
| Total assets | 17,669.9 | 17,737.9 | 17,653.3 | 17,627.6 |
| Long-term debt[2] | 7,191.6 | 7,455.4 | 7,705.1 | 7,512.3 |
| Dividend declared per common share | $ 0.17 | $ 0.18 | $ 0.18 | $ 0.18 |

[1] See *Caution Concerning Non-GAAP Measures.*

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

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

Quarterly revenues have fluctuated between $619.4 million and $778.6 million over the prior two year period. A number of factors impact quarterly results including acquisitions, seasonal fluctuations, and winter and summer rates built into the PPAs. In addition, a factor impacting revenues year over year is the fluctuation in the strength of the Canadian dollar relative to the U.S. dollar which can result in significant changes in reported revenue from Canadian operations.

Quarterly net earnings attributable to shareholders have fluctuated between a loss of $253.2 million and earnings of $270.1 million over the prior two year period. Earnings have been significantly impacted by non-cash factors such as deferred tax recovery and expense, impairment of intangibles, property, plant and equipment and mark-to-market gains and losses on financial instruments.

## SUMMARY FINANCIAL INFORMATION OF ATLANTICA

The Company owns an approximately 42% beneficial interest in Atlantica. AQN accounts for its interest in Atlantica using the fair value method (see *Note 8(a)* in the annual consolidated financial statements). The summary financial information of Atlantica in the following table is derived from the consolidated financial statements of Atlantica as of December 31, 2023 and 2022 and for the years then ended which are reported in U.S. dollars and were prepared using International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS"). The recognition, measurement and disclosure requirements of IFRS differ from U.S. GAAP as applied by the Company.

| **(all dollar amounts in $ millions)** | **2023** | **2022** |
|---|---|---|
| Revenue | **$ 1,099.9** | $ 1,102.0 |
| Profit (loss) for the year | **36.4** | (2.1) |
| Total non-current assets | **7,732.2** | 8,069.2 |
| Total current assets | **982.2** | 1,031.7 |
| Total non-current liabilities | **6,517.7** | 6,792.9 |
| Total current liabilities | **607.8** | 519.0 |

## DISCLOSURE CONTROLS AND PROCEDURES

AQN's management carried out an evaluation as of December 31, 2023, under the supervision of and with the participation of AQN's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operations of AQN's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, the CEO and the CFO have concluded that as of December 31, 2023, AQN's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by AQN in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in rules and forms of the U.S. Securities and Exchange Commission, and is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

### Management Report on Internal Controls over Financial Reporting

Management, including the CEO and the CFO, is responsible for establishing and maintaining internal control over financial reporting to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2023, based on the framework established in Internal Control - Integrated Framework (2013) issued by COSO. This assessment included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls, and a conclusion on this evaluation. Based on this assessment, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2023 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with U.S. GAAP. Management reviewed the results of its assessment with the Audit & Finance Committee of the Board.

### Changes in Internal Controls over Financial Reporting

For the twelve months ended December 31, 2023, there has been no change in the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

### Inherent Limitations on Effectiveness of Controls

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

## CRITICAL ACCOUNTING ESTIMATES AND POLICIES

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

AQN's significant accounting policies and new accounting standards are discussed in *Notes 1* and *2* in the annual consolidated financial statements, respectively. Management believes the following accounting policies involve the application of critical accounting estimates. Accordingly, these accounting estimates have been reviewed and discussed with the Audit & Finance Committee of the Board.

### Consolidation and Variable Interest Entities

The Company uses judgment to assess whether its operations or investments represent variable interest entities ("VIEs"). In making these evaluations, management considers (a) the sufficiency of the investment's equity at risk, (b) the existence of a controlling financial interest, and (c) the structure of any voting rights. In addition, management considers the specific facts and circumstances of each investment in a VIE when determining whether the Company is the primary beneficiary. The factors that management takes into consideration include the purpose and design of the VIE, the key decisions that affect its economic performance, whether the parties to the arrangements are related parties or de facto agents of the Company, and whether the Company has the power to direct the activities that would most significantly affect the economic performance of the VIE. Management's judgment is also required to determine whether the Company has the right to receive benefits or the obligation to absorb losses of the VIE. Based on the judgments made, the Company will consolidate the VIE if it determines that it is the primary beneficiary.

### Estimated Useful Lives and Recoverability of Long-Lived Assets, Intangibles Assets, Goodwill and Long-term Investments

The Company makes judgments (a) to determine the recoverability of a development project, and the period over which the costs are capitalized during the development and construction of the project, (b) to assess the nature of the costs to be capitalized, (c) to distinguish individual components and major overhauls, and (d) to determine the useful lives or unit-of-production over which assets are depreciated.

Depreciation rates on most utility assets are subject to regulatory review and approval, and depreciation expense is recovered through rates set by ratemaking authorities. The recovery of those costs is dependent on the ratemaking process.

The carrying value of long-lived assets, intangible assets, goodwill and long-term investments, is reviewed whenever events or changes in circumstances indicate that such carrying values may not be recoverable, and at least annually for goodwill. Equity method investments are reviewed to determine whether an other-than-temporary decline in value has occurred and an impairment exists. Some of the factors AQN considers as indicators of impairment include a significant change in operational or financial performance, unexpected outcome from rate orders, natural disasters, energy pricing and changes in regulation. When such events or circumstances are present, the Company assesses whether the carrying value will be recovered through the expected future cash flows. If the facility includes goodwill, the fair value of the facility is compared to its carrying value. Both methodologies are sensitive to the forecasted cash flows and in particular energy prices, long-term growth rate and, discount rate for the fair value calculation.

In 2023 and 2022, management assessed qualitative and quantitative factors for each of the reporting units that were allocated goodwill. No goodwill impairment provision was required. During the fourth quarter of 2022, the Company recorded an impairment charge of $235.5 million to reduce the carrying value of its investment in the Texas Coastal Wind Facilities and the carrying value of the Senate Wind Facility which began commercial operations in 2012. These impaired assets operate within the ERCOT market, and the 2022 Impairment recorded is primarily due to declining forecasted energy prices in ERCOT for the Senate Wind Facility and continued challenges with congestion at the Texas Costal Wind Facilities. The Company determined fair value using an income approach. Changes in assumptions of revenue forecasts, driven by expected production, basis difference and resulting spot prices, projected operating and capital expenditures would affect the estimated fair value.

## Valuation of Deferred Tax Assets

In assessing the realization of deferred tax assets, management aims to consider all evidence, both positive and negative, to determine whether it is more likely than not that deferred tax assets will be realized. A piece of objective evidence evaluated is cumulative earnings or losses incurred over the three-year period. Even with a cumulative loss, management will typically review a forecast of future taxable income and consider tax planning strategies before making its final assessment.

The U.S. entities in the Renewable Energy Group continue to be in an overall deferred tax asset position as at December 31, 2023. In the course of assessing the U.S. deferred tax assets in the Renewable Energy Group, management concluded, similar to 2022, that it was not probable that the U.S. business of the Renewable Energy Group would generate sufficient taxable income to realize the benefit of the deferred tax assets of such group (with the exception of certain transferable tax credits). Management's conclusion is based on the balance of all available positive and negative evidence applicable to the Renewable Energy Group. The amount of the deferred tax asset considered realizable could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as management projections for growth.

Management's assessment of the deferred tax asset in Canada supports that it is probable that the benefit of such assets will be realized. While the Canadian entities are operationally profitable, the Canadian entities as a whole, are in a cumulative 3-year loss position. Management has evaluated all available positive and negative evidence applicable to the entities in Canada and has concluded that it is probable that the Canadian businesses will make sufficient taxable profit to allow them to utilize their available tax attributes prior to their expiry.

## Accounting for Rate Regulation

Accounting guidance for regulated operations provides that rate-regulated entities account for and report assets and liabilities consistent with the recovery of those incurred costs in rates if the rates established are designed to recover the costs of providing the regulated service and if the competitive environment makes it probable that such rates can be charged and collected. This accounting guidance is applied to the Regulated Services Group's operations, with the exception of Suralis.

Certain expenses and revenues subject to utility regulation or rate determination normally reflected in income are deferred on the balance sheet as regulatory assets or liabilities and are recognized in income as the related amounts are included in service rates and recovered from or refunded to customers. Regulatory assets and liabilities are recorded when it is probable that these items will be recovered or reflected in future rates. Determining probability requires significant judgment on the part of management and includes, but is not limited to, consideration of testimony presented in regulatory hearings, proposed regulatory decisions, final regulatory orders and industry practice. If events were to occur that would make the recovery of these assets and liabilities no longer probable, these regulatory assets and liabilities would be required to be written off or written down.

## Unbilled Energy Revenues

Revenues related to natural gas, electricity and water delivery are generally recognized upon delivery to customers. The determination of customer billings is based on a systematic reading of meters throughout the month. At the end of each month, amounts of natural gas, energy or water provided to customers since the date of the last meter reading are estimated, and the corresponding unbilled revenue is recorded. Factors that can impact the estimate of unbilled energy include, but are not limited to, seasonal weather patterns compared to normal, total volumes supplied to the system, line losses, economic impacts, and composition of customer classes. Estimates are reversed in the following month and actual revenue is recorded based on subsequent meter readings.

## Derivatives

AQN uses derivative instruments to manage exposure to changes in commodity prices, foreign exchange rates, and interest rates. Management's judgment is required to determine if a transaction meets the definition of a derivative and, if it does, whether the normal purchases and sales exception applies or whether individual transactions qualify for hedge accounting treatment. Management's judgment is also required to determine the fair value of derivative transactions. AQN determines the fair value of derivative instruments based on forward market prices in active markets obtained from external parties adjusted for nonperformance risk. A significant change in estimate could affect AQN's results of operations if the hedging relationship was considered no longer effective.

## Pension and Post-employment Benefits

The obligations and related costs of defined benefit pension and post-employment benefit plans are calculated using actuarial concepts, which include critical assumptions related to the discount rate, mortality rate, compensation increase, expected rate of return on plan assets and medical cost trend rates. These assumptions are important elements of expense and/or liability measurement and are updated on an annual basis, or upon the occurrence of significant events. The mortality assumption for December 31, 2023 uses the Pri-2012 mortality table and the projected generationally scale MP-2021, adjusted to reflect the ultimate improvement rates in the 2021 Social Security Administration intermediate assumptions for plans in the United States. The mortality assumption for the Bermuda plan as of December 31, 2023 uses the 2014 Canadian Pensioners' Mortality Table combined with mortality improvement scale CPM-B.

The sensitivities of key assumptions used in measuring accrued benefit obligations and benefit plan cost for 2023 are outlined in the following table. They are calculated independently of each other. Actual experience may result in changes in a number of assumptions simultaneously. The types of assumptions and method used to prepare the sensitivity analysis has not changed from previous periods and is consistent with the calculation of the retirement benefit obligations and net benefit plan cost recognized in the consolidated financial statements.

| | 2023 Pension Plans | | 2023 OPEB Plans | |
|---|---|---|---|---|
| **(all dollar amounts in $ millions)** | **Accrued Benefit Obligation** | **Net Periodic Pension Cost** | **Accumulated Postretirement Benefit Obligation** | **Net Periodic Postretirement Benefit Cost** |
| Discount Rate | | | | |
| 1% increase | (56.7) | (1.4) | (22.6) | (1.5) |
| 1% decrease | 67.9 | 2.5 | 27.7 | 1.7 |
| Future compensation rate | | | | |
| 1% increase | 1.9 | 1.2 | — | — |
| 1% decrease | (1.7) | (1.1) | — | — |
| Expected return on plan assets | | | | |
| 1% increase | — | (5.5) | — | (1.5) |
| 1% decrease | — | 5.5 | — | 1.5 |
| Health care trend | | | | |
| 1% increase | — | — | 25.6 | 3.4 |
| 1% decrease | — | — | (21.2) | (2.8) |

## Business Combinations

The Company has completed a number of business combinations in the past few years. Management's judgment is required to estimate the purchase price, to identify and to fair value all assets and liabilities acquired. The determination of the fair value of assets and liabilities acquired is based upon management’s estimates and certain assumptions generally included in a present value calculation of the related cash flows.

Acquired assets and liabilities assumed that are subject to critical estimates include property, plant and equipment, regulatory assets and liabilities, intangible assets, long-term debt and pension and OPEB obligations. The fair value of regulated property, plant and equipment is assessed using an income approach where the estimated cash flows of the assets are calculated using the approved tariff and discounted at the approved rate of return. The fair value of regulatory assets and liabilities considers the estimated timing of the recovery or refund to customers through the rate making process. The fair value of intangible assets is assessed using a multi-period excess earnings method. The fair value of long-term debt is determined using a discounted cash flow method and current interest rates. The pension and OPEB obligations are valued by external actuaries using the guidelines of ASC 805, Business combinations.

**Exhibit 99.4**

**Consent of Independent Registered Public Accounting Firm**

We consent to the reference to our Firm under the caption “Experts”, and to the incorporation by reference in the following Registration Statements:

1. Form S-8 nos. 333-177418, 333-213648, 333-213650, 333-218810, 333-232012 and 333-238961;
2. Form F-10 no. 333-261010; and
3. Form F-3 nos. 333-220059, 333-227246 and 333-263839

of Algonquin Power and Utilities Corp. (the “Company”) and the use herein of our reports dated March 8, 2024, with respect to the consolidated balance sheets as of December 31, 2023 and December 31, 2022 and the consolidated statements of operations, comprehensive income (loss), equity and cash flows for each of the years in the two-year period ended December 31, 2023, and the effectiveness of internal control over financial reporting of the Company as of December 31, 2023, included in this Annual Report on Form 40-F.

/s/ Ernst & Young LLP
Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada
March 8, 2024

**Exhibit 99.5**

**CERTIFICATION PURSUANT TO SECTION 302 OF THE U.S. SARBANES-OXLEY ACT OF 2002**

I, Christopher Huskilson, certify that:

1. I have reviewed this annual report on Form 40-F of Algonquin Power & Utilities Corp.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 8, 2024

By: /s/ Christopher Huskilson
Name: Christopher Huskilson
Title: Interim Chief Executive Officer

**Exhibit 99.6**

**CERTIFICATION PURSUANT TO SECTION 302 OF THE U.S. SARBANES-OXLEY ACT OF 2002**

I, Darren Myers, certify that:

1. I have reviewed this annual report on Form 40-F of Algonquin Power & Utilities Corp.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 8, 2024

By: /s/ Darren Myers
Name: Darren Myers
Title: Chief Financial Officer

**Exhibit 99.7**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Algonquin Power & Utilities Corp. (the "Corporation") on Form 40-F for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher Huskilson, Interim Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: March 8, 2024

By: /s/ Christopher Huskilson
Name: Christopher Huskilson
Title: Interim Chief Executive Officer

**Exhibit 99.8**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Algonquin Power & Utilities Corp. (the "Corporation") on Form 40-F for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Darren Myers, Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: March 8, 2024

By: /s/ Darren Myers
Name: Darren Myers
Title: Chief Financial Officer