ROBERTSON DIRECT TESTIMONY

SCHEDULE 1.2

Algonquin Power & Utilities Corp.

AQN : TSX : C$5.50

BUY

Target: C$6.50

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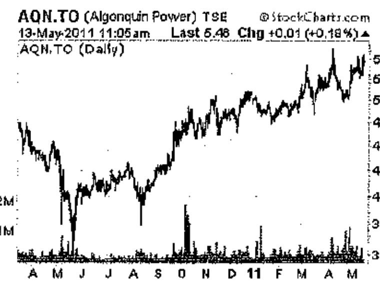
COMPANY STATISTICS:

52-week Range:	C$3.50 - 5.63
Avg. Daily Vol. (000s):	273.6
Market Cap (M):	C$571.7
Shares Out (M):	103.9
Current Dividend:	C$0.26
Current Dividend Yield %:	4.7

EARNINGS SUMMARY:

FYE Dec	2009A	2010A	2011E	2012E
EPS:	C$0.27	C$0.04	C$0.25	C$0.35
P/E (x):	20.4	137.5	22.0	15.7
CFPS:	C$0.55	C$0.47	C$0.80	C$0.90
P/CF (x):	10.0	11.7	6.9	6.1

SHARE PRICE PERFORMANCE:



COMPANY DESCRIPTION:

Algonquin Power holds interests in 45 renewable facilities located in Canada and Northeast US, 14 thermal energy facilities and 19 water distribution and waste-water facilities. The facilities are grouped into two major business units: Power Generation & Development, and Utility Services.

All amounts in C$ unless otherwise noted.

Infrastructure -- Power

EXPANDS UTILITY FOOTPRINT

Investment recommendation

Algonquin Power and Utilities announced the acquisition of three regulated natural gas distribution utilities in the Midwestern U.S. for US$123.8 million. The acquisition appears to be reasonably priced at a 10.6% premium to the $112 million asset base of the acquired utility operations or about a 22% premium to equity. The transaction is expected to close in mid-2012 and the company has indicated that its financing plans may include utilizing the flexibility available from its renewed strategic alliance with Emera. Algonquin is increasingly becoming a more growth-oriented investment, having announced approximately $550 million in recent acquisitions and recently awarded power purchase contracts for wind facilities with capital costs totalling $450 million. The company has been delivering on its stated goals, providing a greater level of confidence in management's ability to further the company's growth objectives.

Investment highlights

- US$124 million acquisition of 3 natural gas distribution utility operations
    - Located in Missouri, Illinois and Iowa
    - Accretive to EPS and value
    - Expected close mid-2012
- Now has ~$1 billion of announced initiatives
    - Establishes strong growth profile
- Maintain BUY rating and $6.50 target
    - 2011 and 2012 EPS estimates unchanged

Valuation

Our target is based on utility/pipeline valuation metrics. The company has added projects recently and now has in its portfolio over $1 billion of announced acquisitions and organic growth projects. While we expect the recent transaction will be modestly accretive to EPS and value, we are making no change to our EPS estimates and $6.50 target price at this time. However, as Algonquin's development opportunities move closer to completion, we expect our valuation could improve further.

Summary

The announced acquisition of the three regulated Midwest utilities increases Algonquin's slate of recently announced acquisitions and investments to approximately $550 million. Due to the nature of the regulatory approval process the company expects the transaction to not close until mid-2012 and we expect the investment will be modestly accretive to 2012 earnings. The purchase is consistent with the company's strategy to acquire smaller scale utility operations in regions where it has indicated a supportive regulatory environment. We are pleased to see the company extend its growth profile and expect earnings per share growth over the next couple of years will exceed the company's stated 5% annual EPS growth objective. The company's growth profile is quite evenly balanced between its two distinct growth platforms; the acquisition of regulated utilities in the United States, and the development of renewable power generation. Upon closing of the utility acquisitions, EBITDA will be roughly evenly split between regulated operations and power generation.

The assets

- Three regulated natural gas distribution utilities with total rate base of $112 million
  - Missouri
    - $79.1 million rate base
    - 56,318 customers
  - Illinois
    - $28.6 million rate base
    - 22,620 customers
  - Iowa
    - $4.3 million rate base
    - 4,280 customers
- Equity thickness of just below50%
- 10% average ROE in recent rate cases
- 4-5% annual rate base growth anticipated for the foreseeable future
  - Achieved 4.3% annual growth over last two years
- Purchase price of US$123.8 million represents a modest 10.6% premium to rate base

  - ~22% premium to book value
- Geographic location overlaps with existing Liberty Utilities operations
- Total of 2,700 miles of distribution mains
- Customer base: 88% residential and 12% industrial/commercial

Investment risks

Risk factors that pertain to the share price target for Algonquin Power and Utilities Corp. are as follows: 1) Equipment failure could adversely affect the ability of facilities to generate maximum amounts of power, revenues and earnings. 2) Facility maintenance time in excess of forecast or disruptions of power generation for other reasons could reduce production. 3) Future acquisitions or issue of additional shares may impact the level and variability of cash flow, earnings and the valuation of the shares. 4) Upon the expiry of fuel supply and/or electricity purchase agreements, renegotiation may result in changes of availability and price. 5) The amount of earnings is dependent upon counterparties fulfilling their contractual obligations. 6) Earnings and cash flow will depend upon numerous factors including general and administrative costs, debt service costs, capital expenditures, future borrowing and reserves. 7) Operation and profitability is dependent upon the continuation of a favourable regulatory climate. 8) International operations have currency rate exposure. 9) A breach in the covenants of loans held may cause the loan to default, which could have an adverse effect on earnings and valuation of the company and its shares.

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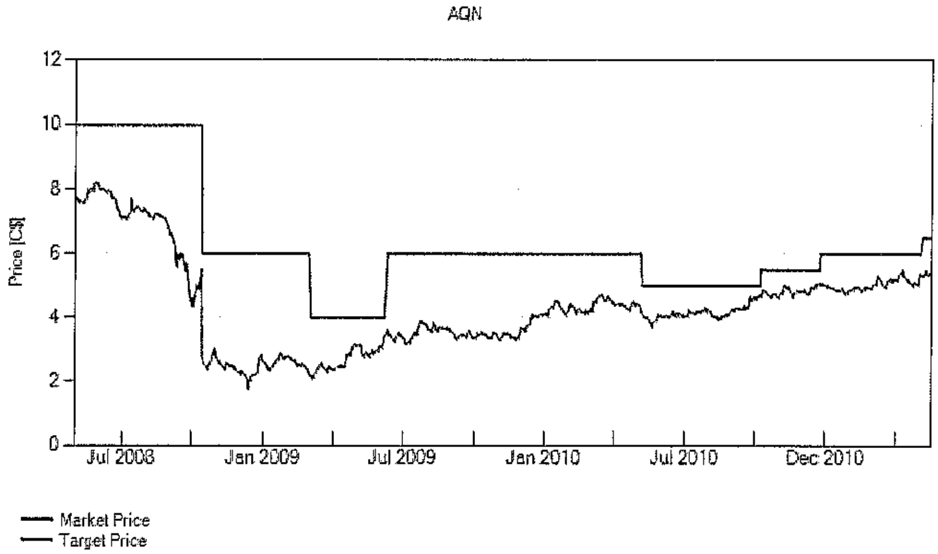
Site Visit: An analyst has visited Algonquin Power & Utilities' head office and material operations in Toronto. No payment or reimbursement was received from the issuer for the related travel costs.

Price Chart:*



	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	10/21/2008	Hastings	Under Review	6.00	5)	10/06/2010	Plessis	Buy	5.50
2)	03/09/2009	Hastings	Buy	4.00	6)	12/21/2010	Plessis	Buy	6.00
3)	06/12/2009	Hastings	Buy	6.00	7)	05/02/2011	Plessis	Buy	6.50
4)	05/07/2010	Hastings	Buy	5.00					

*Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.

Distribution of Ratings:
Global Stock Ratings
(as of 3 May 2011)

	Coverage Universe		IB Clients
Rating	#	%	%
Buy	466	59.4%	36.7%
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Hold	234	29.8%	17.5%
Sell	18	2.3%	11.1%
	785	100.0%	

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NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

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Risk Qualifier: SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

Canaccord Research Disclosures as of 13 May 2011

Company	Disclosure
Algonquin Power & Utilities Corp.	7, 8

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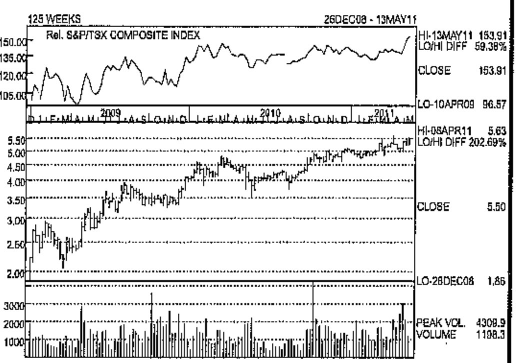

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FY Dec	2010A	2011E	2012E	2013E
CFPS - FD	0.43	0.67	0.83	0.87
Prev.		0.68	0.82	0.84
P/CFPS	12.8x	8.2x	6.6x	6.3x
EPS (Op) - Basic	0.21	0.20	0.32	0.35
Prev.		0.18	0.31	0.34
P/E	26.2x	27.5x	17.2x	15.7x
Adj EBITDA (MM)	75.0	114.0	171.0	188.0
Prev.			166.0	171.0
Annual Div.	0.24	0.26	0.28	0.30

CFPS - FD	Q1	Q2	Q3	Q4
2010	0.09A	0.11A	0.10A	0.13A
2011	0.15A	0.19E	0.15E	0.17E
Prev.	0.16E			
EPS (Op) - Basic				
2010	0.04A	(0.02)A	0.02A	0.18A
2011	0.05A	0.07E	0.02E	0.05E
Prev.	0.04E			

All values in CAD unless otherwise noted.

COMPANY UPDATE | COMMENT

MAY 16, 2011

Algonquin Power and Utilities Corp. (TSX: AQN)

Latest Utility Acquisition Increases Investments and Opportunities to $1 Billion

Outperform
Average Risk

Price:	5.50	Price Target:	6.00
		Implied All-in Return:	14%
Shares O/S (MM):	104.0	Market Cap (MM):	572
Dividend:	0.26	Yield:	4.7%
Float (MM):	95.5		

Strategic Ownership: Emera Inc. (8%)

Event

Algonquin reported Q1/11 results and announced an agreement to acquire gas utility assets in the U.S. Midwest.

Investment Opinion

- **Buying Another Regulated Gas Utility.** Algonquin announced that it has entered into an agreement with Atmos Energy to acquire regulated gas distribution utilities in the U.S. Midwest (Missouri, Iowa, and Illinois). The acquisition price of US$124 million represents an 11% premium over the regulatory rate base of US$112 million. We estimate that the acquisition price is approximately 7.8x 2011 budgeted EBITDA and should be marginally accretive to Algonquin.
- **Investments and Opportunities Reach $1 Billion as Management Executes Growth Strategy.** Management has been successful in acquiring small utilities and developing and investing in renewable energy projects. We estimate that Algonquin's recently completed and pending transactions, and renewable energy projects under development total approximately $1 billion, providing significant accretive growth over the medium term. A summary is provided in Exhibit 3.
- **Strong Results from All Segments; Q1 Results in Line.** Algonquin's CFPS for Q1/11 was $0.15, compared to our estimate of $0.16 and $0.09 in Q1/10. All of the business segments performed well and grew EBITDA contributions in the quarter.
- **Adjusting Estimates to Reflect Q1 Results and the Gas Utility Acquisition.** We have revised our 2011, 2012, and 2013 CFPS estimates to $0.67, $0.83, and $0.87, respectively (from $0.68, $0.82, and $0.84). The revision to our 2011 estimate reflects the Q1/11 results, while the increase to our 2012 and 2013 estimates reflect the completion of the U.S. Midwest gas utility acquisition in mid-2012.
- **Valuation.** We believe the transaction is modestly accretive to value ($0.04/share). Since we round our price target to the nearest $0.50 increment, we have not changed our price target of $6.00. Our price target is based on a sum-of-the-parts analysis (please refer to Exhibit 6) that separately values Algonquin's various business segments. Our valuation implies a 9.5x 2013E EBITDA.

Priced as of prior trading day's market close, EST (unless otherwise noted).

For Required Non-U.S. Analyst and Conflicts Disclosures, see page 7.

Accretive Acquisition of Regulated Midwest Gas Utilities

Algonquin announced that it has entered into an agreement with Atmos Energy to acquire regulated gas distribution assets in the U.S. Midwest (Missouri, Iowa, and Illinois). The acquisition price of US$124 million represents an 11% premium over the regulatory rate base of US$112 million. The utilities service over 83,000 customers in three states, operate a network of 2,700 miles of distribution mains, and have no exposure to gas commodity prices (cost of gas is passed through to ratepayers). The allowed ROE across the three states average about 10%. Algonquin has some regulatory experience in the states of Missouri and Illinois through its ownership of water utilities. The acquisition is consistent with management's objectives of acquiring small regulated utilities that are non-core and do not have a material financial impact on its parent company. The Midwest utility assets represented about 3% of Atmos Energy's regulated rate base.

Exhibit 1: Midwest Utility Asset Summary (In $USMM unless otherwise stated)

	Rate Base (US$MM)	Customers (000s)
Missouri	$79	56
Illinois	29	23
Iowa	4	4
Regulated Rate Base	$112	83
Purchase Price (EV)	$124	
Premium to Rate Base	11%	
2011E EBITDA	$16	
EV/EBITDA	7.8x	

Source: Company reports; RBC Capital Markets estimates

The purchase price is approximately 7.8x 2011 budgeted EBITDA, and the transaction is expected to close in mid-2012. Based on our analysis, we estimate that the acquisition is $0.03 and $0.01 accretive to CFPS and EPS, respectively, on an annualized basis. Our analysis is provided in Exhibit 2.

Exhibit 2: Acquisition Accretion Analysis (In $USMM except per share figures)

		Comments
2013E EBITDA	$17	
Interest	(4)	Assume $65mm of debt financed at 5.5%
CFFO	13	Assume no cash taxes
D&A	(5)	Assume 25 year depreciation period
Income Tax	(3)	Assume 40% tax rate
Net Income	$5	
Pre-Acquisition		
2013E CFPS	$0.84	
2013E EPS	$0.34	
Post-Acquisition		
2013E CFPS	$0.87	
2013E EPS	$0.35	
Accretion		
2013E CFPS	$0.03	
2013E EPS	$0.01	

Source: Company reports; RBC Capital Markets estimates

$1 Billion of Recent and Pending Transactions and Renewable Energy Projects

Algonquin has developed a significant pipeline of investments over the next several years. We estimate that Algonquin's recently completed and pending transactions, and renewable energy projects under development with PPAs, represent approximately $1 billion of attractive investments. Emera has committed to supporting Algonquin financially through the subscription of treasury shares. It should be noted that Emera's allowed equity interest in Algonquin is currently capped at 25%. A summary of the recent transactions and investment pipeline is provided in Exhibit 3.

Exhibit 3: Acquisition Accretion Analysis (In $USMM)

Transaction / Development	Value	Comment
Calpeco Acquisition from NV Energy	$66	EMA subscribed for 8.5 mm AQN shares. Transaction closed on 01/01/2011
Calpeco Acquisition from Emera	79	EMA will receive 8.2 mm AQN shares. Completion expected in late 2011
Northeast Wind Investment	83	EMA will subscribe for 6.9 mm AQN shares. Completion expected in late 2011
New Hampshire Utility Acqusition	285	EMA will subscribe for 12 mm shares. Completion expected in late 2011
Midwest Gas Utility Acquisition	124	Completion expected in mid-2012
Morse (Sask. Wind) - Acquired with PPA	60	Commissioning expected in 2013
Amherst Island Wind Project Awarded PPA	230	Commissioning expected in 2014
Quebec Wind - Awarded PPAs	53	Commissioning expected in 2013 and 2015
	$980	

Source: Company reports; RBC Capital Markets estimates

Q1/11 Results in Line; All Business Segments Performed Well

Algonquin's CFPS for Q1/11 was $0.15, compared to our estimate of $0.16 and $0.09 in Q1/10. All of the business segments performed well and every segment grew its EBITDA contribution in the quarter. The Liberty Energy business segment reflects the January 1, 2011 acquisition of the California utility assets (Calpeco), which contributed its first full quarter.

Exhibit 4: Calpeco Acquisition Analysis (In $MM unless otherwise stated)

Income Statement	Q1/11	RBC CM Q1/11E	Q1/10	Y/Y chg.	Comments
Renewable Energy	$15	$15	$14	5%	Generation is 8% BELOW the long-term average
Thermal Energy	4	5	3	46%	
Liberty Water	4	5	3	55%	
Liberty Energy (Calpeco)	6	4	0	n.m.	Seasonally stronger during the winter
SG&A	(4)	(3)	(3)	28%	
EBITDA	25	26	17	51%	
Interest, Div. and Other Inc.	1	1	1	32%	
Adj. EBITDA	**27**	**28**	**18**	**50%**	
Net Financing Costs	(8)	(8)	(6)	28%	
Depreciation	(12)	(13)	(11)	7%	
Derivative Gains/Losses and Other	(0)	0	1	n.m.	
EBT	6	7	1	n.m.	
Taxes	1	(2)	2	-75%	Tax recovery relates to future income tax
Non-Controlling Interest	(2)	(1)	(0)	n.m.	
Reported Net Income	$5	$4	$3	42%	
EPS (Basic)	$0.05	$0.04	$0.04	30%	
Cash Flow from Operations					
Reported Net Income	$5	$4	$3	45%	
Depreciation and Amortization	13	14	12	5%	
Future Income Taxes	(1)	1	(2)	-66%	
Non-Controlling Interest (Net)	4	1	1	n.m.	
Derivative Gains/Losses	(2)	0	(5)	-51%	
Other	0	0	0	n.m.	
Cash Flow from Operations (CFFO)	**$19**	**$20**	**$9**	**99%**	
Avg. Shares Outstanding (Basic)	104	104	93	12%	
Avg. Shares Outstanding (Diluted)	144	144	134	8%	
Convert. Debt Interest Expense	(3)	(3)	(3)	-2%	
CFPS (Basic)	$0.18	$0.19	$0.10	78%	
CFPS (Diluted)	**$0.15**	**$0.16**	**$0.09**	61%	

Source: Company reports; RBC Capital Markets estimates

Revising Estimates to Reflect Q1 Results and the Midwest Utility Acquisition

We have revised our 2011, 2012, and 2013 CFPS estimates to $0.67, $0.83, and $0.87, respectively (from $0.68, $0.82, and $0.84). The revision to our 2011 estimate reflects the Q1/11 results, while the revisions to our 2012 and 2013 estimates reflect the completion of the accretive U.S. Midwest gas utility acquisition in mid-2012. Our summary financial forecast is provided in Exhibit 5.

Exhibit 5: Financial Forecast (In $MM except per share figures)

										Old	
Income Statement	**2010**	**Q1/11**	**Q2/11E**	**Q3/11E**	**Q4/11E**	**2011E**	**2012E**	**2013E**	*2011E*	*2012E*	*2013E*
Renewable Energy	$53	$15	$17	$10	$15	$57	$58	$59	*$57*	*$58*	*$59*
Thermal Energy	17	4	7	7	6	24	25	25	*25*	*25*	*25*
Liberty Water	16	4	6	5	6	22	25	25	*22*	*25*	*25*
Liberty Electric	0	6	4	4	4	19	65	80	*18*	*60*	*63*
Administrative Expenses	(15)	(4)	(3)	(3)	(4)	(14)	(14)	(15)	*(14)*	*(14)*	*(15)*
EBITDA	70	26	31	24	27	108	159	175	*108*	*154*	*158*
Interest, Div. and Other Inc.	5	1	2	2	2	6	12	13	*6*	*12*	*13*
Adj. EBITDA	75	27	32	26	29	114	171	188	*114*	*166*	*171*
Net Financing Costs	(26)	(8)	(7)	(7)	(7)	(28)	(39)	(40)	*(28)*	*(37)*	*(36)*
Depreciation	(47)	(12)	(13)	(13)	(13)	(52)	(68)	(71)	*(52)*	*(66)*	*(67)*
Derivative Gains/Losses and Other	(3)	(0)	0	0	0	0	0	0	*0*	*0*	*0*
EBT	(0)	6	12	6	9	34	64	76	*33*	*63*	*68*
Taxes	20	1	(3)	(2)	(3)	(8)	(17)	(21)	*(10)*	*(17)*	*(18)*
Non-Controlling Interest	(0)	(2)	(1)	(1)	(1)	(4)	(0)	(0)	*(3)*	*(0)*	*(0)*
Reported Net Income	**$20**	$5	$8	$3	$6	**$23**	**$47**	**$55**	*$20*	*$45*	*$49*
EPS (Basic)	**$0.21**	**$0.05**	**$0.07**	**$0.02**	**$0.05**	**$0.20**	**$0.32**	**$0.35**	*$0.18*	*$0.31*	*$0.34*
Cash Flow from Operations											
Reported Net Income	$20	$5	$8	$3	$6	$22	$47	$55	*$20*	*$45*	*$49*
Depreciation and Amortization	49	13	14	14	14	54	71	74	*55*	*69*	*70*
Future Income Taxes	(20)	(1)	3	2	2	6	16	19	*9*	*15*	*17*
Non-Controlling Interest	0	2	1	1	1	4	0	0	*3*	*0*	*0*
Derivative Gains/Losses	(8)	(2)	0	0	0	(2)	0	0	*0*	*0*	*0*
Other	3	0	0	0	0	0	0	0	*0*	*0*	*0*
Cash Flow from Operations (CFFO)	$44	$17	$26	$20	$23	$85	$133	$149	*$88*	*$130*	*$136*
Avg. Shares Outstanding (Basic)	94	104	112	119	119	113	147	156	*114*	*144*	*146*
Avg. Shares Outstanding (Diluted)	135	144	144	144	144	144	172	181	*144*	*169*	*171*
CFPS (Basic)	$0.47	$0.18	$0.23	$0.16	$0.19	$0.76	$0.91	$0.96	*$0.77*	*$0.90*	*$0.93*
CFPS (Diluted)	**$0.43**	**$0.15**	**$0.19**	**$0.15**	**$0.17**	**$0.67**	**$0.83**	**$0.87**	*$0.68*	*$0.82*	*$0.84*
Dividend/Share	$0.24	$0.07	$0.07	$0.07	$0.07	$0.26	$0.28	$0.30	*$0.26*	*$0.28*	*$0.30*
Debt/Capital	55%					56%	54%	51%	*55%*	*53%*	*51%*
Debt/EBITDA	4.8x					4.7x	4.1x	3.5x	*4.7x*	*3.8x*	*3.5x*

Source: Company reports; RBC Capital Markets estimates

Exhibit 6: Valuation Summary (In $MM except per share figures)

Businss Segment	Valuation Metric	EV	Debt	Equity	Value/Shr[1]	Comments
Renewable Energy	11x 2012E EBITDA	$608	($110)	$498	$2.91	
Thermal Energy	9x 2012E EBITDA	206	(20)	187	$1.09	
Liberty Water	13x 2012E Earnings	187	(64)	122	$0.72	
Calpeco	13x 2012E Earnings	146	(71)	75	$0.44	50% interest
New Hampshire Utilities	13x 2012E Earnings	297	(151)	146	$0.85	Acquisition expected to close in late 2011
Midwest Gas Utilities	13x 2012E Earnings	128	66	62	$0.36	Acquisition expected to close in mid-2012
Northeast Wind	Re-Rating	94	0	94	$0.55	Acquisition expected to close in late 2011
Proj. Dev. and Potential Acq.	Re-Rating	118	0	118	$0.69	Equivalent to deploying $400 million over 3 years
Corporate Overhead	10x Overhead Costs	(59)	0	(59)	($0.34)	
Net Debt (Corporate Level)		n/a	(198)	(198)	($1.16)	Assumes conversion of in-the-money convert. debt
Acquired Tax Attributes	1/2 of Cash Tax Savings	30	0	30	$0.18	Purchased $200 million of tax attributes in 2009
Other Adjustments		(12)	0	(12)	($0.07)	PV of remaining dam safety expenditures
		$1,742	($548)	$1,063	$6.21	

[1] *171 mm shares (assumes 156 mm shares outstanding post pending transactions and 15 mm shares from in-the-money convertible debt)*

Source: Company reports; RBC Capital Markets estimates

Valuation

Our $6.00 price target is based on a sum-of-the-parts analysis that separately values Algonquin's various business segments, which imply a 9.5x 2013E EBITDA.

Price Target Impediment

Factors that could negatively impact Algonquin's earnings and price target include negative regulatory decisions by the U.S. regulatory commissions, an acquisition that fails to gain the confidence of investors, depressed prices for power in the U.S. Northeast, and a sustained decline in the U.S. dollar.

Company Description

Algonquin operates three business divisions: i) Power Generation; ii) Liberty Water; and iii) Liberty Energy.

Algonquin's power generation division owns and operates 268 MW of renewable (hydro and wind) and 204 MW of thermal (gas, biomass and energy from waste) power generation facilities across North America. Algonquin also has a minority interest (pending approval) in a wind portfolio in Northeast U.S. Approximately 70% of the power generated is sold under long-term power purchase agreements (PPAs) with an average term of 12 years. Liberty Water is a regulated water utility that owns 19 water distribution and wastewater collection and treatment utilities in the U.S. (primarily in Arizona) and services more than 72,000 water distribution and wastewater customers. Liberty Energy is an electric and gas utility that currently consists of a regulated electric utility in California, which was acquired on January 1, 2011. Liberty Energy also has a pending acquisition of two electric and gas utilities in New Hampshire, which is expected to close in the fall of 2011.

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Ratings

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RBC Capital Markets, Equity Research

			Investment Banking Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
BUY[TP/O]	714	52.70	211	29.55
HOLD[SP]	589	43.40	131	22.24
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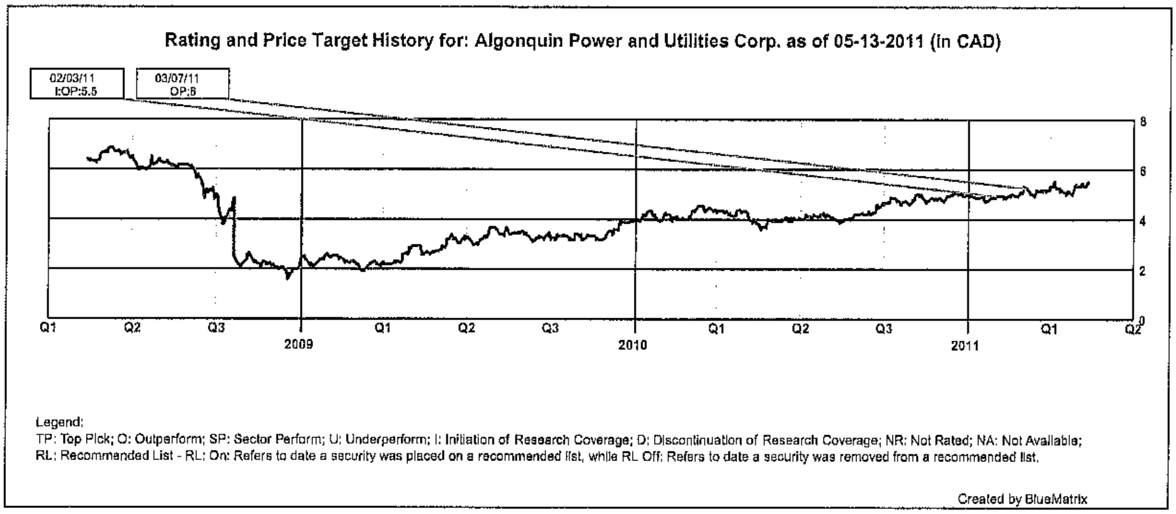

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Alternative Energy

Recommendation:	**BUY**
	Unchanged
Risk:	**MEDIUM**
12-Month Target Price:	**C$6.50↑**
Prior:	*C$6.00*
12-Month Total Return:	**22.9%**

Market Data (C$)

Current Price	$5.50
52-Wk Range	$3.50-$5.63
Mkt Cap (f.d.)($mm)	$637.5
EV ($mm)	$1,248.0
Dividend per Share	$0.26
Dividend Yield	4.7%
Avg. Daily Trading Vol. (3mths)	332839

Financial Data (C$)

Fiscal Y-E	December
Shares O/S (f.d.)(mm)	115.9
Float Shares (mm)	96.8
Net Debt ($mm)	$532.5
Net Debt/Tot Cap	59.4%
BVPS (f.d.)	$3.79

Estimates (C$)

Year	2009A	2010A	2011E	2012E
EBITDA ($mm)	79.4	75.1	110.6	153.0
EBITDA (old)($mm)	--	--	101.9	144.5
EPS (f.d.)	0.37	0.06	0.22	0.28
EPS (f.d.)(old)	--	--	--	0.24
DPU	0.24	0.24	0.26	0.26
FCF/Shr	0.60	0.42	0.50	0.54

Valuations

Year	2009A	2010A	2011E	2012E
Est. EV/EBITDA	8.4x	12.1x	10.5x	11.4x

Supplemental Data

Year	2009A	2010A	2011E	2012E
Cap (MW)	393.5	443	443	443
Gen (GWh)	1613	1496	1573	1554

All figures in C$, unless otherwise specified.

Algonquin Power & Utilities Corp.

(AQN-T) C$5.50

Q1/11 Results In-Line, Liberty Energy Continues to Grow

Event

Algonquin Power reported Q1/11 results. **Adjusted EBITDA of $26.9 million compares with our estimate of $25.2 million and the consensus forecast of $26.3 million.** Our EBITDA calculation includes investment income to account for the company's income related to construction and management services for the Red Lily wind project, as well as its investments in the Kirkland & Cochrane facilities. Q1/11 EPS (excluding non-cash/non-recurring items) was $0.04 per share – close to our estimate of $0.06 and consensus of $0.05. **Following the earnings release, Algonquin also announced a US$124 million acquisition of natural gas distribution utilities in the U.S. Midwest.**

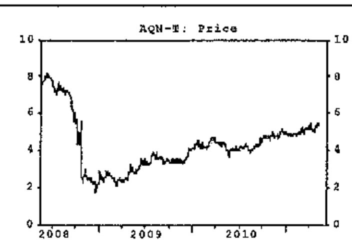
Impact

POSITIVE – Algonquin Power reported a quarter that was in line with both our expectations and with consensus. Algonquin's adjusted EBITDA grew 50% year over year, mainly due to the addition of Calpeco, which added $5.8 million in EBITDA, and also through completed rate cases at Liberty Water. Algonquin remains one of the most active companies in the sector. In addition to the Midwest Gas announcement, in the last month Algonquin has announced plans to acquire the 49.999% stake in Calpeco it does not own, as well as plans to participate in a JV with Emera to own, operate, and construct wind projects in the northeast U.S., with First Wind. Our EBITDA estimates increase due to the full consolidation of Calpeco (we were previously proportionately consolidating its 50% stake for 2011), as well as the addition of the Midwest Gas utility (est. H2/12). **Upon adding this latest acquisition to our model, our DCF-derived target price increases to $6.50 from $6.00. Our BUY rating is unchanged.**

Details

Aggregate renewable power generation was modestly behind long-term average (LTA) levels. During Q1/11, Algonquin's renewable facilities generated 276 GWh, or 92% of LTA, though there was some variance around the average from region-to-region. Generation at Algonquin's Maritime assets was 28% ahead of historical averages. Algonquin's largest region by LTA, Manitoba, was 12% behind historical levels, with New York coming in approximately 15% behind LTA. **Exhibit 1 compares actual Q1/11 operating results with prior period figures.**

Company Profile
Algonquin is a diversified company with extensive North American power operations (a combination of pure renewable and thermal energy sources), a U.S. water utility business across 4 states (the Liberty Water operating segment) and an electric utility in California.



Please see the final pages of this document for important disclosure information.

Exhibit 1. Algonquin Power: Segmented Q1/11 Results

	Q1/11			Prior Period		
	Actual	TD Est.	Var.	Q1/10	Chg.	Comments
Segmented Operating Metrics						
Renewable Energy						
Generation (GWh)	276.0	285	-3%	257.3	7%	92% of LTA. Wind at St. Leon improved but continues to be below long-term average levels.
Revenue	$22.4	$21.4	5%	$22.2	1%	
EBITDA	$13.5	$12.3		$12.9	4%	
Thermal Energy						
Generation (GWh)	131.5	110	20%	139.2	-6%	Windsor Locks now operates in capacity & forward reserve markets, resulting in lower generation
Revenue	$16.7	$17.8	-6%	$15.4	8%	EFW facility resumed production in July 2010
EBITDA	$3.8	$4.2		$2.4	61%	
Liberty Water						
Wastewater connections (000s)	36.1	35.5	2%	35.4	2%	
Water distribution connections	37.9	37.8	0%	37.0	2%	
Revenue	$9.8	$10.2	-4%	$8.2	19%	
EBITDA	$4.267	$4.6		$2.5	74%	
Liberty Energy						
Revenue	22.9	20.0	14%	0.0	-	Normalized to reflect 100% consolidation
EBITDA	$5.8	$4.8		$0.0		
Revenue	$71.7	$69.4	3%	$45.9	56%	
Corporate Expenses	$1.8	$1.8		$0.9		
Operating EBITDA	$25.6	$24.1	6%	$16.9	51%	
Adjusted EBITDA ($mm)	**$26.9**	**$25.2**	7%	$17.9	50%	Includes Red Lily, investments in Kirkland & Cochrane facilities
Operating EBITDA Margin (%)	36%	35%		37%		
EPS (ex. Items)	**$0.04**	**$0.06**	**-24%**	**0.03**	**35%**	

Source: Company reports, TD Newcrest estimates.

Algonquin's thermal energy operations improved year over year, as anticipated. Energy sales totaled $12.5 million, down from $14.3 million in Q1/10, while generation fell to 132 GWh from 139 GWh in Q1/10. The drop in generation and revenue was primarily due to the expiry of the Windsor Lock gas facility's PPA in April 2010; the facility will only produce energy beyond the needs of its industrial customer when warranted by market conditions. Revenue improved due to the contribution of Brampton EFW plant, which experienced an unplanned outage from January to July 2010.

Algonquin also announced a US$124-million acquisition of natural gas distribution utilities in the U.S. Midwest. These utilities service 84,000 customers, located primarily in Missouri, as well as Illinois and Iowa. Algonquin anticipates that the transaction will close in 2012, with financing expected to occur simultaneously with closing. Algonquin will not be assuming any existing debt from these assets. Liberty Energy's long-term targeted capital structure is about 50% debt, implying an equity requirement of US$62 million at close; management has indicated that its strategic agreement with Emera will factor into its financing approach. The budgeted 2011 EBITDA margin of these businesses is approximately 50%, which excludes gas commodity costs, as these are a pass-through to ratepayers. **We estimate an EV/EBITDA multiple of 7.8x for this transaction.**

Algonquin has a deep, diverse pipeline of growth initiatives. Algonquin announced in late-April its plans to acquire Emera's 49.999% stake in Calpeco, in exchange for 8.211 million shares in Algonquin; we previously estimated an EV/EBITDA multiple of 7.8x for this transaction. Algonquin and Emera also signed a strategic investment agreement that details "areas of pursuit" for each company, with Algonquin's including unregulated renewable generation, small electric utilities, and gas distribution utilities. Separately, Algonquin and Emera plan to form a JV to own, operate, and construct wind projects in the northeast U.S., with partner First Wind. First Wind currently has 370 MW wind projects in that region, the last of which should be fully operational by Q4/11. **Exhibit 2 details Algonquin's recent, pending, and potential transactions.**

Exhibit 2. Algonquin Power: Growth Initiatives

Project	Timing	Cost to AQN ($mm)	Comments
Recent Initiatives			
CalPeco (50.001%)	Q1/11	$65.9	JV with Emera Inc. to acquire 50.001% stake in California electric distribution assets serving almost 50,000 customers (via Liberty Energy)
Red Lily I	Q1/11	$17.5	26.4 MW Saskatchewan wind farm, AQN's exposure is through a senior subordinated loan. Interest income plus fees of $3.5mm/year
Pending Initiatives			
CalPeco (49.999%)	Q4/11	$80.0	AQN to acquire Emera Inc.'s 49.999% stake in Calpeco
New Hampshire Utilities	Q4/11	US $285.0	Two New Hampshire distribution utilities (one natural gas, one electrical) to be acquired from National Grid PLC
Northeast Wind	Q4/11	$46.0	AQN will take a 25% equity stake in a JV with Emera that will own 49% of a portfolio of wind projects in NE U.S. that should reach 370 MW by Q4/11
Liberty Water Acquisitions	Q4/11	US $8.3	3 utilities in Louisiana and Missouri with 7,400 total customers
Windsor Locks	Q2/12	US $20.0	New 14.2 MW combustion gas turbine; potential grant of US$6.6 million to offset cost
Midwest Natural Gas	H2/12	US $124.0	Agreement to acquire Atmos Energy's natural gas distribution utility assets in Missouri, Iowa and Illinois
Morse Wind	Q4/13	$60.0	20 MW wind project with a PPA with SaskPower, acquired in March 2011
St. Damase Val Eo	Q4/13 Q4/15	$35.0 $17.5	Two 24 MW projects with PPA's awarded under Québec Community wind call. AQN stake is minimum 50%, 25% in each project, respectively
Amherst Island	Q4/14	$230.0	75 MW wind project with Ontario FIT contract
Potential Initiatives			
Ontario Wind Projects (ECT)		$105.0	42 MW of projects approved for FIT economic connection test (ECT) update from OPA expected by end of 2010
Saskatchewan Wind Projects		$440.0	Potential 175 MW bid into 2011 RFP by SaskPower
Red Lily II		$265.0	106 MW expansion at existing site; bid into future RFPs
St. Leon II		$250.0	86 MW project: 20 MW expansion of existing farm; 66 MW adjacent farm
EFW Expansion		$150.0	Throughput expansion of 40k-100k tonnes per year
Ontario CHP		$30.0	12 MW combined heat and power plant

Source: Company reports, TD Newcrest estimates.

At the end of Q1/11, Algonquin had total liquidity of $46.6 million. Algonquin's available liquidity includes $44.1 available via its credit facilities and $2.5 million in cash on hand. Algonquin's senior secured revolving operating and acquisition credit facilities matured on January 14 2011; the new facility totals $142 million. Management expects to continue reducing its level of short-term borrowings under the Facility through appropriate long-term debt by refinancing certain project specific financings.

Outlook

Algonquin has been very busy with several growth initiatives in recent months. We expect the management to continue with its "bunts and singles" growth strategy at Liberty Water. As with the Midwest gas utility acquisition, we anticipate that Liberty Energy's growth strategy will continue to be its "save the orphans" approach of acquiring non-core detached utilities from larger market players. Management has indicated that it has been focused on building a pipeline of committed opportunities, noting that the Calpeco investment took 18 months to close, but recognizes that at some point in the future, it will have reached a full plate of growth initiatives.

Valuation

Algonquin trades at a discount to its comp group on most fundamental metrics. As shown in Exhibit 3, the company trades at 11.4x expected 2012 EV/EBITDA – an 8% discount to the peer group average of 12.3x. In light of the company's deep and diverse growth pipeline, we consider Algonquin's current multiple discount to be excessive.

Justification of Target Price

We rely on a long-term DCF analysis to derive our 12-month share price target of $6.50. Our DCF is based on a weighted average cost of capital (WACC) of 7.2% and a terminal growth rate of 1.5%. Note that we assume negligible cash taxes are paid until tax shields are fully utilized through 2014.

Key Risks to Target Price

Risks to our Algonquin target price include the following: 1) power price risk; 2) fuel price risk; 3) counterparty risk; 4) U.S. regulatory risk, 5) variable hydrology/wind conditions; 6) risk of increased environmental regulation; 7) potential for rising interest rates, given high leverage and positioning as a yield-oriented investment; 8) negative exposure to strengthening Canadian dollar; 9) potential equipment failure; and 10) execution on its growth pipeline.

Investment Conclusion

Algonquin Power's Q1/10 results were in line with our expectations. The company has a deep growth pipeline that is driven by its Liberty Electric business, which remains unique amongst its Canadian peer group. We believe Liberty Electric's latest acquisition further supports management's "save the orphans" strategy, and view Algonquin as attractively valued in the context of a diversified growth strategy and a pipeline of opportunities that continues to deepen.

Exhibit 3. Algonquin Power: Relative Valuation

1. SENIOR OPERATORS

Company	Ticker	Share Price (C$)	Financial Metrics (C$mm) Market Cap	Trailing EV	EV/EBITDA RATIO 2010A	2011E	2012E	P/BV	ND/C (%)
Brookfield Renewable Power Fund	BRC.UN-T	$23.41	$2,546.6	$3,985.7	16.3x	15.8x	12.6x	1.1x	33.0%
Northland Power Inc.	NPI-T	$16.08	$1,925.6	$2,775.8	15.7x	20.6x	17.3x	2.4x	51.2%
Capital Power Income L.P	CPA.UN-T	$18.44	$1,038.2	$1,919.8	10.8x	10.0x	9.8x	1.8x	53.5%
Atlantic Power Corp.	ATP-T	$14.73	$1,009.5	$1,636.6	15.2x	14.0x	12.4x	2.4x	50.8%
Innergex Renewable Energy Inc.	INE-T	$9.80	$796.9	$1,764.1	14.7x	15.2x	13.8x	1.5x	62.1%
Algonquin Power & Utilities Corp.	AQN-T	$5.50	$637.6	$1,248.0	12.1x	10.5x	11.4x	1.6x	59.4%
Capstone Infrastructure Corp.	CSE-T	$8.00	$483.7	$629.8	10.7x	16.6x	11.9x	1.4x	30.0%
Boralex Inc.	BLX-T	$8.69	$329.0	$943.0	9.8x	8.1x	9.0x	0.9x	62.3%
Average					13.2x	13.8x	12.3x	1.6x	50.3%

2. JUNIOR OPERATORS

Company	Ticker	Share Price (C$)	Financial Metrics (C$mm) Market Cap	Trailing EV	EV/EBITDA RATIO 2010A	2011E	2012E	P/BV	ND/C (%)
Magma Energy Corp.	MXY-T	$0.90	$282.6	$588.9	NMF	NMF	16.4x	1.3x	58.2%
Etrion Corporation	ETX-T	$0.85	$153.6	$448.0	NMF	11.5x	7.9x	4.6x	89.7%
Plutonic Power Corp.	PCC-T	$2.09	$139.3	$397.0	NMF	14.7x	11.9x	1.5x	74.1%
Western Wind Energy Corp.	WND-V	$1.62	$101.5	$308.5	NMF	NMF	NMF	2.9x	85.3%
Ram Power Corp.	RPG-T	$0.48	$75.5	$114.3	NMF	NMF	4.8x	0.2x	10.1%
Sprott Power Corp.	SPZ-T	$1.05	$71.6	$101.5	N/A	N/A	N/A	1.1x	31.5%
U.S. Geothermal Inc.	GTH-T	$0.78	$61.4	$69.6	NMF	NMF	NMF	1.1x	11.5%
China Wind Power International Corp.	CNW-V	$0.88	$56.2	$123.3	NMF	N/A	N/A	1.1x	56.8%
Nevada Geothermal Power Inc.	NGP-V	$0.21	$24.4	$164.2	NMF	10.7x	9.5x	0.8x	81.8%
Average					NMF	12.3x	10.1x	1.6x	55.5%

2. PROSPECTIVE OPERATORS

Company	Ticker	Share Price (C$)	Financial Metrics (C$mm) Market Cap	Trailing EV	EV/EBITDA RATIO 2010A	2011E	2012E	P/BV	ND/C (%)
Shear Wind Inc.	SWX-V	$0.26	$37.9	$123.8	N/A	N/A	N/A	1.3x	68.8%
Finavera Wind Energy Inc.	FVR-V	$0.67	$20.4	$25.9	N/A	N/A	N/A	NMF	NMF
Run of River Power Inc.	ROR-V	$0.11	$9.4	$22.5	NMF	NMF	NMF	0.7x	48.5%
Sea Breeze Power Corp.	SBX-V	$0.10	$7.9	$18.8	N/A	N/A	N/A	NMF	NMF
Naikun Wind Energy Group Inc	NKW-V	$0.18	$6.9	($0.3)	N/A	N/A	N/A	0.8x	NMF
Average					NMF	NMF	NMF	0.9x	58.6%

3. ALTERNATIVE ENERGY TECHNOLOGY COMPANIES

Company	Ticker	Share Price (C$)	Financial Metrics (C$mm) Market Cap	Trailing EV	EV/EBITDA RATIO 2010A	2011E	2012E
5N Plus Inc.	VNP-T	$9.25	$674.3	$833.1	NMF	NMF	9.5x
ATS Automation Tooling Systems Inc.	ATA-T	$6.68	$583.0	$466.5	7.7x	10.8x	13.1x
OPEL Solar International Inc.	OPL-V	$1.15	$102.6	$95.8	N/A	N/A	N/A
Alter NRG Corp.	NRG-T	$1.03	$68.6	$61.4	NMF	NMF	5.4x
Catch the Wind Ltd.	CTW-V	$0.57	$45.9	$43.7	NMF	NMF	6.6x
ARISE Technologies Corp.	APV-T	$0.11	$28.9	$48.6	NMF	6.0x	1.4x
Carmanah Technologies Corporation	CMH-T	$0.57	$24.3	$18.8	NMF	9.0x	5.7x
Sustainable Energy Technologies Ltd.	STG-V	$0.14	$22.4	$31.0	NMF	NMF	N/A
Day4 Energy Inc.	DFE-T	$0.33	$14.0	$8.8	N/A	N/A	N/A
Average					7.7x	8.6x	7.0x

Source: Company reports, Thomson Reuters, Bloomberg, TD Newcrest estimates.

Exhibit 4. Algonquin Power: Summary

Financial Metrics	2008A	2009A	2010A	2011E	2012E
Adjusted EBITDA ($mm)	90.0	79.4	76.1	110.6	153.0
EPS (ex. items)	0.24	0.37	0.06	0.22	0.28
AFCF	0.86	0.60	0.42	0.50	0.54
DPS	0.88	0.24	0.24	0.25	0.26
Payout Ratio	102%	40%	57%	51%	48%
Valuation Parameters					
P/E	25.8x	8.5x	nmf	24.7x	19.8x
EV/EBITDA	10.8x	8.4x	12.1x	10.5x	11.4x
Trailing EV/EBITDA	13.9x	17.1x	17.8x	11.3x	8.2x
P/BV	1.4x	0.7x	1.3x	1.4x	1.3x
Dividend Yield	14%	8%	5%	5%	5%

Statements of Operations ($mm)	2008A	2009A	2010A	2011E	2012E
Energy sales	158.5	130.4	132.7	142.6	142.1
Utility energy sales and distribution	-	-	-	89.3	253.1
Waste disposal fees	15.7	14.5	9.0	14.5	14.3
Water reclamation and distribution	35.2	38.5	37.8	42.4	50.8
Other revenue	4.3	3.8	3.3	3.0	5.3
Total revenue	213.8	187.3	182.9	291.9	465.6
Standard EBITDA	83.0	73.0	70.1	106.2	149.0
Amortization	43.8	45.9	46.6	48.4	60.4
(Gain) / loss on foreign exchange	4.0	(1.3)	(0.5)	0.0	-
Operating earnings (loss)	35.1	28.3	24.1	57.8	88.6
Net interest expense	19.3	15.0	20.7	24.7	30.4
Non-controlling interest	(3.1)	2.7	0.4	6.8	0.1
Other	37.7	(2.7)	3.6	0.3	(1.6)
Taxes (recovery)	0.3	(17.9)	(20.2)	0.7	17.8
Net income (loss)	(19.0)	31.3	19.6	25.3	41.9
EPS (basic)	0.24	0.37	0.06	0.22	0.28
EPS (FD, ex. Items)	0.24	0.37	0.06	0.22	0.28

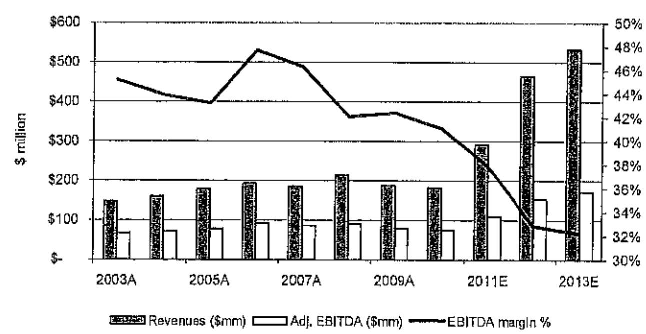
Statements of Cash Flows ($mm)	2008A	2009A	2010A	2011E	2012E
Net earnings	(19.0)	31.3	19.6	25.3	41.9
Depreciation and amortization	45.0	47.3	49.5	50.5	62.4
Future income taxes (recovery)	0.5	(18.3)	(20.2)	0.4	17.8
Other operating cash flows	45.1	(8.9)	(4.5)	4.7	(1.5)
Changes in non-cash working capital	5.7	(1.3)	0.7	24.2	39.4
CF from operating activities	77.2	50.0	45.2	105.1	160.1
Additions to power generating assets	(45.6)	(10.9)	(20.8)	(24.2)	(295.5)
Other investing cash flows	18.0	(49.4)	(24.5)	(117.1)	(407.3)
CF from investing activities	(27.5)	(60.3)	(45.3)	(141.3)	(702.9)
CF from financing activities	(55.0)	7.4	2.6	39.6	533.1
Effect of foreign exchange rate changes	0.9	(0.2)	(0.1)	(0.1)	-
Total cash flow	(4.5)	(3.1)	2.4	3.3	(9.7)

Balance Sheet ($mm)	2008A	2009A	2010A	2011E	2012E
Cash	5.9	2.8	5.1	8.5	-
Other current assets	31.5	41.4	45.8	48.2	47.8
Power generating assets	805.4	749.4	729.1	891.7	1,500.7
Other long-term assets	135.8	219.9	200.9	215.6	248.6
	978.5	1,013.4	980.9	1,164.0	1,797.1
Short-term debt	3.2	3.4	70.5	2.5	2.5
Other current liabilities	46.8	53.3	54.3	74.9	113.8
Long-term debt	293.6	241.4	188.6	231.7	612.3
Convertible debentures	140.4	173.3	171.0	181.8	181.8
Other long-term liabilities	139.8	148.4	147.6	214.2	232.0
Non-controlling interest	12.5	-	-	39.5	39.6
Shareholders' equity	354.7	393.6	348.9	458.9	653.4
	991.1	1,013.4	980.9	1,203.5	1,835.4

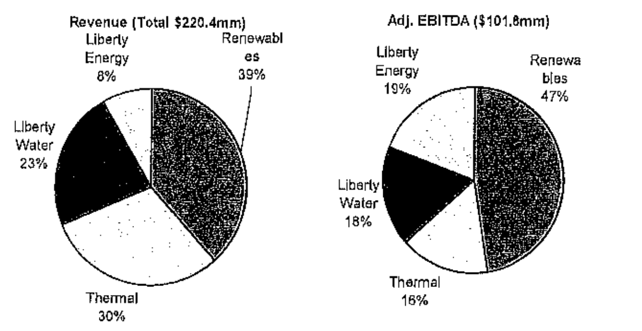
Leverage Ratios	2008A	2009A	2010A	2011E	2012E
Net debt	461.2	401.5	453.2	478.8	867.9
Net D/D+E	56.5%	50.5%	56.5%	51.1%	57.0%
Net debt-to-EBITDA	5.6x	5.5x	6.5x	4.5x	5.8x

Segmented Operating Metrics	2008A	2009A	2010A	2011E	2012E
Renewable Energy					
Generation (GWh)	1,091	1,041	1,030	1,149	1,165
Revenue	75.5	68.2	82.2	87.6	84.0
EBITDA	49.9	41.8	46.4	54.0	50.4
EBITDA margin	*66.1%*	*61.2%*	*56.4%*	*61.6%*	*60.0%*
Thermal Energy					
Generation (GWh)	598	572	465	424	389
Revenue	103.0	80.5	62.9	72.6	77.7
EBITDA	20.8	18.3	11.8	17.8	22.8
EBITDA margin	*20.2%*	*22.7%*	*18.8%*	*24.5%*	*29.4%*
Liberty Water					
Wastewater connections	34,190	34,441	35,302	35,655	41,429
Water distribution connections	36,297	36,919	37,842	38,220	44,769
Revenue	35.2	38.5	37.8	42.4	50.8
EBITDA	12.3	13.0	12.6	20.0	25.8
EBITDA margin	*34.9%*	*33.6%*	*33.4%*	*47.1%*	*50.8%*
Liberty Energy					
Customers	-	-	-	48,984	49,306
Revenue	-	-	-	89.3	253.1
EBITDA	-	-	-	21.6	57.1
EBITDA margin				*24.2%*	*22.6%*
Total					
Operating Revenue	213.8	187.3	182.9	291.9	465.6
Operating EBITDA	83.0	73.0	70.8	113.4	156.2
Operating EBITDA margin	*38.8%*	*39.0%*	*38.7%*	*38.8%*	*33.6%*

Revenue and EBITDA History and Forecast



2011E Revenue and EBITDA Breakdown



2011 Quarterly Estimates	Q1E	Q2E	Q3E	Q4E
AFCF	0.13	0.16	0.09	0.12
EPS	0.04	0.09	0.03	0.06
EBITDA ($mm)	26.9	30.9	24.7	28.1

Source: Company reports, TD Newcrest estimates.

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Company	Ticker	Disclosures
Algonquin Power & Utilities Corp.	AQN-T	n/a

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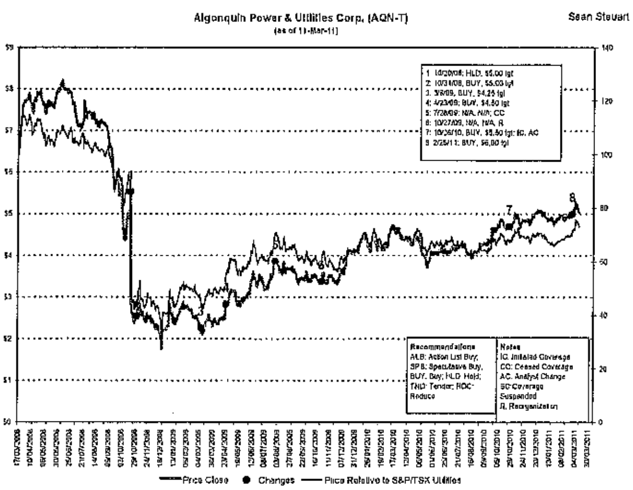

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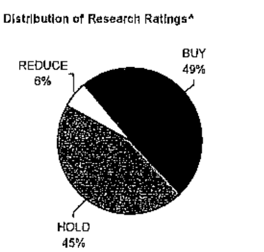

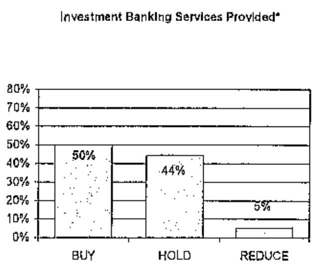

Current as of May 2, 2011

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