

Atlantic Power Corporation

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Atlantic Power Corporation:

We have audited Atlantic Power Corporation's (the "Company") internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Atlantic Power Corporation'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 accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness related to the Company's internal controls over its long-lived asset and goodwill impairment tests has been identified and included in management's assessment.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Atlantic Power Corporation and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive loss, shareholders' equity, cash flows and related financial statement schedule for each of the years in the three-year period ended December 31, 2015. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2015 consolidated financial statements, and this report does not affect our report dated March 7, 2016, which expressed an unqualified opinion on those consolidated financial statements.

In our opinion, because of the effect of the aforementioned material weakness on the achievement of the objectives of the control criteria, Atlantic Power Corporation has not maintained effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ KPMG LLP

New York, New York

March 7, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Atlantic Power Corporation:

We have audited the accompanying consolidated balance sheets of Atlantic Power Corporation and subsidiaries (the “Company”) as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive loss, shareholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2015. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule “Schedule II – Valuation and Qualifying Accounts.” These consolidated financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Atlantic Power Corporation and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Atlantic Power Corporation’s internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 7, 2016 expressed an adverse opinion on the effectiveness of the Company’s internal control over financial reporting.

/s/ KPMG LLP

New York, New York

March 7, 2016

ATLANTIC POWER CORPORATION
CONSOLIDATED BALANCE SHEETS
(in millions of U.S. dollars)

	December 31,	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 72.4	\$ 106.0
Restricted cash	15.2	22.5
Accounts receivable	39.6	46.2
Inventory (Note 6)	16.9	19.3
Prepayments	8.3	10.6
Assets held for sale (Note 21)	—	790.4
Income taxes receivable	3.5	0.2
Other current assets	4.4	3.3
Total current assets	160.3	998.5
Property, plant, and equipment, net (Note 7)	777.7	962.9
Equity investments in unconsolidated affiliates (Note 5)	286.2	306.9
Power purchase agreements and intangible assets, net (Note 9)	308.9	377.1
Goodwill (Note 8)	134.5	197.2
Derivative instruments asset (Notes 14)	0.3	1.1
Deferred financing costs (Note 2)	42.5	62.8
Other assets	6.7	9.5
Total assets	<u>\$ 1,717.1</u>	<u>\$ 2,916.0</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 6.9	\$ 9.4
Accrued interest	1.6	5.3
Other accrued liabilities	28.8	30.7
Current portion of long-term debt (Note 11)	15.8	20.0
Current portion of derivative instruments liability (Note 14)	36.7	36.1
Liabilities held for sale (Note 21)	—	271.8
Other current liabilities	2.5	6.8
Total current liabilities	92.3	380.1
Long-term debt (Note 11)	717.5	1,145.9
Convertible debentures (Note 12)	285.4	340.6
Derivative instruments liability (Note 14)	20.8	47.5
Deferred income taxes (Note 15)	85.7	92.4
Power purchase and fuel supply agreement liabilities, net (Note 9)	27.0	33.4
Other long-term liabilities (Note 10)	53.2	59.6
Total liabilities	1,281.9	2,099.5
Equity		
Common shares, no par value, unlimited authorized shares; 122,153,082 and 121,323,614 issued and outstanding at December 31, 2015 and December 31, 2014	1,290.6	1,288.4
Accumulated other comprehensive loss (Note 4)	(139.3)	(68.3)
Retained deficit	(937.4)	(863.9)
Total Atlantic Power Corporation shareholders' equity	213.9	356.2
Preferred shares issued by a subsidiary company (Note 19)	221.3	221.3
Noncontrolling interests	—	239.0
Total equity	435.2	816.5
Total liabilities and equity	<u>\$ 1,717.1</u>	<u>\$ 2,916.0</u>

See accompanying notes to consolidated financial statements.

ATLANTIC POWER CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Year Ended December 31,		
	2015	2014	2013
Project revenue:			
Energy sales	\$ 191.5	\$ 236.9	\$ 231.7
Energy capacity revenue	149.3	161.3	163.7
Other	79.4	91.7	78.0
	<u>420.2</u>	<u>489.9</u>	<u>473.4</u>
Project expenses:			
Fuel	165.1	210.4	194.3
Operations and maintenance	103.5	109.0	130.0
Development	1.1	3.7	7.2
Depreciation and amortization	110.0	122.3	124.3
	<u>379.7</u>	<u>445.4</u>	<u>455.8</u>
Project other income (loss):			
Change in fair value of derivative instruments (Notes 13 and 14)	15.4	6.8	25.5
Equity in earnings of unconsolidated affiliates (Note 5)	36.7	25.5	25.8
Gain on sale of equity investments (Note 3)	—	8.6	30.4
Interest expense, net	(8.2)	(17.7)	(19.9)
Impairment (Note 8)	(127.8)	(106.6)	(34.9)
Other income, net (Note 3)	2.0	—	0.5
	<u>(81.9)</u>	<u>(83.4)</u>	<u>27.4</u>
Project (loss) income	(41.4)	(38.9)	45.0
Administrative and other expenses (income):			
Administration	29.4	37.9	35.2
Interest, net	107.1	146.7	104.1
Foreign exchange gain (Note 14)	(60.3)	(38.3)	(27.4)
Other income, net (Note 12)	(3.1)	(0.6)	(10.5)
	<u>73.1</u>	<u>145.7</u>	<u>101.4</u>
Loss from continuing operations before income taxes	(114.5)	(184.6)	(56.4)
Income tax benefit (Note 15)	(30.4)	(31.4)	(32.8)
Loss from continuing operations	(84.1)	(153.2)	(23.6)
Net income (loss) from discontinued operations, net of tax (Note 21)	19.5	(29.0)	(0.2)
Net loss	(64.6)	(182.2)	(23.8)
Net loss attributable to noncontrolling interests	(11.0)	(16.4)	(3.4)
Net income attributable to preferred shares dividends of a subsidiary company	8.8	11.6	12.6
Net income (loss) attributable to Atlantic Power Corporation	<u>\$ (62.4)</u>	<u>\$ (177.4)</u>	<u>\$ (33.0)</u>
Basic and diluted (loss) income per share: (Note 20)			
Loss from continuing operations attributable to Atlantic Power Corporation	\$ (0.76)	\$ (1.37)	\$ (0.30)
Income (loss) from discontinued operations, net of tax	0.25	(0.10)	0.02
Net loss attributable to Atlantic Power Corporation	<u>\$ (0.51)</u>	<u>\$ (1.47)</u>	<u>\$ (0.28)</u>
Weighted average number of common shares outstanding: (Note 20)			
Basic	121.9	120.7	119.9
Diluted	121.9	120.7	119.9
Dividends per common share:	<u>\$ 0.09</u>	<u>\$ 0.29</u>	<u>\$ 0.54</u>

See accompanying notes to consolidated financial statements.

ATLANTIC POWER CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in millions of U.S. dollars)

	Year Ended December 31,		
	2015	2014	2013
Net loss	\$ (64.6)	\$ (182.2)	\$ (23.8)
Other comprehensive (loss) income, net of tax:			
Unrealized (loss) income on hedging activities	\$ (0.6)	\$ (1.0)	\$ 0.7
Net amount reclassified to earnings	0.8	0.9	0.9
Net unrealized gain (loss) on derivatives	0.2	(0.1)	1.6
Defined benefit plan, net of tax	1.6	(1.7)	1.4
Foreign currency translation adjustments	(72.8)	(44.1)	(34.8)
Other comprehensive loss, net of tax	(71.0)	(45.9)	(31.8)
Comprehensive loss	(135.6)	(228.1)	(55.6)
Less: Comprehensive (loss) income attributable to noncontrolling interests	(2.2)	(4.8)	9.2
Comprehensive loss attributable to Atlantic Power Corporation	<u>\$ (133.4)</u>	<u>\$ (223.3)</u>	<u>\$ (64.8)</u>

See accompanying notes to consolidated financial statements.

ATLANTIC POWER CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in millions of U.S. dollars)

	Common Shares (Shares)	Common Shares (Amount)	Retained Deficit	Accumulated Other Comprehensive Income (loss)	Noncontrolling Interests	Preferred Shares of a Subsidiary Company	Total Shareholders' Equity
December 31, 2012	119.5	\$ 1,285.5	\$ (565.2)	\$ 9.4	\$ 235.4	\$ 221.3	\$ 1,186.4
Net (loss) income	—	—	(33.0)	—	(3.4)	12.6	(23.8)
Common shares issued for LTIP	0.1	0.6	—	—	—	—	0.6
Common shares issued for DRIP	0.6	—	—	—	—	—	—
Noncontrolling interests	—	—	—	—	43.3	—	43.3
Dividends declared on common shares	—	—	(57.2)	—	—	—	(57.2)
Dividends paid to noncontrolling interests	—	—	—	—	(8.9)	—	(8.9)
Dividends declared on preferred shares of a subsidiary company	—	—	—	—	—	(12.6)	(12.6)
Unrealized gain on hedging activities, net of tax of \$1.0 million	—	—	—	1.6	—	—	1.6
Foreign currency translation adjustments	—	—	—	(34.8)	—	—	(34.8)
Defined benefit plan, net of tax of \$1.0 million	—	—	—	1.4	—	—	1.4
December 31, 2013	120.2	\$ 1,286.1	\$ (655.4)	\$ (22.4)	\$ 266.4	\$ 221.3	\$ 1,096.0
Net (loss) income	—	—	(177.4)	—	(16.4)	11.6	(182.2)
Common shares issued for LTIP	0.6	2.3	—	—	—	—	2.3
Common shares issued for DRIP	0.5	—	—	—	—	—	—
Dividends declared on common shares	—	—	(31.1)	—	—	—	(31.1)
Dividends paid to noncontrolling interests	—	—	—	—	(11.0)	—	(11.0)
Dividends declared on preferred shares of a subsidiary company	—	—	—	—	—	(11.6)	(11.6)
Unrealized loss on hedging activities, net of tax of \$0.3 million	—	—	—	(0.1)	—	—	(0.1)
Foreign currency translation adjustments	—	—	—	(44.1)	—	—	(44.1)
Defined benefit plan, net of tax of \$0.6 million	—	—	—	(1.7)	—	—	(1.7)
December 31, 2014	121.3	\$ 1,288.4	\$ (863.9)	\$ (68.3)	\$ 239.0	\$ 221.3	\$ 816.5
Net (loss) income	—	—	(62.4)	—	(11.0)	8.8	(64.6)
Common shares issued for LTIP	0.7	2.3	—	—	—	—	2.3
Common shares issued for DRIP	0.2	—	—	—	—	—	—
Common share repurchases	(0.1)	(0.1)	—	—	—	—	(0.1)
Dividends declared on common shares	—	—	(11.1)	—	—	—	(11.1)
Dividends paid to noncontrolling interests	—	—	—	—	(3.7)	—	(3.7)
Dividends declared on preferred shares of a subsidiary company	—	—	—	—	—	(8.8)	(8.8)
Derecognition of noncontrolling interests upon sale of subsidiaries	—	—	—	—	(224.3)	—	(224.3)
Unrealized gain on hedging activities, net of tax of \$0.1 million	—	—	—	0.2	—	—	0.2
Foreign currency translation adjustments	—	—	—	(72.8)	—	—	(72.8)
Defined benefit plan, net of tax of \$0.6 million	—	—	—	1.6	—	—	1.6
December 31, 2015	122.1	\$ 1,290.6	\$ (937.4)	\$ (139.3)	\$ —	\$ 221.3	\$ 435.2

See accompanying notes to consolidated financial statements.

ATLANTIC POWER CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions of U.S. dollars)

	Years Ended December 31,		
	2015	2014	2013
Cash provided by operating activities:			
Net loss	\$ (64.6)	\$ (182.2)	\$ (23.8)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	120.3	162.6	176.4
Loss from discontinued operations	—	—	32.8
Gain on sale of assets	(48.7)	(2.9)	(5.1)
Gain on sale of equity investments	—	(8.6)	(30.4)
Gain on purchase and cancellation of convertible debentures	(3.1)	—	—
Stock-based compensation expense	2.3	3.5	2.2
Long-lived asset and goodwill impairment charges	127.8	106.6	39.7
Equity in earnings from unconsolidated affiliates	(36.2)	(25.8)	(26.9)
Distributions from unconsolidated affiliates	58.5	76.2	40.9
Unrealized foreign exchange gain	(60.5)	(38.8)	(13.0)
Change in fair value of derivative instruments	(14.7)	8.7	(60.2)
Change in deferred income taxes	(3.5)	(15.7)	(27.3)
Change in other operating balances			
Accounts receivable	5.7	6.9	3.4
Inventory	2.4	(3.3)	0.8
Prepayments, refundable income taxes and other assets	20.9	21.1	51.5
Accounts payable	(8.9)	(4.1)	(8.4)
Accruals and other liabilities	(10.3)	(39.2)	(0.2)
Cash provided by operating activities:	87.4	65.0	152.4
Cash provided by investing activities:			
Change in restricted cash	7.3	72.6	(93.7)
Proceeds from sale of assets and equity investments, net	326.3	9.5	182.6
Contribution to unconsolidated affiliate	(0.6)	—	—
Proceeds from treasury grants	—	—	103.2
Development costs	(0.8)	—	(0.2)
Construction in progress	—	—	(39.3)
Purchase of property, plant and equipment	(11.3)	(13.4)	(5.5)
Cash provided by investing activities	320.9	68.7	147.1
Cash used in financing activities:			
Proceeds from senior secured term loan facility	—	600.0	—
Proceeds from issuance of equity, net of offering costs	—	—	(1.0)
Proceeds from project-level debt	—	—	20.8
Repayment of corporate and project-level debt	(403.3)	(639.8)	(118.8)
Repayment of convertible debentures	(18.9)	(43.0)	—
Payments for revolving credit facility borrowings	—	—	(67.0)
Deferred financing costs	—	(39.0)	(2.8)
Equity contribution from noncontrolling interest	—	—	44.6
Dividends paid to common shareholders	(11.1)	(34.9)	(65.1)
Dividends paid to noncontrolling interests	(3.7)	(11.1)	(8.9)
Dividends paid to preferred shareholders	(8.8)	(14.6)	(9.4)
Cash used in financing activities	(445.8)	(182.4)	(207.6)
Net (decrease) increase in cash and cash equivalents	(37.5)	(48.7)	91.9
Cash and cash equivalents at beginning of period at discontinued operations	3.9	(3.9)	6.5
Cash and cash equivalents at beginning of period	106.0	158.6	60.2
Cash and cash equivalents at end of period	\$ 72.4	\$ 106.0	\$ 158.6
Supplemental cash flow information			
Interest paid	\$ 100.0	\$ 168.8	\$ 130.4
Income taxes paid, net	\$ 10.2	\$ 3.8	\$ 5.9
Accruals for construction in progress	\$ 0.6	\$ —	\$ 8.9

See accompanying notes to consolidated financial statements.

ATLANTIC POWER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in millions of U.S. dollars, except per-share amounts)

1. Nature of business

General

Atlantic Power owns and operates a diverse fleet of power generation assets in the United States and Canada. Our power generation projects sell electricity to utilities and other large commercial customers largely under long-term power purchase agreements (“PPAs”), which seek to minimize exposure to changes in commodity prices. As of December 31, 2015, our power generation projects in operation had an aggregate gross electric generation capacity of approximately 2,138 megawatts (“MW”) in which our aggregate ownership interest is approximately 1,500 MW. Our current portfolio consists of interests in twenty-three operational power generation projects across eleven states in the United States and two provinces in Canada. Eighteen of our projects are majority-owned.

Atlantic Power is a corporation established under the laws of the Province of Ontario, Canada on June 18, 2004 and continued to the Province of British Columbia on July 8, 2005. Our shares trade on the Toronto Stock Exchange under the symbol “ATP” and on the New York Stock Exchange under the symbol “AT.” Our registered office is located at 355 Burrard Street, Suite 1900, Vancouver, British Columbia V6C 2G8 Canada and our headquarters is located at 3 Allied Drive, Suite 220, Dedham, Massachusetts 02026, USA.

2. Summary of significant accounting policies

(a) Principles of consolidation and basis of presentation:

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and include the consolidated accounts and operations of our subsidiaries in which we have a controlling financial interest. The usual condition for a controlling financial interest is ownership of the majority of the voting interest of an entity. However, a controlling financial interest may also exist in entities, such as a variable interest entity, through arrangements that do not involve controlling voting interests.

We apply the standard that requires consolidation of variable interest entities (“VIEs”), for which we are the primary beneficiary. The guidance requires a variable interest holder to consolidate a VIE if that party has both the power to direct the activities that most significantly impact the entities’ economic performance, as well as either the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. We have determined that our equity investments are not VIEs by evaluating their design and capital structure. Accordingly, we use the equity method of accounting for all of our investments in which we do not have an economic controlling interest. We eliminate all intercompany accounts and transactions in consolidation.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash deposited at banks and highly liquid investments with original maturities of 90 days or less when purchased.

(c) Restricted cash:

Restricted cash represents cash and cash equivalents that are maintained by the projects or corporate to support payments for maintenance costs and meet project level and corporate contractual debt obligations. Restricted cash is classified as a current or long-term asset based on the timing and nature of when or how the cash is expected to be used or when the restrictions are expected to lapse.

ATLANTIC POWER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(in millions of U.S. dollars, except per-share amounts)

(d) Accounts receivable:

Accounts Receivable are carried at cost. We periodically assesses the collectability of accounts receivable, considering factors such as specific evaluation of collectability, historical collection experience, the age of accounts receivable and other currently available evidence of the collectability, and record an allowance for doubtful accounts for the estimated uncollectible amount as appropriate.

(e) Deferred financing costs:

Deferred financing costs represent costs to obtain long-term financing and are amortized using the effective interest method over the term of the related debt, which ranges from 4 to 22 years. The carrying amount of deferred financing costs recorded on the consolidated balance sheets was \$42.5 million and \$62.8 million at December 31, 2015 and 2014, respectively. Interest expense from the amortization of deferred finance costs for the years ended December 31, 2015, 2014, and 2013 was \$20.5 million, \$16.5 million, and \$8.0 million, respectively.

(f) Inventory:

Inventory represents small parts and other consumables and fuel, the majority of which is consumed by our projects in provision of their services, and are valued at the lower of cost or net realizable value. Cost is the sum of the purchase price and incidental expenditures and charges incurred to bring the inventory to its existing condition or location. The cost of inventory items that are interchangeable are determined on an average cost basis. For inventory items that are not interchangeable, cost is assigned using specific identification of their individual costs.

(g) Property, plant and equipment:

Property, plant and equipment are stated at cost, net of accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful life of the related asset. Significant additions or improvements extending asset lives are capitalized as incurred, while repairs and maintenance that do not improve or extend the life of the respective asset are charged to expense as incurred.

(h) Project development costs and capitalized interest:

Project development costs are expensed in the preliminary stages of a project and capitalized when the project is deemed to be commercially viable. Commercial viability is determined by one or a series of actions including among others, obtaining a PPA.

Interest incurred on funds borrowed to finance capital projects are capitalized, until the project under construction is ready for its intended use. The amount of interest capitalized for the years ended December 31, 2015, 2014, and 2013 was \$0.0 million, \$0.0 million, and \$1.9 million, respectively.

When a project is available for operations, capitalized interest and project development costs are reclassified to property, plant and equipment and depreciated on a straight-line basis over the estimated useful life of the project's related assets. Capitalized costs are charged to expense if a project is abandoned or management otherwise determines the costs to be unrecoverable.

(i) Other intangible assets:

Other intangible assets include PPAs and fuel supply agreements at our projects acquired as part of business combinations, as well as capitalized development costs. PPAs are valued at the time of acquisition based on the contract

ATLANTIC POWER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(in millions of U.S. dollars, except per-share amounts)

prices under the PPAs compared to projected market prices. Fuel supply agreements are valued at the time of acquisition based on the contract prices under the fuel supply agreement compared to projected market prices. The balances are presented net of accumulated amortization in the consolidated balance sheets. Amortization is recorded on a straight-line basis over the remaining term of the agreement.

(j) Investments accounted for by the equity method:

We have investments in entities that own power producing assets with the objective of generating cash flow. The equity method of accounting is applied to such investments in affiliates, which include joint ventures, partnerships, and limited liability companies because the ownership structure prevents us from exercising a controlling influence over the operating and financial policies of the projects. Our investments in partnerships and limited liability companies with 50% or less ownership, but greater than 5% ownership in which we do not have a controlling interest are accounted for under the equity method of accounting. We apply the equity method of accounting to investments in limited partnerships and limited liability companies with greater than 5% ownership because our influence over the investment's operating and financial policies is considered to be more than minor.

Under the equity method, equity in pre-tax income or losses of our investments is reflected as equity in earnings of unconsolidated affiliates. The cash flows that are distributed to us from these unconsolidated affiliates are directly related to the operations of the affiliates' power producing assets and are classified as cash flows from operating activities in the consolidated statements of cash flows. We record the return of our investments in equity investees as cash flows from investing activities. Cash flows from equity investees are considered a return of capital when distributions are generated from proceeds of either the sale of our investment in its entirety or a sale by the investee of all or a portion of its capital assets.

(k) Impairment of long-lived assets, non-amortizing intangible assets and equity method investments:

Long-lived assets, such as property, plant and equipment, and other intangible assets and liabilities subject to depreciation and amortization, are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of an asset group exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset group exceeds its fair value.

Investments in and the operating results of 50%-or-less owned entities not consolidated are included in the consolidated financial statements on the basis of the equity method of accounting. We review our investments in such unconsolidated entities for impairment whenever events or changes in business circumstances indicate that the carrying amount of the investments may not be fully recoverable. We also review a project for impairment at the earlier of executing a new PPA (or other arrangement) or six months prior to the expiration of an existing PPA. Factors such as the business climate, including current energy and market conditions, environmental regulation, the condition of assets, and the ability to secure new PPAs are considered when evaluating long-lived assets for impairment. Evidence of a loss in value that is other than temporary might include the absence of an ability to recover the carrying amount of the investment, the inability of the investee to sustain an earnings capacity which would justify the carrying amount of the investment or, where applicable, estimated sales proceeds that are insufficient to recover the carrying amount of the investment. Our assessment as to whether any decline in value is other than temporary is based on our ability and intent to hold the investment and whether evidence indicating the carrying value of the investment is recoverable within a reasonable period of time outweighs evidence to the contrary. We generally consider our investments in our equity method investees to be strategic long-term investments. Therefore, we complete our assessments with a long-term view. If the fair value of the investment is determined to be less than the carrying value and the decline in value is considered to be other than temporary, the asset is written down to its fair value.

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(l) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated, as of the date of the business combination, to our reporting units that are expected to benefit from the synergies of the business combination.

Goodwill is not amortized and is tested for impairment, annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

In our test, we first perform step zero to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (i.e. more than 50%) that the fair value of a reporting unit is less than its carrying amount. Such qualitative factors may include the following: macroeconomic conditions, industry and market considerations, cost factors, overall financial performance and other relevant entity-specific events. If the qualitative assessment determines that an impairment is more likely than not, then we perform a two-step quantitative impairment test. In the first step of the quantitative analysis, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary.

The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination, using the fair value of the reporting unit as if it were the purchase price. When the carrying amount of reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is recorded in the consolidated statements of operations.

(m) Accounts payable and other accrued liabilities:

Accounts payable consists of amounts due to trade creditors related to our core business operations. These payables include amounts owed to vendors and suppliers for items such as fuel, maintenance, inventory and other raw materials. Other accrued liabilities include items such as income taxes, legal contingencies and employee-related costs including payroll, benefits and related taxes.

(n) Assets held for sale and discontinued operations:

For those businesses where we have committed to a plan to divest, each business is valued at the lower of its carrying amount or estimated fair value less cost to sell. If the carrying amount of the business exceeds its estimated fair value, an impairment loss is recognized. Fair value is estimated using accepted valuation techniques such as a discounted cash flow model, valuations performed by third parties, earnings multiples, or indicative bids, when available. A number of significant estimates and assumptions are involved in the application of these techniques, including the forecasting of markets and market share, sales volumes and prices, costs and expenses, and multiple other factors. We consider historical experience and all available information at the time the estimates are made; however, the fair value that is ultimately realized upon the divestiture of a business may differ from the estimated fair value reflected in the consolidated financial statements. Depreciation and amortization expense is not recorded on assets of a business to be divested once they are classified as held for sale. Businesses to be divested are classified in the consolidated financial statements as either discontinued operations or held for sale.

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For businesses classified as discontinued operations, the balance sheet amounts and results of operations are reclassified from their historical presentation to assets and liabilities of operations held for sale on the consolidated balance sheet and to discontinued operations on the consolidated statements of operations, respectively, for all periods presented. The gains or losses associated with these divested businesses are recorded in discontinued operations on the consolidated statements of operations. Segment information does not include the assets or operating results of businesses classified as discontinued operations for all periods presented.

(o) Derivative financial instruments:

We use derivative financial instruments in the form of interest rate swaps and foreign exchange forward contracts to manage our current and anticipated exposure to fluctuations in interest rates and foreign currency exchange rates. We have also entered into natural gas supply contracts and natural gas forwards or swaps to minimize the effects of the price volatility of natural gas, which is a significant operating cost. We do not enter into derivative financial instruments for trading or speculative purposes. Certain derivative instruments qualify for a scope exception to fair value accounting because they are considered normal purchases or normal sales in the ordinary course of conducting business. This exception applies when we have the ability to, and it is probable that we will deliver or take delivery of the underlying physical commodity.

We have designated one of our interest rate swaps as a hedge of cash flows for accounting purposes. Tests are performed to evaluate hedge effectiveness and ineffectiveness at inception and on an ongoing basis, both retroactively and prospectively. Derivatives accounted for as hedges are recorded at fair value in the balance sheet. Unrealized gains or losses on derivatives designated as a hedge are deferred and recorded as a component of accumulated other comprehensive income (loss) until the hedged transactions occur and are recognized in earnings. The ineffective portion of the cash flow hedge, if any, is immediately recognized in earnings.

Derivative financial instruments not designated as a hedge are measured at fair value with changes in fair value recorded in the consolidated statements of operations. The following table summarizes derivative financial instruments that are not designated as hedges for accounting purposes and the accounting treatment in the consolidated statements of operations of the changes in fair value and cash settlements of such derivative financial instrument:

Derivative financial instrument	Classification of changes in fair value	Classification of cash settlements
Natural gas swaps	Changes in fair value of derivative instrument	Fuel expense
Fuel purchase agreements	Changes in fair value of derivative instrument	Fuel expense
Interest rate swaps	Changes in fair value of derivative instrument	Interest expense
Foreign currency forward contract	Foreign exchange (gain) loss	Foreign exchange (gain) loss

(p) Income taxes:

Income tax expense includes the current tax obligation or benefit and change in deferred income tax asset or liability for the period. We use the asset and liability method of accounting for deferred income taxes and record deferred income taxes for all significant temporary differences. Income tax benefits associated with uncertain tax positions are recognized when we determine that it is more-likely-than-not that the tax position will be ultimately sustained. Refer to Note 15 for more information.

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(q) Revenue recognition:

We recognize energy sales revenue on a gross basis when electricity and steam are delivered under the terms of the related contracts. PPAs, steam purchase arrangements and energy services agreements are long-term contracts to sell power and steam on a predetermined basis.

Energy—Energy revenue is recognized upon transmission to the customer. Physical transactions, or the sale of generated electricity to meet supply and demand, are recorded on a gross basis in our consolidated statements of operations.

Capacity—Capacity payments under the PPAs are recognized as the lesser of (1) the amount billable under the PPA or (2) an amount determined by the kilowatt hours made available during the period multiplied by the estimated average revenue per kilowatt hour over the term of the PPA.

(r) Administrative expenses:

Administrative expenses include corporate and other expenses primarily for executive management, finance, legal, human resources and information systems, which are not directly allocable to our business segments.

(s) Power purchase arrangements containing a lease:

We have entered into PPAs to sell power at predetermined rates. PPAs are assessed as to whether they contain leases which convey to the counterparty the right to the use of the project's property, plant and equipment in return for future payments. Such arrangements are classified as either capital or operating leases. PPAs that transfer substantially all of the benefits and risks of ownership of property to the PPA counterparty are classified as direct financing leases.

Finance income related to leases or arrangements accounted for as direct financing leases is recognized in a manner that produces a constant rate of return on the net investment in the lease. The net investment is comprised of net minimum lease payments and unearned finance income. Unearned finance income is the difference between the total minimum lease payments and the carrying value of the leased property. Unearned finance income is deferred and recognized in net income (loss) over the lease term.

For PPAs accounted for as operating leases, we recognize lease income consistent with the recognition of energy revenue. When energy is delivered, we recognize lease income in energy revenue.

(t) Foreign currency translation and transaction gains and losses:

The local currency is the functional currency of our U.S. and Canadian projects. Our reporting currency is the U.S. dollar. Foreign currency denominated assets and liabilities are translated at end-of-period rates of exchange. Revenues, expenses, and cash flows are translated at the weighted-average rates of exchange for the period. The resulting currency translation adjustments are not included in the determination of our statements of operations for the period, but are accumulated and reported as a separate component of shareholders' equity until sale of the net investment in the project takes place. Foreign currency transaction gains or losses are reported within foreign exchange (gain) loss in our statements of operations.

(u) Equity compensation plans:

The officers and certain other employees are eligible to participate in the Long-Term Incentive Plan ("LTIP"). Vested notional units are expected to be redeemed one-third in cash and two-thirds in shares of our common stock.

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Notional units granted that are expected to be redeemed in cash upon vesting are accounted for as liability awards. Notional units granted that are expected to be redeemed in common shares upon vesting are accounted for as equity awards. Unvested notional units are entitled to receive dividends equal to the dividends per common share during the vesting period in the form of additional notional units. Unvested units are subject to forfeiture if the participant is not an employee at the vesting date.

We initially recognize compensation expense on the estimated number of notional units for which the requisite service is expected to be rendered. In 2015, we have estimated a weighted average forfeiture rate of 11% for LTIP granted in 2015. This estimate will be revisited if subsequent information indicates the actual number of notional units forfeited is likely to differ from previous estimates. Compensation expense related to awards granted to participants in the LTIP is recorded over the vesting period based on the estimated fair value of the award on the grant date for notional units accounted for as equity awards and the fair value of the award at each balance sheet date for notional units accounted for as liability awards.

(v) Asset retirement obligations:

The fair value for an asset retirement obligation is recorded in the period in which it is incurred. Retirement obligations associated with long-lived assets are those for which a legal obligation exists under enacted laws, statutes, and written or oral contracts, including obligations arising under the doctrine of promissory estoppel, and for which the timing and/or method of settlement may be conditional on a future event. When the liability is initially recorded, we capitalize the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, we either settle the obligation for its recorded amount or incur a gain or loss.

(w) Pensions:

We offer pension benefits to certain employees through a defined benefit pension plan. We recognize the funded status of our defined benefit plan in the consolidated balance sheets in other long-term liabilities and record an offset to other comprehensive income (loss). In addition, we also recognize on an after-tax basis, as a component of other comprehensive income (loss), gains and losses as well as all prior service costs that have not been included as part of our net periodic benefit cost. The determination of our obligation and expenses for pension benefits is dependent on the selection of certain assumptions. These assumptions determined by management include the discount rate, the expected rate of return on plan assets and the rate of future compensation increases. Our actuarial consultants use assumptions for such items as retirement age. The assumptions used may differ materially from actual results, which may result in a significant impact to the amount of our pension obligation or expense recorded.

(x) Business combinations:

We account for our business combinations in accordance with the acquisition method of accounting, which requires an acquirer to recognize and measure in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at fair value at the acquisition date. It also recognizes and measures the goodwill acquired or a gain from a bargain purchase in the business combination and determines what information to disclose to enable users of an entity's financial statements to evaluate the nature and financial effects of the business combination. In addition, transaction costs are expensed as incurred.

(y) Concentration of credit risk:

The financial instruments that potentially expose us to credit risk consist primarily of cash and cash equivalents, restricted cash, derivative instruments and accounts receivable. Cash and restricted cash are held by major financial

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institutions that are also counterparties to our derivative instruments. We have long-term agreements to sell electricity, gas and steam to public utilities and corporations. We have exposure to trends within the energy industry, including declines in the creditworthiness of our customers. We do not normally require collateral or other security to support energy-related accounts receivable. We do not believe there is significant credit risk associated with accounts receivable due to the credit worthiness and payment history of our customers. See Note 22, *Segment and geographic information*, for a further discussion of customer concentrations.

(z) Use of estimates:

The preparation of financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. During the periods presented, we have made a number of estimates and valuation assumptions, including the useful lives and recoverability of property, plant and equipment, valuation of goodwill, intangible assets and liabilities related to PPAs and fuel supply agreements, the recoverability of equity investments, the recoverability of deferred tax assets, tax provisions, the fair value of financial instruments and derivatives, pension obligations, asset retirement obligations, and the fair values of acquired assets. In addition, estimates are used to test long-lived assets and goodwill for impairment and to determine the fair value of impaired assets. These estimates and valuation assumptions are based on present conditions and our planned course of action, as well as assumptions about future business and economic conditions. As better information becomes available or actual amounts are determinable, the recorded estimates are revised. Should the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

(aa) Revision to the presentation of preferred shares issued by a subsidiary company:

The classification of preferred shares issued by a subsidiary company has been revised from total Atlantic Power Corporation shareholders' equity on the Consolidated Balance Sheets at December 31, 2014 to a separate line item in the noncontrolling interests section of equity. The revision does not impact total equity in either period presented. The revision was appropriate in order to properly present the preferred shares issued by a subsidiary company in the consolidated balance sheet. The revision is not considered material to any previously issued financial statements.

(ab) Recently adopted and issued accounting standards:

Adopted

In April 2014, the FASB issued changes to reporting discontinued operations and disclosures of disposals of components of an entity. These changes require a disposal of a component to meet a higher threshold in order to be reported as a discontinued operation in an entity's financial statements. The threshold is defined as a strategic shift that has, or will have, a major effect on an entity's operations and financial results such as a disposal of a major geographical area or a major line of business. Additionally, the following two criteria have been removed from consideration of whether a component meets the requirements for discontinued operations presentation: (i) the operations and cash flows of a disposal component have been or will be eliminated from the ongoing operations of an entity as a result of the disposal transaction, and (ii) an entity will not have any significant continuing involvement in the operations of the disposal component after the disposal transaction. Furthermore, equity method investments now may qualify for discontinued operations presentation. These changes also require expanded disclosures for all disposals of components of an entity, whether or not the threshold for reporting as a discontinued operation is met, related to profit or loss information and/or asset and liability information of the component. These changes became effective on January 1, 2015 and were applied to the sale of the Wind Projects in June 2015.

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In July 2013, the FASB issued changes to the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. These changes require an entity to present an unrecognized tax benefit as a liability in the financial statements if (i) a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position, or (ii) the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset to settle any additional income taxes that would result from the disallowance of a tax position. Otherwise, an unrecognized tax benefit is required to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. Previously, there was diversity in practice as no explicit guidance existed. These changes became effective for us on January 1, 2014 and did not have a material impact on the consolidated financial statements.

In March 2013, the FASB issued changes to a parent entity's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. A parent entity is required to release any related cumulative foreign currency translation adjustment from accumulated other comprehensive income (loss) into net income (loss) in the following circumstances: (i) a parent entity ceases to have a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided; (ii) a partial sale of an equity method investment that is a foreign entity; (iii) a partial sale of an equity method investment that is not a foreign entity whereby the partial sale represents a complete or substantially complete liquidation of the foreign entity that held the equity method investment; and (iv) the sale of an investment in a foreign entity. These changes became effective for us on January 1, 2014 and had no impact on the consolidated financial statements.

In February 2013, the FASB issued changes to the accounting for obligations resulting from joint and several liability arrangements. These changes require an entity to measure such obligations for which the total amount of the obligation is fixed at the reporting date as the sum of (i) the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors, and (ii) any additional amount the reporting entity expects to pay on behalf of its co-obligors. An entity will also be required to disclose the nature and amount of the obligation as well as other information about those obligations. Examples of obligations subject to these requirements are debt arrangements and settled litigation and judicial rulings. These changes became effective for us on January 1, 2014 and had no impact on the consolidated financial statements.

On January 1, 2013, we adopted changes issued by the FASB to the reporting of amounts reclassified out of accumulated other comprehensive income. These changes require an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required to be reclassified in its entirety to net income. For other amounts that are not required to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures that provide additional detail about those amounts. These requirements are to be applied to each component of accumulated other comprehensive income. Other than the additional disclosure requirements, the adoption of these changes had no impact on the consolidated financial statements.

On January 1, 2013, we adopted changes issued by the FASB to the testing of indefinite-lived intangible assets for impairment, similar to the goodwill changes issued in September 2011. These changes provide an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (more than 50%) that the fair value of an indefinite-lived intangible asset is less than its carrying amount. Such qualitative factors may include the following: macroeconomic conditions; industry and market considerations; cost factors; overall financial performance; and other relevant entity-specific events. If an entity elects to perform a qualitative assessment and determines that an impairment is more likely than not, the entity is then required to

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perform the existing two-step quantitative impairment test, otherwise no further analysis is required. An entity also may elect not to perform the qualitative assessment and, instead, proceed directly to the two-step quantitative impairment test. The adoption of these changes had no impact on the consolidated financial statements.

In July 2012, the Financial Accounting Standards Board (“FASB”) issued changes to the testing of indefinite-lived intangible assets for impairment, similar to the goodwill changes issued in September 2011. These changes provide an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (more than 50%) that the fair value of an indefinite-lived intangible asset is less than its carrying amount. Such qualitative factors may include the following: macroeconomic conditions; industry and market considerations; cost factors; overall financial performance; and other relevant entity-specific events. If an entity elects to perform a qualitative assessment and determines that an impairment is more likely than not, the entity is then required to perform the existing two-step quantitative impairment test, otherwise no further analysis is required. An entity also may elect not to perform the qualitative assessment and, instead, proceed directly to the two-step quantitative impairment test. These changes became effective for us for any indefinite-lived intangible asset impairment test performed on January 1, 2013 or later. The adoption of these changes did not impact the consolidated financial statements.

In December 2011, the FASB issued changes to the disclosure of offsetting assets and liabilities. These changes require an entity to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The enhanced disclosures will enable users of an entity’s financial statements to understand and evaluate the effect or potential effect of master netting arrangements on an entity’s financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments. These changes became effective for us on January 1, 2013. Other than the additional disclosure requirements, the adoption of these changes did not impact the consolidated financial statements.

Issued

In May 2014, the FASB issued new recognition and disclosure requirements for revenue from contracts with customers, which supersedes the existing revenue recognition guidance. The new recognition requirements focus on when the customer obtains control of the goods or services, rather than the current risks and rewards model of recognition. The core principle of the new standard is that an entity will recognize revenue when it transfers goods or services to its customers in an amount that reflects the consideration an entity expects to be entitled to for those goods or services. The new disclosure requirements will include information intended to communicate the nature, amount, timing and any uncertainty of revenue and cash flows from applicable contracts, including any significant judgments and changes in judgments and assets recognized from the costs to obtain or fulfill a contract. Entities will generally be required to make more estimates and use more judgment under the new standard. The new requirements will be effective for us beginning January 1, 2018, and may be implemented either retrospectively for all periods presented, or as a cumulative-effect adjustment as of January 1, 2018. Early adoption is permitted, but not before January 1, 2017. Management is currently evaluating the potential impact of this new guidance on our consolidated financial statements and which implementation approach to select.

In August 2014, the FASB issued changes to the disclosure of uncertainties about an entity’s ability to continue as a going concern. Under GAAP, continuation of a reporting entity as a going concern is presumed as the basis for preparing financial statements unless and until the entity’s liquidation becomes imminent. Even if an entity’s liquidation is not imminent, there may be conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern. Because there is no guidance in GAAP about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern or to provide related note disclosures, there is diversity in practice whether, when, and how an entity discloses the relevant conditions and events in its financial

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statements. As a result, these changes require an entity's management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that financial statements are issued. Substantial doubt is defined as an indication that it is probable that an entity will be unable to meet its obligations as they become due within one year after the date that financial statements are issued. If management has concluded that substantial doubt exists, then the following disclosures should be made in the financial statements: (i) principal conditions or events that raised the substantial doubt, (ii) management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations, (iii) management's plans that alleviated the initial substantial doubt or, if substantial doubt was not alleviated, management's plans that are intended to at least mitigate the conditions or events that raise substantial doubt, and (iv) if the latter in (iii) is disclosed, an explicit statement that there is substantial doubt about the entity's ability to continue as a going concern. These changes become effective for us for financial statements issued after December 15, 2016. We are currently evaluating the potential impact of these changes on the consolidated financial statements. Subsequent to adoption, this guidance will need to be applied by management at the end of each annual period and interim period therein to determine what, if any, impact there will be on the consolidated financial statements in a given reporting period.

In January 2015, the FASB issued changes to the presentation of extraordinary items. Such items are defined as transactions or events that are both unusual in nature and infrequent in occurrence, and, currently, are required to be presented separately in an entity's income statement, net of income tax, after income from continuing operations. The changes eliminate the concept of an extraordinary item and, therefore, the presentation of such items will no longer be required. Notwithstanding this change, an entity will still be required to present and disclose a transaction or event that is both unusual in nature and infrequent in occurrence in the notes to the financial statements. These changes become effective for us on January 1, 2016. We have determined that the adoption of these changes will not have an impact on the consolidated financial statements.

In February 2015, the FASB issued changes to the analysis that an entity must perform to determine whether it should consolidate certain types of legal entities. These changes (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidation analysis of reporting entities that are involved with variable interest entities, particularly those that have fee arrangements and related party relationships, and (iv) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. These changes become effective for us on January 1, 2016. We are currently evaluating the potential impact of these changes on the consolidated financial statements.

In April 2015, the FASB issued changes to the presentation of debt issuance costs. Currently, such costs are required to be presented as a noncurrent asset in an entity's balance sheet and amortized into interest expense over the term of the related debt instrument. The changes require that debt issuance costs be presented in an entity's balance sheet as a direct deduction from the carrying value of the related debt liability. The amortization of debt issuance costs remains unchanged. These changes become effective for us on January 1, 2016. Management has determined that the adoption of these changes will result in a decrease of approximately \$42.4 million based on the outstanding amount at December 31, 2015 to both deferred financing costs located in noncurrent assets and long-term debt on the accompanying consolidated balance sheets.

In July 2015, the FASB issued changes to the subsequent measurement of inventory. Currently, an entity is required to measure its inventory at the lower of cost or market, whereby market can be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. The changes require that inventory be measured at the lower of cost and net realizable value, thereby eliminating the use of the other two market methodologies. Net realizable value is defined as the estimated selling prices in the ordinary course of business less

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reasonably predictable costs of completion, disposal, and transportation. These changes become effective for us on January 1, 2017. Management has determined that the adoption of these changes will not have an impact on the consolidated financial statements.

In September 2015, the FASB issued new guidance on adjustments to provisional amounts recognized in a business combination, which are currently recognized on a retrospective basis. Under the new requirements, adjustments will be recognized in the reporting period in which the adjustments are determined. The effects of changes in depreciation, amortization, or other income arising from changes to the provisional amounts, if any, are included in earnings of the reporting period in which the adjustments to the provisional amounts are determined. An entity is also required to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The new requirements will be effective for us beginning January 1, 2016, and are required to be implemented on a prospective basis. Early adoption is permitted. We will apply this new guidance to any future business combinations.

In November 2015, the FASB issued changes to the balance sheet classification of deferred taxes. These changes simplify the presentation of deferred income taxes by requiring all deferred income tax assets and liabilities, along with any related valuation allowance, to be classified as noncurrent in a classified balance sheet. The current requirement that deferred tax assets and liabilities of a tax-paying component of an entity be offset and presented as a single amount is not affected by these changes. The new guidance will be effective us in fiscal years beginning after December 15, 2016 and is not expected to have an impact on the consolidated financial statements.

3. Divestments

2015 Divestments

(a) Wind Projects

On March 31, 2015, Atlantic Power Transmission (“APT”), our wholly-owned, direct subsidiary, entered into the Purchase Agreement with TerraForm AP Acquisition Holdings, LLC (“TerraForm”), an affiliate of SunEdison, Inc., to sell our Wind Projects. On June 26, 2015, the sale was completed for aggregate cash proceeds of approximately \$335 million after transaction fees, exclusive of transaction-related taxes. We recorded a \$46.8 million gain on sale, which is included as a component of income from discontinued operations in the consolidated statements of operations for the year ended December 31, 2015.

Terraform acquired from APT, 100% of APT’s direct membership interests in a holding company formed to facilitate the sale, thereby acquiring our indirect interests in our portfolio of Wind Projects consisting of five operating wind projects in Idaho and Oklahoma and representing 521 MW net ownership: Goshen (12.5% economic interest), Idaho Wind (27.6% economic interest), Meadow Creek (100% economic interest); Rockland Wind Farm (50% economic interest, but consolidated on a 100% basis); and Canadian Hills (99% economic interest). As a result of the sale, we deconsolidated approximately \$249 million of project debt (or approximately \$274 million as adjusted for our proportional ownership of Rockland, Goshen North and Idaho Wind) and approximately \$224 million of non-controlling interest related to tax equity interests at Canadian Hills and the minority ownership interests at Rockland and Canadian Hills.

The Wind Projects were designated as assets held for sale and discontinued operations on March 31, 2015, the date we established a firm commitment to a plan to sell the wind assets. Our determination to designate the Wind

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Projects as discontinued operations was based on the impact the sale will have on our operations and financial results and because the Wind Projects made up the entirety of our Wind reportable Segment. We stopped depreciating the property, plant and equipment of the Wind Projects on the designation date.

(b) Frontier

On April 22, 2015, our indirect wholly-owned subsidiary, Ridgeline Energy LLC (“Ridgeline”), closed a transaction with CRE-Frontier Solar California LLC (“CRE”), a subsidiary of Centaurus Renewable Energy LLC, whereby CRE agreed to purchase 100% of Ridgeline’s equity interests in Frontier Solar, LLC (“Frontier”), which is developing an approximately 20 MW solar electric generating facility in California, for net cash proceeds of \$4.3 million. If Frontier achieves commercial operations and meets certain operating performance metrics, we could receive additional cash proceeds. We recorded a \$2.3 million gain on sale related to the transaction in other income in the consolidated statements of operations for the year ended December 31, 2015. Frontier is not accounted for as a component of discontinued operations.

2014 Divestments

(a) Delta-Person

In December 2012, we and the other owners of Delta-Person, entered into a purchase and sale agreement with BHB Power, LLC and Public Service Company of New Mexico to sell the project for approximately \$37.2 million including working capital adjustments. The sale of Delta-Person closed in July 2014 resulting in a gain on sale of approximately \$8.6 million in the consolidated statement of operations for the year ended December 31, 2014. We received net cash proceeds in July 2014 for our ownership interest of approximately \$7.2 million in the aggregate. Delta-Person is not accounted for as a component of discontinued operations.

(b) Greeley

In March 2014, we closed a transaction with Initium Power Partners, LLC. (“Initium”), whereby Initium agreed to purchase all of the issued and outstanding membership interests in Greeley for approximately \$1.0 million. We recorded a \$2.1 million non-cash gain on the sale, which is included as a component of income from discontinued operations in the consolidated statement of operations for the year ended December 31, 2014.

2013 Divestments

(a) Rollcast

On November 5, 2013, we completed the sale of our 60% interest in Rollcast to its remaining shareholders. As consideration for the sale, we were assigned asset management contracts valued at \$0.5 million for the Cadillac and Piedmont projects as well as the remaining 2% ownership interest in Piedmont bringing our total ownership to 100%. In return, we paid \$0.5 million in cash to the minority owner and forgave an outstanding \$1.0 million loan that was provided by us to Rollcast to fund working capital during 2013. We recorded a \$1.0 million gain on sale in the consolidated statements of operations for the year ended December 31, 2013. Rollcast’s net loss is recorded as loss from discontinued operations in the consolidated statements of operations for the year ended December 31, 2013.

(b) Gregory

On April 2, 2013, we and the other owners of Gregory entered into a purchase and sale agreement with an affiliate of NRG Energy, Inc. to sell the project for approximately \$274.2 million, including working capital adjustments.

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The sale of Gregory closed on August 7, 2013 resulting in a gain on sale of \$30.4 million that was recorded in the consolidated statements of operations for the year ended December 31, 2013. We received net cash proceeds for our ownership interest of approximately \$34.6 million in the aggregate, after repayment of project-level debt and transaction expenses. As of December 31, 2015, approximately \$0.4 million of these proceeds remain in escrow for any post-closing adjustments that may arise subsequent to the closing date. We used the net proceeds from the sale for general corporate purposes.

(c) Auburndale, Lake and Pasco

On January 30, 2013, we entered into a purchase and sale agreement for the sale of our Auburndale Power Partners, L.P. (“Auburndale”), Lake CoGen, Ltd. (“Lake”) and Pasco CoGen, Ltd. (“Pasco”) projects (collectively, the “Florida Projects”) for approximately \$140.0 million, with working capital adjustments. The sale closed on April 12, 2013 and we received net cash proceeds of approximately \$117.0 million in the aggregate, after repayment of project-level debt at Auburndale and settlement of all outstanding natural gas swap agreements at Lake and Auburndale. This includes approximately \$92.0 million received at closing and cash distributions from the Florida Projects of approximately \$25.0 million received since January 1, 2013. We used a portion of the net proceeds from the sale to fully repay our senior credit facility, which had an outstanding balance of approximately \$64.1 million on the closing date. The remaining cash proceeds were used for general corporate purposes. The Florida Projects are accounted for as a component of discontinued operations in the consolidated statements of operations for the year ended December 31, 2013. See Note 21, *Discontinued operations*, for further information.

(d) Path 15

On March 11, 2013, we entered into a purchase and sales agreement with Duke Energy Corporation and American Transmission Co., to sell our interests in the Path 15 transmission line (“Path 15”). The sale closed on April 30, 2013 and we received net cash proceeds from the sale, including working capital adjustments, of approximately \$52.0 million, plus a management agreement termination fee of \$4.0 million, for a total sale price of approximately \$56.0 million. The cash proceeds were used for general corporate purposes. All project-level debt issued by Path 15, totaling \$137.2 million, transferred with the sale. Path 15 is accounted for as a component of discontinued operations in the consolidated statements of operations for the year ended December 31, 2013. See Note 21, *Discontinued operations*, for further information.

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4. Changes in accumulated other comprehensive loss by component

The changes in accumulated other comprehensive loss by component were as follows:

	Year Ended December 31,		
	2015	2014	2013
Foreign currency translation			
Balance at beginning of period	\$ (66.3)	\$ (22.2)	\$ 12.6
Other comprehensive loss:			
Foreign currency translation adjustments ⁽¹⁾	(72.8)	(44.1)	(34.8)
Balance at end of period	\$ (139.1)	\$ (66.3)	\$ (22.2)
Pension			
Balance at beginning of period	\$ (2.1)	\$ (0.4)	\$ (1.8)
Other comprehensive income (loss):			
Unrecognized net actuarial gain (loss)	2.2	(2.3)	2.4
Tax benefit (expense)	(0.6)	0.6	(0.7)
Total Other comprehensive (loss) income before reclassifications, net of tax	1.6	(1.7)	1.7
Amortization of net actuarial loss	0.1	—	(0.4)
Tax benefit	—	—	0.1
Total amount reclassified from Accumulated other comprehensive loss, net of tax	0.1	—	(0.3)
Total Other comprehensive (loss) income	1.7	(1.7)	1.4
Balance at end of period	\$ (0.4)	\$ (2.1)	\$ (0.4)
Cash flow hedges			
Balance at beginning of period	\$ 0.1	\$ 0.2	\$ (1.4)
Other comprehensive income (loss):			
Net change from periodic revaluations	(1.0)	(1.7)	1.2
Tax benefit (expense)	0.4	0.7	(0.5)
Total Other comprehensive (loss) income before reclassifications, net of tax	(0.6)	(1.0)	0.7
Net amount reclassified to earnings:			
Interest rate swaps ⁽²⁾	1.3	1.5	1.7
Fuel commodity swaps	—	—	(0.2)
Sub-total	1.3	1.5	1.5
Tax benefit	(0.6)	(0.6)	(0.6)
Total amount reclassified from Accumulated other comprehensive loss, net of tax	0.7	0.9	0.9
Total Other comprehensive income (loss)	0.1	(0.1)	1.6
Balance at end of period	\$ 0.2	\$ 0.1	\$ 0.2

⁽¹⁾ In all periods presented, there were no tax impacts related to rate changes and no amounts were reclassified to earnings (loss).

⁽²⁾ This amount was included in Interest expense, net on the accompanying consolidated statements of operations.

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5. Equity method investments in unconsolidated affiliates

The following tables summarize our equity method investments in unconsolidated affiliates:

Entity name	Percentage of Ownership as of December 31, 2015	Carrying value as of December 31,	
		2015	2014
Frederickson	50.2 %	\$ 124.7	\$ 135.0
Orlando Cogen, LP	50.0 %	8.4	10.9
Koma Kulshan Associates	49.8 %	5.4	5.7
Chambers Cogen, LP	40.0 %	135.7	143.3
Selkirk Cogen Partners, LP	17.7 %	12.0	12.0
Total		<u>\$ 286.2</u>	<u>\$ 306.9</u>

Equity (deficit) in earnings (loss) of equity method investments was as follows:

Entity name	Year Ended December 31,		
	2015	2014	2013
Chambers Cogen, LP	\$ 6.5	\$ 7.0	\$ 9.6
Orlando Cogen, LP	27.0	18.6	3.3
Koma Kulshan Associates	0.4	0.9	0.3
Frederickson	2.6	2.2	2.1
Selkirk Cogen Partners, LP	0.2	(3.2)	8.7
Gregory Power Partners, LP ⁽¹⁾	—	—	1.6
Other	—	—	0.2
Total	<u>36.7</u>	<u>25.5</u>	<u>25.8</u>
Distributions from equity method investments	<u>(58.5)</u>	<u>(76.2)</u>	<u>(40.9)</u>
Deficit in earnings of equity method investments, net of distributions	\$ (21.8)	\$ (50.7)	\$ (15.1)

⁽¹⁾ We sold Gregory in August 2013, resulting in a gain on sale of approximately of \$30.4 million, which is recorded in gain on sale of equity investments in the consolidated statements of operations for the year ended December 31, 2013.

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The following summarizes the financial position at December 31, 2015, 2014 and 2013, and operating results for the years ended December 31, 2015, 2014 and 2013, respectively, for our proportional ownership interest in equity method investments:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets⁽¹⁾			
Current assets			
Chambers	\$ 15.0	\$ 14.4	\$ 11.8
Frederickson	1.8	1.8	11.0
Orlando	10.0	6.3	7.4
Other	12.2	12.9	14.6
Non-current assets			
Chambers	201.7	213.4	224.0
Frederickson	124.0	134.0	143.9
Orlando	10.2	11.3	12.5
Other	7.5	7.2	26.2
	<u>\$ 382.4</u>	<u>\$ 401.3</u>	<u>\$ 451.4</u>
Liabilities⁽¹⁾			
Current liabilities			
Chambers	\$ 3.7	\$ 3.5	\$ 4.4
Frederickson	0.7	0.3	0.6
Orlando	11.7	6.5	5.6
Other	0.6	1.4	4.0
Non-current liabilities			
Chambers	77.3	81.0	77.7
Frederickson	0.4	0.4	0.4
Orlando	—	0.1	—
Other	1.8	1.2	6.6
	<u>\$ 96.2</u>	<u>\$ 94.4</u>	<u>\$ 99.3</u>

⁽¹⁾ Excludes Idaho Wind Partners 1, LLC and Goshen, which were sold in June 2015 as a part of the sale of the Wind Projects.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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Operating results ⁽¹⁾	2015	2014	2013
Revenue			
Chambers	\$ 48.0	\$ 54.8	\$ 52.7
Frederickson	21.6	20.6	20.7
Orlando	54.1	50.5	45.6
Other	13.1	45.3	72.5
	<u>136.8</u>	<u>171.2</u>	<u>191.5</u>
Project expenses			
Chambers	39.7	44.8	40.6
Frederickson	19.0	18.4	18.5
Orlando	27.1	31.9	42.3
Other	12.7	46.8	59.6
	<u>98.5</u>	<u>141.9</u>	<u>161.0</u>
Project other income (expense)			
Chambers	(1.8)	(3.0)	(2.5)
Frederickson	—	—	(0.1)
Orlando	—	—	—
Other	0.2	(0.8)	(2.1)
	<u>(1.6)</u>	<u>(3.8)</u>	<u>(4.7)</u>
Project income (loss)			
Chambers	\$ 6.5	\$ 7.0	\$ 9.6
Frederickson	2.6	2.2	2.1
Orlando	27.0	18.6	3.3
Other	0.6	(2.3)	10.8
	<u>36.7</u>	<u>25.5</u>	<u>25.8</u>

¹⁾ Excludes Idaho Wind Partners 1, LLC and Goshen, which were sold in June 2015 as a part of the sale of Wind Projects.

6. Inventory

Inventory consists of the following:

	December 31,	
	2015	2014
Parts and other consumables	\$ 9.3	\$ 11.8
Fuel	7.6	7.5
Total inventory	<u>\$ 16.9</u>	<u>\$ 19.3</u>

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7. Property, plant and equipment

	December 31, 2015	December 31, 2014	Depreciable Lives
Land	\$ 5.2	\$ 5.7	
Office equipment, machinery and other	5.6	4.4	3 - 10 years
Leasehold improvements	—	0.5	7 - 15 years
Asset retirement obligation	27.4	29.3	1 - 43 years
Plant in service	975.8	1,118.8	1 - 45 years
	<u>1,014.0</u>	<u>1,158.7</u>	
Less accumulated depreciation	(236.3)	(195.8)	
	<u>\$ 777.7</u>	<u>\$ 962.9</u>	

Depreciation expense of \$59.0 million, \$64.6 million and \$64.4 million was recorded for the years ended December 31, 2015, 2014 and 2013, respectively.

As described in Note 8, *Goodwill*, we recorded a \$76.6 million and \$9.6 million long-lived asset impairment to property, plant and equipment in the years ended December 31, 2015 and 2014, respectively.

8. Goodwill

Our goodwill balance was \$134.5 million and \$197.2 million as of December 31, 2015 and December 31, 2014, respectively. We apply an accounting standard under which goodwill has an indefinite life and is not amortized. Goodwill is tested for impairments at least annually, or more frequently whenever an event or change in circumstances occurs that would more likely than not reduce the fair value of a reporting unit below its carrying amount. We test goodwill for impairment at the reporting unit level, which is at the project level and, the lowest level below the operating segments for which discrete financial information is available.

In the fourth quarter of 2015, we performed our annual goodwill impairment test as of November 30, 2015. Of the total reporting units with goodwill recorded, only Morris (\$3.3 million of goodwill at December 31, 2015), Nipigon (\$3.6 million of goodwill at December 31, 2015) and Mamquam (\$64.1 million of goodwill at December 31, 2015) passed step 1 of the two-step test. The total fair value of these reporting units exceeded their carrying value by approximately \$118.0 million or 37%. The Williams Lake, Calstock, Curtis Palmer, North Bay, Kapuskasing and Moresby Lake reporting units all failed step 1 of the two-step test.

Because these reporting units failed step 1 of the two-step goodwill impairment test, we identified a triggering event and initiated a test of the recoverability of each of the reporting units' long-lived assets. The asset group for testing the long-lived assets for impairment is the same as the reporting unit for goodwill impairment testing purposes. In order to test the recoverability of the assets in the asset groups, we compared the carrying amount of the assets to estimated undiscounted future cash flows expected to be generated by the asset group. The carrying value of each asset group includes its recorded property, plant equipment, intangible assets related to PPAs and goodwill. Of the five asset groups tested, the Williams Lake and Calstock asset groups (Canada segment) failed the recoverability test. For these asset groups, we estimated their fair value utilizing an income approach based on market participant assumptions. These assumptions include estimated cash flows from both contracted and uncontracted periods over the remaining useful lives of the Williams Lake and Calstock asset groups. We determined that the carrying value exceeded the fair value at both asset groups and recorded an impairment of \$74.1 million and \$2.5 million to the property, plant and equipment of the Williams Lake and Calstock reporting units, respectively, for the year ended December 31, 2015.

Subsequent to recording long-lived asset impairments, we completed our annual goodwill impairment assessment. For each of the reporting unit that failed step 1 of the two-step test, we performed a step 2 analysis. As a

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result of this analysis, we recorded a \$35.6 million full impairment at the Williams Lake reporting unit, a \$13.7 million partial impairment at the Curtis Palmer reporting unit and a \$1.9 million full impairment at the Calstock reporting unit in the year ended December 31, 2015. At the time of their acquisition in November 2011, the fair value of the assets acquired and liabilities assumed for the Williams Lake, Curtis Palmer and Calstock reporting units were valued assuming a merchant basis for the period subsequent to the expiration of the projects' original PPAs. The forecasted energy revenue on a merchant basis, in the respective markets in which those plants operate, was higher than the energy prices currently forecasted to be in effect subsequent to the expiration of the reporting unit's PPA. Power prices, in the respective markets in which those plants operate, have declined from 2011 and from the dates of our previous impairment assessments due to several factors including decreased demand, lower oil prices and lower natural gas prices resulting from an abundance of shale gas. Our forecasts for discounted cash flows also reflect a higher level of uncertainty for re-contracting at prices than were previously forecasted in 2011. Furthermore, the PPA at the Curtis Palmer reporting unit expires at the earlier of December 2027 or the provision of 10,000 GWh of generation. Based on Curtis Palmer's cumulative generation through the date of the goodwill impairment test, we anticipate the PPA expiring two years before December 2027. As a result, the discounted cash flow model for Curtis Palmer utilizes forward power prices for that two-year period that are substantially lower than the prices under the current PPA.

The long-lived asset and goodwill impairment charges were recorded in the fourth quarter of 2015 and not earlier in the fiscal year because we did not identify any triggering events that would have required an event-driven impairment assessment. The triggering event for testing long-lived assets was identified through our annual test of goodwill. While declining oil prices over the past year have affected long-term power prices, the continued depressed price of oil and the long-term outlook for sustained low oil prices in the fourth quarter of 2015 had the most significant impact to the key inputs to our long-term forecasted cash flow models.

During the third quarter of 2014, we performed an event-driven goodwill impairment test based on the continued deficit of our market capitalization as compared to our book carrying value. The test was performed as of August 31, 2014. As a result of the event-driven goodwill assessment, we recorded a \$17.9 million full impairment at the Kenilworth reporting unit (East U.S. segment), a \$50.2 million full impairment at the Manchief reporting unit (West U.S. segment) and a \$23.7 million partial impairment at the Williams Lake reporting unit (Canada segment). The total impairment recorded in the three months ended September 30, 2014 was \$91.8 million. The goodwill impairment recorded at each reporting unit was primarily due to (i) decreases in forward merchant energy prices subsequent to the expiration of the reporting units' respective ESA or PPA, as applicable, as compared to the assumptions at the time of the reporting units' acquisition in November 2011, (ii) the continued amortization of cash flows under the reporting units' respective ESA or PPAs and (iii) an increase in the discount rate reflecting increased re-contracting risk. At the time of its acquisition in November 2011, the fair value of the assets acquired and liabilities assumed for each of the Kenilworth, Manchief and Williams Lake reporting units were valued assuming a merchant basis for the period subsequent to the expiration of the projects' original ESAs or PPAs. As discussed above, these forecasted energy revenues on a merchant basis were higher than the energy prices currently forecasted to be in effect subsequent to the expiration of these reporting units' ESAs or PPAs. Power prices have declined from 2011 due to several factors including decreased demand and lower natural gas and oil prices resulting from an abundance of shale gas. Our forecasts for discounted cash flows also reflect a higher level of uncertainty for re-contracting at prices that were previously forecasted in 2011.

Under our accounting policies for long-lived assets and goodwill impairment, we also perform an impairment analysis at the earlier of (i) executing a new PPA (or other arrangement) and (ii) six months prior to the expiration of an existing PPA. The Tunis project's PPA expired on December 31, 2014 and accordingly, we performed a long-lived asset impairment test and a goodwill impairment test as of June 30, 2014. Based on the results of our long-lived asset impairment test, it was determined that the weighted average estimated undiscounted cash flows for Tunis over its remaining useful life did not exceed the carrying value of the property, plant and equipment at the Tunis reporting unit. As a result, the project recorded a \$9.6 million long-lived asset impairment charge in the three months ended June 30,

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2014 which was the difference between the carrying value of the project's property, plant and equipment and its estimated fair market value. Subsequent to adjusting the carrying value of the Tunis reporting unit for the \$9.6 million long-lived asset impairment, we performed an impairment analysis for the project's goodwill. The project failed step 1 of the impairment test because the weighted average estimated discounted cash flows over its remaining useful life did not exceed the carrying value of the Tunis reporting unit. We performed step 2 of the goodwill impairment test and impaired all of the project's goodwill because the carrying value of goodwill exceeded its implied fair value. As a result, Tunis, a component of the Canada segment, recorded a \$5.2 million goodwill impairment charge in the three months ended June 30, 2014. The total \$14.8 million long-lived asset and goodwill impairment was primarily due to our assessment of the forecasted cash flows from re-contracting and other strategic outcomes.

We determine the fair value of our reporting units using an income approach with discounted cash flow ("DCF") models, as we believe forecasted cash flows are the best indicator of such fair value. A number of significant assumptions and estimates are involved in the application of the DCF model to forecast operating cash flows, including assumptions about discount rates, projected merchant power prices, generation, fuel costs and capital expenditure requirements. The undiscounted and discounted cash flows utilized in our long-lived asset recovery and step 1 and 2 goodwill impairment tests for our reporting units are generally based on approved reporting unit operating plans for years with contracted PPAs and historical relationships for estimates at the expiration of PPAs. All cash flow forecasts from DCF models utilized estimated plant output for determining assumptions around future generation and industry data forward power and fuel curves to estimate future power and fuel prices. We used historical experience to determine estimated future capital investment requirements. The discount rate applied to the DCF models represents the weighted average cost of capital ("WACC") consistent with the risk inherent in future cash flows of the particular reporting unit and is based upon an assumed capital structure, cost of long-term debt and cost of equity consistent with comparable independent power producers. The betas used in calculating the WACC rate were obtained from reputable third party sources. We utilized the assistance of valuation experts to perform step 1 and step 2 of the quantitative impairment test for several of our reporting units. The fair value that could be realized in an actual transaction may differ from that used to evaluate the impairment of goodwill.

The valuation of long-lived assets and goodwill for the impairment analyses is considered a level 3 fair value measurement, which means that the valuation of the assets and liabilities reflect management's own judgments regarding the assumptions market participants would use in determining the fair value of the assets and liabilities. Fair value determinations require considerable judgment and are sensitive to changes in these underlying assumptions and factors. As a result, there can be no assurance that the estimates and assumptions made for purposes of a goodwill impairment test will prove to be accurate predictions of the future. Examples of events or circumstances that could reasonably be expected to negatively affect the underlying key assumptions and ultimately impact the estimated fair value of our reporting units may include macroeconomic factors that significantly differ from our assumptions in timing or degree, increased input costs such as higher fuel prices and maintenance costs, or lower power prices than incorporated in our long-term forecasts.

The following table is a rollforward of goodwill for the year ended December 31, 2015:

	East U.S.	West U.S.	Canada	Un-allocated corporate	Total
Balance at December 31, 2013	\$ 79.4	\$ 50.3	\$ 166.6	\$ —	\$ 296.3
Impairment of goodwill	(17.9)	(50.3)	(28.8)	—	(97.0)
Translation adjustment	—	—	(2.1)	—	(2.1)
Balance at December 31, 2014	61.5	—	135.7	—	197.2
Impairment of goodwill	(13.7)	—	(37.5)	—	(51.2)
Translation adjustment	—	—	(11.5)	—	(11.5)
Balance at December 31, 2015	<u>\$ 47.8</u>	<u>\$ —</u>	<u>\$ 86.7</u>	<u>\$ —</u>	<u>\$ 134.5</u>

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9. Power purchase agreements and other intangible assets and liabilities

Other intangible assets and liabilities include power purchase agreements, fuel supply agreements and capitalized development costs.

The following tables summarize the components of our intangible assets and other liabilities subject to amortization for the years ended December 31, 2015 and 2014:

	Other Intangible Assets, Net		
	Power Purchase Agreements	Development Costs	Total
Gross balances, December 31, 2015	\$ 534.0	\$ 12.9	\$ 546.9
Less: accumulated amortization	(225.4)	(12.6)	(238.0)
Net carrying amount, December 31, 2015	<u>\$ 308.6</u>	<u>\$ 0.3</u>	<u>\$ 308.9</u>

	Other Intangible Assets, Net		
	Power Purchase Agreements	Development Costs	Total
Gross balances, December 31, 2014	\$ 563.6	\$ 13.4	\$ 577.0
Less: accumulated amortization	(187.4)	(12.5)	(199.9)
Net carrying amount, December 31, 2014	<u>\$ 376.2</u>	<u>\$ 0.9</u>	<u>\$ 377.1</u>

	Power Purchase and Fuel Supply Agreement Liabilities, Net		
	Power Purchase Agreements	Fuel Supply Agreements	Total
Gross balances, December 31, 2015	\$ (28.4)	\$ (12.6)	\$ (41.0)
Less: accumulated amortization	9.1	4.9	14.0
Net carrying amount, December 31, 2015	<u>\$ (19.3)</u>	<u>\$ (7.7)</u>	<u>\$ (27.0)</u>

	Power Purchase and Fuel Supply Agreement Liabilities, Net		
	Power Purchase Agreements	Fuel Supply Agreements	Total
Gross balances, December 31, 2014	\$ (32.2)	\$ (12.6)	\$ (44.8)
Less: accumulated amortization	7.7	3.7	11.4
Net carrying amount, December 31, 2014	<u>\$ (24.5)</u>	<u>\$ (8.9)</u>	<u>\$ (33.4)</u>

The following table presents amortization expense of intangible assets for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
Power purchase agreements	\$ 51.3	\$ 57.6	\$ 60.6
Fuel supply agreements	(1.2)	(1.2)	(1.2)
Total amortization	<u>\$ 50.1</u>	<u>\$ 56.4</u>	<u>\$ 59.4</u>

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The following table presents estimated future amortization expense for the next five years related to power purchase agreements and fuel supply agreements:

<u>Year Ended December 31,</u>	<u>Power Purchase Agreements</u>	<u>Fuel Supply Agreements</u>
2016	\$ 34.9	\$ (1.2)
2017	32.9	(1.2)
2018	26.1	(1.2)
2019	25.4	(1.2)
2020	22.4	(1.2)

The following table presents the weighted average remaining amortization period related to our intangible assets as of December 31, 2015:

<u>As of December 31, 2015</u> <u>(in years)</u>	<u>Power Purchase Agreements</u>	<u>Fuel Supply Agreements</u>
Weighted average remaining amortization period	7.7	7.6

10. Other long-term liabilities

Other long-term liabilities consist of the following:

	<u>2015</u>	<u>2014</u>
Asset retirement obligations	\$ 48.5	\$ 51.2
Net pension liability	0.6	3.1
Deferred revenue	0.5	0.9
Accrued LTIP and director share units	1.1	1.1
Other	2.5	3.3
	<u>\$ 53.2</u>	<u>\$ 59.6</u>

The following table is a rollforward of asset retirement obligations for the year ended December 31, 2015:

	<u>2015</u>	<u>2014</u>
Asset retirement obligations beginning of year	\$ 51.2	\$ 54.0
Accretion of asset retirement obligations	1.1	1.3
Translation adjustments	(3.8)	(2.1)
Sale of Greeley	—	(2.0)
Asset retirement obligations, end of year	<u>\$ 48.5</u>	<u>\$ 51.2</u>

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11. Long-term debt

Long-term debt consists of the following:

	December 31, 2015	December 31, 2014	Interest Rate	
Recourse Debt:				
Senior secured term loan facility, due 2021	\$ 473.2	\$ 541.5	LIBOR ⁽¹⁾ plus	3.75 %
Senior unsecured notes, due 2018	—	319.9		9.00 %
Senior unsecured notes, due June 2036 (Cdn\$210.0)	151.7	181.0		5.95 %
Non-Recourse Debt:⁽²⁾				
Epsilon Power Partners term facility, due 2019	19.5	25.5	LIBOR plus	3.125 %
Cadillac term loan, due 2025	29.5	33.4	LIBOR plus	1.37 %
Piedmont term loan, due 2018	59.0	64.0	LIBOR plus	3.50 %
Other long-term debt	0.4	0.6	5.50 % -	6.70 %
Less: current maturities	(15.8)	(20.0)		
Total long-term debt	\$ 717.5	\$ 1,145.9		

Current maturities consist of the following:

	December 31, 2015	December 31, 2014	Interest Rate	
Current Maturities⁽²⁾:				
Senior secured term loan facility, due 2021	\$ 4.7	\$ 5.4	LIBOR ⁽¹⁾ plus	3.75 %
Epsilon Power Partners term facility, due 2019	6.0	6.1	LIBOR plus	3.125 %
Cadillac term loan, due 2025	2.5	3.9	LIBOR plus	1.37 %
Piedmont term loan, due 2018	2.4	4.5	LIBOR plus	3.50 %
Other short-term debt	0.2	0.1	5.50 % -	6.70 %
Total current maturities	\$ 15.8	\$ 20.0		

⁽¹⁾ LIBOR cannot be less than 1.00%. On May 5, 2014 we entered into interest rate swap agreements to mitigate the exposure to changes in LIBOR for \$199.0 million notional amount (\$153.6 million at December 31, 2015) of the \$600.0 million (\$473.2 million at December 31, 2015) outstanding aggregate borrowings under our senior secured term loan facility. See Note 14, Accounting for derivative instruments and hedging activities for further details.

⁽²⁾ Excludes non-recourse debts of \$164.9 million and \$83.8 million from Meadow Creek term loan and Rockland term loan as of December 31, 2014, respectively. Both debts are resolved as part of our sale of the Wind Projects. See Note 3, Divestments.

Principal payments on the maturities of our debt due in the next five years and thereafter are as follows:

2016	\$ 15.8
2017	16.4
2018	68.3
2019	8.5
2020	7.6
Thereafter	616.7
	<u>\$ 733.3</u>

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Senior Secured Credit Facilities

On February 24, 2014, Atlantic Power Limited Partnership (“the Partnership”), our wholly-owned indirect subsidiary, entered into a new senior secured term loan facility (the “Term Loan Facility”), comprising of \$600 million in aggregate principal amount, and a new senior secured revolving credit facility (the “Revolving Credit Facility”) with a capacity of \$210 million (collectively, the “Senior Secured Credit Facilities”). Borrowings under the Senior Secured Credit Facilities are available in U.S. dollars and Canadian dollars and bear interest at a rate equal to the Adjusted Eurodollar Rate (LIBOR), the Base Rate or the Canadian Prime Rate, each as defined in the credit agreement governing the Senior Secured Credit Facilities (the “Credit Agreement”), as applicable, plus an applicable margin between 2.75% and 3.75% that varies depending on whether the loan is a Eurodollar Rate Loan, Base Rate Loan, or Canadian Prime Rate Loan. The applicable margin for term loans bearing interest at the Adjusted Eurodollar Rate and the Base Rate is 3.75% and 2.75% respectively and was 3.75% at December 31, 2015. The Adjusted Eurodollar Rate cannot be less than 1.00% (1.00% at December 31, 2015). As further described in Note 14, the Partnership entered into interest rate swap agreements on May 5, 2014 to mitigate the exposure to changes in the Adjusted Eurodollar Rate for a portion of the Term Loan Facility.

In connection with the funding of the Senior Secured Credit Facilities, we terminated our prior revolving credit facility on February 26, 2014.

The Term Loan Facility matures on February 24, 2021. The revolving commitments under the Revolving Credit Facility terminate on February 24, 2018. Letters of credit are available to be issued under the revolving commitments until 30 days prior to the Letter of Credit Expiration Date under, and as defined in, the Credit Agreement. The Partnership is required to pay a commitment fee with respect to the commitments under the Revolving Credit Facility equal to 0.75% times the average of the daily difference between the revolving commitments and all outstanding revolving loans (excluding swing line loans) plus amounts available to be drawn under letters of credit and all outstanding reimbursement obligations with respect to drawn letters of credit.

The Senior Secured Credit Facilities are secured by a pledge of the equity interests in the Partnership and its subsidiaries, guaranties from the Partnership subsidiary guarantors and a limited recourse guaranty from the entity that holds all of the Partnership equity, a pledge of certain material contracts and certain mortgages over material real estate rights, an assignment of all revenues, funds and accounts of the Partnership and its subsidiaries (subject to certain exceptions), and certain other assets. The Senior Secured Credit Facilities are not otherwise guaranteed or secured by us or any of our subsidiaries (other than the Partnership subsidiary guarantors). The Senior Secured Credit Facilities have a debt service reserve account, which is required to be funded and maintained at the debt service reserve requirement, equal to six months of debt service. The debt service reserve requirement was funded with a \$15.8 million letter of credit.

The Partnership’s existing Cdn\$210 million aggregate principal amount of 5.95% Medium Term Notes due June 23, 2036 (the “MTNs”) prohibit the Partnership (subject to certain exceptions) from granting liens on its assets (and those of its material subsidiaries) to secure indebtedness, unless the MTNs are secured equally and ratably with such other indebtedness. Accordingly, in connection with the execution of the Credit Agreement, the Partnership has granted an equal and ratable security interest in the collateral package securing the Senior Secured Credit Facilities under the indenture governing the MTNs for the benefit of the holders of the MTNs.

The Credit Agreement contains customary representations, warranties, terms and conditions, and covenants. The covenants include a requirement that the Partnership and its subsidiaries maintain a Leverage Ratio (as defined in the Credit Agreement) ranging from 5.25:1.00 in 2014 to 4.00:1.00 in 2021, and an Interest Coverage Ratio (as defined in the Credit Agreement) ranging from 2.50:1.00 in 2014 to 3.25:1.00 in 2021. In addition, the Credit Agreement includes customary restrictions and limitations on the Partnership’s and its subsidiaries’ ability to (i) incur additional

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indebtedness, (ii) grant liens on any of their assets, (iii) change their conduct of business or enter into mergers, consolidations, reorganizations, or certain other corporate transactions, (iv) dispose of assets, (v) modify material contractual obligations, (vi) enter into affiliate transactions, (vii) incur capital expenditures, and (viii) make dividend payments or other distributions, in each case subject to customary carve-outs and exceptions and various thresholds.

Under the Credit Agreement, if a change of control (as defined in the Credit Agreement) occurs, unless the Partnership elects to make a voluntary prepayment of the term loans under the Senior Secured Credit Facilities, it will be required to offer each electing lender to prepay such lender's term loans under the Senior Secured Credit Facilities at a price equal to 101% of par. In addition, in the event that the Partnership elects to repay, prepay or refinance all or any portion of the term loan facilities within one year from the initial funding date under the Credit Agreement, it will be required to do so at a price of 101% of the principal amount so repaid, prepaid or refinanced.

The Credit Agreement also contains a mandatory amortization feature and customary mandatory prepayment provisions, including: (i) from proceeds of assets sales, insurance proceeds, and incurrence of indebtedness, in each case subject to applicable thresholds and customary carve-outs; and (ii) the payment of 50% of the excess cash flow, as defined in the Credit Agreement, of the Partnership and its subsidiaries.

Under certain conditions the lending commitments under the Credit Agreement may be terminated by the lenders and amounts outstanding under the Credit Agreement may be accelerated. Such events of default include failure to pay any principal, interest or other amounts when due, failure to comply with covenants, breach of representations or warranties in any material respect, non-payment or acceleration of other material debt of the Partnership and its subsidiaries, bankruptcy, material judgments rendered against the Partnership or certain of its subsidiaries, certain ERISA or regulatory events, a change of control of the Partnership, or defaults under certain guaranties and collateral documents securing the Senior Secured Credit Facilities, in each case subject to various exceptions and notice, cure and grace periods.

On February 26, 2014, \$600 million was drawn under the Term Loan Facility, and letters of credit in an aggregate face amount of \$144.1 million (\$104.0 million as of December 31, 2015) were issued (but not drawn) pursuant to the revolving commitments under the Revolving Credit Facility and used to (i) satisfy a debt service reserve requirement in an amount equivalent to six months of debt service (approximately \$15.8 million) and (ii) support contractual credit support obligations of the Partnership and its subsidiaries and of certain other of our affiliates.

Notes of the Partnership

The Partnership, a wholly-owned subsidiary acquired on November 5, 2011, has outstanding Cdn\$210.0 million (\$151.7 million as of December 31, 2015) aggregate principal amount of 5.95% senior unsecured notes, due June 2036 (MTNs). Interest on the MTNs is payable semi-annually at 5.95%. Pursuant to the terms of the MTNs, we must meet certain financial and other covenants, including a financial covenant generally based on the ratio of debt to capitalization of the Partnership. The MTNs are guaranteed by Atlantic Power Corporation and Atlantic Power Preferred Equity Ltd., an indirect, wholly-owned subsidiary acquired in connection with the acquisition of the Partnership.

Non-Recourse Debt

Project-level debt of our consolidated projects is secured by the respective project and its contracts with no other recourse to us. Project-level debt generally amortizes during the term of the respective revenue generating contracts of the projects. The loans have certain financial covenants that must be met in order to distribute available cash. At December 31, 2015, all of our projects, with the exception of Piedmont, were in compliance with the covenants contained in project-level debt. We do not expect our Piedmont project to meet its debt service coverage ratio covenants or to make distributions before the project's debt maturity in 2018 at the earliest, due to continued operational issues that

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have resulted in higher forecasted maintenance and fuel expenses than initially expected.

12. Convertible debentures

The following table provides details related to outstanding convertible debentures:

	6.5% Debentures due October 2014	6.25% Debentures due March 2017	5.6% Debentures due June 2017	5.75% Debentures due June 2019	6.00% Debentures due December 2019	Total
Balance at December 31, 2013	\$ 42.1	\$ 63.4	\$ 75.7	\$ 130.0	\$ 94.0	\$ 405.2
Repayment of convertible debentures	(40.6)	—	(0.7)	(1.3)	(0.4)	(43.0)
Foreign exchange gain	(1.5)	(5.3)	(6.4)	—	(7.6)	(20.8)
Gain on repurchase of convertible debentures	—	(0.1)	—	(0.4)	(0.3)	(0.8)
Balance at December 31, 2014	\$ —	\$ 58.0	\$ 68.6	\$ 128.3	\$ 85.7	\$ 340.6
Repayment of convertible debentures	—	(0.1)	(3.0)	(9.4)	(6.4)	(18.9)
Foreign exchange (gain) loss	—	(9.3)	(10.7)	—	(13.2)	(33.2)
Gain on repurchase of convertible debentures	—	—	(0.1)	(1.9)	(1.1)	(3.1)
Balance at December 31, 2015	<u>\$ —</u>	<u>\$ 48.6</u>	<u>\$ 54.8</u>	<u>\$ 117.0</u>	<u>\$ 65.0</u>	<u>\$ 285.4</u>

Aggregate interest expense related to the convertible debentures was \$17.2 million, \$22.8 million, and \$24.2 million for the years ended December 31, 2015, 2014, and 2013, respectively.

In 2006 we issued, in a public offering, Cdn\$60.0 million aggregate principal amount of 6.25% convertible secured debentures (the “2006 Debentures”) for gross proceeds of \$52.8 million. The 2006 Debentures paid interest semi-annually on April 30 and October 31 of each year, had an initial maturity date of October 31, 2011 and were convertible into approximately 80.6452 common shares per Cdn\$1,000 principal amount of 2006 Debentures, at any time, at the option of the holder, representing a conversion price of Cdn\$12.40 per common share. The 2006 Debentures were secured by a subordinated pledge of our interest in certain subsidiaries and contain certain restrictive covenants. In connection with our conversion to a common share structure on November 27, 2009, the holders of the 2006 Debentures approved an amendment to increase the annual interest rate from 6.25% to 6.50% and separately, an extension of the maturity date from October 2011 to October 2014. Over the maturity term of the 2006 Debentures, Cdn\$15.2 million of the 2006 Debentures were converted to 1.2 million common shares. On October 31, 2014, we used Cdn\$44.8 million of cash on hand to repay the 2006 Debentures at maturity.

On December 17, 2009, we issued, in a public offering, Cdn\$86.3 million aggregate principal amount of 6.25% convertible unsecured debentures (the “2009 Debentures”) for gross proceeds of \$82.1 million. The 2009 Debentures pay interest semi-annually on March 15 and September 15 of each year. The 2009 Debentures mature on March 15, 2017 and are convertible into approximately 76.9231 common shares per Cdn\$1,000 principal amount of 2009 Debentures, at any time, at the option of the holder, representing a conversion price of Cdn\$13.00 per common share. As of December 31, 2015, a cumulative Cdn\$18.8 million of the 2009 Debentures, have been converted to 1.4 million common shares.

On October 20, 2010, we issued, in a public offering, Cdn\$80.5 million aggregate principal amount of 5.60% convertible unsecured subordinated debentures (the “2010 Debentures”) for gross proceeds of \$78.9 million. The 2010 Debentures pay interest semi-annually on June 30 and December 30 of each year. The 2010 Debentures mature on June 30, 2017, unless earlier redeemed. The debentures are convertible into our common shares at an initial conversion

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rate of 55.2486 common shares per Cdn\$1,000 principal amount of 2010 Debentures, at any time, at the option of the holder, representing an initial conversion price of approximately Cdn\$18.10 per common share.

On July 5, 2012, we issued, in a public offering, \$130.0 million aggregate principal amount of 5.75% convertible unsecured subordinated debentures due June 30, 2019 (the “July 2012 Debentures”) for net proceeds of \$124.0 million. The July 2012 Debentures pay interest semi-annually on the last day of June and December of each year. The July 2012 Debentures are convertible into our common shares at an initial conversion rate of 57.9710 common shares per \$1,000 principal amount of July 2012 debentures representing a conversion price of \$17.25 per common share. We used the proceeds to fund a portion of our equity commitment in Canadian Hills.

On December 11, 2012, we issued, in a public offering, Cdn\$100 million aggregate principal amount of 6.00% convertible unsecured subordinated debentures due December 31, 2019 (the “December 2012 Debentures”) for net proceeds of Cdn\$95.5 million. The December 2012 Debentures pay interest semi-annually on the last day of June and December of each year beginning June 30, 2013. The December 2012 Debentures are convertible into our common shares at an initial conversion rate of 68.9655 common shares per Cdn\$1,000 principal amount of December 2012 Debentures representing a conversion price of Cdn\$14.50 per common share. We used the proceeds to acquire all of the outstanding shares of capital stock of Ridgeline and to fund certain working capital commitments and acquisition expenses related to Ridgeline.

On November 11, 2014, we commenced a normal course issuer bid (“NCIB”) for our convertible debentures. Under the NCIB, we entered into a pre-defined automatic securities purchase plan with our broker in order to facilitate purchases of our convertible debentures which expired on November 10, 2015. As of December 31, 2015, we had repurchased and cancelled \$24.8 million of convertible debentures and recorded a gain of \$3.1 million in the consolidated statement of operations related to these transactions. On December 29, 2015, we commenced a new NCIB, which will expire on December 28, 2016. The actual amount of convertible debentures that may be purchased under the NCIB is approximately \$28.5 million and is further limited to 10% of the public float of our convertible debentures.

13. Fair value of financial instruments

The estimated carrying values and fair values of our recorded financial instruments related to operations are as follows:

	December 31,			
	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 72.4	\$ 72.4	\$ 106.0	\$ 106.0
Restricted cash	15.2	15.2	22.5	22.5
Derivative assets non-current	0.3	0.3	1.1	1.1
Derivative liabilities current	36.7	36.7	36.1	36.1
Derivative liabilities non-current	20.8	20.8	47.5	47.5
Long-term debt, including current portion	733.3	686.5	1,165.9	1,119.5
Convertible debentures	285.4	231.4	340.6	269.9

Our financial instruments that are recorded at fair value have been classified into levels using a fair value hierarchy.

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The three levels of the fair value hierarchy are defined below:

Level 1—Unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date. Financial assets utilizing Level 1 inputs include active exchange-traded securities.

Level 2—Quoted prices available in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are directly observable, and inputs derived principally from market data.

Level 3—Unobservable inputs from objective sources. These inputs may be based on entity-specific inputs. Level 3 inputs include all inputs that do not meet the requirements of Level 1 or Level 2.

The following represents the recurring measurements of fair value hierarchy of our financial assets and liabilities that were recognized at fair value as of December 31, 2015 and December 31, 2014. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$ 72.4	\$ —	\$ —	\$ 72.4
Restricted cash	15.2	—	—	15.2
Derivative instruments asset	—	0.3	—	0.3
Total	\$ 87.6	\$ 0.3	\$ —	\$ 87.9
Liabilities:				
Derivative instruments liability	\$ —	\$ 57.5	\$ —	\$ 57.5
Total	\$ —	\$ 57.5	\$ —	\$ 57.5
	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$ 106.0	\$ —	\$ —	\$ 106.0
Restricted cash	22.5	—	—	22.5
Derivative instruments asset	—	1.1	—	1.1
Total	\$ 128.5	\$ 1.1	\$ —	\$ 129.6
Liabilities:				
Derivative instruments liability	\$ —	\$ 83.6	\$ —	\$ 83.6
Total	\$ —	\$ 83.6	\$ —	\$ 83.6

The fair values of our derivative instruments are based upon trades in liquid markets. Valuation model inputs can generally be verified and valuation techniques do not involve significant judgment. The fair values of such financial instruments are classified within Level 2 of the fair value hierarchy. We use our best estimates to determine the fair value of commodity and derivative contracts we hold. These estimates consider various factors including closing exchange prices, time value, volatility factors and credit exposure. The fair value of each contract is discounted using a risk free interest rate.

We also adjust the fair value of financial assets and liabilities to reflect credit risk, which is calculated based on our credit rating and the credit rating of our counterparties. As of December 31, 2015, the credit valuation adjustments resulted in a \$3.8 million net increase in fair value, which consists of a \$0.4 million pre-tax gain in other comprehensive income and a \$3.4 million gain in change in fair value of derivative instruments. As of December 31, 2014, the credit

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valuation adjustments resulted in a \$13.0 million net increase in fair value, which consists of a \$0.7 million pre-tax gain in other comprehensive income and a \$12.3 million gain in change in fair value of derivative instruments.

The carrying amounts for cash and cash equivalents and restricted cash approximate fair value due to their short-term nature. The fair value of long-term debt and convertible debentures was determined using quoted market prices, as well as discounting the remaining contractual cash flows using a rate at which we could issue debt with a similar maturity as of the balance sheet date.

14. Accounting for derivative instruments and hedging activities

We recognize all derivative instruments on the balance sheet as either assets or liabilities and measure them at fair value each reporting period. We have one contract designated as a cash flow hedge, and we defer the effective portion of the change in fair value of the derivatives in accumulated other comprehensive income (loss), until the hedged transactions occur and are recognized in earnings (loss). The ineffective portion of a cash flow hedge is immediately recognized in earnings (loss). For our other derivatives that are not designated as cash flow hedges, the changes in the fair value are immediately recognized in earnings (loss). These guidelines apply to our natural gas swaps, interest rate swaps, and foreign exchange contracts.

Gas purchase agreements

Gas purchase agreements to purchase gas forward at our North Bay, Kapuskasing and Nipigon projects do not qualify for the normal purchase normal sales (“NPNS”) exemption and are accounted for as derivative financial instruments. The gas purchase agreements at North Bay and Kapuskasing satisfy all of the forecasted fuel requirements for these projects through their expiration in the fourth quarter of 2016. The gas purchase agreement for Nipigon satisfies the majority of forecasted fuel requirements through December 31, 2022. These derivative financial instruments are recorded in the consolidated balance sheets at fair value and the changes in their fair market value are recorded in the consolidated statements of operations.

In June 2014, the Partnership entered into contracts for the purchase of 2.9 million Gigajoules (“Gj”) of future natural gas purchases beginning on November 1, 2014 and expiring on December 31, 2017 for our projects in Ontario. These contracts effectively fix the price of approximately 98% of our expected uncontracted gas requirements for each of 2014 and 2015 and 32% and 30% of our expected uncontracted gas requirements for 2016 and 2017, respectively. These contracts are accounted for as derivative financial instruments and are recorded in the consolidated balance sheet at fair value at December 31, 2015. Changes in the fair market value of these contracts are recorded in the consolidated statement of operations.

Natural gas swaps

Our strategy to mitigate future exposure to changes in natural gas prices at our projects consists of periodically entering into financial swaps that effectively fix the price of natural gas expected to be purchased at these projects. These natural gas swaps are derivative financial instruments and are recorded in the consolidated balance sheets at fair value and the changes in their fair market value are recorded in the consolidated statements of operations.

The operating margin at our 50% owned Orlando project is exposed to changes in natural gas prices. We previously entered into natural gas swaps to effectively fix the price of 4.5 million Mmbtu of future natural gas purchases. On February 20, 2014, we paid \$4.0 million to terminate a portion of these contracts in connection with the termination of our prior revolving credit facility. We recorded fuel expense related to the settlement of these contracts in the consolidated statement of operations.

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We have entered into various natural gas swaps to effectively fix the price of 6.3 million Mmbtu of future natural gas purchases at Orlando, which is approximately 100% of our share of the expected on-peak natural gas purchases at the project through 2016 or approximately 63% of our share of the expected base load natural gas purchases for 2015 and 2016, respectively. These contracts are accounted for as derivative financial instruments and are recorded in the consolidated balance sheet at fair value at December 31, 2015. Changes in the fair market value of these contracts are recorded in the consolidated statement of operations.

Interest rate swaps

The Cadillac project has an interest rate swap agreement that effectively fixes the interest rate at 6.0% through February 15, 2015, 6.1% from February 16, 2015 to February 15, 2019, 6.3% from February 16, 2019 to February 15, 2023, and 6.4% thereafter. The notional amount of the interest rate swap agreement matches the outstanding principal balance over the remaining life of Cadillac's debt. This swap agreement, which qualifies for and is designated as a cash flow hedge, is effective through June 2025 and the effective portion of the changes in the fair market value is recorded in accumulated other comprehensive income (loss).

The Piedmont project has interest rate swap agreements to economically fix its exposure to changes in interest rates related to its variable-rate debt. The interest rate swap agreement effectively converts the floating rate debt to a fixed interest rate of 1.7% plus an applicable margin ranging from 3.5% to 3.8% through February 29, 2016. From February 2016 until the maturity of the debt in August 2018, the fixed rate of the swap is 4.47% and the applicable margin is 4.0%, resulting in an all-in rate of 8.5%. The swap continues at the fixed rate of 4.47% from the maturity of the debt in August 2018 until November 2030. Prior to conversion of the Piedmont Construction loan facility to a term loan, the notional amounts of the interest rate swap agreements matched the estimated outstanding principal balance of Piedmont's construction loan facility. The interest rate swaps were executed on October 21, 2010 and November 2, 2010 and expire on February 29, 2016 and November 30, 2030, respectively. As a result of the Piedmont term loan conversion on February 14, 2014, these swap agreements were amended to reduce the notional amounts to match the outstanding \$68.5 million principal of the term loan. We recorded \$1.0 million of deferred financing costs related to this transaction in the consolidated balance sheets. The interest rate swap agreements are not designated as hedges, and changes in their fair market value are recorded in the consolidated statements of operations.

On May 5, 2014 the Partnership entered into interest rate swap agreements to mitigate exposure to changes in the Adjusted Eurodollar Rate for \$199.0 million notional amount (\$153.6 million at December 31, 2015) of the \$600 million aggregate principal amount of borrowings (\$473.2 million of borrowings at December 31, 2015) under the Term Loan Facility. Borrowings under the \$600 million Term Loan Facility bear interest at a rate equal to the Adjusted Eurodollar Rate plus an applicable margin of 3.75%. Based on the terms of the Credit Agreement, the Adjusted Eurodollar Rate cannot be less than 1.00% resulting in a minimum of a 4.75% all-in rate on the Term Loan Facility. As a result of entering into the swap agreements, the all-in rate for \$199.0 million of the Term Loan Facility cannot be less than 4.91% if the Adjusted Eurodollar Rate is equal to or greater than 1.00%. If the Adjusted Eurodollar Rate is below 1.00%, we will pay interest at a rate equivalent to the minimum 4.75% all-in rate plus any difference between the actual Adjusted Eurodollar Rate and 1.16%. The interest rate swap agreements were effective June 30, 2014 and terminate on December 29, 2017. The interest rate swap agreements are not designated as hedges and changes in their fair market value will be recorded in the consolidated statements of operations.

Epsilon Power Partners, our wholly owned subsidiary, previously had an interest rate swap to economically fix the exposure to changes in interest rates related to the variable-rate non-recourse debt. The interest rate swap agreement effectively converted the floating rate debt to a fixed interest rate of 7.37% and had a maturity date of July 2019. The notional amount of the swap matched the outstanding principal balance over the remaining life of Epsilon Power Partners' debt. On February 20, 2014, we paid \$2.6 million to terminate this contract in connection with the termination of our prior revolving credit facility. We recorded interest expense related to its settlement in the consolidated statement

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of operations. This interest rate swap agreement was not designated as a hedge and changes in its fair market value were recorded in the consolidated statements of operations.

Foreign currency forward contracts

From time to time, we use foreign currency forward contracts to manage our exposure to changes in foreign exchange rates, as many of our projects generate cash flow in U.S. dollars and Canadian dollars. On February 20, 2014, we paid \$0.4 million to terminate all of our remaining foreign currency forward contracts in connection with the termination of our prior revolving credit facility and recorded their settlement in foreign exchange gain in the consolidated statement of operations for the three months ended March 31, 2014. On April 2, 2014, we executed a foreign currency forward contract in which we agreed to sell \$41.0 million on September 30, 2014 and receive Cdn\$45.3 million at a foreign exchange rate of Cdn\$1.105 per U.S. dollar in order to mitigate the foreign exchange risk on the repayment at maturity of the Cdn\$44.8 million convertible debentures due in October 2014. We recorded a \$0.5 million realized foreign exchange loss on the expiration of the foreign currency forward contract on September 30, 2014. We repaid the Cdn\$44.8 million convertible debentures with cash on hand at their maturity on October 31, 2014.

Volume of forecasted transactions

We have entered into derivative instruments in order to economically hedge the following notional volumes of forecasted transactions as summarized below, by type, excluding those derivatives that qualified for the NPNS exemption as of year ended December 31, 2015 and December 31, 2014:

	Units	December 31, 2015	December 31, 2014
Natural gas swaps	Natural Gas (Mmbtu)	2.8	6.3
Gas purchase agreements	Natural Gas (Gigajoules)	25.0	33.9
Interest rate swaps	Interest (US\$)	302.3	333.9

Fair value of derivative instruments

We have elected to disclose derivative instrument assets and liabilities on a trade-by-trade basis and do not offset amounts at the counterparty master agreement level. The following table summarizes the fair value of our derivative assets and liabilities:

	December 31, 2015	
	Derivative Assets	Derivative Liabilities
Derivative instruments designated as cash flow hedges:		
Interest rate swaps current	\$ —	\$ 1.0
Interest rate swaps long-term	—	2.7
Total derivative instruments designated as cash flow hedges	—	3.7
Derivative instruments not designated as cash flow hedges:		
Interest rate swaps current	—	2.0
Interest rate swaps long-term	0.3	7.8
Natural gas swaps current	—	5.0
Gas purchase agreements current	—	28.7
Gas purchase agreements long-term	—	10.3
Total derivative instruments not designated as cash flow hedges	0.3	53.8
Total derivative instruments	\$ 0.3	\$ 57.5

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	December 31, 2014	
	Derivative Assets	Derivative Liabilities
Derivative instruments designated as cash flow hedges:		
Interest rate swaps current	\$ —	\$ 1.1
Interest rate swaps long-term	—	2.9
Total derivative instruments designated as cash flow hedges	—	4.0
Derivative instruments not designated as cash flow hedges:		
Interest rate swaps current	—	2.0
Interest rate swaps long-term	1.1	6.9
Natural gas swaps current	—	4.4
Natural gas swaps long-term	—	2.2
Gas purchase agreements current	—	28.6
Gas purchase agreements long-term	—	35.5
Total derivative instruments not designated as cash flow hedges	1.1	79.6
Total derivative instruments	<u>\$ 1.1</u>	<u>\$ 83.6</u>

Accumulated other comprehensive income

The following table summarizes the changes in the accumulated other comprehensive income (loss) (“OCI”) balance attributable to derivative financial instruments designated as a hedge, net of tax:

	Interest Rate Swaps	
	For the year ended December 31, 2015	
Accumulated OCI balance at January 1, 2015	\$	0.1
Change in fair value of cash flow hedges		(0.6)
Realized from OCI during the period		0.7
Accumulated OCI balance at December 31, 2015	<u>\$</u>	<u>0.2</u>
Gains expected to be realized from OCI in the next 12 months, net of \$0.6 million of tax	<u>\$</u>	<u>0.8</u>

	Interest Rate Swaps	
	For the year ended December 31, 2014	
Accumulated OCI balance at January 1, 2014	\$	0.2
Change in fair value of cash flow hedges		(1.0)
Realized from OCI during the period		0.9
Accumulated OCI balance at December 31, 2014	<u>\$</u>	<u>0.1</u>
Gains expected to be realized from OCI in the next 12 months, net of \$0.6 million of tax	<u>\$</u>	<u>0.9</u>

	Interest Rate Swaps		Natural Gas Swaps		Total
	For the year ended December 31, 2013				
Accumulated OCI balance at January 1, 2013	\$	(1.5)	\$	0.1	\$ (1.4)
Change in fair value of cash flow hedges		0.7		—	0.7
Realized from OCI during the period		1.0		(0.1)	0.9
Accumulated OCI balance at December 31, 2013	<u>\$</u>	<u>0.2</u>	<u>\$</u>	<u>—</u>	<u>\$ 0.2</u>
Gains expected to be realized from OCI in the next 12 months, net of \$0.6 million of tax	<u>\$</u>	<u>0.9</u>	<u>\$</u>	<u>—</u>	<u>\$ 0.9</u>

ATLANTIC POWER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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Impact of derivative instruments on the consolidated statements of operations

The following table summarizes realized loss (gain) for derivative instruments not designated as cash flow hedges:

	Classification of loss (gain) recognized in income	Year Ended December 31,		
		2015	2014	2013
Gas purchase agreements	Fuel	\$ 47.3	\$ 52.4	\$ 56.5
Natural gas swaps	Fuel	6.0	4.3	—
Interest rate swaps	Interest, net	3.8	6.1	3.4
Foreign currency forwards	Foreign exchange loss (gain)	—	0.5	(14.4)

The following table summarizes the unrealized loss (gain) resulting from changes in the fair value of derivative financial instruments that are not designated as cash flow hedges:

	Classification of gain (loss) recognized in income	Year ended December 31,		
		2015	2014	2013
Natural gas swaps	Change in fair value of derivatives	\$ 1.0	\$ (3.3)	\$ (0.7)
Gas purchase agreements	Change in fair value of derivatives	16.1	11.6	19.2
Interest rate swaps	Change in fair value of derivatives	(1.7)	(1.5)	7.0
		\$ 15.4	\$ 6.8	\$ 25.5
Foreign currency forwards	Foreign exchange loss	\$ —	\$ (1.1)	\$ (19.4)

15. Income taxes

	Year Ended December 31		
	2015	2014	2013
Current income tax expense	\$ 5.3	\$ 3.8	\$ 8.6
Deferred tax benefit	(35.7)	(35.2)	(41.4)
Total income tax benefit, net	\$ (30.4)	\$ (31.4)	\$ (32.8)

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The following is a reconciliation of the income taxes calculated at the Canadian enacted statutory rate of 26% at December 31, 2015, 2014 and 2013, respectively, to the provision for income taxes in the consolidated statements of operations:

	Year ended December 31,		
	2015	2014	2013
Computed income taxes at Canadian statutory rate	\$ (29.8)	\$ (47.5)	\$ (14.7)
Decreases resulting from:			
Operating countries with different income tax rates	(4.9)	(19.2)	(5.3)
	\$ (34.7)	\$ (66.7)	\$ (20.0)
Change in valuation allowance	6.6	40.5	12.1
	(28.1)	(26.2)	(7.9)
Dividend withholding tax and other cash taxes	1.1	0.8	3.7
Foreign exchange	(7.0)	(7.4)	(9.9)
Changes in tax rates	2.1	(5.8)	(2.8)
Federal stimulus grant	—	—	(18.9)
Production tax credits	(3.6)	(0.3)	(4.4)
Changes in estimates of tax basis of equity method investments	(6.3)	(4.1)	23.0
Capital gain on intercompany notes	2.1	—	—
Goodwill impairment	14.8	33.9	13.6
Capital loss recognized on tax restructuring	—	(10.2)	—
Intra-period allocations from the Wind projects	(5.0)	(15.8)	(30.9)
Other	(0.5)	3.7	1.7
	(2.3)	(5.2)	(24.9)
	<u>\$ (30.4)</u>	<u>\$ (31.4)</u>	<u>\$ (32.8)</u>

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2015 and 2014 are presented below:

	2015	2014
Deferred tax assets:		
Loss carryforwards	\$ 238.4	\$ 340.3
Other accrued liabilities	0.1	0.4
Finance and share issuance costs	1.7	6.2
Tax credits	4.7	—
Disallowed interest carryforward	—	3.4
Derivative instruments	15.1	22.3
Other long-term notes	5.2	—
Other	9.8	10.3
Total deferred tax assets	275.0	382.9
Valuation allowance	(175.2)	(168.6)
	99.8	214.3
Deferred tax liabilities:		
Intangible assets	(79.0)	(75.0)
Property, plant and equipment	(106.5)	(208.9)
Other long-term investments	—	(22.8)
Total deferred tax liabilities	(185.5)	(306.7)
Net deferred tax liability	\$ (85.7)	\$ (92.4)

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The following table summarizes the net deferred tax position as of December 31, 2015 and 2014:

	2015	2014
Long-term deferred tax liabilities	\$ (85.7)	\$ (92.4)
Net deferred tax liability	\$ (85.7)	\$ (92.4)

As of December 31, 2015, we have recorded a valuation allowance of \$175.2 million. This amount is comprised primarily of provisions against available Canadian and U.S. net operating loss carryforwards. In assessing the recoverability of our deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax asset will be realized. The ultimate realization of the deferred tax assets is dependent upon projected future taxable income in the United States and in Canada and available tax planning strategies.

In 2011, the IRS began an examination of our federal income tax returns for the tax years ended December 31, 2007 and 2009. On April 2, 2012, the IRS issued various Notices of Proposed Adjustments. The principal area of the proposed adjustments pertain to the classification of U.S. real property in the calculation of the gain related to our 2009 conversion from the previous Income Participating Security structure to our current traditional common share structure. On September 14, 2014, we entered into a settlement agreement with the IRS resulting in a \$3.6 million increase to our taxable income for the 2009 tax year. This increase in taxable income was offset against our current year taxable losses for the 2009 tax year and therefore resulted in no cash taxes.

Tax benefits related to uncertain tax positions taken or expected to be taken on a tax return are recorded when such benefits meet a more likely than not threshold. Otherwise, these tax benefits are recorded when a tax position has been effectively settled, which means that the statute of limitation has expired or the appropriate taxing authority has completed their examination even though the statute of limitations remains open. Interest and penalties related to uncertain tax positions are recognized as part of the provision for income taxes and are accrued beginning in the period that such interest and penalties would be applicable under relevant tax law until such time that the related tax benefits are recognized. As of December 31, 2015, we have not recorded any tax benefits related to uncertain tax positions.

As of December 31, 2015, we had the following net operating loss carryforwards that are scheduled to expire in the following years:

2027	\$ 45.3
2028	92.0
2029	70.0
2030	25.8
2031	13.4
2032	26.3
2033	150.2
2034	166.7
	<u>\$ 589.7</u>

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16. Equity compensation plans

Long-term incentive plan

The following table summarizes the changes in outstanding LTIP notional units during the years ended December 31, 2015, 2014 and 2013:

	Units	Grant Date Weighted-Average Fair Value per Unit
Outstanding at December 31, 2012	492,535	\$ 13.90
Granted	597,031	4.91
Additional shares from dividends	64,576	8.74
Forfeitures	(184,458)	8.17
Vested and redeemed	(202,696)	13.48
Outstanding at December 31, 2013	766,988	7.86
Granted	1,776,083	2.64
Additional shares from dividends	178,114	3.79
Forfeitures	(294,037)	6.68
Vested and redeemed	(983,894)	4.78
Outstanding at December 31, 2014	1,443,254	3.28
Granted	1,007,726	2.75
Additional shares from dividends	59,996	2.87
Forfeitures	(136,894)	3.75
Vested and redeemed	(1,075,681)	3.21
Outstanding at December 31, 2015	<u>1,298,401</u>	<u>\$ 2.88</u>

The total grant date fair value of all outstanding notional units under the LTIP was \$3.7 million, \$4.6 million and \$4.8 million for the years ended December 31, 2015, 2014 and 2013. The weighted average remaining vesting term for outstanding notional units was 1.7 years at December 31, 2015. Approximately \$1.7 million of total unrecognized compensation expense is expected to be recognized over this time period. Compensation expense related to LTIP was \$3.1 million, \$3.5 million and \$2.2 million for the years ended December 31, 2015, 2014 and 2013, respectively. Cash payments made for vested notional units were \$0.9 million, \$0.7 million and \$0.9 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Transition Equity Participation Agreement

We also have 550,869 transition notional shares outstanding at December 31, 2015 under the Transition Equity Participation Agreement with James J. Moore, Jr. Fifty percent of the transition notional shares granted with respect to fiscal year 2015 will vest upon the four-year anniversary of the date of grant and the remaining portion will vest on or any time after the two-year anniversary of the grant if the weighted average Canadian dollar closing price of our common shares on the TSX for at least three consecutive calendar months has exceeded the market price per common share determined as of January 22, 2015 (\$2.58) by at least 50%.

17. Defined benefit plan

We sponsor and operate a defined benefit pension plan that is available to certain legacy employees of the Partnership. The Atlantic Power Services Canada LP Pension Plan (the "Plan") is maintained solely for certain eligible legacy Partnership participants. The Plan is a defined benefit pension plan that allows for employee contributions. We expect to contribute \$0.7 million to the pension plan in 2016.

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The net annual periodic pension cost related to the pension plan for the years ended December 31, 2015 and 2014 includes the following components:

	2015	2014
Service cost benefits earned	\$ 0.9	\$ 0.8
Interest cost on benefit obligation	0.7	0.7
Expected return on plan assets	(0.9)	(0.8)
Gain amortization	—	—
Net period benefit cost	<u>\$ 0.7</u>	<u>\$ 0.7</u>

A comparison of the pension benefit obligation and related plan assets for the pension plan is as follows:

	2015	2014
Benefit obligation at January 1	\$ (16.2)	\$ (14.5)
Service cost	(0.9)	(0.8)
Interest cost	(0.7)	(0.7)
Actuarial (gain) loss	2.2	(3.3)
Employee contributions	(0.1)	(0.1)
Benefits paid	0.7	0.1
Foreign currency translation adjustment	(0.1)	(0.1)
Benefit obligation at December 31	<u>(15.0)</u>	<u>(19.4)</u>
Fair value of plan assets at January 1	\$ 13.6	\$ 13.8
Actual return on plan assets	1.0	1.7
Employer contributions	0.5	0.7
Employee contributions	0.1	0.1
Benefits paid	(0.7)	(0.1)
Foreign currency translation adjustment	(0.1)	0.1
Fair value of plan assets at December 31	<u>14.4</u>	<u>16.3</u>
Funded status at December 31-excess of obligation over assets	<u>\$ (0.6)</u>	<u>\$ (3.1)</u>

Amounts recognized in the balance sheet were as follows:

	2015	2014
Non-current liabilities	\$ 0.6	\$ 3.1

Amounts recognized in accumulated OCI that have not yet been recognized as components of net periodic benefit cost were as follows, net of tax:

	2015	2014
Unrecognized loss	\$ 1.6	\$ 1.7

We estimate that there will be no amortization of net loss for the pension plan from accumulated OCI to net periodic cost over the next fiscal year.

ATLANTIC POWER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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The following table presents the balances of significant components of the pension plan:

	2015	2014
Projected benefit obligation	\$ 15.0	\$ 19.4
Accumulated benefit obligation	12.6	15.4
Fair value of plan assets	14.4	16.3

The market-related value of the pension plan's assets is the fair value of the assets. Plan assets are invested in a common collective trust which totaled \$14.4 million and \$16.3 million for the years ended December 31, 2015 and 2014 respectively.

We determine the level in the fair value hierarchy within which the fair value measurement in its entirety falls, based on the lowest level input that is significant to the fair value measurement in its entirety. The fair value of the common/collective trust is valued at a fair value which is equal to the sum of the market value of the fund's investments, and is categorized as Level 2. There are no investments categorized as Level 1 or 3.

The following table presents the significant assumptions used to calculate our benefit obligations:

	2015	2014
Weighted-Average Assumptions		
Discount rate	4.3 %	4.0 %
Rate of compensation increase	3.0 %	4.0 %

The following table presents the significant assumptions used to calculate our benefit expense:

	2015	2014
Weighted-Average Assumptions		
Discount rate	4.0 %	5.0 %
Rate of return on plan assets	6.0 %	6.0 %
Rate of compensation increase	4.0 %	4.0 %

We use December 31 as the measurement date for the Plan, and we set the discount rate assumptions on an annual basis on the measurement date. This rate is determined by management based on information provided by our actuary. The discount rate assumptions reflect the current rate at which the associated liabilities could be effectively settled at the end of the year. The discount rate assumptions used to determine future pension obligations as of the year ended December 31, 2015 and 2014, was based on the CIA / Natcan curve, which was designed by the Canadian Institute of Actuaries and Natcan Investment Management to provide a means for sponsors of Canadian plans to value the liabilities of their postretirement benefit plans. The CIA / Natcan curve is a hypothetical yield curve represented by extrapolating the corporate AA-rated yield curve beyond 10 years using yields on provincial AA bonds with a spread added to the provincial AA yields to approximate the difference between corporate AA and provincial AA credit risk. The CIA / Natcan curve utilizes this approach because there are very few corporate bonds rated AA or above with maturities of 10 years or more in Canada.

We employ a balanced total return investment approach, whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, and the plan's funded status. Plan assets in the common collective trust are currently invested in a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across Canadian, U.S. and other international equities, as well as among growth, value and small and large capitalization stocks.

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The pension plan assets weighted average allocations in the common collective trust were as follows:

	2015	2014
Canadian equity	29 %	30 %
U.S. equity	14 %	14 %
International equity	14 %	13 %
Canadian fixed income	40 %	40 %
International fixed income	3 %	3 %
	100 %	100 %

Our expected future benefit payments for each of the next five years and in the aggregate for the five years thereafter, are as follows in Cdn\$:

	2015
2016	Cdn\$ 0.2
2017	0.3
2018	0.4
2019	0.5
2020	0.6
2021-2024	4.5

18. Common shares

Stock Repurchase Program

In December 2015, our Board of Directors approved an NCIB for each series of our convertible unsecured subordinated debentures, our common shares and for each series of the preferred shares of Atlantic Power Preferred Equity Ltd (“APPEL”), our wholly-owned subsidiary. The Board authorization permits the Company to repurchase stock through open market repurchases. The NCIB will expire on December 28, 2016 or such earlier date as the Company and/or APPEL complete their respective purchases pursuant to the NCIB. During the year ended December 31, 2015, we repurchased 47,300 common shares under the NCIB at a total cost of \$0.1 million and through March 3, 2016, we repurchased a cumulative 575,553 common shares at a total cost of \$1.0 million.

Common Share Dividends

We paid dividends of Cdn\$0.03 per outstanding share to our common stockholders during the first, second, third and fourth quarters of 2015.

On February 9, 2016, we announced the elimination of our common stock dividend, effective immediately. In conjunction with the elimination of the common stock dividend, our dividend reinvestment plan (the “Plan”) also was eliminated. We filed a post-effective amendment to our registration statement on Form S-3 (Registration No. 333-194204) to deregister all of the Company’s common shares that remain unissued under the Plan.

19. Preferred shares issued by a subsidiary company

In 2007, a subsidiary acquired in our acquisition of the Partnership issued 5.0 million 4.85% Cumulative Redeemable Preferred Shares, Series 1 (the “Series 1 Shares”) priced at Cdn\$25.00 per share. Cumulative dividends are payable on a quarterly basis at the annual rate of Cdn\$1.2125 per share. Beginning on June 30, 2012, the Series 1 Shares were redeemable by the subsidiary company at Cdn\$26.00 per share, declining by Cdn\$0.25 each year to Cdn\$25.00 per share on or after June 30, 2016, plus, in each case, an amount equal to all accrued and unpaid dividends thereon.

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In 2009, a subsidiary company acquired in our acquisition of the Partnership issued 4.0 million 7.0% Cumulative Rate Reset Preferred Shares, Series 2 (the "Series 2 Shares") priced at Cdn\$25.00 per share. The Series 2 Shares pay fixed cumulative dividends of Cdn\$1.75 per share per annum, as and when declared, for the initial five-year period ending December 31, 2014. The dividend rate reset on December 31, 2014 and will reset every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 4.18%. On December 31, 2014 and on December 31 every five years thereafter, the Series 2 Shares were and will be redeemable by the subsidiary company at Cdn\$25.00 per share, plus an amount equal to all declared and unpaid dividends thereon to, but excluding the date fixed for redemption. The holders of the Series 2 Shares had and will have the right to convert their shares into Cumulative Floating Rate Preferred Shares, Series 3 (the "Series 3 Shares") of the subsidiary, subject to certain conditions, on December 31, 2014 and on December 31 of every fifth year thereafter. The holders of Series 3 Shares will be entitled to receive quarterly floating rate cumulative dividends, as and when declared by the board of directors of the subsidiary, at a rate equal to the sum of the then 90-day Government of Canada Treasury bill rate and 4.18%. On December 31, 2014, 1,661,906 of Series 2 shares were converted to Series 3 shares.

The Series 1 Shares, the Series 2 Shares and the Series 3 Shares are fully and unconditionally guaranteed by us and by the Partnership on a subordinated basis as to: (i) the payment of dividends, as and when declared; (ii) the payment of amounts due on a redemption for cash; and (iii) the payment of amounts due on the liquidation, dissolution or winding up of the subsidiary company. If, and for so long as, the declaration or payment of dividends on the Series 1 Shares, the Series 2 Shares or the Series 3 Shares is in arrears, the Partnership will not make any distributions on its limited partnership units and we will not pay any dividends on our common shares.

The subsidiary company paid aggregate dividends of \$8.8 million on the Series 1 Shares, Series 2 Shares and Series 3 in 2015 as compared to \$11.6 million in 2014.

20. Basic and diluted earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average common shares outstanding during their respective period. Diluted earnings (loss) per share is computed including dilutive potential shares as if they were outstanding shares during the year. Dilutive potential shares include shares that would be issued if all of the convertible debentures were converted into shares at January 1, 2015. Dilutive potential shares also include the weighted average number of shares, as of the date such notional units were granted, that would be issued if the unvested notional units outstanding under the LTIP were vested and redeemed for shares under the terms of the LTIP.

Because we reported a loss for the years ended December 31, 2015, 2014 and 2013, diluted earnings per share are equal to basic earnings per share as the inclusion of potentially dilutive shares in the computation is anti-dilutive.

ATLANTIC POWER CORPORATION
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The following table sets forth the diluted net income and potentially dilutive shares utilized in the per share calculation for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
Numerator:			
Loss from continuing operations attributable to Atlantic Power Corporation	\$ (92.9)	\$ (164.8)	\$ (36.2)
Income (loss) from discontinued operations, net of tax	30.5	(12.6)	3.2
Net loss attributable to Atlantic Power Corporation	\$ (62.4)	\$ (177.4)	\$ (33.0)
Denominator:			
Weighted average basic shares outstanding	121.9	120.7	119.9
Dilutive potential shares:			
Convertible debentures	22.7	27.7	27.7
LTIP notional units	0.2	0.3	0.7
Potentially dilutive shares	144.8	148.7	148.3
Diluted loss per share from continuing operations attributable to Atlantic Power Corporation	\$ (0.76)	\$ (1.37)	\$ (0.30)
Diluted earnings (loss) per share from discontinued operations	0.25	(0.10)	0.02
Diluted loss per share attributable to Atlantic Power Corporation	\$ (0.51)	\$ (1.47)	\$ (0.28)

Potentially dilutive shares from convertible debentures have been excluded from fully diluted shares in the years ended December 31, 2015, 2014 and 2013 because their impact would be anti-dilutive.

21. Discontinued operations

On March 31, 2015, APT, our wholly-owned, direct subsidiary, entered into the Purchase Agreement with TerraForm, an affiliate of SunEdison, Inc., to sell our Wind Projects. On June 26, 2015, the sale was completed for aggregate cash proceeds of approximately \$335 million after transaction fees, exclusive of transaction-related taxes. We recorded a \$46.8 million gain on sale, which is included as a component of income from discontinued operations in the consolidated statements of operations for the year ended December 31, 2015.

On March 6, 2014, we sold our outstanding membership interests in Greeley for approximately \$1.0 million and recorded a \$2.1 million non cash gain on the sale related to the write off of asset retirement obligations. Greeley is accounted for as a component of discontinued operations in the consolidated statements of operations for the years ended December 31, 2015, 2014, and 2013, respectively.

On November 5, 2013, we completed the sale of our 60% interest in Rollcast to its remaining shareholders. As consideration for the sale, we were assigned asset management contracts valued at \$0.5 million for the Cadillac and Piedmont projects as well as the remaining 2% ownership interest in Piedmont bringing our total ownership to 100%. In return, we paid \$0.5 million in cash to the minority owner and forgave an outstanding \$1.0 million loan that was provided by us to Rollcast to fund working capital during 2013. Rollcast's net loss is recorded as loss from discontinued operations in the consolidated statements of operations for the year ended December 31, 2013.

The Florida Projects and Path 15 were sold on April 12, 2013 and April 30, 2013, respectively. Accordingly, the projects' net income (loss) is recorded as income (loss) from discontinued operations, net of tax in the statements of operations for the years ended December 31, 2013.

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The following table summarizes the December 31, 2014 financial position of the Wind Projects that were classified as assets held for sale:

	December 31, 2014
Current assets:	
Cash and cash equivalents	\$ 3.9
Accounts receivable	11.2
Other current assets	2.4
	17.5
Non-current assets:	
Property, Plant & Equipment	710.5
Equity investments in unconsolidated affiliates	37.0
Other intangible assets, net	4.3
Restricted cash	19.1
Other assets	2.0
Assets held for sale	\$ 790.4
Current liabilities:	
Accounts payable and other accrued liabilities	\$ 5.9
Current portion of long-term debt	6.4
Current portion of derivative instruments liability	3.1
	15.4
Long term liabilities	
Long-term debt	242.4
Derivative instruments liability	10.0
Other long-term liabilities	4.0
Liabilities held for sale	\$ 271.8
Noncontrolling interests held for sale	239.0

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The following tables summarize the revenue, loss from operations, and income tax expense of the Wind Projects, Greeley, Rollcast, Path 15 and the Florida Projects for the years ended December 31, 2015, 2014, and 2013:

	Year Ended December 31,		
	2015	2014	2013
Revenue	\$ 34.8	\$ 79.3	\$ 149.9
Project expenses:			
Fuel	—	—	30.6
Operations and maintenance	10.8	21.1	33.2
Depreciation and amortization	10.3	40.3	52.1
	21.1	61.4	115.9
Project other income (expense):			
Change in fair value of derivatives	(0.7)	(15.5)	34.7
Equity in earnings of unconsolidated affiliates	(0.5)	0.3	1.1
Interest expense, net	(6.7)	(14.2)	(18.1)
Gain (loss) on sale of asset	46.8	2.0	(37.8)
	38.9	(27.4)	(20.1)
(Loss) income from operations of discontinued businesses	52.6	(9.5)	13.9
Income tax expense	33.1	19.5	14.1
(Loss) income from operations of discontinued businesses, net of tax	19.5	(29.0)	(0.2)
Net loss attributable to noncontrolling interests of discontinued businesses	(11.0)	(16.4)	(3.4)
(Loss) income from operations of discontinued businesses, net of noncontrolling interests	\$ 30.5	\$ (12.6)	\$ 3.2

The following table summarizes the operating and investing cash flows of the Wind Projects for the years ended December 31, 2015 and 2014:

	December 31,	
	2015	2014
Cash provided by operating activities	\$ 21.9	\$ 48.3
Cash (used in) provided by investing activities	(12.8)	4.8

Basic and diluted earnings (loss) per share related to income (loss) from discontinued operations for the Wind Projects, Florida Projects, Path 15, Greeley and Rollcast was \$0.25, (\$0.10), and \$0.02 for the years ended December 31, 2015, 2014, and 2013 respectively.

22. Segment and geographic information

We have four reportable segments: East U.S., West U.S., Canada and Un-Allocated Corporate. We revised our reportable business segments in the second quarter of 2015 as a result of significant project asset sales and in order to align our reportable business segments with changes in management's structure, resource allocation and performance assessment in making decisions regarding our operations. Our financial results for the years ended December 31, 2014 and 2013 have been presented to reflect these changes in operating segments. We analyze the performance of our operating segments based on Project Adjusted EBITDA which is defined as project income (loss) plus interest, taxes, depreciation and amortization (including non-cash impairment charges) and changes in fair value of derivative instruments. Project Adjusted EBITDA is not a measure recognized under GAAP and does not have a standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other companies. We use Project Adjusted EBITDA to provide comparative information about project performance without considering how projects are capitalized or whether they contain derivative contracts that are required to be recorded at

ATLANTIC POWER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(in millions of U.S. dollars, except per-share amounts)

fair value. Our equity investments in unconsolidated affiliates are presented on a proportionally consolidated basis in Project Adjusted EBITDA and in the reconciliation of Project Adjusted EBITDA to project income (loss). Wind projects, which are components of the former Wind segment, Greeley and Path 15, which are components of the West U.S. segment, the Florida Projects, which are components of the East U.S. segment, and Rollcast, which is a component of Un-Allocated Corporate, are included in the income (loss) from discontinued operations line item in the table below. We have adjusted prior periods to reflect this reclassification. A reconciliation of Project Adjusted EBITDA to project income (loss) is included in the table below:

	<u>East U.S.</u>	<u>West U.S.</u>	<u>Canada</u>	<u>Un-Allocated Corporate</u>	<u>Consolidated</u>
Year Ended December 31, 2015					
Project revenues	\$ 150.0	\$ 104.6	\$ 164.7	\$ 0.9	\$ 420.2
Segment assets	819.9	228.6	423.8	244.8	1,717.1
Goodwill	47.8	—	86.7	—	134.5
Capital expenditures	7.0	0.5	3.4	0.4	11.3
Project Adjusted EBITDA	\$ 104.8	\$ 46.9	\$ 59.7	\$ (2.5)	\$ 208.9
Change in fair value of derivative instruments	—	—	(16.0)	0.6	(15.4)
Depreciation and amortization	42.5	39.3	47.2	1.1	130.1
Interest, net	9.8	—	—	—	9.8
Other project expense	13.8	—	114.2	(2.2)	125.8
Project income (loss)	<u>38.7</u>	<u>7.6</u>	<u>(85.7)</u>	<u>(2.0)</u>	<u>(41.4)</u>
Administration	—	—	—	29.4	29.4
Interest, net	—	—	—	107.1	107.1
Foreign exchange gain	—	—	—	(60.3)	(60.3)
Other income, net	—	—	—	(3.1)	(3.1)
Income (loss) from continuing operations before income taxes	38.7	7.6	(85.7)	(75.1)	(114.5)
Income tax benefit	—	—	—	(30.4)	(30.4)
Net income (loss) from continuing operations	<u>\$ 38.7</u>	<u>\$ 7.6</u>	<u>\$ (85.7)</u>	<u>\$ (44.7)</u>	<u>\$ (84.1)</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(in millions of U.S. dollars, except per-share amounts)

	East U.S.	West U.S.	Canada	Un-Allocated Corporate	Consolidated
Year Ended December 31, 2014					
Project revenues	\$ 167.1	\$ 123.6	\$ 198.3	\$ 0.9	\$ 489.9
Segment assets	1,103.2	396.7	676.8	739.3	2,916.0
Goodwill	61.5	—	135.7	—	197.2
Capital expenditures	3.1	0.4	7.8	1.1	12.4
Project Adjusted EBITDA	\$ 106.4	\$ 54.2	\$ 76.3	\$ (7.5)	\$ 229.4
Change in fair value of derivative instruments	4.3	—	(11.7)	1.2	(6.2)
Depreciation and amortization	55.0	40.3	59.9	0.7	155.9
Interest, net	20.6	(0.1)	—	—	20.5
Other project expense (income)	17.8	41.6	38.6	0.1	98.1
Project income (loss)	8.7	(27.6)	(10.5)	(9.5)	(38.9)
Administration	—	—	—	37.9	37.9
Interest, net	—	—	—	146.7	146.7
Foreign exchange gain	—	—	—	(38.3)	(38.3)
Other income, net	—	—	—	(0.6)	(0.6)
Income (loss) from continuing operations before income taxes	8.7	(27.6)	(10.5)	(155.2)	(184.6)
Income tax benefit	—	—	—	(31.4)	(31.4)
Net income (loss) from continuing operations	<u>\$ 8.7</u>	<u>\$ (27.6)</u>	<u>\$ (10.5)</u>	<u>\$ (123.8)</u>	<u>\$ (153.2)</u>

	East U.S.	West U.S.	Canada	Un-Allocated Corporate	Consolidated
Year Ended December 31, 2013					
Project revenues	\$ 146.1	\$ 119.1	\$ 208.6	\$ (0.4)	\$ 473.4
Segment assets	935.4	493.4	967.9	144.4	2,541.1
Goodwill	79.4	50.3	166.6	—	296.3
Capital expenditures	1.5	0.1	2.4	3.6	7.6
Project Adjusted EBITDA	\$ 105.2	\$ 57.1	\$ 65.6	\$ (18.6)	\$ 209.3
Change in fair value of derivative instruments	(5.2)	—	(19.2)	—	(24.4)
Depreciation and amortization	54.9	41.4	64.7	0.5	161.5
Interest, net	20.7	0.3	0.1	(2.1)	19.0
Other project expense	33.2	(26.3)	1.9	(0.6)	8.2
Project (loss) income	1.6	41.7	18.1	(16.4)	45.0
Administration	—	—	—	35.2	35.2
Interest, net	—	—	—	104.1	104.1
Foreign exchange loss	—	—	—	(27.4)	(27.4)
Other income, net	—	—	—	(10.5)	(10.5)
Income (loss) from continuing operations before income taxes	1.6	41.7	18.1	(117.8)	(56.4)
Income tax benefit	—	—	—	(32.8)	(32.8)
Net income (loss) from continuing operations	<u>\$ 1.6</u>	<u>\$ 41.7</u>	<u>\$ 18.1</u>	<u>\$ (85.0)</u>	<u>\$ (23.6)</u>

ATLANTIC POWER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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The table below provides information, by country, about our consolidated operations for each of the years ended December 31, 2015, 2014 and 2013 and Property, Plant & Equipment as of December 31, 2015 and 2014, respectively. Revenue is recorded in the country in which it is earned and assets are recorded in the country in which they are located.

	Revenue			Property, Plant & Equipment, net	
	2015	2014	2013	2015	2014
United States	\$ 255.5	\$ 291.6	\$ 264.8	\$ 529.6	\$ 553.5
Canada	164.7	198.3	208.6	248.1	409.4
Total	\$ 420.2	\$ 489.9	\$ 473.4	\$ 777.7	\$ 962.9

Ontario Electric Financial Corporation (“OEF”), San Diego Gas & Electric, and BC Hydro provided 29.2%, 11.0%, and 10.0%, respectively, of total consolidated revenues for the year ended December 31, 2015. OEF, San Diego Gas & Electric, and BC Hydro provided 25.8%, 15.1%, and 9.1%, respectively, of total consolidated revenues for the year ended December 31, 2014. OEF purchases electricity from the Calstock, Kapuskasing, Nipigon, North Bay and Tunis projects in the East U.S. segment. San Diego Gas & Electric purchases electricity from the Naval Station, Naval Training Center, and North Island projects in the West U.S. segment. BC Hydro purchases electricity from the Mamquam, Moresby Lake, and Williams Lake projects in the West U.S. segment.

23. Commitments and contingencies

Commitments

Operating Lease Commitments

We lease our office properties and equipment under operating leases expiring on various dates through 2021. Certain operating lease agreements over their lease term include provisions for scheduled rent increases. We recognize the effects of these scheduled rent increases on a straight-line basis over the lease term. Lease expense under operating leases was \$1.5 million, \$1.0 million and \$1.0 million for the years ended December 31, 2015, 2014, and 2013, respectively. Future minimum lease commitments under operating leases for the years ending after December 31, 2015, are as follows:

2016	\$ 0.6
2017	0.6
2018	0.6
2019	0.2
2020	—
Thereafter	—
	<u>\$ 2.0</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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Long-Term Service Commitments

Our projects have entered into long-term contractual arrangements to obtain maintenance services for turbine equipment expiring on various dates through 2022. As of December 31, 2015, our commitments under such outstanding agreements are estimated as follows:

2016	\$ 0.4
2017	0.4
2018	0.4
2019	0.4
2020	0.4
Thereafter	0.6
	\$ 2.6

Fuel Supply and Transportation Commitments

We have entered into long-term contractual arrangements to procure fuel and transportation services for our projects. As of December 31, 2015, our commitments under such outstanding agreements are estimated as follows:

2016	\$ 54.0
2017	20.8
2018	14.4
2019	10.4
2020	10.4
Thereafter	20.8
	\$ 130.8

Contingencies

Shareholder class action lawsuits

Massachusetts District Court Actions

On March 8, 14, 15 and 25, 2013 and April 23, 2013, five purported securities fraud class action complaints were filed by alleged investors in Atlantic Power common shares in the United States District Court for the District of Massachusetts (the "District Court") against Atlantic Power and Barry E. Welch, our former President and Chief Executive Officer and a former Director of Atlantic Power, in each of the actions, and, in addition to Mr. Welch, some or all of Patrick J. Welch, our former Chief Financial Officer, Lisa Donahue, our former interim Chief Financial Officer, and Terrence Ronan, our current Chief Financial Officer, in certain of the actions (the "Proposed Individual Defendants," and together with Atlantic Power, the "Proposed Defendants") (the "U.S. Actions").

The District Court complaints differed in terms of the identities of the Proposed Individual Defendants they named, as noted above, the named plaintiffs, and the purported class period they alleged (July 23, 2010 to March 4, 2013 in three of the District Court actions and August 8, 2012 to February 28, 2013 in the other two District Court actions), but in general each alleged, among other things, that in Atlantic Power's press releases, quarterly and year end filings and conference calls with analysts and investors, Atlantic Power and the Proposed Individual Defendants made materially false and misleading statements and omissions regarding the sustainability of Atlantic Power's common share dividend that artificially inflated the price of Atlantic Power's common shares. The District Court complaints assert

ATLANTIC POWER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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claims under Section 10(b) and, against the Proposed Individual Defendants, under Section 20(a) of the Securities Exchange Act of 1934, as amended.

The parties to each District Court action filed joint motions requesting that the District Court set a schedule in the District Court actions, including: (i) setting a deadline for the lead plaintiff to file a consolidated amended class action complaint (the “Amended Complaint”), after the appointment of lead plaintiff and counsel; (ii) setting a deadline for Proposed Defendants to answer, file a motion to dismiss or otherwise respond to the Amended Complaint (and for subsequent briefing regarding any such motion to dismiss); and (iii) confirming that the Proposed Defendants need not answer, move to dismiss or otherwise respond to any of the five District Court complaints prior to the filing of the Amended Complaint. On May 7, 2013, each of six groups of investors (the “U.S. Lead Plaintiff Applicants”) filed a motion (collectively, the “U.S. Lead Plaintiff Motions”) with the District Court seeking: (i) to consolidate the five U.S. Actions (the “Consolidated U.S. Action”); (ii) to be appointed lead plaintiff in the Consolidated U.S. Action; and (iii) to have its choice of lead counsel confirmed. On May 22, 2013, three of the U.S. Lead Plaintiff Applicants filed oppositions to the other U.S. Lead Plaintiff Motions, and on June 6, 2013, those three Lead Plaintiff Applicants filed replies in support of their respective motions. On August 19, 2013, the District Court held a status conference to address certain issues raised by the U.S. Lead Plaintiff Motions, entered an order consolidating the five U.S. Actions, and directed two of the six U.S. Lead Plaintiff Applicants to file supplemental submissions by September 9, 2013. Both of those U.S. Lead Plaintiff Applicants filed the requested supplemental submissions, and then sought leave to file additional briefing. The Court granted those requests for leave and additional submissions were filed on September 13 and September 18, 2013.

On March 31, 2014, the Court entered an order consolidating the five individual U.S. Actions, appointing the Feldman, Shapero, Carter and Smith investor group (one of the six U.S. Lead Plaintiffs Applicants) as Lead Plaintiff and approving Lead Plaintiff’s selection of counsel. The Court also granted the parties’ joint motion regarding initial case scheduling and directed the parties to resubmit a proposed schedule that contains specific dates. In response to that directive, on April 7, 2014, Lead Plaintiff filed an application and proposed order, which sought an extension of the schedule contained in the joint motion. The application and proposed order requested that: (i) Lead Plaintiff be permitted to file an amended complaint on or before May 30, 2014, (ii) the Proposed Defendants be permitted to move to dismiss or otherwise respond to the amended complaint on or before July 29, 2014, (iii) Lead Plaintiff be permitted to file an opposition, if any, on or before September 24, 2014, and (iv) the Proposed Defendants be permitted to file a reply to Lead Plaintiff’s opposition on or before November 13, 2014. Proposed Defendants did not object to the schedule proposed by Lead Plaintiff. On May 29, 2014, Lead Plaintiff filed a renewed application and proposed order, which sought another extension of the schedule, and on June 3, 2014, Lead Plaintiff and the Proposed Defendants jointly filed a stipulation and proposed order requesting the following revised schedule: (i) Lead Plaintiff be permitted to file an amended complaint on or before June 6, 2014, (ii) the Proposed Defendants be permitted to move to dismiss or otherwise respond to the amended complaint on or before August 5, 2014, (iii) Lead Plaintiff be permitted to file an opposition, if any, on or before October 6, 2014, and (iv) the Proposed Defendants be permitted to file a reply to Lead Plaintiff’s opposition on or before November 20, 2014. On June 3, 2014, the Court entered an order setting this requested schedule.

On June 6, 2014, Lead Plaintiff filed the amended complaint (the “Amended Complaint”). The Amended Complaint names as defendants Barry E. Welch and Terrence Ronan (the “Individual Defendants”) and Atlantic Power (together with the Individual Defendants, the “Defendants”) and alleges a class period of June 20, 2011 to March 4, 2013 (the “Class Period”). The Amended Complaint makes allegations that are substantially similar to those asserted in the five initial complaints. Specifically, the Amended Complaint alleges, among other things, that in Atlantic Power’s press releases, quarterly and year end filings and conference calls with analysts and investors, Defendants made materially false and misleading statements and omissions regarding the sustainability of Atlantic Power’s common share dividend, which artificially inflated the price of Atlantic Power’s common shares during the class period. The Amended Complaint continues to assert claims under Section 10(b) and, against the Individual Defendants, under Section 20(a) of the

ATLANTIC POWER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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Securities Exchange Act of 1934, as amended. It also asserts a claim for unjust enrichment against the Individual Defendants. In accordance with the schedule referenced above, Defendants filed their motion to dismiss the consolidated (the “Motion to Dismiss”) U.S. Action on August 5, 2014.

On September 30, 2014, citing Atlantic Power’s September 16, 2014 announcement of changes to its dividend and its President and CEO transition, Lead Plaintiff filed a motion (the “Extension Motion”) requesting a thirty day extension of its October 6, 2014 deadline for filing its brief in opposition to the Motion to Dismiss, in which to determine whether to file a second amended complaint. On October 2, 2014, the Court entered an order (i) extending Lead Plaintiff’s deadline to file its opposition to the Motion to Dismiss to October 10, 2014 and (ii) requiring Defendants to file their opposition to the Extension Motion by October 2, 2014. In accordance with this order, on October 2, 2014, Defendants filed their opposition to the Extension Motion. On October 10, 2014, Lead Plaintiff filed its opposition to the Motion to Dismiss (the “Opposition”) and also filed a motion for leave to amend the Amended Complaint, attaching a proposed second amended complaint. On October 21, 2014, Lead Plaintiff and Defendants filed a joint scheduling motion requesting (i) November 7, 2014 as the deadline for Defendants to file their opposition to Lead Plaintiff’s motion for leave to amend the Amended Complaint; (ii) November 24, 2014 as the deadline for Defendants to file their reply in further support of the Motion to Dismiss; and (iii) November 24, 2014 as the deadline for Lead Plaintiff to file its reply in further support of its motion for leave to amend the Amended Complaint. On October 22, 2014, the Court entered an order setting this requested schedule. Pursuant to that order, the Motion to Dismiss and Extension Motion were fully briefed on November 24, 2014. On January 22, 2015, the Court held oral argument on the Motion to Dismiss and Extension Motion.

On January 30, 2015, Lead Plaintiff filed a motion for leave to file a supplemental submission in opposition to Defendants’ motion to dismiss (the “Motion for Leave”). The Court denied the Motion for Leave in an order entered on February 5, 2015, but permitted Lead Plaintiff to submit a brief letter identifying supplemental authorities. Lead Plaintiff filed that letter on February 9, 2015, and Defendants filed a response on February 10, 2015.

On March 13, 2015, the District Court entered an order granting Defendants’ motion to dismiss and denying Lead Plaintiff’s motion to amend the Amended Complaint, and on March 18, 2015, the District Court entered an order dismissing the Amended Complaint with prejudice.

On April 16, 2015, Lead Plaintiff filed a notice of appeal to the United States Court of Appeals for the First Circuit (the “First Circuit”). On August 19, 2015, Lead Plaintiff filed with the First Circuit its brief appealing the dismissal of its securities fraud claims.

On September 4, 2015, while appellate proceedings were still on-going, Lead Plaintiff filed with the District Court a Rule 60(b)(2) motion to vacate the judgment based on evidence cited in the Ontario Superior Court’s decision dismissing the Canadian action (for more information on that litigation, see below under “Canadian Actions”). On September 17, 2015, Atlantic Power opposed Lead Plaintiff’s motion.

On September 18, 2015, Lead Plaintiff requested a stay of the appellate proceedings in the First Circuit pending resolution of the District Court’s decision on its Rule 60(b)(2) motion. On September 21, 2015, Atlantic Power opposed Lead Plaintiff’s request for a stay and tendered to the First Circuit its opposition brief to Lead Plaintiff’s appeal. On October 5, 2015, the First Circuit granted Lead Plaintiff’s request for a stay in the appellate proceeding pending the District Court’s decision on the Rule 60(b)(2) motion.

On October 21, 2015, the District Court entered an order denying Lead Plaintiff’s Rule 60(b)(2) motion to vacate the judgment.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(in millions of U.S. dollars, except per-share amounts)

On October 29, 2015, pursuant to Federal Rule of Appellate Procedure 42(b), the parties jointly stipulated to the voluntary dismissal of the appeal before the First Circuit with prejudice. On November 30, 2015, the First Circuit ordered that the case be voluntarily dismissed.

Canadian Actions

On March 19, 2013, April 2, 2013 and May 10, 2013, three notices of action relating to Canadian securities class action claims against the Proposed Defendants were also issued by alleged investors in Atlantic Power common shares, and in one of the actions, holders of Atlantic Power convertible debentures, with the Ontario Superior Court of Justice in the Province of Ontario. On April 8, 2013, a similar claim issued by alleged investors in Atlantic Power common shares seeking to initiate a class action against the Proposed Defendants was filed with the Superior Court of Quebec in the Province of Quebec (the “Canadian Actions”).

On April 17, May 22, and June 7, 2013 statements of claim relating to the notices of action were filed with the Ontario Superior Court of Justice in the Province of Ontario.

On August 30, 2013, the three Ontario actions were succeeded by one action with an amended claim being issued on behalf of Jacqueline Coffin and Sandra Lowry. As in the U.S. Action, this claim named the Company, Barry E. Welch and Terrence Ronan as Defendants. The Plaintiffs sought leave to commence an action for statutory misrepresentation under the Ontario Securities Act and asserted common law claims for misrepresentation.

The Plaintiffs’ motions for leave and certification were heard on May 20-21, 2015.

On July 24, 2015, the Ontario Superior Court of Justice issued a decision denying the Plaintiffs’ motion for leave and certification. The Superior Court granted leave to reconstitute a claim for debenture holders but required that there be a debenture holder as plaintiff, that the claim be amended and that the Plaintiffs pay the Defendants partial indemnity costs of responding to the Plaintiffs’ motion.

The Plaintiffs appealed the July 24 decision on leave and certification to the Ontario Court of Appeal.

The appeal was subsequently abandoned by the Plaintiffs, and the Ontario action was dismissed by Order dated December 2, 2015, the Defendants agreeing not to claim costs from the Plaintiffs.

The proposed Quebec class action was suspended by the Superior Court of Quebec pending the outcome of the motions for leave and certification of the Ontario action as a class proceeding. Following the result in Ontario, the petitioner in the Quebec proceedings has agreed in principle with the Defendants to discontinue the Quebec proceedings without costs. The discontinuance will require the authorization of the Superior Court of Quebec. The parties are preparing materials to obtain this authorization.

The petitioner in the Quebec proceedings did not estimate the alleged damages of the proposed class. Because the Quebec proceedings were suspended and then an agreement to discontinue was made in its early stages, Atlantic Power is unable to reasonably estimate the possible loss or range of losses, if any, arising from this litigation, if it were to continue. If the action were to continue, Atlantic Power intends to defend against it vigorously.

Other

In addition to the other matters listed, from time to time, Atlantic Power, its subsidiaries and the projects are parties to disputes and litigation that arise in the normal course of business. We assess our exposure to these matters and record estimated loss contingencies when a loss is likely and can be reasonably estimated. There are no matters pending

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(in millions of U.S. dollars, except per-share amounts)

which are expected to have a material adverse impact on our financial position or results of operations or have been reserved for as of December 31, 2015.

24. Unaudited selected quarterly financial data

Unaudited selected quarterly financial data are as follows:

	Quarter Ended				Total
	2015				
	December 31,	September 30,	June 30,	March 31,	
Project revenue	\$ 98.4	\$ 107.4	\$ 103.1	\$ 111.3	\$ 420.2
Project (loss) income	(104.3)	24.2	17.2	21.5	(41.4)
Loss (income) from continuing operations	(85.4)	(3.3)	(20.0)	24.6	(84.1)
Income (loss) from discontinued operations	(1.3)	(0.5)	33.6	(12.3)	19.5
Net (loss) income attributable to Atlantic Power Corporation	(88.6)	(6.0)	14.7	17.5	(62.4)
(Loss) income per share from continuing operations attributable to Atlantic Power Corporation	\$ (0.71)	\$ (0.05)	\$ (0.18)	\$ 0.18	\$ (0.76)
(Loss) income per share from discontinued operations	(0.01)	—	0.30	(0.04)	0.25
(Loss) income per share attributable to Atlantic Power Corporation	\$ (0.72)	\$ (0.05)	\$ 0.12	\$ 0.14	\$ (0.51)
Weighted average number of common shares outstanding-basic	122.1	122.1	121.9	121.5	121.9
Diluted (loss) income per share from continuing operations attributable to Atlantic Power Corporation	\$ (0.71)	\$ (0.05)	\$ (0.18)	\$ 0.18	\$ (0.76)
Diluted (loss) income per share from discontinued operations	(0.01)	—	0.30	(0.04)	0.25
Diluted (loss) income per share attributable to Atlantic Power Corporation	\$ (0.72)	\$ (0.05)	\$ 0.12	\$ 0.14	\$ (0.51)
Weighted average number of common shares outstanding-diluted ⁽¹⁾	122.1	122.1	122.1	122.4	121.9
Dividends declared per common share	0.02	0.02	0.02	0.03	0.09

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(in millions of U.S. dollars, except per-share amounts)

	Quarter Ended				Total
	2014				
	December 31,	September 30,	June 30,	March 31,	
Project revenue	\$ 119.9	\$ 121.6	\$ 123.1	\$ 125.3	\$ 489.9
Project income (loss)	2.1	(64.7)	(2.0)	25.7	(38.9)
Loss from continuing operations	(5.1)	(83.2)	(50.7)	(14.2)	(153.2)
Loss from discontinued operations	(7.3)	(7.7)	(5.7)	(8.3)	(29.0)
Net loss attributable to Atlantic Power Corporation	(10.6)	(88.7)	(59.2)	(18.9)	(177.4)
Loss per share from continuing operations attributable to Atlantic Power Corporation	\$ (0.07)	\$ (0.71)	\$ (0.45)	\$ (0.14)	\$ (1.37)
Loss per share from discontinued operations	(0.02)	(0.02)	(0.04)	(0.02)	(0.10)
Loss per share attributable to Atlantic Power Corporation	(0.09)	\$ (0.73)	\$ (0.49)	\$ (0.16)	\$ (1.47)
Weighted average number of common shares outstanding-basic	\$ 121.0	120.7	120.6	120.3	120.7
Diluted loss per share from continuing operations attributable to Atlantic Power Corporation	(0.07)	\$ (0.71)	\$ (0.45)	\$ (0.14)	\$ (1.37)
Diluted loss per share from discontinued operations	\$ (0.02)	(0.02)	(0.04)	(0.02)	(0.10)
Diluted loss per share attributable to Atlantic Power Corporation	(0.09)	\$ (0.73)	\$ (0.49)	\$ (0.16)	\$ (1.47)
Weighted average number of common shares outstanding-diluted	121.0	120.7	120.6	120.3	120.7
Dividends per common share	0.03	0.07	0.10	0.10	0.29

25. Guarantees

We and our subsidiaries enter into various contracts that include indemnification and guarantee provisions as a routine part of our business activities. Examples of these contracts include asset purchases and sale agreements, joint venture agreements, operation and maintenance agreements, and other types of contractual agreements with vendors and other third parties, as well as affiliates. These contracts generally indemnify the counterparty for tax, environmental liability, litigation and other matters, as well as breaches of representations, warranties and covenants set forth in these agreements.

In connection with the Purchase Agreement for the sale of the Wind Projects, on March 31, 2015, we entered into the Guaranty Agreement, under which we agreed to guarantee the full and prompt payment of all payment obligations of APT under the Purchase Agreement as and when they shall become due. APT and TerraForm have agreed to utilize the representation and warranty insurance for coverage of certain indemnification obligations, subject to a cap and certain exclusions.

ATLANTIC POWER CORPORATION
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(in millions of U.S. dollars)

	<u>Balance at Beginning of Period</u>	<u>Charged to Costs and Expenses</u>	<u>Charged to Other Accounts</u>	<u>Deductions</u>	<u>Balance at End of Period</u>
Income tax valuation allowance, deducted from deferred tax assets:					
Year ended December 31, 2015	\$ 168.6	\$ 6.6	\$ —	\$ —	\$ 175.2
Year ended December 31, 2014	128.1	40.5	—	—	168.6
Year ended December 31, 2013	\$ 116.0	\$ 12.1	\$ —	\$ —	\$ 128.1

Subsidiaries of Atlantic Power Corporation

(as of March 3, 2016)

<u>Subsidiary</u>	<u>State of Organization</u>
Atlantic Power Holdings, Inc.	Delaware
Atlantic Power Generation, Inc.	Delaware
Atlantic Power Transmission, Inc.	Delaware
Atlantic Power Services, LLC.....	Delaware
Atlantic Piedmont Holdings, LLC.....	Delaware
Atlantic Power (US) GP Holdings, Inc.	Delaware
AP USGP Holdings, LLC	Delaware
Piedmont Green Power, LLC	Delaware
Atlantic Cadillac Holdings, LLC.....	Delaware
Cadillac Renewable Energy, LLC.....	Delaware
Atlantic Power GP Inc.	British Columbia
Orlando Power Generation I, LLC	Delaware
Orlando Power Generation II, LLC.....	Delaware
Orlando Cogen Limited, LP	Delaware
Baker Lake Hydro, LLC.....	Delaware
Olympia Hydro, LLC	Delaware
Concrete Hydro Partners, LP	Minnesota
Koma Kulshan Associates, LP	California
Harbor Capital Holdings, LLC.....	Delaware
Epsilon Power Partners, LLC.....	Delaware
Chambers Cogeneration LP	Delaware
Atlantic Ridgeline Holdings, LLC.	Delaware
Delta Person LLC.....	Delaware
Epsilon Power Funding, LLC.....	Delaware
Teton East Coast Generation, LLC.	Delaware
Teton Selkirk, LLC	Delaware
Selkirk Cogen Partners LP	Delaware
Selkirk Cogen Funding Corporation	Delaware
Atlantic Power Services Canada GP Inc.	British Columbia
Atlantic Power Services Canada LP.....	Ontario
Atlantic Power Limited Partnership (f/k/a Capital Power Income L.P.).....	Ontario
Atlantic Power GP Inc. (f/k/a CPI Income Services Ltd.).....	British Columbia
Atlantic Power Preferred Equity Ltd. (f/k/a CPI Preferred Equity Ltd.).....	Alberta
Atlantic Power Energy Services (Canada) Inc. (f/k/a CP Energy Services (Canada) Inc.).....	British Columbia
Atlantic Power (US) GP (f/k/a CP Power (US) GP)	Delaware
Atlantic Power (Coastal Rivers) Corporation (f/k/a Coastal Rivers Power Corporation)	British Columbia
Atlantic Power (Williams Lake) Ltd. (f/k/a CPI Power (Williams Lake) Ltd.)	British Columbia
Atlantic Power FPLP Holdings LLC (f/k/a CPI FPLP Holdings LLC)	Delaware
Frederickson Power Management Inc.	Washington
Atlantic Power GP II Inc.	British Columbia
APLP Holdings Limited Partnership.....	Ontario
Frederickson Power LP	Washington
APDC, Inc. (f/k/a CPIDC, Inc.)	Washington

<u>Subsidiary</u>	<u>State of Organization</u>
AP Power Holdings Inc. (f/k/a CPI Power Holdings Inc.)	Delaware
Atlantic Power USA LLC (f/k/a CPI Power USA LLC)	Delaware
Atlantic Power USA Holdings LLC (f/k/a CPI Power Holdings USA LLC)	Delaware
Atlantic Power Enterprises LLC (f/k/a CPI Power Enterprises LLC)	Delaware
Manchief Inc.	Delaware
Manchief Holding LLC	Delaware
Manchief Power Company LLC	Delaware
Curtis Palmer LLC	Delaware
AP (Curtis Palmer) LLC	Delaware
Curtis/Palmer Hydroelectric Company L.P.	New York
Atlantic Power Energy Services (US) LLC (f/k/a CPI Energy Services (US) LLC)	Delaware
Morris Cogeneration, LLC	Delaware
Atlantic Power USA Ventures, LLC (f/k/a CPI USA Ventures LLC)	Delaware
EF Oxnard LLC	California
EF Kenilworth LLC	California
Applied Energy LLC	California
Ridgeline Energy Holdings Inc.	Delaware
Ridgeline Energy LLC	Delaware
Ridgeline Energy Solar LLC	Delaware

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Atlantic Power Corporation:

We consent to the incorporation by reference in the registration statements (No. 333-172926 and No. 333-197940) on Form S-8 of Atlantic Power Corporation and subsidiaries (the “Company”) of our reports dated March 7, 2016, with respect to the consolidated balance sheets of the Company as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive loss, shareholders’ equity and cash flows for each of the years in the three year period ended December 31, 2015, and the related financial statement schedule “Schedule II — Valuation and Qualifying Accounts,” and the effectiveness of internal control over financial reporting as of December 31, 2015, which reports appear in the December 31, 2015 annual report on Form 10-K of the Company.

Our report dated March 7, 2016, on the effectiveness of internal control over financial reporting as of December 31, 2015, expresses our opinion that the Company did not maintain effective internal control over financial reporting as of December 31, 2015 because of the effect of a material weakness on the achievement of the objectives of the control criteria and contains an explanatory paragraph that states a material weakness related to the Company’s internal controls over its long-lived asset and goodwill impairment tests has been identified and included in management’s assessment.

/s/ KPMG LLP
New York, New York
March 7, 2016

I, James J. Moore, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of Atlantic Power Corporation;
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 registrant as of, and for, the periods presented in this report;
4. The registrant'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 Rule 13a-15(f) and 15d-15(f)) for the registrant 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 registrant, 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 account principles;
 - c) Evaluated the effectiveness of the registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: March 7, 2016

/s/ JAMES J. MOORE, JR.

James J. Moore, Jr.

President and Chief Executive Officer

I, Terrence Ronan, certify that:

1. I have reviewed this Annual Report on Form 10-K of Atlantic Power Corporation;
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 registrant as of, and for, the periods presented in this report;
4. The registrant'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 registrant 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 registrant, 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 account principles;
 - c) Evaluated the effectiveness of the registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: March 7, 2016

/s/ TERRENCE RONAN

Terrence Ronan

*Chief Financial Officer (Duly Authorized Officer and
Principal Financial and Accounting Officer)*

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

The undersigned officer of Atlantic Power Corporation (the “Company”) hereby certifies to his knowledge that the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification shall not be deemed “filed” for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 regardless of any general incorporation language in such filing.

Date: March 7, 2016

/s/ JAMES J. MOORE, JR.

James J. Moore, Jr.

President and Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

The undersigned officer of Atlantic Power Corporation (the “Company”) hereby certifies to his knowledge that the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification shall not be deemed “filed” for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 regardless of any general incorporation language in such filing.

Date: March 7, 2016

/s/ TERRENCE RONAN

Terrence Ronan

*Chief Financial Officer (Duly Authorized Officer and
Principal Financial and Accounting Officer)*