ATLANTIC POWER CORP
Form 10-Q
August 08, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10 Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2016
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

COMMISSION FILE NUMBER 001 34691

ATLANTIC POWER CORPORATION

(Exact name of registrant as specified in its charter)

British Columbia, Canada	55 0886410
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3 Allied Drive, Suite 220	
Dedham, MA	02026
(Address of principal executive offices)	(Zip code)

(617) 977 2400

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b 2 of the Exchange Act. (Check one):

Large accelerated filer	Accelerated filer	Non accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b 2 of the Exchange Act). Yes No

The number of shares outstanding of the registrant’s Common Stock as of August 4, 2016 was 120,508,716.

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FORM 10 Q

THREE AND SIX MONTHS ENDED JUNE 30, 2016

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GENERAL

In this Quarterly Report on Form 10 Q, references to “Cdn$” and “Canadian dollars” are to the lawful currency of Canada and references to “$” and “US$” and “U.S. dollars” are to the lawful currency of the United States. All dollar amounts herein are in U.S. dollars, unless otherwise indicated.

Unless otherwise stated, or the context otherwise requires, references in this Quarterly Report on Form 10 Q to “we,” “us,” “our,” “Atlantic Power” and the “Company” refer to Atlantic Power Corporation, those entities owned or controlled by Atlantic Power Corporation and predecessors of Atlantic Power Corporation.

ATLANTIC POWER CORPORATION

CONSOLIDATED BALANCE SHEETS

(in millions of U.S. dollars)

	June 30, 2016 (unaudited)	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 154.2	$ 72.4
Restricted cash	14.3	15.2
Accounts receivable	42.9	39.6
Current portion of derivative instruments asset (Notes 7 and 8)	1.6	—
Inventory	17.3	16.9
Prepayments	8.6	8.3
Other current assets	2.5	4.5
Total current assets	241.4	156.9
Property, plant, and equipment, net of accumulated depreciation of $268.8 million and $236.3 at June 30, 2016 and December 31, 2015, respectively	768.1	777.7
Equity investments in unconsolidated affiliates (Note 4)	281.0	286.2
Power purchase agreements and intangible assets, net of accumulated amortization of $271.0 million and $238.0 million at June 30, 2016 and December 31, 2015, respectively	287.0	308.9
Goodwill	134.5	134.5
Derivative instruments asset (Notes 7 and 8)	1.1	0.3
Deferred income taxes	2.2	—
Other assets	6.0	6.7
Total assets	$ 1,721.3	$ 1,671.2
Liabilities		
Current liabilities:		
Accounts payable	$ 6.4	$ 6.9
Accrued interest	0.9	1.6
Other accrued liabilities	22.5	25.4
Current portion of long-term debt (Note 5)	96.4	15.8
Current portion of derivative instruments liability (Notes 7 and 8)	23.6	36.7
Other current liabilities	4.4	2.5
Total current liabilities	154.2	88.9
Long-term debt, net of unamortized discount and deferred financing costs (Note 5)	807.8	682.7
Convertible debentures, net of unamortized deferred financing costs (Note 6)	163.4	277.7
Derivative instruments liability (Notes 7 and 8)	28.5	20.8
Deferred income taxes	69.1	85.7

Power purchase and fuel supply agreement liabilities, net of accumulated amortization of $15.4 million and $14.0 million at June 30, 2016 and December 31, 2015, respectively	27.0	27.0
Other long-term liabilities	54.4	53.2
Total liabilities	1,304.4	1,236.0
Equity		
Common shares, no par value, unlimited authorized shares; 120,682,964 and 122,153,082 issued and outstanding at June 30, 2016 and December 31, 2015	1,286.8	1,290.6
Accumulated other comprehensive loss (Note 2)	(120.2)	(139.3)
Retained deficit (Note 12)	(971.0)	(937.4)
Total Atlantic Power Corporation shareholders' equity	195.6	213.9
Preferred shares issued by a subsidiary company (Note 12)	221.3	221.3
Total equity	416.9	435.2
Total liabilities and equity	$ 1,721.3	$ 1,671.2

See accompanying notes to consolidated financial statements.

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ATLANTIC POWER CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

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

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Project revenue:				
Energy sales	$ 45.1	$ 47.5	$ 97.6	$ 101.5
Energy capacity revenue	37.3	38.0	69.2	71.5
Other	15.8	17.6	37.8	41.4
	98.2	103.1	204.6	214.4
Project expenses:				
Fuel	35.1	38.0	74.0	84.2
Operations and maintenance	30.0	35.3	51.2	56.8
Development	—	—	—	1.1
Depreciation and amortization	25.5	28.2	50.3	56.1
	90.6	101.5	175.5	198.2
Project other income:				
Change in fair value of derivative instruments (Notes 7 and 8)	12.2	6.8	11.0	5.2
Equity in earnings of unconsolidated affiliates (Note 4)	7.6	8.6	18.3	19.3
Interest, net	(2.4)	(2.0)	(4.5)	(4.1)
Other income, net	0.2	2.2	—	2.2
	17.6	15.6	24.8	22.6
Project income	25.2	17.2	53.9	38.8
Administrative and other expenses (income):				
Administration	5.8	6.6	11.9	16.0
Interest, net	51.2	24.6	67.8	50.3
Foreign exchange loss (gain)	2.6	4.8	22.5	(27.4)
Other income, net (Note 6)	0.3	(1.7)	(2.2)	(3.1)
	59.9	34.3	100.0	35.8
(Loss) income from continuing operations before income taxes	(34.7)	(17.1)	(46.1)	3.0
Income tax (benefit) expense (Note 9)	(18.4)	2.9	(16.8)	(1.7)
(Loss) income from continuing operations	(16.3)	(20.0)	(29.3)	4.7
Net income from discontinued operations, net of tax (Note 3)	—	33.6	—	21.1
Net (loss) income	(16.3)	13.6	(29.3)	25.8

Net loss attributable to noncontrolling interests	—	(3.4)	—	(11.0)
Net income attributable to preferred shares dividends of a subsidiary company	2.2	2.3	4.2	4.6
Net (loss) income attributable to Atlantic Power Corporation	$ (18.5)	$ 14.7	$ (33.5)	$ 32.2
Basic and diluted (loss) income per share: (Note 11)				
Loss from continuing operations attributable to Atlantic Power Corporation	$ (0.15)	$ (0.18)	$ (0.28)	$ —
Income from discontinued operations, net of tax	—	0.30	—	0.26
Net (loss) income attributable to Atlantic Power Corporation	$ (0.15)	$ 0.12	$ (0.28)	$ 0.26
Weighted average number of common shares outstanding: (Note 11)				
Basic	121.6	121.9	121.8	121.7
Diluted	121.6	122.1	121.8	121.9
Dividends per common share:	$ —	$ 0.02	$ —	$ 0.05

See accompanying notes to consolidated financial statements.

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ATLANTIC POWER CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(in millions of U.S. dollars)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net (loss) income	$ (16.3)	$ 13.6	$ (29.3)	$ 25.8
Other comprehensive (loss) income, net of tax:				
Unrealized (loss) gain on hedging activities	$ (0.2)	$ 0.2	$ (0.7)	$ (0.4)
Net amount reclassified to earnings	0.2	0.1	0.4	0.4
Net unrealized gain (loss) on derivatives	—	0.3	(0.3)	—
Foreign currency translation adjustments	1.0	4.5	19.4	(30.6)
Other comprehensive income (loss), net of tax	1.0	4.8	19.1	(30.6)
Comprehensive (loss) income	(15.3)	18.4	(10.2)	(4.8)
Less: Comprehensive income (loss) attributable to noncontrolling interests	2.2	(1.1)	4.2	(6.4)
Comprehensive (loss) income attributable to Atlantic Power Corporation	$ (17.5)	$ 19.5	$ (14.4)	$ 1.6

See accompanying notes to consolidated financial statements.

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ATLANTIC POWER CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of U.S. dollars)

(Unaudited)

	Six months ended June 30, 2016	2015
Cash provided by operating activities:		
Net (loss) income	$ (29.3)	$ 25.8
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	50.3	66.4
Gain from discontinued operations	—	(47.3)
Gain on sale of development project and other assets	—	(2.3)
Gain on purchase and cancellation of convertible debentures	(2.5)	(3.0)
Loss on disposal of fixed assets	0.2	—
Stock-based compensation expense	0.8	1.0
Equity in earnings from unconsolidated affiliates	(18.3)	(19.3)
Distributions from unconsolidated affiliates	23.5	27.0
Unrealized foreign exchange loss (gain)	22.5	(27.6)
Change in fair value of derivative instruments	(11.0)	(4.5)
Change in deferred income taxes	(18.6)	20.4
Change in other operating balances		
Accounts receivable	(3.3)	0.6
Inventory	(0.4)	2.8
Prepayments and other assets	39.2	9.3
Accounts payable	3.5	(3.4)
Accruals and other liabilities	(2.9)	7.5
Cash provided by operating activities:	53.7	53.4
Cash provided by investing activities:		
Change in restricted cash	0.9	4.9
Proceeds from sale of assets and equity investments, net	—	326.3
Contribution to unconsolidated affiliate	—	(0.6)
Capitalized development costs	—	(0.8)
Reimbursement of costs for third-party construction project	4.7	—
Purchase of property, plant and equipment	(2.0)	(5.0)
Cash provided by investing activities	3.6	324.8

Cash provided by (used in) financing activities:		
Proceeds from senior secured term loan facility, net of discount	679.0	—
Common share repurchases	(4.7)	—
Repayment of corporate and project-level debt	(502.7)	(62.2)
Repayment of convertible debentures	(127.0)	(18.0)
Deferred financing costs	(15.9)	—
Dividends paid to common shareholders	—	(5.8)
Dividends paid to noncontrolling interests	—	(3.8)
Dividends paid to preferred shareholders	(4.2)	(4.6)
Cash provided by (used in) financing activities	24.5	(94.4)
Net increase in cash and cash equivalents	81.8	283.8
Cash and cash equivalents at beginning of period at discontinued operations	—	3.9
Cash and cash equivalents at beginning of period	72.4	106.1
Cash and cash equivalents at end of period	$ 154.2	$ 393.8
Supplemental cash flow information		
Interest paid	$ 34.7	$ 46.3
Income taxes paid, net	$ 1.9	$ 1.7
Accruals for construction in progress	$ 1.0	$ —

See accompanying notes to consolidated financial statements.

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ATLANTIC POWER CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

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 June 30, 2016, 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 subsidiaries.

Atlantic Power is a corporation established under the laws of the Province of Ontario 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 215-10451 Shellbridge Way, Richmond, British Columbia V6X 2W8 Canada and our headquarters is located at 3 Allied Drive, Suite 220, Dedham, Massachusetts 02026, USA. Our telephone number in Dedham is (617) 977 2400 and the address of our website is www.atlanticpower.com. Information contained on Atlantic Power's website or that can be accessed through its website is not incorporated into and does not constitute a part of this Quarterly Report on Form 10 Q. We have included our website address only as an inactive textual reference and do not intend it to be an active link to our website. We make available on our website, free of charge, our Annual Report on Form 10 K, Quarterly Reports on Form 10 Q, Current Reports on Form 8 K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission ("SEC"). Additionally, we make available on our website our Canadian securities filings, which are not incorporated by reference into our Exchange Act filings.

Basis of presentation

The interim consolidated financial statements included in this Quarterly Report on Form 10 Q have been prepared in accordance with the SEC regulations for interim financial information and with the instructions to Form 10 Q. The following notes should be read in conjunction with the accounting policies and other disclosures as set forth in the notes to our financial statements in our Annual Report on Form 10 K for the year ended December 31, 2015. Interim results are not necessarily indicative of results for the full year.

In our opinion, the accompanying unaudited interim consolidated financial statements present fairly our consolidated financial position as of June 30, 2016, the results of operations and comprehensive (loss) income for the three and six months ended June 30, 2016 and 2015, and our cash flows for the six months ended June 30, 2016 and 2015 in accordance with U.S generally accepted accounting policies. In the opinion of management, all adjustments (consisting of normal recurring accruals and other adjustments) considered necessary for a fair presentation have been included.

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 fair values of acquired assets, the useful lives and recoverability of property, plant and equipment, valuation of goodwill, intangible

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ATLANTIC POWER CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

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 equity-based compensation. 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. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” in our Annual Report on Form 10 K for the year ended December 31, 2015. 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.

Recently issued accounting standards

Adopted

In January 2015, the Financial Accounting Standards Board (“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 statement of operations, 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 became effective for us on January 1, 2016. The adoption of these changes did 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 became effective for us on January 1, 2016. The adoption of these changes did not have an impact 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 became effective for us on January 1, 2016. As a result, we have presented $22.2 million and $42.5 million of deferred financing costs as a direct deduction from long-term debt and convertible debentures for the periods ended June 30, 2016 and December 31, 2015, respectively.

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 statement of operations 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 became effective for us beginning January 1, 2016. We will apply this new guidance to any future business combinations.

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 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 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 a material impact on the consolidated financial statements.

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 for us in fiscal years beginning after December 15, 2016 and is not expected to have a material impact on the consolidated financial statements.

In February 2016, the FASB issued authoritative guidance intended to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. Under the new guidance, lessees will be required to recognize a right-of-use asset and a lease liability, measured on a discounted basis, at the commencement date for all leases with terms greater than twelve months. Additionally, this guidance will require disclosures to help investors and other financial statement users to better understand the amount, timing, and uncertainty of cash flows arising from leases, including qualitative and quantitative requirements. The guidance should be applied under a modified retrospective transition approach for leases existing at the beginning of the earliest comparative period presented in the adoption-period financial statements. Any leases that expire before the initial application date will not require any accounting adjustment. This guidance is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. We are currently evaluating the potential impact on our financial position and results of operations upon adoption of this guidance.

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ATLANTIC POWER CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

In March 2016, the FASB issued authoritative guidance intended to simplify and improve several aspects of the accounting for share-based payment transactions. The new guidance includes amendments to share-based accounting for income taxes, including adjustments to how excess tax benefits and a company's payments for tax withholdings should be classified in the statement of cash flows. This guidance is effective for annual and interim reporting periods beginning after December 15, 2016, with early adoption permitted. We are currently evaluating the potential impact on our financial position and results of operations upon adoption of this guidance.

ATLANTIC POWER CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

2. Changes in accumulated other comprehensive loss by component

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Foreign currency translation				
Balance at beginning of period	$ (120.7)	$ (101.4)	$ (139.1)	$ (66.3)
Other comprehensive income (loss):				
Foreign currency translation adjustments(1)	1.0	4.5	19.4	(30.6)
Balance at end of period	$ (119.7)	$ (96.9)	$ (119.7)	$ (96.9)
Pension				
Balance at beginning of period	$ (0.4)	$ (2.1)	$ (0.4)	$ (2.1)
Other comprehensive income (loss):				
Unrecognized net actuarial gain (loss)	—	—	—	—
Tax benefit (expense)	—	—	—	—
Total Other comprehensive (loss) income before reclassifications, net of tax	—	—	—	—
Amortization of net actuarial loss	—	—	—	—
Tax benefit	—	—	—	—
Total amount reclassified from Accumulated other comprehensive loss, net of tax	—	—	—	—
Total Other comprehensive (loss) income	—	—	—	—
Balance at end of period	$ (0.4)	$ (2.1)	$ (0.4)	$ (2.1)
Cash flow hedges				
Balance at beginning of period	$ (0.1)	$ (0.2)	$ 0.2	$ 0.1
Other comprehensive income (loss):				

Net change from periodic revaluations	(0.3)	0.2	(1.1)	(0.3)
Tax benefit (expense)	0.1	(0.1)	0.4	0.1
Total Other comprehensive income before reclassifications, net of tax	(0.2)	0.1	(0.7)	(0.2)
Net amount reclassified to earnings:				
Interest rate swaps(2)	0.3	0.3	0.6	0.6
Tax expense	(0.1)	(0.1)	(0.2)	(0.4)
Total amount reclassified from Accumulated other comprehensive loss, net of tax	0.2	0.2	0.4	0.2
Total Other comprehensive income	—	0.3	(0.3)	—
Balance at end of period	$ (0.1)	$ 0.1	$ (0.1)	$ 0.1

(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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ATLANTIC POWER CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

3. Discontinued operations

On June 26, 2015, Atlantic Power Transmission, Inc. (“APT”), our wholly-owned, direct subsidiary, sold our Wind Projects under a definitive agreement (the “Purchase Agreement”) with TerraForm AP Acquisition Holdings, LLC (“TerraForm”), an affiliate of SunEdison, Inc. (an affiliate of TerraForm Power, Inc.). The sale was completed for aggregate cash proceeds of approximately $335 million after transaction fees, exclusive of transaction-related taxes. We recorded a $47.0 million gain on sale, which is included as a component of income from discontinued operations in the consolidated statements of operations for the three and six months ended June 30, 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 Projects as discontinued operations was based on the impact the sale would 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.

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ATLANTIC POWER CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

The following table summarizes the revenue and income from operations of the Wind Projects for the three and six months ended June 30, 2015:

	Three months ended June 30, 2015		Six months ended June 30, 2015	
Revenue	$	18.1	$	34.8
Project expenses:				
Operations and maintenance		5.2		10.8
Depreciation and amortization		0.1		10.3
		5.3		21.1
Project other expense:				
Change in fair value of derivatives		6.7		(0.7)
Equity in earnings of unconsolidated affiliates		0.7		(0.2)
Interest expense, net		(3.3)		(6.7)
Gain on sale of asset		47.3		47.3
		51.4		39.7
Income from operations of discontinued businesses		64.2		53.4
Income tax expense		30.6		32.3
Income from operations of discontinued businesses, net of tax		33.6		21.1
		(3.4)		(11.0)

Net loss attributable to noncontrolling interests of discontinued businesses				
Income from operations of discontinued businesses, net of noncontrolling interests	$	37.0	$	32.1

Basic and diluted earnings per share related to income from discontinued operations for the Wind Projects was $0.30 and $0.26 for the three and six months ended June 30, 2015, respectively.

The following table summarizes the operating and investing cash flows of the Wind Projects for the six months ended June 30, 2015:

	Six months ended June 30, 2015
Cash provided by operating activities	$ 21.9
Cash provided by investing activities	(12.8)

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4. Equity method investments in unconsolidated affiliates

The following summarizes the operating results for the three and six months ended June 30, 2016 and 2015, respectively, for our equity method investments:

	Three Months Ended June 30,		Six Months Ended June 30,	
Operating results	2016	2015	2016	2015
Revenue				
Chambers	$ 10.4	$ 10.9	$ 23.1	$ 26.3
Frederickson	4.8	5.4	9.9	10.1
Orlando	13.2	14.1	26.7	26.9
Other(1)	2.2	2.6	4.0	7.5
	30.6	33.0	63.7	70.8
Project expenses				
Chambers	9.7	9.6	18.5	20.9
Frederickson	4.9	4.9	9.4	9.0
Orlando	6.0	6.7	12.6	13.3
Other(1)	1.9	2.7	4.0	7.4
	22.5	23.9	44.5	50.6
Project other expense				
Chambers	(0.5)	(0.5)	(0.9)	(0.9)
Frederickson	—	—	—	—
Orlando	—	—	—	—
Other(1)	—	—	—	—
	(0.5)	(0.5)	(0.9)	(0.9)
Project income (loss)				
Chambers	$ 0.2	$ 0.8	$ 3.7	$ 4.5

Frederickson	(0.1)	0.5	0.5	1.1
Orlando	7.2	7.4	14.1	13.6
Other(1)	0.3	(0.1)	—	0.1
	7.6	8.6	18.3	19.3

(1) Includes equity method investments that individually do not exceed 10% of consolidated total assets or income (loss) before income taxes.

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5. Long term debt

Long term debt consists of the following:

	June 30, 2016	December 31, 2015	Interest Rate
Recourse Debt:			
Senior secured term loan facility, due 2021	$ —	$ 473.2	LIBOR(1) plus 3.75 %
Senior secured term loan facility, due 2023	674.9	—	LIBOR(1) plus 5.00 %
Senior unsecured notes, due June 2036 (Cdn$210.0)	162.6	151.7	5.95 %
Non-Recourse Debt:			
Epsilon Power Partners term facility, due 2019	16.5	19.5	LIBOR plus 3.125%
Cadillac term loan, due 2025	28.3	29.5	LIBOR plus 1.37 %
Piedmont term loan, due 2018	59.0	59.0	8.47 %
Other long-term debt	0.2	0.4	5.50 % - 6.70 %
Less: unamortized discount	(19.7)	—	
Less: unamortized deferred financing costs	(17.6)	(34.8)	
Less: current maturities	(96.4)	(15.8)	
Total long-term debt	$ 807.8	$ 682.7	

Current maturities consist of the following:

	June 30, 2016	December 31, 2015	Interest Rate

Current Maturities:								
Senior secured term loan facility, due 2021	$	—	$	4.7	LIBOR(1)	plus	3.75	%
Senior secured term loan facility, due 2023(2)		84.9		—	LIBOR(1)	plus	5.00	%
Epsilon Power Partners term facility, due 2019		6.1		6.0	LIBOR	plus	3.125	%
Cadillac term loan, due 2025		2.8		2.5	LIBOR	plus	1.37	%
Piedmont term loan, due 2018		2.4		2.4			8.47	%
Other short-term debt		0.2		0.2	5.50	% -	6.70	%
Total current maturities	$	96.4	$	15.8				

(1) LIBOR cannot be less than 1.00%. We have entered into interest rate swap agreements to mitigate the exposure to changes in LIBOR for $444.4 million of the $674.9 million outstanding aggregate borrowings under our senior secured term loan facility at June 30, 2016. See Note 8, Accounting for derivative instruments and hedging activities for further details.

(2) On a quarterly basis, we make a cash sweep payment to fund the principal balance, based on terms as defined in the credit agreement and disclosed below. The portion of the senior secured term loan facility classified as current is based on principal payments required to reduce the aggregate principal amount of New Term Loans outstanding to achieve a target principal amount that declines quarterly based on a pre-determined specified schedule.

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New Credit Facilities

On April 13, 2016, APLP Holdings Limited Partnership ("APLP Holdings"), our wholly-owned subsidiary, entered into new senior secured credit facilities, comprising $700 million in aggregate principal amount of senior secured term loan facilities (the "New Term Loans") and $200 million in aggregate principal amount of senior secured revolving credit facilities (the "New Revolver" and together with the New Term Loans, the "New Credit Facilities"). On the same date, $700 million was drawn under the New Term Loan, bearing interest at the Adjusted Eurodollar Rate plus the applicable margin of 5.00%, and letters of credit in an aggregate face amount of $105.8 million were issued (but not drawn) pursuant to the revolving commitments under the New Revolver and used (i) to fund a debt service reserve in an amount equivalent to six months of debt service (approximately $25.3 million), and (ii) to support contractual credit support obligations of APLP Holdings and its subsidiaries and of certain other affiliates of the Company. The New Revolver matures in April 2021 and the New Term Loans mature in April 2023. We received $679.0 million in proceeds after an original issue discount of 3% ($21.0 million).

We have used the $679.0 million proceeds from the New Term Loans to:

redeem in whole, at a price equal to par plus accrued interest, APLP's existing senior secured term loan, maturing in February 2021, in an aggregate principal amount outstanding of $447.9 million (see "Senior Secured Credit Facilities" below);

redeem in whole, at a price equal to par plus accrued interest (i) our outstanding Cdn$67.2 million 6.25% Convertible Unsecured Subordinated Debentures, Series A, maturing in March 2017 (the "Series A Debentures") and (ii) our outstanding Cdn$75.8 million 5.60% Convertible Unsecured Subordinated Debentures, Series B, maturing in June 2017 (the "Series B Debentures") (total US$ equivalent of $110.7 million);

redeem, at a price equal to $965 per $1,000 principal amount plus accrued interest, $62.7 million of our 5.75% Convertible Unsecured Subordinated Debentures, Series C, maturing on June 30, 2019; and pay transaction costs and expenses of approximately $14.4 million.

We may use the remaining proceeds of approximately $43.0 million for any corporate purpose.

We accounted for the redemption of the Senior Secured Credit Facilities as an extinguishment of debt and wrote off $30.2 million of deferred financing costs to interest expense in the three months ended June 30, 2016.

Borrowings under the New Credit Facilities are available in U.S. dollars and Canadian dollars and bear interest at a rate equal to the Adjusted Eurodollar Rate, the Base Rate or the Canadian Prime Rate as applicable, plus an applicable margin between 4.00% and 5.00% that varies depending on whether the loan is a Eurodollar Rate Loan, Base Rate Loan, or Canadian Prime Rate Loan. The New Term Loans include a 3% original issue discount, and matures on April 12, 2023. The revolving commitments under the New Revolver terminate on April 12, 2021. Letters of credit are available to be issued under the New Revolver until 30 days prior to the Letter of Credit Expiration Date under, and as defined in, the Credit Agreement. In addition to paying interest on outstanding principal under the New Credit Facilities, APLP Holdings is required to pay a commitment fee with respect to the revolving commitments under the New Revolver that is equal to 0.75% times the average of the daily difference between (A) the revolving commitments and (B) drawings, if any and all outstanding reimbursement obligations with respect to drawn letters of credit.

The New Credit Facilities are secured by a pledge of the equity interests in APLP Holdings and certain of its subsidiaries, guaranties from certain of the subsidiaries of APLP Holdings (the “Subsidiary Guarantors”), a downstream guarantee from the Company, a limited recourse guaranty from Atlantic Power GP II, Inc., the entity that holds all of the equity interest in APLP Holdings, a pledge of certain material contracts and certain mortgages over material real estate rights, an assignment of all revenues, funds and accounts of APLP Holdings and its subsidiaries (subject to certain exceptions), and certain other assets. The New Credit Facilities also have the benefit of 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. Atlantic Power Limited Partnership ("APLP"), a wholly-owned, indirect subsidiary of the Company, is a party to an existing indenture governing its Cdn$210 million aggregate principal amount of 5.95% Medium Term Notes due June 23, 2036 (the "MTNs") that prohibits APLP (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, APLP Holdings has granted an equal and ratable security interest in the collateral package securing the New Credit Facilities in favor of the trustee 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 negative covenants include a requirement that APLP Holdings and its subsidiaries maintain a Leverage Ratio (as defined in the Credit Agreement) ranging from 6.00:1.00 in 2016 to 4.25:1.00 from June 30, 2020, and an Interest Coverage Ratio (as defined in the Credit Agreement) ranging from 2.75:1.00 in 2016 to 4.00:1.00 from June 30, 2022. In addition, the Credit Agreement includes customary restrictions and limitations on APLP Holdings' and its subsidiaries' ability to (i) incur additional 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 certain exceptions and other customary carve-outs and various thresholds.

Under the Credit Agreement, if a Change of Control (as defined in the Credit Agreement) occurs, unless APLP Holdings elects to make a voluntary prepayment of the term loans under the New Credit Facilities, it will be required to offer each electing lender to prepay such lender's term loans under the New Credit Facilities at a price equal to 101% of par. In addition, in the event that APLP Holdings elects to repay, prepay, refinance or replace 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, refinanced or replaced.

The Credit Agreement also contains a mandatory amortization feature and other mandatory prepayment provisions, including prepayments:

from the proceeds of asset sales (except from the sale proceeds of certain excluded projects), insurance proceeds, and incurrence of indebtedness, in each case subject to applicable thresholds and customary carve-outs; and

in respect of excess cash flow, to be determined by using the greater of (i) 50% of the cash flow of APLP Holdings and its subsidiaries that remains after the application of funds, in accordance with a customary priority, to operations and maintenance expenses of APLP Holdings and its subsidiaries, debt service on the New Credit Facilities and the MTNs, funding of the debt service reserve account, debt service on other permitted debt of APLP Holdings and its subsidiaries, capital expenditures permitted under the Credit Agreement, and payment on the preferred equity issued by Atlantic Power Preferred Equity Ltd., a subsidiary of APLP Holdings or (ii) such other amount up to 100% of the cash flow described in clause (i) above that is required to reduce the aggregate principal amount of New Term Loans outstanding to achieve a target principal amount that declines quarterly based on a pre-determined specified schedule. Failure to achieve the specified target principal amount for any quarter does not constitute a default by APLP Holdings.

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

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warranties in any material respect, non-payment or acceleration of other material debt of APLP Holdings and its subsidiaries, bankruptcy, material judgments rendered against APLP Holdings or certain of its subsidiaries, certain ERISA or regulatory events, a Change of Control of APLP Holdings (solely with respect to the New Revolver), or defaults under certain guaranties and collateral documents securing the New Credit Facilities, in each case subject to various exceptions and notice, cure and grace periods.

Senior Secured Credit Facilities

As noted above in “New Credit Facilities”, our senior secured credit facilities were redeemed on April 13, 2016. The redemption and extinguishment was recorded in the three months ended June 30, 2016.

Notes of Atlantic Power Corporation

On July 26, 2015, we redeemed all of our outstanding $310.9 million aggregate principal amount of 9.0% Senior Unsecured Notes due November 2018 (the “Notes”) with the cash proceeds received from the sale of the Wind Projects. The Notes were redeemed at a price equal to 104.5 percent of the principal amount of the 9.0% notes, plus accrued and unpaid interest to the redemption date. We paid $330.4 million to fund the full redemption of the Notes, which includes $14.0 million in make-whole premiums and $5.5 million in accrued interest. The make whole premiums, accrued interest and the $9.0 million of deferred financing costs related to the Notes were recorded in interest expense in the three and nine months ended September 30, 2015.

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 to Atlantic Power. At June 30, 2016, all of our projects with the exception of Piedmont were in compliance with the covenants contained in project level debt. Projects that do not meet their debt service coverage ratios are limited from making distributions, but the debt is not callable or subject to acceleration under the terms of their debt agreements. 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.

6. Convertible debentures

Convertible debentures consist of the following:

	June 30, 2016	December 31, 2015
6.25% Debentures due March 2017	$ —	$ 48.6
5.60% Debentures due June 2017	—	54.8
5.75% Debentures due June 2019	105.3	117.0
6.00% Debentures due December 2019 (Cdn$81.0 million)	62.7	65.0
Less: Unamortized deferred financing costs	(4.6)	(7.7)
Total convertible debentures	$ 163.4	$ 277.7

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

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repurchased and cancelled $24.8 million of convertible debentures and recorded a gain of $3.1 million in the consolidated statements 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. Since inception of the NCIB in the fourth quarter of 2015 and through June 30, 2016, we repurchased and canceled $18.8 million of convertible debentures and recorded a gain of $2.5 million in the consolidated statement of operations for the six months ended June 30, 2016.

On April 13, 2016, we deposited a portion of the proceeds from the issuance of the New Credit Facilities, for the redemption in whole on May 13, 2016 at a price equal to par plus accrued interest (i) the outstanding Cdn$67.2 million 6.25% Debentures due March 2017 and (ii) the outstanding Cdn$75.8 million 5.60% Debentures due June 2017 (total US$ equivalent of $110.7 million as of April 13, 2016). Deferred financing costs related to the debentures of $1.3 million were written off and recorded to interest expense in April 2016.

On June 17, 2016, we commenced a substantial issuer bid to purchase for cancellation up to $65.0 million aggregate principal amount of our issued and outstanding 5.75% Series C Convertible Unsecured Subordinated Debentures maturing June 30, 2019. The offer expired on July 22, 2016. An aggregate of $62.7 million principal amount of the debentures were purchased and cancelled under the offer. As of August 4, 2016 there were approximately $42.6 million principal amount of Series C debentures outstanding. We will record a gain of approximately $1.3 million related to the repurchase in the consolidated statements of operations for the three and nine months ended September 30, 2016.

7. Fair value of financial instruments

The following represents the recurring measurements of fair value hierarchy of our financial assets and liabilities that were recognized at fair value as of June 30, 2016 and December 31, 2015. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 154.2	$ —	$ —	$ 154.2
Restricted cash	14.3	—	—	14.3
Derivative instruments asset	—	2.7	—	2.7
Total	$ 168.5	$ 2.7	$ —	$ 171.2
Liabilities:				
Derivative instruments liability	$ —	$ 52.1	$ —	$ 52.1
Total	$ —	$ 52.1	$ —	$ 52.1

	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

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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 June 30, 2016, the credit valuation adjustments resulted in a $5.3 million net increase in fair value, which consists of a $0.6 million pre tax gain in other comprehensive income and a $4.7 million gain in change in fair value of derivative instruments. 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.

The carrying amounts for cash and cash equivalents and restricted cash approximate fair value due to their short-term nature.

8. 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 in 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, APLP 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 100% of our expected uncontracted gas requirements for 2015 and 35% 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. Changes in the fair market value of these contracts are recorded in the consolidated statement of operations.

We have entered into various natural gas sales and purchase agreements for approximately 1,302,000 MMBtu to effectively mitigate seasonal fluctuation of future natural gas price at Morris through March 2017. These contracts are accounted for as derivative financial instruments and are recorded in the consolidated balance sheet at fair value at June 30, 2016. Changes in the fair market value of these contracts are recorded in the consolidated statement of operations.

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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.

We have entered into various natural gas swaps to effectively fix the price of 5.7 million Mmbtu of future natural gas purchases at Orlando, which is approximately 95% of our share of the expected natural gas purchases at the project through December 2017. These contracts are accounted for as derivative financial instruments and are recorded in the consolidated balance sheet at fair value at June 30, 2016. Changes in the fair market value of these contracts are recorded in the consolidated statement of operations.

Interest rate swaps

On May 5, 2014, APLP entered into several interest rate swap agreements to mitigate exposure to changes in the Adjusted Eurodollar Rate for $199.0 million notional amount ($134.4 million at June 30, 2016) of the $600 million aggregate principal amount of borrowings under the Term Loan Facility, which had entered on February 24, 2014 and redeemed in whole on May 2016. 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. These interest rate swap agreements were novated to APLP Holdings.

APLP Holdings has entered into several interest rate swap agreements to mitigate its exposure to changes in interest at the Adjusted Eurodollar Rate for $310.0 million notional amount of the $700.0 million aggregate principal amount ($674.9 million at June 30, 2016) of borrowings under the New Term Loans in addition to previously entered interest rate swap agreements for the notional amount of $199.0 million ($134.4 million at June 30, 2016) under the Term Loan Facility. The new agreements were entered into on May 25, 2016 and June 28, 2016 for the notional amounts of $150.0 million and $160.0 million, and terminate on March 31, 2020 and September 30, 2019, respectively.

Borrowings under the $700.0 million New Term Loans bear interest at a rate equal to the Adjusted Eurodollar Rate plus an applicable margin of 5.00%. Based on the terms of the Credit Agreement, the Adjusted Eurodollar Rate cannot be less than 1.00% resulting in a minimum of a 6.00% all-in rate on the Term Loan Facility. As a result of entering into the swap agreements, the all-in rate for $509.0 million of the New Term Loans cannot be less than 6.00%, if the Adjusted Eurodollar Rate is equal to or greater than 1.00%.

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% 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. 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.

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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 loss.

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 at June 30, 2016 and December 31, 2015:

	Units	June 30, 2016	December 31, 2015
Natural gas swaps	Natural Gas (Mmbtu)	5.7	2.8
Gas purchase agreements	Natural Gas (Gigajoules)	19.4	25.0
Interest rate swaps	Interest (US$)	532.3	302.3

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:

	June 30, 2016	
	Derivative Assets	Derivative Liabilities
Derivative instruments designated as cash flow hedges:		
Interest rate swaps current	$ —	$ 1.0
Interest rate swaps long-term	—	3.2
Total derivative instruments designated as cash flow hedges	—	4.2
Derivative instruments not designated as cash flow hedges:		
Interest rate swaps current	—	3.3
Interest rate swaps long-term	—	12.4
Natural gas swaps current	1.6	1.9
Natural gas swaps long-term		