

## **Algonquin Power Positions the Fund for Future Growth**

**Oakville, Ontario** – October 20, 2008 – Algonquin Power Income Fund (the "Fund" or "Algonquin Power") (TSX: APF.UN) is taking steps to better position the Fund for future growth and to maximize unitholder value in the current business climate.

The changes result from a comprehensive strategic review that was undertaken over the past several months by the Board of Trustees of the Fund and Algonquin Power Management Inc., the manager (the "Manager") of the Fund.

The strategic review was initiated in order to assess Algonquin Power's competitive strengths, organic growth potential and strategic acquisition opportunities, while taking into account the current business and capital market environments.

As a result of the strategic review, the Manager has recommended and the Board of Trustees has approved three primary value enhancement initiatives.

First, the Fund will make strategic adjustments to be consistent with the business environment in which Algonquin Power operates:

- the tax efficient income trust structure will be preserved until 2011 for the benefit of unitholders;
- the management team will be internalized to be consistent with industry standards; and,
- the distribution level will be established at a sustainable level to allow Algonquin Power to more aggressively pursue growth strategies, while maintaining healthy unitholder returns.

Second, the renewable power and clean energy generation business of the Fund will be managed with an increased emphasis on growth through the development of green-field projects and the expansion of opportunities within the Fund's existing portfolio. Lastly, the Utility Division will be re-positioned to refine Algonquin Power's internal and external business focus and to surface unrealized investor value within the division.

The Board of Trustees and Manager believe these initiatives will enhance the value of the Fund's trust units.

### **Strategic Changes to Build on a Solid Record of Achievement**

The Manager and the Board of Trustees have established a strategic plan to position the Fund for robust future growth. Algonquin Power makes these strategic adjustments upon a foundation of ten years of solid growth. With a strong portfolio of core businesses in the power and utility sectors, Algonquin Power has total assets of approximately \$1 billion, annual revenues approaching \$200 million and EBITDA in excess of \$85 million annually. The Board of Trustees believe this critical mass of high quality assets, together with the expanding pipeline of exciting development opportunities and the Fund's highly experienced management team can deliver an attractive investor value proposition.

The strategic review was commenced with the objective of developing a plan to address the internal and external realities that Algonquin Power faces in today's business environment, the most notable of which include the change in taxation policies facing income trusts in 2011, the pressure on distributable cash from the continuing volatility in the foreign exchange environment, and the turbulence evident in the financial markets.

As a result of the strategic review, the Manager and Board of Trustees have concluded that Algonquin Power's assets will continue to provide robust earnings and that the expanding pipeline of growth opportunities continues to be a key element of the Algonquin Power value proposition. However, it is felt that the market price of the Fund's trust units does not adequately reflect the value of the Fund's unique portfolio of assets or growth prospects. As such, the Board of Trustees is committed to the following initiatives:

#### *Adjust Business to Enhance Value*

To maximize tax efficiency, the Board of Trustees has elected to maintain the trust structure until 2011 at which time the new taxation policies affecting income trusts are scheduled to come into effect. The Manager believes that the 'normal growth' limitations that could trigger an earlier application of the new taxation are not a concern. The 'normal growth' policy provides ample scope for Algonquin Power to continue to execute on its growth strategy (up to an additional \$650 million in equity would be possible prior to 2011 without triggering such application).

In order to align the management structure with its corporate peers, the Manager and the Board of Trustees are mutually endorsing the internalization of management.

To strengthen Algonquin Power's financial position and support its growth initiatives, the Board of Trustees has approved a reduction in the cash distributions payable to Algonquin Power's unitholders to \$0.24 per unit per annum commencing in October, 2008. It is believed this decision positions Algonquin Power to create greater unitholder value. In particular, it allows Algonquin Power to:

- more aggressively pursue accretive growth opportunities;
- internally fund growth in the face of uncertain capital markets;
- retain cash to provide the Fund the ability to meet the anticipated tax policy changes scheduled for 2011; and,

- mitigate the impact of continued foreign exchange volatility on distributable cash

Under the revised distribution policy, commencing with the distribution to unitholders of record on October 31, 2008, the Fund plans to pay monthly distributions of \$0.02 per unit. In addition, instead of the usual forty-five (45) day payment cycle the Fund will begin paying monthly distributions approximately fifteen (15) days following the record date for each month. Therefore, unitholders of record on October 31, 2008 will receive payment on November 17, 2008. Unitholders of record on September 30, 2008 will also receive payment for the month of September on November 17, 2008. Therefore, unitholders of record for both the months of September and October will receive a total distribution payment of \$0.0966 per unit on November 17, 2008.

The Manager and Board of Trustees are confident in Algonquin Power's ability to create unitholder value through funding of project development initiatives, exploiting organic growth opportunities, pursuing accretive acquisitions, and exercising operational flexibility in today's challenging business environment.

#### *Increased Focus on Project Development and Opportunity Exploitation*

Algonquin Power is committed to being a successful competitor in the independent power generation marketplace and believes that this refined business focus will allow it to capitalize on the growing demand for environmentally sustainable sources of electrical generation.

With respect to realizing such growth, Algonquin Power has a dedicated and experienced management team with extensive expertise in developing renewable power and clean energy projects in North America. It is the Manager's and Board of Trustees' belief that there are excellent opportunities to deliver accretive growth through investment in development projects.

In addition, the revised distribution policy supports a capital structure that will improve Algonquin Power's financial flexibility in order to exploit emerging opportunities that are anticipated to result from the turbulence of today's business environment.

#### *Improve Business Focus by Re-Positioning Utility Division*

The Manager believes there is substantial value within the Utility Division that has not been surfaced in the current income trust environment. Algonquin Power seeks to improve its internal and external business focus by re-positioning the Utility Division as an independent subsidiary. A dedicated management team for the division has already been established. This team is well positioned to complete several pending applications for rate increases and to pursue continued organic growth and accretive utility infrastructure acquisitions to gain economic scale. Algonquin Power will consider establishing a separate capital structure to permit new sources of capital into the Utility Division if the capital demands from the growth program outpace the funding capabilities of the Fund.

"The strategic review revealed that the most effective way to create investor value is through a business focus that emphasizes project development, organic growth and accretive acquisitions. The Manager anticipates capitalizing on a new stream of opportunities made possible through the financial flexibility afforded by a strengthened balance sheet and a distribution policy consistent with growth prospects and strategies," commented Dave Kerr, Executive Director of Algonquin Power. "As a result of the strategic review and subsequent recommendations, the Board of Trustees and the Manager believe that Algonquin Power is now well positioned to deliver value through predictable earnings from the existing portfolio of long lived, renewable and clean energy assets, accretive growth through investment in the strong pipeline of renewable project development and exploitation of organic expansion opportunities". Algonquin Power Income Fund will hold a conference call and webcast on October 20, 2008, hosted by Trustees, Ken Moore, Chris Ball, and George Steeves, and Executive Directors, Chris Jarratt, David Kerr and Ian Robertson and the Fund's CFO, David Bronicheski. The call and webcast are scheduled to begin at 5:15 p.m. eastern time.

#### **Connection details are as follows:**

Date: Monday, October 20, 2008 Start Time: 5:15 p.m. eastern  
To access the live and archived audio and web cast please click [here](#).

To access the voice portion of the call only:  
Phone Number: Toll free within North America: 1-800-732-9303 or local 416-644-3414.  
Conference ID#: 21286628

For access to the archived voice portion of the call, a digital recording will be available for replay two hours after the call by dialing 1-877-289-8525 or 416-640-1917 access code 21286628# from October 20, 2008 until October 27, 2008.

To access a copy of the slides in pdf format click [here](#).

#### **Forward-looking statements**

Certain written and oral statements contained in this presentation and information release are forward-looking within the meaning of certain securities laws and reflect the views of Algonquin Power Income Fund (the "Company") and its manager with respect to future events, based upon assumptions relating to, among others, the performance of the Company's assets, the business realities facing the Company, the impact of laws and regulations and the state of financial and credit markets. These forward looking statements include, among others, statements with respect to the expected performance of the Company, its future plans and its distributions to unitholders. Statements containing expressions such as "believes", "anticipates", "continues", "could", "expect",

"may", "will", "project", "estimates", "intend", "plan" and similar expressions generally constitute forward-looking statements.

Since forward-looking statements relate to future events and conditions, by their very nature they require us to make assumptions and involve inherent risks and uncertainties. We caution that although we believe our assumptions are reasonable in the circumstances, these risks and uncertainties give rise to the possibility that our actual results may differ materially from the expectations set out in the forward-looking statements. Material risk factors include the continued volatility of world financial markets; the impact of movements in exchange rates and interest rates; the effects of changes in environmental and other laws and regulatory policy applicable to the energy and utilities sectors; decisions taken by regulators on monetary policy and the taxation of income funds; and the state of the Canadian and the US economy and accompanying business climate. We caution that this list is not exhaustive, and other factors could adversely affect our results. Given these risks, undue reliance should not be placed on these forward-looking statements, which apply only as of their dates. Except as required by law, the Company and its manager do not intend to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

#### **About Algonquin Power**

Algonquin Power is an open-ended investment trust that owns and has interests in a diverse portfolio of renewable power generation and sustainable infrastructure assets across North America, including 42 renewable energy facilities, 11 thermal energy facilities, and 17 water distribution and waste-water facilities. Algonquin Power was established in 1997 to provide stable earnings through a diversified portfolio of renewable energy assets. Algonquin Power's units and convertible debentures are traded on the Toronto Stock Exchange under the symbols APF.UN, APF.DB & APF.DB.A and units are included in the S&P/TSX Composite Index.