

ended December 31, 2012. The division reported decreased energy purchase costs of \$0.1 million as a result of the weaker U.S. dollar as compared to the same period in 2011.

The division reported decreased revenue of \$0.2 million from U.S. operations as a result of the weaker U.S. dollar as compared to the same period in 2011.

The Red Lily I wind farm located in Saskatchewan produced 20.7 GW-hrs of electricity for the quarter ended December 31, 2012. APCo's economic return from its investment in Red Lily currently comes in the form of interest payments, fees and other charges and is not reflected in revenues from energy sales. Under the terms of the agreements, APCo has the right to exchange these contractual and debt interests in Red Lily for a direct 75% equity interest in 2016. For the quarter ended December 31, 2012, APCo earned fees and interest payments from Red Lily in the total amount of \$0.9 million.

For the quarter ended December 31, 2012, operating expenses excluding energy purchases totalled \$5.4 million, as compared to \$6.7 million during the same period in 2011, a decrease of \$1.3 million or 19%. The decrease was primarily impacted by a \$1.0 million decrease in costs in the Ontario region as a result of the unplanned shut down of the Long Sault facility, as compared to the same period in 2011.

For the quarter ended December 31, 2012, interest and other income totalled \$0.5 million, consistent with the same period in 2011. Interest and other income primarily consist of interest related to the senior and subordinated debt interest in the Red Lily I project. This amount is included as part of APCo's earnings from its investment in Red Lily I, as discussed above.

For the quarter ended December 31, 2012, the Renewable Energy Division's operating profit totalled \$15.7 million, as compared to \$15.8 million during the same period in 2011, representing a decrease of \$0.1 million or 1%.

APCo: Thermal Energy Division

	Three months ended December 31		Year ended December 31	
	2012	2011	2012	2011
Performance (GW-hrs sold)	80.5	126.5	330.5	517.0
Performance ('000 tonnes of waste processed)	36.6	42.1	163.8	166.8
Performance (steam sales – billion lbs)	342.2	308.4	1,305.6	1,209.4
	(millions)	(millions)	(millions)	(millions)
Revenue				
Energy/steam sales	\$ 11.3	\$ 10.6	\$ 36.9	\$ 46.7
Less:				
Cost of Sales – Fuel ¹	(4.4)	(7.8)	(14.6)	(24.6)
Net Energy/Steam Sales Revenue	\$ 6.9	\$ 2.8	\$ 22.3	\$ 22.1
Waste disposal sales	2.7	4.0	14.3	16.4
Other revenue	0.6	0.5	1.7	1.4
Total net revenue	\$ 10.2	\$ 7.3	\$ 38.3	\$ 39.9
Expenses				
Operating expenses ¹	(5.2)	(3.3)	(21.1)	(19.9)
Interest and other income	(0.3)	(0.1)	0.5	-
Division operating profit	\$ 5.3	\$ 3.9	\$ 17.7	\$ 20.0

¹ Cost of Sales – Fuel consists of natural gas and fuel costs at the Sanger and Windsor Locks facilities.

APCo's Sanger and Windsor Locks generation facilities purchase natural gas from different suppliers and at prices based on different regional hubs. As a result, the average landed cost per unit of natural gas will differ between facility and regional changes in the average landed cost for natural gas may result in one facility showing increasing costs per unit while the other shows decreasing costs, as compared to the same period in the prior year. Total natural gas expense will vary based on the volume of natural gas consumed and the average landed cost of natural gas for each MMBTU.

2012 Annual Operating Results

For the year ended December 31, 2012, the Thermal Energy Division produced 330.5 GW-hrs of energy as compared to 517.0 GW-hrs of energy in the comparable period of 2011, primarily due to the planned outages at the Sanger and Windsor Locks facilities. During the year ended December 31, 2012, the business unit's total production decreased by 157.0 GW-hrs at the Windsor Locks facility and by 31.8 GW-hrs from the Sanger facility, as compared to the same period in 2011.