AltaLink, L.P.

Management's Discussion and Analysis
November 9, 2023

A BERKSHIRE HATHAWAY ENERGY COMPANY

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Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) reflects events known to us as of November 9, 2023. This MD&A is intended to provide you with an understanding of our business, our strategy, our performance, our expectations for the future, and how we manage risk and financial resources. The Board of Directors approved this MD&A on November 8, 2023, based on the recommendation of the Audit Committee, which reviewed this MD&A in accordance with its terms of reference.

You should read this MD&A in conjunction with our legal advisory on Forward-Looking Information, which we have included at the end of this MD&A, our unaudited consolidated condensed interim financial statements for the three and nine months ended September 30, 2023 and 2022 (the third quarter consolidated financial statements), our audited consolidated financial statements for the years ended December 31, 2022 and 2021 (the consolidated financial statements), and the notes thereto.

The financial information in this MD&A is in Canadian dollars, our functional currency.

Unless otherwise noted, references in this MD&A to "we", "us", "our", "AltaLink" or "the Partnership" mean AltaLink, L.P. together with its subsidiary entities, PiikaniLink, L.P. and KainaiLink, L.P., references to a "quarter" and "year" refer to the three-month period ended September 30, 2023 and the twelve-month period ended December 31, 2022, respectively. Additionally, "AESO" refers to the Alberta Electric System Operator, "AFUDC" refers to Allowance for Funds Used During Construction, "AHLP" refers to AltaLink Holdings, L.P., "AIES" refers to the Alberta Interconnected Electric System, "AILP" refers to AltaLink Investments, L.P., "AIML" refers to AltaLink Investment Management Ltd., "ALP" refers to AltaLink, L.P., "AML" refers to AltaLink Management Ltd., "AUC" refers to the Alberta Utilities Commission, "BHE" refers to Berkshire Hathaway Energy Company, "BHEA" refers to BHE AltaLink Ltd., "CWIP" refers to Construction Work-In-Progress, "DACDA" refers to Direct Assigned Capital Deferral Account, "DBRS" refers to DBRS Limited, "ESG" refers to Environmental, Social, and Governance, "FFO" refers to Funds from Operations, "GAAP" refers to Generally Accepted Accounting Principles, "GCOC" refers to Generic Cost of Capital, "GTA" refers to General Tariff Application, "IFRS" refers to International Financial Reporting Standards, "KLP" refers to KainaiLink, L.P., "NID" refers to Needs Identification Document, "PLP" refers to PiikaniLink, L.P., and "S&P" refers to Standard & Poor's Global Ratings.

Additional information relating to our business, including our Annual Information Form for the year ended December 31, 2022, is available on SEDAR at www.sedar.com.

Executive Summary

Quarter Highlights

- We continue to deliver on our commitment to customers and Albertans by keeping their costs, our 2023 revenue requirement of $883 million, below the 2018 level of $904 million.

- On October 9, 2023, the AUC issued its decision on the Generic Cost of Capital for 2024 and beyond for Alberta's regulated electric and gas utilities, approving a set equity ratio and a formula to determine return on equity. The AUC set the deemed equity ratio at 37% and a notional return on equity of 9.00%, which is subject to formulaic adjustments using 30-year Government of Canada bond yields and Canadian utility spreads. In November 2023, the AUC will set and provide utilities with the approved return on equity for 2024 and will provide the same in November of each year going forward.

- We achieved a customer satisfaction average score of 9.57 out of 10 compared to 9.65 for the same quarter in 2022.

- We had one employee injury compared to two injuries for the same quarter in 2022. Our total injury rate for the first nine months of 2023 was 0.42 compared to 0.63 for the same period in 2022.

- The average outage duration was four minutes compared to two minutes for the same quarter in 2022. Our average outage duration for the first nine months of 2023 was nine minutes compared to seven minutes for the same period in 2022; trending close to our best-ever performance established in 2022.

- On August 31, 2023, AltaLink filed with the AUC an amendment to its 2024-2025 GTA with additional measures to proactively expand and accelerate its Wildfire Mitigation Plan in response to the increase in wildfire risk to Albertans and AltaLink's critical infrastructure which delivers reliable electricity to customers. In its amendment, AltaLink also requested a deferral account for future catastrophic wildfire damages in excess of insurance coverage and noted that this deferral account would only be accessible if we substantially comply with our Wildfire Mitigation Plan.

- On September 19, 2023, AltaLink received permit and license from the AUC to construct and operate the Vauxhall Area Transmission Development project. The project is intended to alleviate congestion in the Vauxhall area and is anticipated to be in-service in late 2024. The estimated project cost is $20 million.

- On October 5, 2023, AltaLink's updated estimate of $223 million for its portion of the Central East Transfer-Out project was formally approved by the AESO.

- We earned net and comprehensive income of $74.6 million, which is consistent compared to the same period in 2022.

- On July 21, 2023, DBRS reaffirmed its ratings on AltaLink including the Issuer rating, Medium-Term Note (Secured) and Senior Secured Note rating at "A" with stable trends. An "A" rating allows us to keep debt financing costs low for our customers.

Strategic Highlights

- We continue to advance our commitment to operate our business in a sustainable and affordable manner as well as maintaining our Sustainable Electricity Company designation from Electricity Canada since 2014. Our annual ESG Report highlights the Environmental, Social, and Governance objectives we are working to meet.

- From 2015 to 2021, through a combination of rate levelization and cost saving efforts, we reduced our cumulative tariffs by $1.4 billion for our customers. Our efforts continue to keep rates low for customers because we are not currently collecting funds for the recovery of income taxes based on the flow through method and we reduced the salvage recovery we are collecting based on our proposed methodology which was approved by the AUC.

- We actively work with energy companies to connect clean energy generation facilities to our transmission grid. To enable this transition to clean energy in a cost-effective manner, we support the use of existing transmission assets wherever possible as it requires less incremental investment. However, the energy transition may necessitate additional electricity transmission and strengthened transmission interties with neighboring jurisdictions.

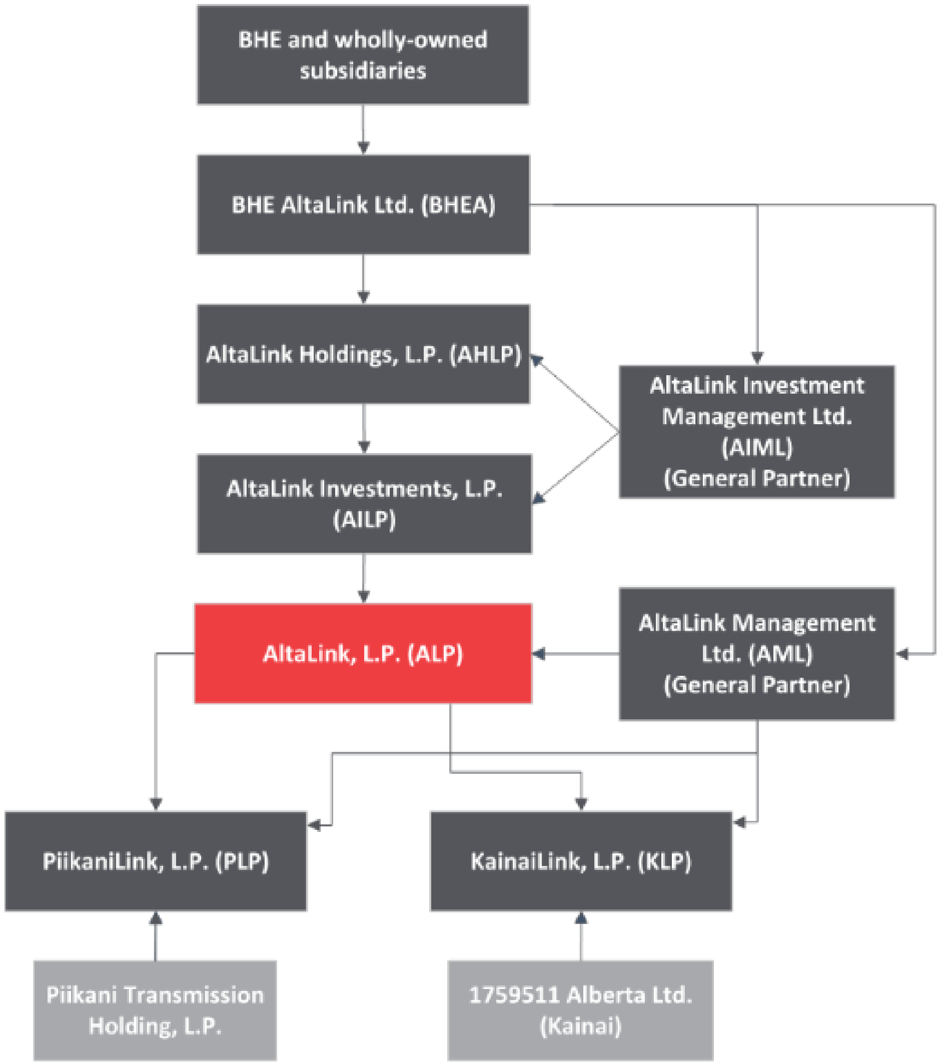
- We believe that building positive, respectful, trusting relationships with local Indigenous communities is the foundation for successful project outcomes and collaborative partnerships. We consult with Indigenous communities in ways that add value to both the community and our business. Our long-term partnerships with the Piikani Nation and the Kainai-Blood Tribe continue to hold transmission investments and provide the First Nations with 51% of the net income from PiikaniLink, L.P. and KainaiLink, L.P.

Our Ownership Structure

ALP is a limited partnership formed under the laws of Alberta on July 3, 2001, pursuant to the Limited Partnership Agreement between AML, as general partner, and AILP, as the sole limited partner. The general partner manages the regulated electricity transmission facilities that we own and operate in the Province of Alberta.

AILP and AHLP were formed within a group structure to issue debt and own regulated entities. AIML manages both AILP and its sole limited partner, AHLP. AHLP is wholly owned by BHEA, which itself is a wholly-owned, indirect subsidiary of BHE.

Our operations and headquarters are in Alberta, where we provide reliable, safe, and efficient service to Albertans. We are regulated by the AUC and the AESO directs both the operation of the interconnected electrical system and our new capital projects.



Our Business and Strategies

We build, own, and operate regulated electricity transmission facilities in the Province of Alberta. Through our transmission facilities, we deliver electricity safely, reliably, and efficiently to approximately 85% of Alberta's population to meet continuously changing customer needs under all operating conditions. We connect generation plants to major load centres, cities, and large industrial plants throughout our 226,000 square kilometre service area, which covers a diverse geographic area, including most major urban centres in central and southern Alberta. Our transmission facilities comprise approximately half of the total kilometres in the Alberta Interconnected Electric System, including interconnections with British Columbia's transmission system that link Alberta with the North American western interconnected system.

For more details regarding our business and strategies, please refer to "Our Business and Strategies" section of our MD&A for the year ended December 31, 2022.

Our Vision and Core Principles

Our vision is to be the best energy company in serving customers, while delivering sustainable energy solutions. Our six core principles further define our values, strategies, and vision:

We use certain measures to determine whether we are meeting our goals and the needs of our customers. Our performance continues to compare favourably to other Canadian transmission facility owners in terms of reliability, safety, and cost-effectiveness.

Customer Service

We are focused on delivering reliability, dependability, low prices, and exceptional service to our customers. We are committed to providing innovative solutions that customers want and need.

Customer performance

Customer feedback is essential to improving the customer service experience. Our customer service representatives pride themselves in having the pulse on customer requirements. They achieve this through planned touch point meetings throughout the year. Additionally, we host an annual "Let's Connect" event to update customers on industry trends and our key customer service initiatives.

We measure customer service performance through a third-party survey process, using the resulting feedback to establish specific initiatives aimed at improving our customers' experience. We use the average survey score out of 10 as the measure of customer satisfaction. Our average customer satisfaction score for the 12 months ended September 30, 2023 of 9.56 improved compared to 9.40 for the same period in 2022 and 9.26 for the same period in 2021.

Employee Commitment

We equip employees with the resources and support they need to be successful. We encourage teamwork and provide a safe, rewarding, equitable, and inclusive work environment. We make no compromise when it comes to safety and security.

Our employees' knowledge and dedication to "keeping the lights on" through operational excellence is key to successfully delivering customer requirements. We aim to provide a clear link between each employee's total, direct compensation to both business performance and their own individual performance. In particular, each employee's incentive pay is dependent on AltaLink's actual performance compared to previously established goals and targets in alignment with customer interests. Additional information on AltaLink's incentive plans is included in our Annual Information Form available on SEDAR at www.sedar.com.

Diversity, equity, and inclusion (DE&I)

We believe in an inclusive environment, in building spaces of mutual respect, trust, and commitment. Our DE&I Plan stresses the importance of frequent communication to foster a culture of awareness and understanding within AltaLink. The Plan also includes training and resources for leaders and employees, DE&I events, and Employee Resource Groups to actively engage employees. To date, Employee Resource Groups include Women + Power (Alberta-based women's network for women in energy), BEAUTIE (Black Employees and Allies United to Inspire Equity), InspirAsian (Asian and Pacific Islander employees and allies), Pride Connection (LGBTQ2+ employees and allies), and Our Familia (Latino, Latina and Latinx employees and allies).

In February 2023, we issued Celebrating Our Differences: 2022 Diversity, Equity, and Inclusion Report. This report is a helpful resource for employees to better understand what we are trying to achieve, why DE&I is a business priority, and what ongoing work is occurring. Our goal is to ensure that all employees feel physically and psychologically safe as well as a sense of belonging at work. Over the last two years, we have spent a significant amount of time listening, exploring, and implementing best practices on these matters, continuously investing in DE&I education.

In 2022, employees completed leader-led Bystander training to build skills and raise awareness on how to respectfully intervene should they encounter bias in the workplace. In 2023, employees completed Inclusive Language training to support an inclusive work environment.

In the second quarter of 2023, we conducted our second DE&I survey. We had a 74% participation rate and this survey indicated steady progress from our first DE&I survey in 2021. Top rated items were that AltaLink actively supported diversity and inclusion; a welcoming workplace climate; and leadership that fosters an inclusive environment.

Employee engagement and support to the community

We continuously strive to attract, retain, and develop a high-quality, diverse workforce. Our workforce enables us to sustain our business, and to remain at the forefront of innovation and continuous improvement. We employ 689 skilled and dedicated employees who maintain and operate our facilities and deliver on the capital transmission projects. Using an independent third-party, we regularly conduct employee engagement surveys with all employees. Employee surveys will continue to be conducted each year on varied topics as employee expectations continue to evolve.

In July 2023, we conducted an Employee Engagement Survey with an 82% participation rate from employees. Employee responses demonstrated an increase of 8% in overall engagement compared to our 2022 Summer Pulse Survey. Workplace safety and our hybrid work model were the most highly rated items in the 2023 survey.

We launched our hybrid work model in 2022 to provide employees with flexibility regarding how and where they work. This model allows eligible employees to work from home on Mondays and Fridays, while Tuesdays through Thursdays remain core days spent in the office. In addition to increased flexibility in the workplace, we continue to provide enhanced wellness and mental health support to our employees.

AltaLink and its employees support the communities in which we live through community investment and as employees volunteer throughout the year. In 2022, our employees raised $906,562 for the United Way after the dollar-for-dollar match by AltaLink, bringing our total to almost $10.5 million since 2002. AltaLink and its employees donate their time through our Global Days of Service program and United Way Days of Caring events, contributing hundreds of hours to organizations across Alberta. AltaLink is also the presenting sponsor of the Shaw Birdies for Kids program at the Shaw Charity Classic PGA Champions golf tournament. In 2022, the program raised over $17.4 million for more than 260 youth-based charities in Alberta.

Safety

The safety and security of our employees, customers, and the general public is our top priority. Our monthly Environmental, Health, and Safety business review provides management guidance and oversight with respect to safety. Our safety management initiatives encompass all aspects of our safety systems, focussing our entire organization on building a culture of safety accountability and responsibility. We strive to continuously improve our safety performance through focused training and ongoing commitment to our safety culture and safety management processes.

We attain strong safety metrics, and our employee injury frequency rate is better than those of our peers, as reported by Electricity Canada for transmission employees.

The following table summarizes our strong safety performance.

	Twelve months ended September 30,		
	2023	2022	2021
Total recordable injury frequency rate[1]	**0.32**	0.48	0.00

1. Number of all lost time, restricted work, and medical aid incidents per 200,000 exposure hours worked by employees.

We experienced two employee injuries resulting in a total recordable injury frequency rate of 0.32 for the twelve months ended September 30, 2023.

In November 2022, for the sixth consecutive year, we received the Electricity Canada President's Award of Excellence for employee safety as the best performing transmission company with 300 to 1,500 employees in 2021.

As we are committed to public safety, we continue to maintain our accreditation from the Alberta Safety Codes Council to ensure that our transmission facilities comply with all Alberta Electric Utility Code requirements.

Environmental Respect

We are committed to using natural resources wisely and protecting our environment for the benefit of future generations. Our Environmental RESPECT Policy details this commitment in the areas of Responsibility, Efficiency, Stewardship, Performance, Evaluation, Communication and Training.

We believe responsible environmental management is good business; it benefits our customers and improves the quality of the environment in which we live.

We modelled our environmental management system after the International Organization for Standardization (ISO) requirements and the ISO 14001:2015 standard. The environmental management system is a framework for systematically managing environmental risks and improving environmental performance.

Corporate sustainability is important to our overall business strategy, which collectively considers environmental, social, and economic aspects in our business planning, decision making, and governance. On June 28, 2023, AltaLink released its 2022 ESG Report, which is available at www.altalink.ca.

We strive to be leaders in environmental best practices and provide environmental leadership through innovative practices and sound risk management. In designing and constructing new transmission facilities, as well as operating and maintaining our existing facilities, we consider ways to reduce land use impacts and improve efficiency. We also promote clean energy and actively work to connect clean energy generation facilities to our transmission grid.

We are maintaining our accreditation from the Right-of-Way Stewardship Council for our sustainable integrated vegetation management practices. We were the first utility in Canada to receive this third-party independent confirmation, indicating that our practices for environmental management of our transmission rights-of-way meet industry standards of excellence.

Regulatory Integrity

We adhere to a policy of strict regulatory compliance and pursue frequent, open communication with stakeholders regarding our business performance.

As a transmission facility owner, the AUC regulates us pursuant to the Electric Utilities Act (Alberta), the Public Utilities Act (Alberta), the Alberta Utilities Commission Act (Alberta), and the Hydro and Electric Energy Act (Alberta). Through various regulatory decisions, these statutes and their respective regulations impact our tariffs, construction, operations, and financing.

We receive all regulated transmission tariffs, including settlements of deferral and reserve accounts, from the AESO. We and other transmission facility owners are permitted to charge tariffs for the use of our transmission facilities. The AUC regulates such tariffs under the provisions of the Electric Utilities Act (Alberta) in respect of rates and terms and conditions of service.

We developed a Code of Ethics and Business Conduct for how we conduct business and a Compliance Plan to achieve the purposes of the Inter-Affiliate Code of Conduct, as ordered by our regulator. We seek to promote integrity and transparency in all aspects of conducting our business and in our relations with our colleagues, customers, shareholders, business partners, and other stakeholders. We are committed to ethical practices with policies in place to ensure we operate at the highest standard for our customers. Every year, we require employees to acknowledge and sign-off on their commitment to our Code of Ethics and Business Conduct and its associated policies.

Operational Excellence

Together with our employees, we pride ourselves on excellence in every aspect of our work. Our high standards for operations and system maintenance enable us to meet and exceed our customers' expectations, perform our work safely, and preserve our assets.

We focus on "keeping the lights on" for Albertans, and are committed to reinforcing and maintaining Alberta's transmission infrastructure to ensure that the province's electricity grid can enable economic growth and support the energy transformation. Our focus on continuous improvement and operational excellence covers our project execution, maintenance, operating, work planning, and scheduling activities.

We strive to continuously implement business improvements across our organization to deliver reliable, affordable, and safe transmission service to our customers.

Operations and asset management

We design and implement operational, maintenance and information technology capital investments to fulfill our commitment to the safe, reliable, and cost-effective operation of our transmission business. Our program-based maintenance activities cover a broad functional spectrum of the transmission business, including safety management, transmission lines, substations, telecommunications, meters, vehicles, buildings, tools, control centre, and information technology improvements. We use life extension and long-range asset replacement programs to ensure timely and effective replacement of assets that have reached the end of their useful lives.

Wildfires and storm emergency response

In May and June 2023 wildfires in Alberta burned more than 1.9 million hectares of land, the most in Alberta's history, after an extraordinarily dry and hot spring. AltaLink's transmission system was impacted by wildfires in the Edson, Drayton Valley, and Brazeau areas of Alberta. None of these fires initiated from AltaLink's operations. AltaLink restored service to all customers impacted from these wildfires by July 3, 2023and completed all structure repairs by August 10, 2023. The restoration of the damaged transmission lines cost $21.8 million in the second and third quarters of 2023 and AltaLink plans to file an application with the AUC to recover costs once final costs are known.

Further to the wildfires, on June 19, 2023, a portion of AltaLink's transmission system experienced a spring snowstorm with heavy wet snow and winds. Restorations were completed and AltaLink restored service to all impacted customers by June 30, 2023. The restoration of the damaged transmission lines cost $2.3 million in the second and third quarters of 2023 and AltaLink plans to file an application with the AUC to recover costs once final costs are known.

AltaLink is reviewing and implementing further improvements in its situational awareness of current and forecast weather and fire conditions and taking increased proactive measures to protect its assets, minimize future damage and maintain public safety. On August 31, 2023, AltaLink filed an amendment to its 2024-2025 GTA application with additional measures to address the increase in wildfire risk. The amendment introduced a dynamic wildfire model, accelerated maintenance timing, implemented a new program to address the top-ignition causing lines, and established a deferral account for future catastrophic wildfire damages. The amendment increased AltaLink's Wildfire Mitigation Plan capital expenditures from $16.0 million to $38.5 million in 2024 and from $14.6 million to $38.4 million for 2025. AltaLink's total amended revenue requirements for 2024 and 2025 are $895.3 million and $911.9 million, respectively.

Capital projects

We energized or completed $32.2 million of capital project additions in the third quarter of 2023 (2022 – $50.3 million). Please refer to “Major Capital Projects” section of this MD&A.

Reliability

A strong, efficient, and reliable transmission system ensures Albertans have access to multiple generation resources from across the province. A reliable transmission system also ensures that all generators can compete, enabling access to low-cost generation, which includes clean energy generation for customers.

We operate our transmission system to minimize disruption of service to our customers. Severe weather and other unplanned events cause service disruptions to which we respond as quickly as possible. Our proactive operating practices and capital investment have delivered a long-term trend of improved reliability. Our reliability statistics are superior to those of our peers, as reported by Electricity Canada, who has ranked us in the top quartile of Canadian electric utilities for outage duration and frequency.

On March 10, 2023, the AESO released the Reliability Requirements Roadmap, providing an analysis of Alberta grid reliability based on changes in energy supply mix arising from the energy transition. The AESO identified three emerging reliability challenges: frequency stability, system strength, and flexibility capability. The AESO continues to progress and consult with industry on improvement plans in these areas. AltaLink continues to collaborate with the AESO on solutions.

In 2023, our customer reliability was impacted by the major wildfire and snowstorm events described above. Due to the size and nature of the events, the customer interruptions qualify as a major event under Electricity Canada guidelines and are excluded from the ongoing reliability performance metrics.

The reliability of service, exclusive of the major events described above, continues to be strong. Our average customer outage duration for the 12 months ended September 30, 2023, was higher than the same period in 2022, primarily due to increased system outages caused by customer equipment and increased frequency of wildlife contacts. We continue to work on improvement plans and coordination with customers to prevent outages by efficiently directing maintenance to high-risk assets and efficient restoration efforts when outages occur. Our ongoing focus on capital maintenance investments, operating maintenance activities and initiatives to reduce restoration times, continues to provide strong power system reliability in support of our customers.

The table below summarizes our reliability performance.

	Twelve months ended September 30,		
	2023	2022	2021
Duration of outages (SAIDI)[1]	**11.1**	7.8	13.9
Frequency of outages (SAIFI)[2]	**0.44**	0.29	0.36
Restoration time (SARI)[3]	**45**	61	69

1. System Availability Interruption Duration Index is the average number of interruption minutes per delivery point.
2. System Availability Interruption Frequency Index is the average number of interruptions per delivery point.
3. System Average Restoration Index is the average number of interruption minutes per sustained interruption.

Cyber and physical security

During the nine months ended September 30, 2023, we continued to upgrade our cyber security preparedness by adding controls to meet compliance requirements and to keep up with best practices. Given the outbreak of Russian hostilities against Ukraine in 2022, the Governments of Canada and the United States issued repeated requests for critical infrastructure providers (the electricity industry in particular) to adopt a "shields up" approach with additional cyber security measures.

In 2022, a significant increase in serious physical security attacks on substations and the electrical grid in North America changed the nature of the physical security threats relevant to utility infrastructure. This contributed to an unprecedented number of serious disruptions to the electricity grid in North America. Attacks on the United States power grid rose in the first half of 2023, with 94 cyber and physical threats or assaults reported.

AltaLink has been working closely with federal and provincial government security agencies and industry partners to implement additional security controls. AltaLink continues to monitor developments closely.

Financial Strength

We are excellent stewards of our financial resources. Backed by BHE, we invest in hard assets and focus on long-term opportunities that will contribute to our future strength.

We align our financing strategy with the AUC-approved regulated debt and equity capital structure and with targets for our key financial metrics. We finance our operations and maintenance capital expenditures from operating cash flows, and we intend to fund the growth capital expenditures from the balance of our operating cash flows, additional borrowings under our capital markets platform and, if required, equity contributions from our limited partner, AILP.

AltaLink's Senior Debt has an "A" credit rating from DBRS and S&P. On June 20, 2023, S&P reaffirmed its issuer credit rating and senior secured rating on AltaLink at "A", but revised its outlook from stable to negative due to the potential for BHE's business or financial risk to increase over the next 24 months if BHE-owned, PacifiCorp, faces significantly increased liabilities related to the 2020 wildfires in the U.S. state of Oregon. On July 21, 2023, DBRS reaffirmed its ratings on AltaLink including the Issuer rating, Medium-Term Note (Secured) and Senior Secured Note rating at "A" and the rating of its Commercial Paper at R-1 (low). All trends are Stable.

The financial strength demonstrated through an "A" credit rating allows us to keep debt financing costs low for our customers. For the nine months ended September 30, 2023, our weighted average cost of long-term debt was 4.00% (September 30, 2022 – 3.89%).

Return on capital investment

Continued investment in our regulated capital assets provides reliability of supply of transmission service to our customers and is one of our indicators of future revenue streams. As a regulated utility, we earn most of our net income from allowed returns on equity invested in our regulated capital assets.

The AUC approved an equity return of 8.5% and an equity ratio of 37% for 2019 through 2023. On October 9, 2023, the AUC issued its decision on the Generic Cost of Capital for 2024 and beyond for Alberta's regulated electric and gas utilities, approving a set equity ratio and a formula to determine return on equity. The AUC set the deemed equity ratio of 37% and increased return on equity from 8.5% to a notional 9.00%, which is subject to formulaic adjustments using 30-year Government of Canada bond yields and Canadian utility spreads. In November 2023, the AUC will set and provide utilities with the approved return on equity for 2024 and will provide the same in November of each year going forward.

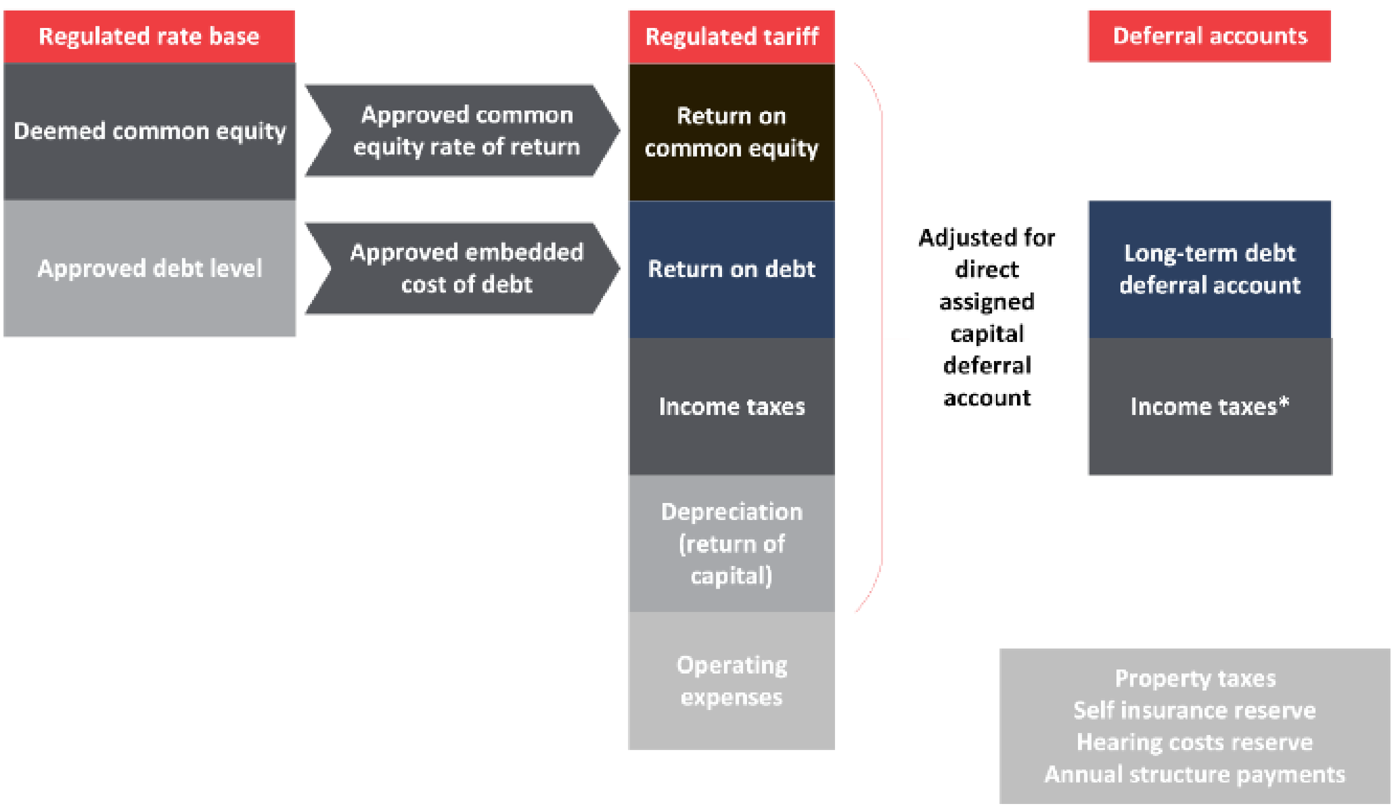
We calculate our allowed returns on equity by multiplying our mid-year investments in rate base, and CWIP by the equity ratio and rate of return approved by the AUC. Our operating cash flow relates primarily to (i) the return on equity on our rate base; and (ii) recovery of depreciation on our rate base assets.

Transmission Tariffs

Overview

Under the Electric Utilities Act (Alberta), we prepare and file applications with the AUC for approval of tariffs to be paid by the AESO for the use of our transmission facilities, and the terms and conditions governing the use of those facilities. The AUC reviews and approves such tariff applications based on a cost-of-service regulatory model under a forward test year basis.

The following diagram outlines the principal components of our transmission tariff revenue:



* We will recover income taxes through regulated tariffs in future years when the taxes are deemed to be paid using the flow-through calculation method.

For more details regarding our transmission tariffs, please refer to the "Transmission Tariffs" section of our MD&A for the year ended December 31, 2022.

The AESO is responsible for directing the safe, reliable, and economic operation of the AIES, including long-term transmission system planning. To meet long-term planning needs, the AESO directs us to expand and reinforce the AIES within the area in which we operate. We are obligated to fulfill these directions pursuant to the Transmission Regulation.

Interim tariffs

On November 1, 2023, AltaLink confirmed it will carry-forward the amount of its 2023 monthly tariff into 2024 for AltaLink, PLP and KLP on an interim basis, as previously directed by the AUC.

On August 17, 2022, the AUC approved revised final transmission tariffs for AltaLink, including monthly tariffs for PLP and KLP, of $83.7 million per month effective September 1, 2022, for the remainder of 2022, and $73.6 million per month for 2023.

On May 17, 2022, the AUC approved transmission tariffs for AltaLink, including monthly tariffs for PLP and KLP, of $83.6 million per month effective June 1, 2022.

Our total approved interim refundable transmission tariff, including monthly tariffs for PLP and KLP, was $57.4 million per month from January to May 2022.

2024-2025 General Tariff Application

On August 31, 2023, AltaLink filed an amendment to its 2024-2025 GTA. The amendment introduced a dynamic wildfire model, accelerated maintenance timing, implemented a new program to address the top-ignition causing lines, and established a deferral account for future catastrophic wildfire damages. The amendment increased AltaLink's Wildfire Mitigation Plan capital expenditures from $16.0 million to $38.5 million in 2024 and from $14.6 million to $38.4 million for 2025. AltaLink's total amended revenue requirements for 2024 and 2025 are $895.3 million and $911.9 million, respectively.

On July 5, 2023, AltaLink requested the AUC to suspend the schedule for its 2024-2025 GTA until August 31, 2023. AltaLink required the schedule delay to amend its application. The amendment is in response to the unprecedented wildfire events that AltaLink experienced in the areas of Edson, Drayton Valley, and Brazeau in May and June 2023. On July 11, 2023, the AUC allowed AltaLink to refile its application and directed AltaLink to limit its application updates to its Wildfire Mitigation Plan and related wildfire references. The AUC also requested AltaLink to file a revised process schedule by August 18, 2023, after consultation with interveners. AltaLink plans to file an application with the AUC in the fourth quarter of 2023 to recover all costs incurred as a result of the recent wildfire events.

On April 28, 2023, AltaLink filed its 2024-2025 GTA with the AUC. Our revenue requirement is $894.1 million and $908.6 million for 2024 and 2025, respectively.

The application also requests the approval of $98.9 million of salvage costs incurred from 2019 to 2021 based on additional information filed.

The table below summarizes the 2024 and 2025 transmission tariffs filed for on April 28, 2023, and amended on August 31, 2023.

(in millions of dollars)	2025 Applied for	2024 Applied for
Return on equity	$ 234.0	$ 234.2
Return on debt	195.9	194.2
Operating costs	179.4	176.9
Depreciation and amortization	302.3	289.7
Miscellaneous revenue offset	(7.5)	(7.5)
Revenue requirement – ALP	**904.2**	**887.5**
Other adjustments	—	8.2

Transmission tariffs as amended August 31, 2023 – ALP	**904.2**	**895.7**
Transmission tariffs as filed April 28, 2023 – PLP	4.7	4.7
Transmission tariffs as filed April 28, 2023 – KLP	3.0	3.0
Transmission tariffs as amended August 31, 2023	**$ 911.9**	**$ 903.5**

* Totals may not add due to rounding

The table below summarizes the GTA forecasted gross capital expenditures for 2024 and 2025.

(in millions of dollars)	2025 Applied for	2024 Applied for
Gross capital expenditures	**$ 383.7**	**$ 384.3**

2022-2023 General Tariff Application

On July 26, 2022, AltaLink submitted its second compliance filing application for AltaLink's 2022 revenue requirement at $870.8 million, with total 2022 revenue requirement, including PLP and KLP, of $878.9 million, and AltaLink's 2023 revenue requirement at $875.0 million, with total 2023 revenue requirement, including PLP and KLP, of $883.0 million. On August 17, 2022, the AUC approved the revised revenue requirements as filed, allowing AltaLink to fully deliver on its flat-for-five commitment to our customers to keep our rates at or below the 2018 level of $904 million during the five-year period from 2019 to 2023.

On June 24, 2022, the AUC varied its Decision 26509-D01-2022 with respect to AltaLink's proposed Pipeline Electrical Interference Mitigation Program capital expenditures. The AUC ruled that AltaLink substantiated the majority of Pipeline Electrical Interference Mitigation Program forecast capital expenditures at issue, except for forecast capital expenditures that are wholly the pipeline owner's responsibility. As a result, the AUC approved 91% of the forecast capital expenditures, totaling $4.3 million for 2022 and $3.0 million for 2023. On July 26, 2022, AltaLink filed its compliance filing to reflect the increased capital as approved by the AUC, resulting in increased revenue requirements of $0.1 million and $0.3 million for 2022 and 2023, respectively.

On May 17, 2022, the AUC issued a decision with respect to AltaLink's application to review and vary its proposed $120.0 million refund of accumulated depreciation surplus. While the AUC found that the refund would provide consumers with some modest relief on their electricity bills, it determined that the long-term costs outweighed the short-term benefits, and the refund would not be fair to future customers. The AUC also found that economic indicators, except for inflation, showed an improving Alberta economy. The AUC did not agree that the Alberta economy had materially deteriorated.

On April 19, 2022, AltaLink filed revised 2022 and 2023 revenue requirements including PLP and KLP of $878.8 million and $882.7 million, respectively, in response to additional information requested by the AUC on April 14, 2022. On May 17, 2022, the AUC approved the revised revenue requirements as filed.

On March 17, 2022, AltaLink filed another review and variance application with the AUC. The application requested the AUC to review and vary its decision to deny AltaLink's proposed $120.0 million refund of accumulated depreciation surplus, given material changes in circumstances since the decision was issued in January 2022.

On March 11, 2022, the AUC issued Decision 27172-D01-2022 with respect to AltaLink's review and variance application. The AUC decided to review the Pipeline Electrical Interference Mitigation Program issue on its own motion, since AltaLink is required to undertake this program to comply with applicable laws and standards but was not awarded any funds to carry out the program. In the same decision, the AUC dismissed the request for review of the Wildfire Mitigation Plan opening balance issue, on the basis that AltaLink did not meet the requirements for a review. On April 12, 2022, AltaLink filed supplemental information requested by the AUC for the review of the Pipeline Electrical Interference Mitigation Program issue.

On February 18, 2022, concurrent with the 2022-2023 General Tariff Application Compliance Filing, AltaLink filed a review and variance application with the AUC. The application requested the AUC review and vary its decision to (i) deny all costs for the Pipeline Electrical Interference Mitigation Program, a total of $7.9 million for the 2022-2023 test period, and (ii) deny $1.5 million of costs in AltaLink's 2022 opening rate base related to its Wildfire Mitigation Plan. AltaLink considers it unsafe to operate transmission lines adjacent to pipelines without appropriate mitigations in place and considers that the evidence demonstrates that the Wildfire Mitigation plan program expenditures were approved in AltaLink's 2019-2021 GTA and were previously shown as prudently incurred.

On January 19, 2022, the AUC issued Decision 26509-D01-2022 with respect to AltaLink's 2022-2023 GTA. The AUC did not approve AltaLink's proposed refund due to an anticipated improvement in general economic conditions in Alberta. The AUC supported the following key areas of focus for AltaLink:

- The AUC approved AltaLink's continued implementation of its Wildfire Mitigation Plan, including $2.1 million of forecast operating expenses and $20.4 million of forecast capital investment to reduce the risk of fires.
- The AUC approved $4.4 million for AltaLink's higher priority forecast transmission line clearance mitigation capital.
- The AUC approved $26.0 million for security and compliance capital to support AltaLink's ongoing efforts to protect customers and the AIES from increasing and evolving cyber threats.

The AUC approved $331.5 million in total capital expenditures for information technology and capital replacement and upgrade programs, as compared to the $407.1 million requested in AltaLink's GTA. The AUC reduced AltaLink's 2022 opening net salvage reserve account by $98.9 million, subject to review and further justification in AltaLink's next GTA. Additionally, the AUC directed AltaLink to reduce its direct assigned capital expenditure forecast by $214.1 million due to delayed in-service dates, as directed by the AESO, for several projects. The AUC also reduced AltaLink's forecasted labour escalation from 2.65% to 1.80% for both 2022 and 2023. On February 18, 2022, AltaLink filed its compliance filing with a two-year total revenue requirement of $1,742.2 million.

In July 2021, as part of the tariff process, AltaLink engaged in a new AUC mediated settlement process with various customer groups. Unfortunately, no settlement was reached in the mediation process; as a result, the matter proceeded to a written hearing. On September 3, 2021, AltaLink provided responses to information requests from the AUC and filed an amended application to reflect certain adjustments and forecast updates. A virtual hearing in October 2021 served for the completion of oral argument and reply argument.

On April 30, 2021, AltaLink filed its 2022-2023 GTA delivering the last two years commitment to keep rates flat for customers, maintaining them at or below the 2018 level of $904 million for the five-year period from 2019 to 2023. The two-year application achieves flat tariffs by continuing to transition to the AUC-approved salvage recovery method and maintaining the use of the flow-through income tax method with an overall year over year revenue requirement increase of approximately 2% in 2022 and 2023. Additionally, similar to the AUC-approved $80.0 million refund of the previously collected accumulated depreciation surplus for 2021, AltaLink proposed to provide further similar tariff reductions over the two years by refunding an additional $60.0 million per year. AltaLink provided responses to information requests from intervenors on July 9, 2021.

The table below summarizes the 2022 and 2023 transmission tariffs applied for on April 30, 2021, amended, and approved on August 17, 2022.

(in millions of dollars)	2023 Approved	2022 Approved
Return on equity	$ 243.3	$ 240.5
Return on debt	183.8	183.9
Operating costs	170.4	167.0
Depreciation and amortization	309.8	299.8
Miscellaneous revenue offset	(8.2)	(8.5)
Revenue requirement – ALP	**899.2**	**882.7**
Accumulated depreciation surplus refund	(60.0)	(60.0)

Others	—	(6.5)
Transmission tariffs as filed April 30, 2021 – ALP	**839.2**	**816.2**
DACDA projects forecast update	(2.4)	(3.1)
Financing cost update	1.7	0.4
Other adjustments	(2.9)	(2.1)
Transmission tariffs as amended September 3, 2021 – ALP	**835.5**	**811.5**
Net impact of removing accumulated depreciation refund	56.4	58.9
Adjustment to salvage reserve 2022 opening balance	(3.9)	(4.1)
Net impact of forecast direct assigned capital reductions	(4.3)	0.7
Net impact of forecast non-direct assigned capital reductions	(5.8)	(1.8)
Forecast operating expense reduction	(1.8)	(1.3)
Other adjustments	(2.9)	(1.2)
Transmission tariffs as filed February 18, 2022 – ALP	**873.2**	**862.6**
Impact of net capital and salvage reductions	(0.1)	(0.1)
Transmission tariffs as filed March 25, 2022 – ALP	**873.1**	**862.5**
Net impact of further depreciation adjustments	1.6	1.7
Other adjustments	(0.1)	—
Transmission tariffs as filed April 19, 2022 and approved May 17, 2022 – ALP	**874.7**	**864.2**
Pipeline Interference Mitigation Stage 2 Review and Variance Compliance Filing	0.3	0.1
Transmission tariffs as filed July 26, 2022 – ALP	**875.0**	**864.4**
Transmission tariffs as filed July 26, 2022 – PLP	4.9	5.1
Transmission tariffs as filed July 26, 2022 – KLP	3.1	3.3
Total transmission tariffs as filed July 26, 2022 and approved August 17, 2022	**$ 883.0**	**$ 872.7**

* Totals may not add due to rounding

The table below summarizes the GTA approved gross capital expenditures for 2022 and 2023.

(in millions of dollars)	2023 Approved	2022 Approved
Gross capital expenditures	**$ 196.5**	**$ 201.3**

2019-2021 Negotiated Settlement Cost Sharing Application

On June 30, 2022, AltaLink filed its cost sharing application with the AUC, requesting approval for a one-time payment of $0.8 million to customers because of savings achieved from 2019 through 2021. On August 2, 2022, the AUC issued Decision 27498-D01-2022 with respect to AltaLink's cost sharing application, approving the application as filed.

Generic Cost of Capital Proceeding

On October 9, 2023, the AUC issued its decision on the Generic Cost of Capital for 2024 and beyond for Alberta's regulated electric and gas utilities, approving a set equity ratio and a formula to determine return on equity. The AUC set the deemed equity ratio at 37% and set a notional return on equity of 9.00%, which is subject to formulaic adjustments using 30-year Government of Canada bond yields and Canadian utility spreads. In November 2023, the AUC will set and provide utilities with the approved return on equity for 2024 and will provide the same in November of each year going forward.

On June 26, 2023, AltaLink and other stakeholders filed written argument following an oral hearing from May 29, 2023, to June 2, 2023. AltaLink and other utilities reiterated that (i) financial and business risks have increased since the 2018 Generic Cost of Capital proceeding and this should compel the AUC to increase the allowed return on equity and deemed equity ratio from its current level; (ii) the current post-pandemic economic environment, with quantitative tightening and inflation, coupled with fiscal stimulus, does not support the adoption of a formula; and (iii) a formula that reduces the cost of capital calculation to a few basic variables is unlikely to reliably achieve a fair return over time that allows the utilities to attract capital, especially in the present rapidly evolving market conditions. Intervenors argued the opposite, that utilities' business risk has declined since the 2018 Generic Cost of Capital proceeding and that conditions are more favourable now for the implementation of a formulaic return.

AltaLink and other stakeholders filed evidence on February 1, 2023. AltaLink filed expert evidence recommending a 10.3% return on equity, on a recommended equity ratio of 40%. Other utilities filed evidence recommending a range of 9.5% to a minimum of 10% return on equity with a recommended equity ratio of 40%. The Consumers' Coalition of Alberta, the Utilities Consumer Advocate, and the Industrial Power Consumers Association of Alberta filed intervenor evidence. The intervenors recommended a return on equity ranging from 6.75% to 7.7% and an equity ratio ranging from 35% to 37%. AltaLink's expert witness, as well as all other utility experts, submitted that they are generally not in favour of implementing a formulaic adjustment mechanism for allowed return on equity due to the challenges in maintaining the Fair Return Standard. The interveners are generally in favour of a formula.

On June 29, 2022, the AUC initiated stage two of the 2023 GCOC proceeding to determine the cost-of-capital parameters for 2024 and future test years. The AUC stated it will use a formula-based approach to determine the appropriate return on equity in the proceeding. On September 15, 2022, stakeholders filed initial submissions on relevant comparator utilities that could serve as the basis for identifying the variables to be considered for a formula-based approach. On October 14, 2022, AltaLink and other stakeholders attended a technical conference with the goal of reaching a consensus on the comparator group of representative utilities. On November 10, 2022, the AUC provided its ruling on the comparator group of representative utilities and on November 29, 2022, the AUC issued its final issues list for the proceeding.

On March 31, 2022, the AUC issued Decision 27084-D01-2022 with respect to the first stage of the 2023 GCOC proceeding. The AUC approved the extension of the 2022 return on equity of 8.5% and deemed equity ratio of 37% for 2023 on a final basis, recognizing the lingering uncertainty and continued volatility of financial markets due to the COVID-19 pandemic.

	Approved 2023	Approved 2022	Approved 2021
Deemed capital structure			
Common equity ratio	**37.00%**	**37.00%**	**37.00%**
Debt ratio	**63.00%**	**63.00%**	**63.00%**
Generic returns			
Return on equity	**8.50%**	**8.50%**	**8.50%**

On January 3, 2022, the AUC initiated the 2023 GCOC proceeding, which was conducted in two stages. The first stage determined the cost of capital parameters for 2023 and the second stage considered returning to a formula-based approach to establish cost of capital adjustments, commencing in 2024. The AUC considers a formula-based approach could increase transparency and predictability as well as save customers and utilities time and resources associated with having fully litigated proceedings every one to three years.

2021-2022 Deferral Accounts Reconciliation

On April 28, 2023, AltaLink filed its 2021-2022 deferral accounts reconciliation along with its 2024-2025 GTA. The reconciliation included 25 projects with total gross capital additions of $155.7 million for 2021 and 2022, as well as AltaLink's other deferral accounts for taxes other than income taxes, long-term debt, and annual structure payments.

Alberta Electric System Operator Tariff Decision - Distribution Facility Owners Contribution

On January 12, 2022, the Alberta Court of Appeal heard AltaLink's permission to appeal the AUC's decisions regarding the legality of the current customer contribution regime and the AUC's ability to deny a utility its return on investment. The AUC responded that its ruling on the return issue was within its discretion and within its public interest mandate. On January 19, 2022, the court granted permission to appeal. The Alberta Court of Appeal heard the appeal February 8, 2023, and we expect its decision in the fourth quarter of 2023.

On May 25, 2021, AltaLink filed its application for permission to appeal AUC Decision 26061-D01-2021 with the Alberta Court of Appeal. As a result of the multiple appeals and the combination of all appeals, the Alberta Court of Appeal moved the hearing from October 2021 to January 2022.

On April 23, 2021, the AUC issued Decision 26061-D01-2021 in respect of its separate AESO customer contribution proceeding, as initiated in November 2020. The AUC ruled that (i) the current policy is legal, but stated that it sends the wrong price signals to distribution facility owners to prefer an investment in transmission; (ii) FortisAlberta can keep its existing investment and can continue to earn a return on its existing investment; and (iii) it is not in the public interest for either a distribution facility owner or a transmission facility owner to earn a return on AESO customer contributions on a go-forward basis. All utilities launched appeals regarding the ability of the AUC to deny a return on an investment that is required by a private utility to serve its customers.

On December 4, 2020, AltaLink filed its application for permission to appeal AUC Decision 24932-D01-2020 with the Alberta Court of Appeal.

On November 10, 2020, the AUC initiated a separate proceeding to (i) examine the legal basis of the current AESO customer contribution policy as it pertains to all transmission facility owners and distribution facility owners, (ii) consider whether there is a need for a new policy, including consideration of AltaLink's proposed policy, and (iii) if approved, set the date on which any new policy would commence. On December 2, 2020, AltaLink filed its submissions in this proceeding, stating that the current customer contribution policy was contrary to business principles as it allows a distribution facility owner to earn a return on assets that are owned, operated, and maintained by a transmission facility owner who has all the risk of ownership, and contrary to the legislative scheme in Alberta, which delineates the ownership of transmission and distribution assets. AltaLink also stated that it disagrees with the AUC's Decision 24932-D01-2020 and that it intends to file an appeal.

On November 4, 2020, the AUC issued Decision 24932-D01-2020 with respect to FortisAlberta's review and variance proceeding. In its decision, the AUC rescinded its findings from the original decision which directed FortisAlberta to transfer the unamortized balance of its AESO contributions as of December 31, 2017, of approximately $375 million to AltaLink, and that AltaLink's proposed new contribution policy be applied effective January 1, 2018. The AUC's decision was based on two main areas: (i) if the original decision was confirmed, FortisAlberta would incur incremental income tax, carrying costs and debt restructuring costs of at least $117 million that would be required to be recovered from ratepayers; and (ii) the AUC determined that a majority of the approximately $40 million in savings to ratepayers on which the hearing panel relied as the basis for their original decision can be achieved by directing FortisAlberta to adjust the applicable amortization rate for its AESO contributions to match the service lives of the transmission assets.

In July 2020, AltaLink and FortisAlberta filed expert tax evidence on three areas of disagreement as requested by the AUC in May 2020:

- The effect of the AESO's contribution on AltaLink's income tax expense for the years 2018-2022;
- The limitation on the number of prior years for which tax returns can be refiled; and
- Support for the respective positions of FortisAlberta and AltaLink on the amount of the undepreciated capital cost allowance available to FortisAlberta to shield incremental income tax that may be triggered by the transfer of AESO contributions from FortisAlberta to AltaLink.

In December 2019, the AUC reopened the review and variance proceeding record and in January 2020, it issued specific information requests for clarification on the previously filed evidence to both of FortisAlberta and AltaLink. AltaLink and FortisAlberta filed responses to the AUC information requests at the end of January 2020.

On September 22, 2019, the AUC issued Decision 22942-D02-2019 with respect to the 2018 AESO tariff. As part of this decision, the AUC approved AltaLink's proposal to refund contributions made by distribution facility owners relative to transmission projects built and owned by transmission facility owners on the basis that it provided benefit to rate payers but rejected AltaLink's argument that the current customer contribution regime that allowed distribution facility owners to earn returns on transmission facility owner assets was contrary to the legislation. The proposal would benefit distribution customers by flowing through the lower cost of capital of the transmission facility owner rather than the higher cost of capital of the distribution facility owner. As directed by the AUC, AltaLink would pay the unamortized contribution balance of approximately $375 million and add the amount to AltaLink's rate base. The AUC directed the AESO to consult with AltaLink to provide a joint proposal to implement AltaLink's contribution proposal. In September 2019, FortisAlberta filed a review and variance application with the AUC requesting the AUC re-evaluate its findings with respect to AltaLink's customer contribution proposal as it relates to distribution facility owners. In October 2019, the AUC granted FortisAlberta's request to proceed to a review and variance with the close of record in November 2019 after submissions from FortisAlberta, AltaLink and other interested parties. FortisAlberta has also sought a stay of the AUC's decision. On October 25, 2019, the AUC granted FortisAlberta's stay application. AltaLink filed for permission to appeal the portion of the decision rejecting AltaLink's argument that the current customer contribution regime was contrary to the legislation. FortisAlberta also filed for permission to appeal the decision with the Court of Appeal.

Major Capital Projects

Transmission Planning and Development

For details on transmission planning and development in Alberta, please refer to the "Overview of the Electricity Industry in Alberta", "Transmission Planning and Development", "Our Transmission Facilities", and "Major Capital Projects" sections of our MD&A for the year ended December 31, 2022.

The AESO mandate, defined in the Electric Utilities Act (Alberta) and its regulations, requires the AESO to assess both current and future needs of the AIES.

On October 23, 2023, The Ministry of Affordability and Utilities of Alberta distributed a discussion green paper titled Transmission Policy Review: *Delivering the Electricity of Tomorrow* which aims to build off previous stakeholder feedback and engagement processes and take the next steps toward determining the appropriate transmission policies for Alberta's success over the coming years. Key foundational principles include maintaining regulated transmission as a monopoly service with planning conducted by the Alberta Electric System Operator, and maximizing the efficiency of the current transmission system by optimizing use of current infrastructure and ensuring that new infrastructure is only built when necessary, and when new transmission expansion does occur, its efficient use is maximized. The scope of the consultation includes analysis of the effectiveness of locational signals for generation siting on Alberta's transmission system, the line loss calculation, non-wires solutions, the zero-congestion policy, cost allocation for transmission wires and ancillary services, and intertie development. AltaLink will provide written feedback to inform a government report to the Minister of Affordability and Utilities.

The Canadian Federal Government published its draft Clean Electricity Regulations in Canada Gazette, Part 1 on August 19, 2023. This commences a formal 75-day public comment period, which closed November 2, 2023. The proposed regulations introduce a prohibition against electricity generation units emitting more than an annual average of 30 tonnes of carbon emissions per gigawatt hour of electricity generated over a calendar year. The proposed regulations would apply to all units with a capacity of 25 megawatts or greater that generate electricity using fossil fuels, and that are connected to an electricity system that is subject to North American Electric Reliability Corporation reliability standards. The regulatory design of the Clean Electricity Regulation will drive progress toward a net zero electricity grid by 2035 by moving to low and non-emitting electricity sources. The release of the final regulations is expected in 2024.

On September 28, 2023, the AESO held a news conference to explain its perspective on the federal government's draft Clean Electricity Regulations, including Alberta's unique challenges related to decarbonization, reliability, and affordability considerations. The key messages include:

- Alberta's electricity generation capacity has adapted more quickly than any other province in Canada,
- Alberta faces the greatest challenge among provinces to decarbonize its electricity system by 2035,
- Alberta must be able to always meet peak demand with dispatchable generation (e.g., winter/summer peak demand),
- As of 2035, Alberta's power system is at risk of supply shortfall (rotating outages, blackouts) under binding Clean Electricity Regulations requirements,
- Undermining reliability and affordability will jeopardize the ability to electrify and decarbonize the broader economy by 2050,
- Reliability and affordability cannot be compromised in the transition to a carbon-neutral grid,
- Significant emission reductions are expected in Alberta's electricity sector absent Clean Electricity Regulations constraints, and
- The Clean Electricity Regulations offer limited emission reduction while exposing Alberta to significant costs and risks.

On September 1, 2023, the AESO initiated its cluster study interconnection process for generators and energy storage projects. As of October 1, 2023, the AESO has reported approximately 40,000 megawatts of generation in the queue related to approximately 140 projects that will be part of the first cluster. The first set of cluster studies is anticipated to be completed in the third quarter of 2024.

On August 3, 2023, the Government of Alberta announced a pause on approvals for new renewable energy projects to provide time for a review of policies and procedures for developing renewable electricity generation until February 29, 2024. The AUC will review land use, selection and reclamation procedures for renewable projects to help inform government policy decisions around the ongoing development of electricity generation in Alberta. While the pause on approvals is in place, the AUC announced it would continue to process applications up to the approval stage while the moratorium is in effect. The AUC will still hold all approval permits until February 29, 2024. AltaLink and its customers continue to move forward with facility applications to connect already approved renewable energy projects to Alberta's grid.

On August 1, 2023, the AESO released its Market Pathways Primer for written consultation. The Primer was intended to provide information to stakeholders on the system and market issues and priorities identified to date by the AESO. AltaLink provided its feedback in this consultation.

On October 12, 2023, the AESO hosted a Market Pathways Industry update and confirmed that they had been directed by the Minister of Affordability and Utilities to provide a recommendation report to the Minister by February 1, 2024. The report is intended to help inform government of the potential market mechanisms that can support a reliable supply mix in an affordable and durable way. The AESO will provide their recommendation on market incentives, design and the role of new dispatchable technologies. As a result of the request the AESO adapted the Market Pathways Engagement Initiative to engage a group of senior industry leaders from a diverse range of stakeholder groups to gather insights to support the AESO in providing its recommendations to government and understand perspectives to consider views on future market framework, incentives, reliability and affordability. AltaLink is participating in this industry engagement.

On July 19, 2023, the Government of Alberta released the Mandate Letter for the Minister of Affordability and Utilities which included:

- Pushing back against any federal regulation requiring a net-zero power grid by 2035, and instead developing and implementing a comprehensive plan to achieve a carbon-neutral power grid by 2050 that is reliable, affordable, and uses small modular reactors, carbon capture, use and storage, and other emission-reduction technologies;
- Reviewing the operations, policies, and mission of the ministries agencies including the AUC and the AESO, and recommending ways to improve their operations and align its mission with the government's goal of a carbon-neutral power grid by 2050; and
- Reviewing Alberta's electricity pricing system with the goal of reducing transmission and distribution costs for Albertans.

On June 27, 2023, the AESO held its inaugural Stakeholder Symposium, which brought together members of the AESO executive team and their counterparts from the industry to discuss the AESO's current key priorities and how these priorities are inter-related, as well as how various AESO-led initiatives are intended to address the reliability and affordability challenges posed by a rapidly evolving electricity system. At the symposium, the AESO discussed several topics, including the Reliability Requirements Roadmap, Fast Frequency Response Services Procurement, Most Severe Single Contingency, Montana-Alberta Tie Line Back-to-Back Converter, launch of the Market Pathways initiative, and the Long-Term Plan for transmission development. The AESO re-affirmed its 2022 Long-Term Plan and highlighted that the transmission system is not overbuilt. The AESO discussed that projects in the 2022 Long-Term Plan need to be executed in a speedy manner. In the Major System Projects Overview, the AESO identified a new Southwest Development project that is adjacent to the Southeast Development project with the purpose of directing the power flow of generation in the south part of the province to a major load center like Calgary. In addition, the AESO identified that the restoration of the Alberta-British Columbia Intertie to its full capacity is a priority.

On April 19, 2023, the Government of Alberta released its Emissions Reduction and Energy Development Plan which includes as aspiration to achieve a carbon neutral economy by 2050, and to do so in an affordable and reliable way that ensures energy security. In the electricity sector, the plan commits to the following:

- Continuing work with consumers, industry, and regulators to support new technologies including energy storage;
- Exploring diversification of low-emitting technologies in Alberta, including carbon capture, use and storage, hydrogen, and small modular nuclear reactors to provide a more robust electricity grid moving forward;
- Considering energy management supports to continue driving energy efficiency and emissions reduction projects in industrial and commercial facilities;
- Advocating for federal financial support to maintain affordable electricity while moving to low-emitting generations sources; and
- Reviewing Alberta's distribution and transmission policies to ensure ongoing reliability, affordability, and coordinated efforts to increase efficiency.

On June 27, 2022, the AESO released its Net-Zero Emissions Pathway Report that outlines potential supply and demand combinations to enable Alberta to reach a net-zero electricity system by 2035, while considering potential implications to reliability, the market and supply, and transmission costs. The AESO's Net-Zero Emissions Pathway Report focused on the following three supply-mix scenarios:

- Dispatchable Dominant: a scenario in which thermal units with low carbon emissions resulting from carbon capture or hydrogen combustion technologies continue to form a significant portion of Alberta's supply mix;
- First-Mover Advantage: a scenario with continued high growth in renewables and moderate energy storage additions which displace dispatchable thermal units; and
- Renewable and Storage Rush: the highest renewables-addition scenario coupled with high volumes of energy storage and the lowest amount of low carbon thermal-based supply additions.

The AESO selected these scenarios as it assessed them to be the most likely to be implementable by 2035 within the current market structure, while still providing sufficient variety to enable an analysis of a wide range of potential operational, market, and cost outcomes. Within these scenarios, the AESO assumes that the electricity market structure remains as it is today. All the scenarios assume substantial continued supply provided by cogeneration units at industrial sites, and the emissions from these facilities, and any mitigation requirements for these emissions, are associated with the respective host industries. The AESO did not include any additional interties, hydro generation, or small modular reactors within the scenarios, as their long development cycle would likely extend beyond the 2035 target timeframe.

The AESO's Net-Zero Emissions Pathway Report reached the following conclusions:

- Meeting the less-than-13-year timeline to 2035 is ambitious given policy and regulation uncertainty, layered regulatory approvals required for projects, technology commercialization timing and cost curves, supply chain challenges, and the long development timelines for all types of energy-related infrastructure;

- Relative to a non-net-zero future, transitioning will require an additional $44 billion to $52 billion in investments, which include generation capital, generation return, generation operating costs, and transmission revenue requirements from 2022 to 2041;
- Alberta's market structure can deliver sufficient supply to meet demand during the net-zero transformation;
- Achieving a net-zero electricity system by 2035 will require the application of offsets; and
- Demand growth under a net-zero transition, even considering increased electrification, will likely be lower than historically observed rates, which the Alberta market accommodated.

The additional $44 billion to $52 billion in forecast investments from 2022 to 2041 represents a 30% to 36% increase mainly pertaining to generation capital investments relative to the baseline included in the 2021 Long-Term Outlook. Transmission revenue requirements represent less than 10% of this incremental cost. Compared to the transmission cost estimate of $2.2 billion in the 2022 Long-Term Plan, the additional transmission capital cost represents an incremental:

- $0 to $500 million in the Dispatchable Dominant Scenario;
- $1.5 billion in the First-Mover Advantage Scenario; and
- $3 billion in the Renewables and Storage Rush Scenario.

In addition, the Net-Zero Emissions Pathway Report updated several assumptions presented in the 2021 Long-Term Outlook. The Net-Zero Emissions Pathway Report forecast demonstrates that the AESO expects load to increase by 12,567 gigawatt hours (15%) by 2035 and 21,246 gigawatt hours (25%) by 2041. The combined effect of sectoral electrification and growth in Distributed Energy Resources in the AESO Net-Zero Emissions Pathway Report is markedly higher than the 2021 Long-Term Outlook scenarios, increasing by 6 to 7% in 2035. The load forecast is projecting annual growth of 1.1% in 2022-2041 compared to 1.9% in 2002-2021.

The AESO will incorporate the net-zero analysis and future analyses into its market evolution and reliability roadmaps. The AESO will monitor and assess the system for evolving future scenarios, ensuring reliability while seeking to minimize cost increases to system users. Such assessments will be ongoing and incorporated into future Long-Term Outlook and Long-term Transmission Plan reports, with the AESO keeping stakeholders informed of potential assessments and findings.

On January 31, 2022, the AESO released its 2022 Long-Term Transmission Plan. Updated every two years, the Long-Term Transmission Plan seeks to optimize the use of the existing transmission system, while planning the development of new transmission; altogether it ensures a safe and reliable electricity system that enables a fair, efficient, and openly competitive electricity market. The 2022 Long-Term Transmission Plan identifies $1.3 billion in transmission projects over a 10-year period, which results in $150 million to $200 million per year on average over that 10-year period. This results in a cumulative transmission rate impact of $2 per megawatt hour for the first five to eight years increasing to $3 per megawatt hour after 15 years. The 2022 Long-Term Transmission Plan identifies approximately $900 million of projects in AltaLink's service territory with in-service dates before 2030.

Projects Overview

The following is an overview of the main system projects in various stages of development:

Central East Transfer-Out

The proposed Central East Transfer-Out development will enable clean energy generation integration and its planned execution contains two stages. The first stage will consist of a new 240 kilovolt transmission line approximately 135 kilometres long. AltaLink will construct 50 kilometres of the line and ATCO Electric Ltd. (ATCO Electric) will construct the other 85 kilometres. The second stage will add a second 240 kilovolt transmission circuit depending on the amount of incremental generation in the province's central east and southeast areas. The project received permit and license on August 10, 2021. On December 1, 2022, the AESO issued direction to AltaLink and ATCO Electric to commence stage 1 construction on the project. Both AltaLink and ATCO Electric updated the estimated cost to reflect current market conditions. On October 5, 2023, the AESO formally approved the revised total cost estimated at $489 million, with AltaLink's share of project costs estimated at $223 million. The previous total cost estimate was $310 million, with AltaLink's share of project costs estimated at $159 million.

AltaLink and ATCO Electric are currently completing detailed design and engineering, material procurement and land acquisition activities for the project. Currently, AltaLink is forecasting an in-service date in the second quarter of 2026 aligning with the AESO's 2022 Long-Term Plan.

Vauxhall Area Transmission Development

To enable clean energy generation integration and manage congestion in the Taber area, the proposed Vauxhall Area Transmission development includes the construction of a new 138 kilovolt transmission line approximately 14 kilometres long and the uprate of an existing line. The AESO and AltaLink filed a joint NID and facility application on December 9, 2022. The AUC oral regulatory hearing for the project was held in June 2023. The project received permit and licence on September 19, 2023. The anticipated in-service date is in late 2024. The current estimated cost of the project is $20 million.

Southeast Development and Southwest Development

The AESO is developing a Southeast transmission plan in response to strong interest in renewable development in the Southeast region of Alberta. The aggregate capacity of proposed generation projects exceeds the current transmission capacity, and the AESO is exploring potential solutions. To address short-term requirements, the AESO issued a Project Assistance Direction to AltaLink in August 2022 to assist in the study of voltage support alternatives in the Cassils-Bowmanton-Whitla area. On February 9, 2023, the AESO hosted the Cassils-Bowmanton-Whitla Path Congestion presentation for stakeholders. The presentation described longer term requirements to include the addition of new double circuit 240 kilovolt transmission lines. On March 22, 2023, the AESO filed a Notice of Consideration for an Abbreviated Need Approval Process with the AUC for the Bowmanton 244S Substation Voltage Support project. The Abbreviated Need Approval Process closed April 6, 2023, and permit and license was received June 6, 2023. The Bowmanton 244S Substation Voltage Support project is estimated at $9 million with an in-service-date of 2024. The current AESO cost estimate for the new transmission lines is $450 million, with a forecasted in-service date of 2028-2029.

In addition, the AESO indicated that a Southwest Development project adjacent to the Southeast Development would be required. This Southwest Development project would continue to enable generation in the south part of the province and direct power flows to the load center of Calgary. The AESO indicated that the timing of the Southwest Development would be similar to that of the Southeast Development. AltaLink is currently assisting the AESO in reviewing connection options.

Provost to Edgerton and Nilrem to Vermilion Transmission Development

The Provost to Edgerton and Nilrem to Vermilion transmission development involves constructing two new transmission lines in the Central East area to support the integration of new clean energy generation and load growth. The lines will initially be energized at 138 kilovolts, with the option of increasing the voltage to 240 kilovolts in the future by upgrading the termination substations. The total cost estimate for the Provost to Edgerton and Nilrem to Vermilion Project is $294 million, with our portion estimated at $238 million and ATCO Electric portion estimated at $56 million. In 2019, the AUC approved the NID filed by the AESO with construction being triggered based on certain load and congestion triggers being met.

The Provost to Edgerton Development is a 48-kilometre transmission line located in AltaLink's service territory. The Provost to Edgerton Development is estimated at $125 million, with the first stage estimated at $58 million and the second stage estimated at $67 million. AltaLink filed the facility application for the Provost to Edgerton Development on December 11, 2020. The project received permit and license on August 26, 2021.

The Nilrem to Vermilion Development consists of a new transmission line with approximately 80 kilometres in AltaLink's service territory and 13 kilometres in ATCO Electric's service territory. AltaLink's section of the Nilrem to Vermilion Development is estimated at $113 million and ATCO Electric's section is estimated at $56 million. We filed the facility application for the Nilrem to Vermilion Development on December 4, 2020. On September 23, 2021, the AUC denied AltaLink's and ATCO Electric's facility applications for the Nilrem to Vermilion Development. Some of the reasons cited by the AUC included incomplete and insufficient route information and insufficient coordination between us and ATCO Electric on the overall route. AltaLink awaits next steps from the AESO.

In November 2021, the AESO directed AltaLink to uprate an existing transmission line to reduce congestion in the area. We completed the construction on the line in October 2022. This uprate defers the Provost to Edgerton and Nilrem to Vermilion Project to a later in-service date, potentially as late as 2027.

Alberta – British Columbia Intertie Restoration

The AESO continues to review the need to restore Alberta's intertie capability with British Columbia from the existing 800 megawatts to 1,200 megawatts. The current forecast cost for this project is $100 million. On June 27, 2023, at its Stakeholder Symposium, the AESO reiterated that the interties provide a range of benefits including improved grid resiliency, reliability and electricity market economic opportunities, and that the AESO's restoration of the Alberta-British Columbia Intertie is a priority.

Chapel Rock to Pincher Creek

The Chapel Rock to Pincher Creek development in Southwest Alberta will enable the integration of future clean energy generation and enhance the transfer-out capability in the area, contributing to the restoration of the Alberta and British Columbia intertie capability. This development consists of a new 240 kilovolt transmission line approximately 40 kilometres long between the Pincher Creek area and a new 500 kilovolt Chapel Rock substation. The current total estimated capital additions are $350-400 million. The AESO indicated in their 2022 Long-Term Transmission Plan that the timing for this project will depend on the pace at which clean energy generation commits to connecting to the transmission system in the Southwest part of the province. The AESO plans to file the NID approximately four years before the forecasted congestion occurs. We are waiting for further direction from the AESO on the timing of the project prior to completing a service proposal and facility application.

Non-GAAP Financial Measures

We use certain financial metrics that are not defined under accounting principles generally accepted in Canada, i.e., IFRS. Such non-GAAP financial measures provide our management and our investors with additional insight into our financial performance and financial condition, expanding on the information that we provide in our consolidated financial statements. In particular, our investors, lenders, and credit rating agencies use certain non-GAAP financial measures to calculate debt covenants and financial ratios.

We believe earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation, and amortization (EBITDA) are useful supplemental measures to analyse our operating performance and to provide indications of the results generated by our principal business activities prior to the consideration of certain expenses. We use EBITDA to measure our operating performance, before considering our financing strategy or recognizing costs for the consumption and replacement of our capital assets.

FFO represents earnings before depreciation and amortization, finance costs, non-controlling interests, actuarial gains or losses, and losses on the disposal of assets less interest paid. FFO should not be considered an alternative to, or more meaningful than, "cash provided by operating activities". We believe that FFO is a useful supplemental measure in analyzing our ability to generate cash flow to fund capital investment and working capital requirements. Adjusted FFO represents FFO after adding back disallowed net capital costs.

References to "earnings" in this section of the MD&A denote comprehensive income before losses on the disposal of assets.

These non-GAAP financial measures do not have standardized meanings and are therefore unlikely to be comparable to similar measures presented by other companies.

Financial Position and Cash Flows

Financial Position

In the following table, we discuss material changes (over $25.0 million) in our statement of financial position as at September 30, 2023, compared to December 31, 2022:

(in millions of dollars)	**Increase/(Decrease)**	**Explanation**
Other non-current assets [note 6]	56.0	The increase is primarily due to $53.5 million of receivables for the recovery of deemed future income taxes.
Trade and other payables [note 10]	38.8	The increase is primarily due to higher accrued interest on debt as a result of when interest payments are due and paid, higher financial liabilities related to regulated activities, and higher accrued payables for capital projects.
Commercial paper and bank credit facilities [note 11]	(74.2)	The decrease is primarily due to repaying commercial paper with operating cash flows.
Long-term debt maturing in less than one year [note 11]	350.0	The increase is because we reclassified $350.0 million Medium-Term Notes maturing June 2024 from non-current.
Long-term debt [note 11]	(349.4)	The decrease is because we reclassified $350.0 million Medium-Term Notes maturing June 2024 to current.
AltaLink, L.P. equity	69.7	The increase is because we generated net and comprehensive income of $221.4 million and distributed $(151.8) million to AILP and AML.

Cash Flows

	Three months ended September 30,		**Nine months ended September 30,**	
(in millions of dollars)	**2023**	2022	**2023**	2022
Cash, beginning of period	**$ 5.4**	$ 4.3	**$ 0.1**	$ 6.6
Cash flow provided by (used in):				
Operating activities	**150.4**	185.9	**381.4**	315.4
Investing activities	**(54.6)**	(46.5)	**(150.5)**	(146.4)
Financing activities	**(99.6)**	(135.7)	**(229.4)**	(167.6)
Cash, end of period	**$ 1.6**	$ 8.0	**$ 1.6**	$ 8.0

Operating activities

For the three months ended September 30, 2023, our cash flow from operating activities decreased by $35.5 million compared to the same period in 2022. The change is primarily due to the timing of the collection of the final tariff from the AESO in 2022.

For the nine months ended September 30, 2023, our cash flow from operating activities increased by $66.0 million compared to the same period in 2022. The change is primarily due to the collection of higher final monthly tariffs from the AESO in 2023 compared to interim monthly tariffs in 2022, one of which was reduced by the December 2021 customer refund.

Investing activities

For the three and nine months ended September 30, 2023, our cash flow used in investing activities increased by $8.1 million and $4.1 million, respectively, compared to the same periods in 2022. The changes are primarily due to higher capital expenditures associated with customer connection projects, ongoing capital upgrades, and restoring wildfire-damaged transmission assets for customers in 2023.

Financing activities

For the three months ended September 30, 2023, our cash flows used in financing activities decreased by $36.1 million compared to the same quarter in 2022. This change is primarily due to distributing $(51.7) million less to AILP and AML and repaying $15.5 million more of commercial paper in 2023.

For the six months ended September 30, 2023, our cash flows used in financing activities increased by $61.8 million compared to the same period in 2022. This change is primarily due to repaying $80.7 million more commercial paper and distributing $(19.7) million less to AILP and AML in 2023.

Commitments

		Payments due by periods			
(in millions of dollars)	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Long-term debt excluding interest	**$ 4,750.0**	**$ 850.0**	**$ 350.0**	**$ —**	**$ 3,550.0**

We have contractual commitments to repay $4,750.0 million of long-term debt (December 31, 2022 – $4,750.0 million), as disclosed in our third quarter consolidated financial statements in note 11 – Scheduled principal repayments.

On October 11, 2023, AltaLink issued $500.0 million of 5.463% 32-year Series 2023-1 Senior Secured Notes due October 11, 2055 and on November 6, 2023, repaid $500.0 million of maturing 3.668% 10-year Series 2013-4 Medium-Term Notes.

We are committed to lease payments of $65.3 million (December 31, 2022 – $68.4 million), as disclosed in our third quarter consolidated financial statements in note 13 - Lease liabilities.

We also have contractual commitments associated with the construction of new facilities as of September 30, 2023 of $139.1 million (December 31, 2022 – $90.8 million), as disclosed in our third quarter consolidated financial statements in note 18 - Commitments.

Liquidity and Capital Resources

Liquidity

We generally issue commercial paper to finance our day-to-day cash requirements. The commercial paper program, together with our lines of credit and anticipated long-term debt issuance, provides us with sufficient liquidity to finance our planned operations and capital projects.

The aggregate of our bank and inter-affiliate credit facilities as of September 30, 2023 was $725.0 million (December 31, 2022 – $575.0 million). On December 15, 2022, we extended the maturity dates for our bank credit facilities to December 15, 2027 to increase the term and reduce pricing risk. The $500.0 million facility provides support to our commercial paper program, under which $48.5 million of commercial paper was outstanding as of September 30, 2023 (December 31, 2022 – $121.5 million). AltaLink may use the $500.0 million and $75.0 million bank credit facilities for general corporate purposes. On March 31, 2023, we added a $150.0 million inter-affiliate revolving credit facility from AILP to provide additional liquidity for ALP. We have not drawn any amount on the AILP inter-affiliate credit facility as of September 30, 2023. As of September 30, 2023, we had $675.4 million of liquidity remaining under those facilities (December 31, 2022 – $451.8 million). We consider our liquidity arrangements adequate to accommodate our expected capital expenditures and working capital requirements over the next few years.

We plan to finance our projected capital investments, working capital requirements and any maturities of long-term debt through a prudent combination of cash flow from operating activities, new long-term debt, and equity contributions from AILP.

We use short-term interest-bearing instruments issued by highly rated counterparties to invest temporary cash balances and amounts we receive from customers in advance of construction of facilities. We remit to the individual customers all investment income related to deposits received from those customers for construction projects and we use the investment income earned on deposits received from customers for future operating and maintenance costs.

Liquidity, coverage, and capital ratios[1]

	Twelve months ended September 30,	
(in millions of dollars)	**2023**	2022
Comprehensive income	**$ 305.9**	$ 305.4
Actuarial gain	**(2.1)**	(0.9)
Non-controlling interests	**1.7**	1.9
Loss on disposal of assets	**5.6**	5.8
Finance costs	**194.0**	187.1
EBIT	**505.1**	499.3
Depreciation and amortization	**292.4**	285.7
EBITDA	**797.5**	785.0
Interest paid	**(194.1)**	(188.5)
FFO	**603.4**	596.5
Disallowed net capital costs	**—**	1.5
Adjusted FFO	**$ 603.4**	$ 598.0

	Twelve months ended September 30,	
(in millions of dollars)	**2023**	2022
Net cash provided by operating activities	**$ 526.3**	$ 347.4
Disallowed net capital costs	**—**	(1.5)
Change in non-cash working capital	**(34.9)**	63.4
Third party contributions revenue	**26.5**	25.2
Customer tariff refund	**—**	76.7
Change in financial assets and liabilities related to regulated activities, non-current	**77.9**	86.2
Change in deferred revenue for salvage	**6.8**	(3.3)
Change in other	**0.8**	2.4
FFO	**603.4**	596.5
Disallowed net capital costs	**—**	1.5
Adjusted FFO	**$ 603.4**	$ 598.0

	As at September 30,	
(in millions of dollars)	**2023**	2022
Letters of credit	**$ 1.1**	$ 1.7
Less: cash	**(1.6)**	(8.0)
Other post-employment benefits obligations[2]	**3.4**	4.7
Short-term debt (excluding outstanding cheques)	**48.5**	143.0
Long-term debt	**4,725.0**	4,725.3
Lease liabilities	**49.3**	51.4
Total debt	**4,825.7**	4,918.1
Cash	**1.6**	8.0
Accrued interest on debt	**50.7**	49.1
Financing fees, premiums, and discounts	**25.0**	24.7
Less: other post-employment benefits obligations[2]	**(3.4)**	(4.7)
Total debt as per Master Trust Indenture and bank credit facilities	**4,899.6**	4,995.2
Total equity including non-controlling interests	**3,766.5**	3,686.1

Less: AltaLink equity investment in subsidiaries		**(15.9)**		(15.9)
Total capitalization	**$**	**8,650.2**	$	8,665.4

	Twelve months ended September 30,			
		2023		2022
Interest paid	**$**	**194.1**	$	188.5
Interest expense[3]	**$**	**197.2**	$	190.0
EBIT interest expense coverage[4]		**2.56X**		2.63X
EBITDA interest expense coverage[5]		**4.04X**		4.13X
FFO interest paid coverage[6]		**4.11X**		4.16X
FFO/Debt[7]		**12.50%**		12.13%
Adjusted FFO/Debt		**12.50%**		12.16%
Total debt/total capitalization as per Master Trust Indenture[8]		**56.64%**		57.65%
Total debt/total capitalization as per bank credit facilities[9]		**56.64%**		57.65%

1. Please refer to the "Non-GAAP Financial Measures" section of this MD&A for further information concerning the non-GAAP financial measures used in this table.
2. For the purposes of calculating total debt, other post-employment benefits obligations of $4.4 million as at September 30, 2023 were adjusted to reflect an after-tax amount equal to $3.4 million using an income tax rate of 23% (September 30, 2022 – $6.1 million was adjusted to $4.7 million).
3. Interest expense is calculated as the sum of interest expense, amortization of deferred financing fees and interest expense on lease liabilities.
4. EBIT interest expense coverage is calculated as EBIT divided by interest expense.
5. EBITDA interest expense coverage is calculated as EBITDA divided by interest expense.
6. FFO interest paid coverage is calculated as the sum of FFO and interest paid divided by interest paid.
7. FFO/Debt is calculated as FFO divided by total debt.
8. The AltaLink Master Trust Indenture contains a debt to total capitalization covenant with a limit of 75%.
9. AltaLink's credit facilities contain a debt to total capitalization covenant with a limit of 75%. The calculation includes required adjustments for both non-recourse debt and equity contributions in Permitted Joint Arrangement Subsidiaries.

We align our regulatory debt to total capitalization with the capital structure approved by the AUC and with corresponding targets for our overall key financial metrics.

Working capital

At September 30, 2023, our working capital deficiency was $965.3 million (December 31, 2022 – $663.9 million). The working capital deficiency includes trade and other payables, drawn commercial paper and bank credit facilities, long-term debt maturing in less than one year, and the current portion of deferred revenue. In light of AltaLink's aggregate available credit facilities, the current working capital deficiency is manageable.

We fund our working capital requirements from cash provided by operating activities, and to the extent necessary, through equity injections from AILP and borrowings under our commercial paper program or drawings on our committed bank credit facilities and new long-term debt. On October 11, 2023, our working capital deficiency decreased after AltaLink issued $500 million of 32-year Series 2023-1 Senior Secured Notes.

Earnings Coverage

	Twelve months ended September 30,	
	2023	2022
Earnings-to-interest coverage on total debt[1,2]	**2.54X[2,3,4]**	2.61X[2,3,4]

1. Earnings-to-interest coverage on total debt is a non-GAAP financial measure. As a result of having distributed securities by way of a medium-term note program using the debt shelf procedures, we must include updated earnings coverage ratios in conjunction with our consolidated financial statements. Please refer to the "Non-GAAP Financial Measures" section of this MD&A for further information concerning the non-GAAP financial measures used in this MD&A.
2. Earnings-to-interest coverage on total debt equals pro-forma earnings before interest and income taxes divided by pro-forma interest requirements on short and long-term debt. We calculate this ratio by giving pro-forma effect to any long-term debt issued during the period and the use of the proceeds from such long-term debt issues.
3. Our pro-forma earnings before interest and income tax for the 12 months ended September 30, 2023, for the purposes of calculating this ratio, was $503.1 million (September 30, 2022 – $495.4 million). Our pro-forma interest requirement on short and long-term debt for the 12 months ended September 30, 2023 was $198.4 million (September 30, 2022 – $190.0 million).
4. Our pro-forma earnings before interest and income tax for the 12 months ended September 30, 2023 and 2022 is calculated as: comprehensive income of $305.9 million (September 30, 2022 – $305.4 million) plus finance costs of $194.0 million (September 30, 2022 – $187.1 million) plus capitalized borrowing costs of $3.2 million (September 30, 2022 – $2.9 million) plus income taxes of $nil (September 30, 2022 – $nil). Our pro-forma interest requirement on short and long-term debt for the 12 months ended September 30, 2023 and 2022 is calculated as: finance costs of $194.0 million (September 30, 2022 – $187.1 million) plus capitalized borrowing costs of $3.2 million (September 30, 2022 – $2.9 million) plus the net pro-forma effect of interest expense of $1.2 million on the November 28, 2022 issuance of $275.0 million of Series 2022-1 Senior Secured Notes (September 30, 2022 – $nil).

Credit Ratings

We strive to maintain an "A" category credit rating to enable credit market access during periods of market turmoil and to minimize financing costs for ratepayers. The AUC in its most recent GCOC Decision 27084-D02-2023 reaffirmed its support for this approach.

	As at September 30,	
	2023	2022
DBRS - Commercial Paper[1]	**R-1 (low)**	R-1 (low)
DBRS - Medium-Term Notes (Secured) and Senior Secured Notes	**A**	A
S&P - Medium-Term Notes (Secured) and Senior Secured Notes [2]	**A**	A

1. On July 21, 2023, DBRS reaffirmed the existing ratings all with Stable trends.
2. On June 20, 2023, S&P reaffirmed its issuer credit rating and senior secured rating on AltaLink at "A", but revised its outlook from stable to negative due to the potential for BHE's business or financial risk to increase over the next 24 months if BHE-owned, PacifiCorp, faces significantly increased liabilities related to the 2020 wildfires in the U.S. state of Oregon.

Results of Operations

Revenue

	Three months ended September 30,		Nine months ended September 30,	
(in millions of dollars)	**2023**	2022	**2023**	2022
Operations	**$ 242.8**	$ 234.8	**$ 723.2**	$ 706.1
Other	**9.4**	8.8	**28.0**	26.6
	$ 252.2	$ 243.6	**$ 751.2**	$ 732.7

Revenue from operations

Revenue from operations includes all revenue earned from providing electricity transmission services, including future income tax revenue. The principal components of our transmission tariff include recovery of forecast operating costs, deemed income taxes, depreciation and amortization expenses, and debt and equity rate base returns.

For the three and nine months ended September 30, 2023, our revenue from operations increased by $8.0 million and $17.1 million, respectively, compared to the same periods in 2022. The changes are primarily due to recovery of higher allowable costs of transmission services, partially offset by the returns on a lower rate base.

Other revenue

Other revenue includes the amortization of third-party contributions and cost recoveries.

Our other revenue for the three and nine months ended September 30, 2023 increased by $0.6 million and $1.4 million, respectively, compared to the same periods in 2022. These changes are primarily due to higher amortization of third-party contributions and cost recoveries from other utilities and third parties.

Operating expenses excluding disallowed capital costs

	Three months ended September 30,		Nine months ended September 30,	
(in millions of dollars)	**2023**	2022	**2023**	2022
Operating expenses	**$ 25.3**	$ 24.1	**$ 81.2**	$ 77.6

Our operating expenses include salaries and wages, contracted labour, and general and administration costs.

Our operating expenses for the three and nine months ended September 30, 2023 increased by $1.2 million and $3.6 million, respectively compared to the same periods in 2022. These changes are primarily due to higher software license and subscription fees, higher costs of services provided to other utilities and third parties, higher legal costs, and market inflation on utilities and general operating expenses.

Disallowed capital costs

	Three months ended September 30,		Nine months ended September 30,	
(in millions of dollars)	**2023**	2022	**2023**	2022
Disallowed capital costs	**$ —**	$ —	**$ —**	$ 1.5

On January 19, 2022, the AUC issued its decision on AltaLink's 2022-2023 GTA. The AUC disallowed $1.5 million of capital replacement and upgrade project additions related to our Wildfire Mitigation Plan.

Property taxes, salvage, and other

	Three months ended September 30,		Nine months ended September 30,	
(in millions of dollars)	**2023**	2022	**2023**	2022
Property taxes, salvage, and other	**$ 29.6**	$ 24.5	**$ 81.1**	$ 72.3

Property taxes, salvage, and other expenses are recovered dollar for dollar through regulated deferral and reserve account mechanisms and includes property taxes, salvage expenses, annual structure payments, and hearing expenses. To the extent that actual costs vary from amounts approved in our tariffs, the difference is refunded to or collected from the AESO and included in Revenue from operations.

Property taxes, salvage, and other expenses for the three and nine months ended September 30, 2023 increased by $5.1 million and $8.8 million, respectively, compared to the same periods in 2022. These changes are primarily due to an increase in salvage expense due to higher salvage activities and higher property taxes.

Depreciation and amortization

(in millions of dollars)	Three months ended September 30, **2023**	2022	Nine months ended September 30, **2023**	2022
Depreciation and amortization	**$ 72.9**	$ 71.2	**$ 217.6**	$ 212.1

We calculate depreciation and amortization on a straight-line basis using various AUC-approved rates.

Depreciation and amortization for the three and nine months ended September 30, 2023 increased by $1.7 million and $5.5 million, respectively, compared to the same periods in 2022. These changes are primarily a result of capital projects we completed and added to our property, plant and equipment and intangible assets compared to lower asset retirements.

Finance costs

(in millions of dollars)	Three months ended September 30, **2023**	2022	Nine months ended September 30, **2023**	2022
Finance costs	**$ 48.7**	$ 47.7	**$ 145.1**	$ 140.0

Finance costs include interest expense on short-term debt, long-term debt, and lease liabilities as well as amortization of deferred financing fees less capitalized borrowing costs.

For the three and nine months ended September 30, 2023, our weighted average cost of long-term debt was 4.00% and 4.00%, respectively (September 30, 2022 – 3.89% and 3.89%, respectively).

Our finance costs for the three and nine months ended September 30, 2023 increased by $1.0 million and $5.1 million, respectively, compared to the same periods in 2022. These changes are primarily due to a higher weighted average cost of short-term and long-term debt partially offset by lower debt balances.

EBITDA

(in millions of dollars)	Three months ended September 30, **2023**	2022	Nine months ended September 30, **2023**	2022
EBITDA	**$ 197.3**	$ 195.0	**$ 588.8**	$ 581.3

Our EBITDA for the three and nine months ended September 30, 2023 increased by $2.3 million and $7.5 million, respectively, compared to the same periods in 2022. These changes are primarily due to higher revenue, partially offset by higher salvage expenses, higher operating costs and the equity return on a lower rate base.

Please refer to the "Liquidity" section of this MD&A for more information on how we calculate EBITDA.

Net and comprehensive income

(in millions of dollars)	Three months ended September 30, **2023**	2022	Nine months ended September 30, **2023**	2022
Net and comprehensive income	**$ 74.6**	$ 74.5	**$ 221.4**	$ 226.8

Our net and comprehensive income for the three months ended September 30, 2023 were generally consistent compared to the same period in 2022.

Our net and comprehensive income for the nine months ended September 30, 2023 decreased by $5.4 million compared to the same period in 2022. The change is primarily due to higher interest rates on short-term debt and the equity return on a lower rate base.

Selected financial information derived from our consolidated financial statements

(in millions of dollars)	Three months ended September 30, **2023**	2022	Nine months ended September 30, **2023**	2022
Net and comprehensive income per partnership unit ($/unit)	**0.225**	0.225	**0.667**	0.683
Distributions per partnership unit ($/unit)	**0.101**	0.257	**0.457**	0.517
Total assets ($)	**9,955.4**	9,929.3	**9,955.4**	9,929.3
Short and long-term debt ($)[1]	**4,793.8**	4,888.1	**4,793.8**	4,888.1

1. The balance before deducting deferred financing fees, which we offset against this amount in the consolidated financial statements, in accordance with IFRS.

Summary of quarterly financial information

Quarter ended	Revenue ($ millions)	Net income ($ millions)	Units outstanding (millions)	Net income per unit ($/unit)
September 30, 2023	**252.2**	**74.6**	**331.9**	**0.225**
June 30, 2023	252.8	74.1	331.9	0.223
March 31, 2023	246.2	72.8	331.9	0.219
December 31, 2022	256.3	82.3	331.9	0.248
September 30, 2022	243.6	74.5	331.9	0.225
June 30, 2022	242.6	77.0	331.9	0.232
March 31, 2022	246.5	75.3	331.9	0.227
December 31, 2021	255.3	77.7	331.9	0.234
September 30, 2021	245.8	78.2	331.9	0.236
June 30, 2021	244.0	76.0	331.9	0.229
March 31, 2021	244.7	74.6	331.9	0.225
December 31, 2020	262.8	77.0	331.9	0.232

Risk Management

Our transmission business is subject to risks and uncertainties like those described below. Our goal is to manage these risks to reasonably protect us from unacceptable outcomes including undesirable financial results. The reader should carefully consider these risk factors and uncertainties in addition to the other information contained in this MD&A, our corresponding consolidated financial statements, Annual Information Form, press releases, material change reports and other continuous disclosure documents. For more details regarding our risk factors, please refer to the "Risk Management" section of our MD&A for the year ended December 31, 2022.

Risk Controls and Other Mitigating Measures

We instituted controls and other mitigating measures to manage the risks we face. Under our risk management program, we conduct quarterly risk evaluations to identify and assess our most significant risks and the strategies through which we manage them.

Insurance and Statutory Liability Protection

Our current insurance policies provide coverage for a variety of losses and expenses that could impact our business. This insurance coverage includes general liability, physical loss of or damage to property, boiler, and machinery (including substations), property terrorism, directors' and officers' liability, fiduciary liability, employment practices liability, crime, non-owned aircraft liability, remotely piloted aircraft systems liability, and vehicle liability. We believe the extent of this coverage is prudent in the context of our transmission business and utility industry practice, and we anticipate maintaining this coverage.

Consistent with certain past AUC decisions, we do not carry insurance for physical loss of, or damage to, transmission lines, towers, poles, or physical damage to certain owned vehicles. We do carry insurance for all other assets and up to $400 million in general liability insurance. General liability insurance provides coverage for third party bodily injury or property damage resulting from our operations or premises for which we are legally obligated to pay. This coverage includes, but is not limited to, fire suppression costs and damages resulting from wildfires. It is not always possible or economically feasible to insure against all risks on our assets or for other exposure to liabilities, and we may decide not to carry insurance against certain risks for a multitude of reasons including high premiums. In accordance with past prudent industry practice and certain AUC directives, we self-insure against certain risks for which commercial insurance is not acquired. In the event of an uninsured loss greater than $100,000, we may apply to the AUC to recover the loss through increased funding to our self-insurance reserve or through increased tariffs. Costs claimed through the self-insurance reserve are subject to AUC approval and we cannot predict with certainty how related AUC decisions could adversely impact us. We cannot predict if the regulator may find we have acted imprudently, and consequently deny the recovery of damages through rates. In Decision 2013-417 (Utility Asset Disposition), the AUC determined that in the case of an extraordinary retirement of a regulated asset, any under or over recovery of capital investment is allocated to the utility and its shareholders. We do not carry insurance for this risk.

The Electric Utilities Act (Alberta) and the Liability Protection Regulation limits our liability by excluding liability for a third party's loss of profits, loss of revenue, loss of production, loss of earnings, loss of contract or any other indirect, special, or consequential loss or damage. Our liability is therefore confined to a third party's direct loss or damage resulting from our negligence, wilful misconduct or breach of contract while performing our duties, responsibilities and functions.

Risk Factors and Uncertainties

Despite our risk management initiatives, we have no assurance that an individual risk or multiple risks will not adversely affect our business. If we are unable to adequately control or mitigate their effects, such risks could adversely affect our results of operations, financial position and performance and, accordingly, the value of our outstanding securities.

The more significant risks that have an impact on our financial position and results of our operations which have not materially changed compared to those disclosed in our MD&A for the year ended December 31, 2022 are:

Regulatory Risks

- Regulated operations
- Transmission system cost bypass by load customers
- Government policies impacting the electricity industry

Financial Risks

- Regulatory financial risk related to Capital Growth
- Competition
- Credit ratings
- Capital resources and liquidity
- Annual impairment tests

Operational Risks

- Cyber and physical security
- Potential effects of pathogens, or similar crises
- Wildfires
- Transmission reliability
- Climate change
- Project execution
- Environment, health, and safety
- Electric and magnetic fields

We updated the utility asset disposition risk disclosure as detailed below:

Utility asset disposition

As a regulated transmission facility owner, we are subject to the risk that transmission infrastructure assets could be retired before they are fully depreciated. We cannot predict with certainty how AUC decisions could adversely impact us; thus, we neither have nor offer the assurance that we can entirely recover the net book value of assets through the AUC-approved revenue requirement.

On July 7, 2023, the AUC initiated a proceeding to reconsider ATCO Electric's application in Proceeding 21609 as it relates to the recovery of the net book value of the assets destroyed by the Wood Buffalo wildfire. AltaLink registered as a participant in the proceeding. Parties submitted written argument on September 7, 2023 and written reply argument on September 28, 2023.

On November 4, 2022, AltaLink filed an application with the Alberta Court of Appeal for leave to intervene in ATCO Electric's appeal proceeding. On December 14, 2022, the Alberta Court of Appeal granted AltaLink intervenor status and leave to intervene within ATCO Electric's appeal. The Alberta Court of Appeal heard the appeal April 4, 2023 and issued its decision April 14, 2023 allowing the appeal. The Alberta Court of Appeal returned the matter to the AUC for further consideration and a redetermination given the Court's decision.

On October 2, 2019, the AUC issued Decision 21609-D01-2019 with respect to ATCO Electric's application for distribution cost recovery due to the Regional Municipality of Wood Buffalo wildfire. In that decision, the AUC determined that for regulatory purposes the Wood Buffalo wildfire gave rise to an extraordinary retirement of destroyed assets. Accordingly, ATCO Electric shareholders must bear the loss of the remaining $3.2 million net book value of the destroyed assets. ATCO Electric appealed the AUC's decision and the Alberta Court of Appeal granted the leave to appeal.

On October 29, 2014, the AUC issued Decision 2014-297 on ATCO Electric's 2012 Distribution Deferral Account Application. In this decision, the AUC determined among other matters, that the asset retirement caused by the Slave Lake fire was an extraordinary event; therefore, the shareholders would bear the loss of $0.4 million.

We are monitoring the implications of these, and other related, decisions on our business and we are addressing any resulting increased risks. If the AUC determined a loss was "extraordinary", this could negatively impact us as the AUC decided that utility shareholders bear extraordinary losses.

Labour relations

In May 2022, AltaLink and the International Brotherhood of Electrical Workers (IBEW) ratified a collective bargaining agreement which is effective January 1, 2021 to December 31, 2024. This is AltaLink's first four-year collective bargaining agreement term with the IBEW.

The collective bargaining agreement between AltaLink and the United Utility Workers' Association (UUWA) expires on December 31, 2023. The UUWA served notice to bargain on September 19, 2023. The Parties have named their respective bargaining committees which met in October 2023 to commence bargaining.

Approximately 57% of our employees are unionized (approximately 356 UUWA employees and 26 IBEW employees). The provisions of collective agreements affect the flexibility and efficiency of our business. We consider our relationship with these labour union groups to be collaborative; however, there can be no assurances that current relations will not be affected throughout future collective bargaining processes.

Transactions with Related Parties

Throughout our normal course of business, we enter into various transactions with related parties. We record these transactions at exchange values based on normal commercial rates. AML employs all staff who provide administrative and operational services to our business on a cost reimbursement basis. We indemnified AML for employment associated expenses of $30.4 million and $97.4 million, respectively, for the three and nine months ended September 30, 2023 (September 30, 2022 – $28.0 million and $95.1 million, respectively), and liabilities of $22.0 million as of September 30, 2023 (September 30, 2022 – $25.7 million).

On March 31, 2023, we added a $150.0 million inter-affiliate revolving credit facility from AILP to provide additional liquidity for ALP.

For more details, please refer to note 14 - Related party transactions in our third quarter consolidated financial statements.

Legal Proceedings and Contingencies

We are subject to legal proceedings, assessments, and claims throughout our ordinary course of business. AltaLink was sued by third parties who seek compensation for damages in respect of certain operating, capital or other activities performed by AltaLink or its contractors. We intend to defend ourselves vigorously against these claims. These contingencies depend on future legal proceeding results and the likely outcomes are not determinable.

We found equipment, engineering or construction deficiencies following acceptance and energization of certain assets. We have claims processes in place to seek recovery for such deficiencies. We intend to vigorously pursue these claims.

In one instance, we had claimed that specific equipment had inherent design, manufacturing, and other defects that created a risk of personal injury and property damage. On September 27, 2023, through a judicial dispute resolution process led by a justice of the Court of King's Bench (Alberta), all parties agreed to settle the claim in respect of this equipment. AltaLink will pass along any benefit of recovery to customers by lowering rate base, as previously directed by the AUC. Any cash recovery will be used to pay down debt and return equity to shareholders. There is no gain or loss from this settlement.

Off-Balance Sheet Arrangements

All off-balance sheet arrangements such as transactions, agreements or contractual arrangements with unconsolidated entities, structured finance entities, special purpose entities or variable interest entities reasonably likely to materially affect liquidity or the availability of, or requirements for, capital resources require disclosure. We currently have no such off-balance sheet arrangements. For details regarding our commitments, please refer to note 18 - Commitments in our third quarter consolidated financial statements.

Critical Accounting Estimates

We make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. The more significant estimates impacting our financial condition and the results of our operations are disclosed in note 2 - Basis of preparation in our third quarter consolidated financial statements.

Accounting Changes

Rate-regulated project

At the International Accounting Standards Board meetings in July 2015, the Board determined that understanding the following three inter-connected relationships is key to developing a standard for the recognition of rate-regulated activities:

- The rate-regulated entity and its customers
- The rate-regulated entity and the regulators
- The rate-regulator and the entity's customers

The International Accounting Standards Board met several times in late 2016, then throughout 2017, for initial discussions regarding a new accounting model for rate-regulated activities and to explore whether to amend IFRS standards to reflect the effects of rate regulation. The Board discussions continued in 2018, 2019, and 2020. On January 28, 2021, the Board published an exposure draft of a new IFRS standard on regulatory assets and regulatory liabilities with comments requested by July 30, 2021. AltaLink provided its comments as part of a comment letter submitted by Electricity Canada.

Forward-Looking Information

This MD&A contains certain statements or disclosures that may constitute forward-looking information under applicable securities laws. All statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that AltaLink anticipates or expects may or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward-looking information can be identified by terms such as "anticipate", "believe", "contemplate", "continue", "could", "enable", "expect", "forecast", "future", "intends", "may", "plan", "potential", "will" or other comparable terminology. Forward-looking information presented in such statements or disclosures may, without limitation, relate to: applications to the AUC for approval of, among other things, AltaLink's revenue requirements (including deferral and reserve accounts; capital structure and return on equity; financing plans; treatment of costs for applicable test periods including income taxes, operating expenses, depreciation, capital costs for direct assigned projects and maintenance programs, financing costs related to long-term debt and short-term borrowing, and projected growth in AltaLink's rate base and assets under construction); transmission system expansion forecasts; the anticipated direct assignment of transmission development projects to AltaLink from the AESO pursuant to approved Need Applications or competitive bidding processes; the timing and development of transmission projects and the anticipated capital costs of such projects; business strategy, plans and objectives of management for future operations; forecast business results; the achievement of certain operational and performance measures and the resulting effect on compensation of executive officers; and the anticipated financial performance or condition of AltaLink.

Various factors or assumptions are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking information. These factors and assumptions include but are not limited to:

- no changes in the legislative and operating framework for Alberta's electricity market that are adverse to AltaLink (refer to "Transmission Tariffs" and "Overview of Electricity Industry in Alberta" sections of this MD&A, for examples);
- decisions from the AUC concerning outstanding tariff and other applications that are consistent with past regulatory practices and decisions and are obtained in a timely manner (refer to "Transmission Tariffs" and "Major Capital Projects" sections of this MD&A, for examples);
- approved rates of return and deemed capital structures for AltaLink's transmission business that are sufficient to foster a stable investment climate;
- a stable competitive environment;
- AltaLink obtaining sufficient capital on acceptable terms to finance its transmission system expansion and to pay maturing debt; and
- no significant event occurring outside the ordinary course of business such as a natural disaster, pandemic or other calamity.

These assumptions and factors are based on information currently available to AltaLink including information obtained by AltaLink from third-party industry analysts. In some occurrences, material assumptions and factors are presented or discussed elsewhere in this MD&A and in the Annual Information Form in connection with the statements or disclosures containing the forward-looking information. AltaLink cautions readers that the foregoing list of material factors and assumptions is not exhaustive.

The forward-looking information in statements or disclosures in this MD&A is based (in whole or in part) upon factors which may cause actual results, performance or achievements of AltaLink to differ materially from those contemplated (whether expressly or by implication) in the forward-looking information. These factors are based on information currently available to AltaLink including information obtained by AltaLink from third-party industry analysts. Actual results may differ materially from those predicted by such forward-looking statements. While AltaLink does not know what impact any of these differences may have, its business, results of our operations, financial condition and its credit stability may be materially adversely affected. Factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking statements include, among other things:

- the risks associated with being subject to extensive regulation, including risks associated with AUC action or inaction;
- the risk that the AUC does not provide specific levelization to sustain AltaLink's credit metrics over a growth period characterized by large multi-year transmission facility projects;
- the risk that transmission projects are not directly assigned to AltaLink by the AESO or that AltaLink is not designated for filing a facility application;
- the risk that AltaLink is not able to arrange sufficient cost-effective financing to repay maturing debt and to fund capital expenditures and other obligations;
- the risk that system expansion plans are delayed or changed;
- the risks that the actual costs of completing a transmission project significantly exceed estimated costs, or that the AUC determines actual costs of completing a project were not prudently incurred or may be otherwise retroactively denied;
- the risks to AltaLink's facilities and services posed by climate change, severe weather, wildfires, other natural disasters or catastrophic events, including pandemics, and the limitations on AltaLink's insurance coverage or self-insurance regulated by the AUC for losses or recovery of net book value resulting from these events;
- the potential for service disruptions and increased costs if AltaLink fails to maintain and improve its aging asset base or experiences a cyber or physical attack;
- the risks associated with forecasting AltaLink's revenue requirements and the possibility that AltaLink could incur operational, maintenance or administrative costs above those included in AltaLink's approved revenue requirement;
- the risk that transmission system expansion costs that are directed to AltaLink by the AESO or costs incurred by AltaLink in maintaining or upgrading the existing system become stranded and AltaLink's recovery of the related costs is impaired; and
- the risk that transmission system costs bypassed through onsite generation by load customers results in decreased use of system facilities and increased cost of service for remaining system users or an allocation of those costs to the utility.

AltaLink cautions readers that the above list of risk factors is not exhaustive. Other factors, which could cause actual results, performance or achievements of AltaLink to differ materially from those contemplated (whether expressly or by implication) in the forward-looking statements or other forward-looking information, are disclosed in the section entitled “Risk Management” in this MD&A, including the subsection entitled “Risk Factors and Uncertainties”. Risk factors that could lead to such differences include, without limitation, legislative and regulatory developments that could affect costs or revenues, the speed and degree of competition entering the market, global capital markets conditions and activity, timing and extent of changes in prevailing interest rates, currency exchange rates, inflation levels and general economic conditions in geographic areas where AltaLink operates, results of financing efforts, changes in counterparty risk, and the impact of accounting standards issued by standard setters.

All forward-looking information is given as at November 9, 2023. AltaLink is not obligated to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws. Because of these risks, uncertainties, and assumptions, readers should not place undue reliance on these forward-looking statements. Any forward-looking information contained herein is expressly qualified by this statement.