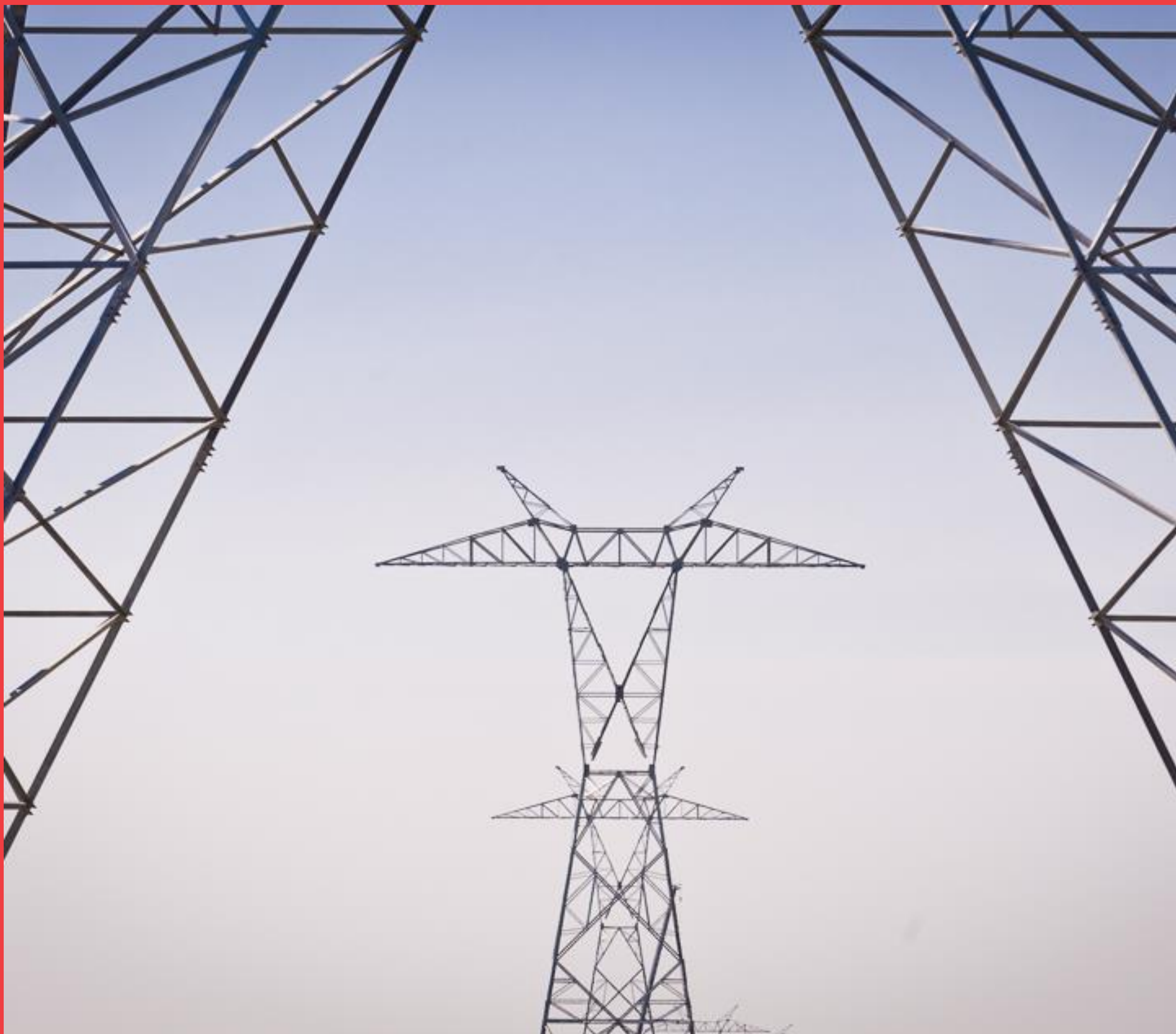

AltaLink, L.P.

Management's Discussion and Analysis

August 9, 2021

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 August 9, 2021. 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 reviewed and approved this MD&A on July 21, 2021, 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, as well as our unaudited consolidated condensed interim financial statements for the three and six months ended June 30, 2021 and 2020 (the second quarter consolidated financial statements), and our audited consolidated financial statements for the years ended December 31, 2020 and 2019 (the consolidated financial statements) and the notes thereto.

The financial information in this MD&A is presented in Canadian dollars, which is 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 June 30, 2021 and the twelve-month period ended December 31, 2020, respectively. References to "AESO" mean Alberta Electric System Operator; "AFUDC" mean Allowance for Funds Used During Construction; "AHLP" mean AltaLink Holdings, L.P.; "AIES" mean Alberta Interconnected Electric System; "AILP" mean AltaLink Investments, L.P.; "AIML" mean AltaLink Investment Management Ltd.; "ALP" mean AltaLink, L.P.; "AML" mean AltaLink Management Ltd.; "AUC" mean Alberta Utilities Commission; "BHE" mean Berkshire Hathaway Energy Company; "BHEA" mean BHE AltaLink Ltd."; "CEA" mean Canadian Electricity Association; "CWIP" mean Construction Work-In-Progress; "DACDA" mean Direct Assigned Capital Deferral Account; "DBRS" mean DBRS Limited; "FFO" mean Funds from Operations; "GAAP" mean Generally Accepted Accounting Principles; "GCOC" mean Generic Cost of Capital; "GTA" mean General Tariff Application"; "IFRS" mean International Financial Reporting Standards; "KLP" mean KainaiLink, L.P.; "NID" mean Needs Identification Document; "PLP" mean PiikaniLink, L.P.; and "S&P" mean Standard & Poor's Global Ratings.

Additional information relating to our business including our Annual Information Form for the year ended December 31, 2020 is available on SEDAR at www.sedar.com.

Executive Summary

Quarter Highlights

During the three months ended June 30, 2021:

- We refunded $76.7 million of the $230 million customer tariff relief refund as approved by the AUC for 2021.
- On April 30, 2021, AltaLink filed its 2022-2023 GTA, delivering on the last two years of our commitment to keep rates at or below the 2018 level for customers for the five-year period from 2019 to 2023. Similar to the $80.0 million refund of the previously collected accumulated depreciation surplus approved by the AUC for 2021, AltaLink proposed to provide further similar tariff reductions by refunding an additional $120.0 million over the two-year period. In addition, the two-year application achieves flat tariffs by continuing to transition to the AUC-approved salvage recovery method and continuing the use of the flow-through income tax method with an overall year over year increase of approximately 2% in 2022 and 2023 revenue requirements.
- Our outstanding safety performance continued with zero injuries for the last 15 months. Our year to date total recordable injury frequency rate was zero, representing zero injuries compared to one injury for the same period in 2020.
- Alberta experienced the peak of the third wave of the COVID-19 pandemic in the quarter and AltaLink effectively managed the safety of employees with no workplace transmission to date. We also continued to maintain the transmission of essential and reliable electricity for Albertans and our industrial customers while managing the impacts of the COVID-19 pandemic.
- Our customer outage duration improved and was four minutes compared to five minutes for the same quarter in 2020. Our year to date customer outage duration improved and was ten minutes compared to 14 minutes for the same period in 2020.
- AltaLink experienced two unexpected customer load shed events in the past two quarters based on AIES dynamic response. The AESO indicated the cause of these events was related to unexpected generation response to system outages. AltaLink is supporting the AESO in their follow up with industry.
- Customer satisfaction average score improved and was 9.45 compared to 9.04 for the same quarter in 2020. Our year to date customer satisfaction average score was 9.35 compared to 9.04 for the same period in 2020.
- We earned net and comprehensive income of $76.0 million compared to $83.3 million for the same quarter in 2020. Our net and comprehensive income decreased mainly due to higher operating revenue recognized in the second quarter of 2020 as a result of one-time adjustments related to the 2019-2021 GTA decision.
- On April 14, 2021, S&P reaffirmed its issuer credit rating and senior secured rating on AltaLink at "A" with a stable outlook. On July 20, 2021, DBRS reaffirmed AltaLink's Issuer Rating and Senior Debt rating at "A" with stable trends, and the rating of its Commercial Paper at "R-1 (low)". An "A" rating allows us to keep debt financing costs low for our customers.
- We invested $65.5 million in capital assets compared to $75.4 million for the same quarter in 2020 to ensure continued reliability of the electricity network.

Strategic Highlights

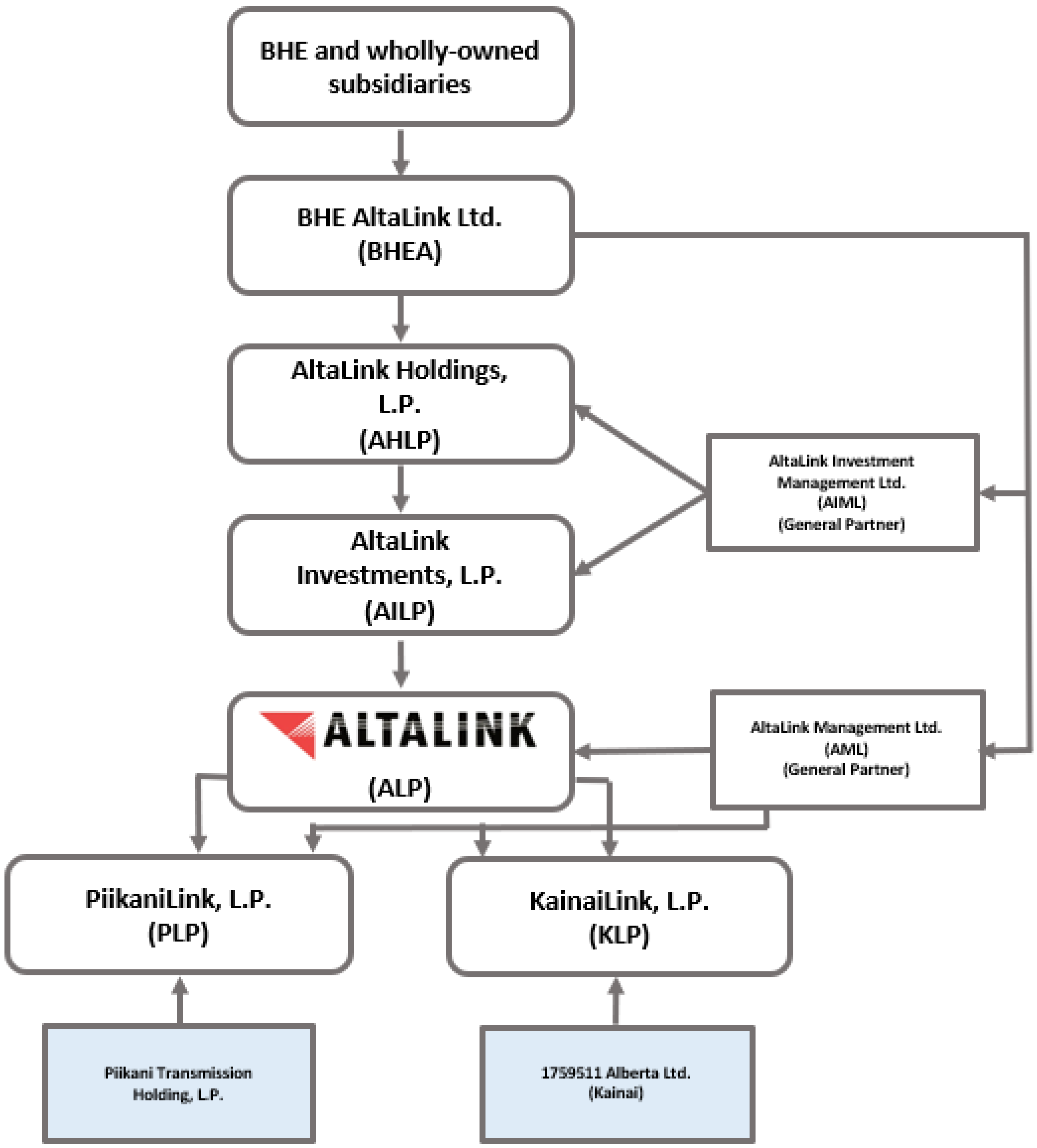
- We committed to our customers that our applications to the AUC will keep our transmission tariffs flat for five years at or below the 2018 level of $904 million from 2019 to 2023. We plan to meet this commitment to customers through a combination of capital and operating savings along with continued rate levelization initiatives for customers. We submitted our 2019-2021 and 2022-2023 GTAs with the AUC, fully delivering on this commitment.
- From 2015 to 2018, through a combination of rate levelization and gross cost saving efforts, we have already reduced our cumulative tariffs by more than $700.0 million for our customers. With the approval of our 2019-2021 GTA, we have established a further $400.0 million in rate levelization and cost savings for customers.
- On January 18, 2021, driven by the sudden and unexpected pandemic and economic shutdown that has negatively impacted all Albertans, AltaLink filed an application with the AUC that requested approval of rate levelization measures totalling $350.0 million over the three-year period, 2021 to 2023, of which $230.0 million has been approved and the remaining $120.0 million was requested as part of our 2022-2023 GTA. With our approved 2019-2021 GTA, the approved 2021 customer tariff refund, and the additional tariff refund proposed in our 2022-2023 GTA, the total savings to customers from 2015 to 2023 are expected to be approximately $1.5 billion.
- Our employees are focused on ways to optimize our existing operations by simplifying our business processes through the application of digital technologies enabling AltaLink to maximize value and reduce costs for our customers.
- We are committed to maintaining a diverse and inclusive work environment that delivers business results.
- Our reliable, efficient transmission system ensures that all generators are able to compete, enabling access to low cost generation for all customers.
- Our transmission grid is ready to deliver reliable and affordable clean energy to Albertans. We are actively working with renewable energy companies on their interconnections to the grid. We continue to promote that any new renewable generation should be constructed close to existing transmission facilities to take advantage of the available transmission capacity and minimize the cost impact to Alberta customers.

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.

Both AILP and its sole limited partner AHLP are managed by AIML. AHLP is wholly-owned by BHEA, a wholly-owned indirect subsidiary of BHE.

Our operations and headquarters are located in Alberta, where we provide reliable, safe and efficient service to Albertans. We are regulated by the AUC. The AESO directs us on what to build and directs the operation of the interconnected electrical system.



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, 2020.

Our Vision and Core Principles

Our vision and strategy is to be the best energy company in serving customers, while delivering sustainable and affordable energy solutions. Our six core principles further define our values, strategy 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 transmission facility owners in Canada for reliability, safety and cost-effectiveness.

Customer Service

We are focused on delivering reliability and exceptional service to our customers.

Customer performance

To measure our performance on customer service, we survey our customers to garner feedback. We use the survey results and feedback to establish specific initiatives aimed at improving our customers' experience. We use the average score out of 10 to track our customer satisfaction performance. Customer satisfaction of direct customers for the 12 months ended June 30, 2021 improved and was 9.21 compared to 9.14 for the same period in 2020.

External engagement

We focus our landowner, government, Indigenous and media engagement practices on providing our stakeholders with timely, transparent and easy to understand information about our transmission projects and business. Our processes are designed to gather stakeholder input to help us identify and select routes aimed at minimizing the overall impacts on land use and landowners. We continue this engagement through the lifecycle of our facilities. We survey landowners after consultation and during construction of significant projects, as well as those who already host our facilities, to address any concerns that arise and build long-term relationships.

Employee Commitment

We equip employees with the resources and support they need to be successful. We encourage teamwork and provide a safe, rewarding, diverse and inclusive work environment. We make no compromise when it comes to safety, and we align our short-term and long-term incentive pay with the needs of our customers.

Our leadership team's experience and expertise, combined with our employees' knowledge and commitment to "keeping the lights on" through operational excellence, are key to our ability to deliver customer requirements successfully. We aim to provide a clear link between employees' total direct compensation and both business performance and the employee's own performance. In particular, each employee's incentive pay depends upon how the business performs against established goals that are aligned with the interests of our customers. Additional information on AltaLink's incentive plans is included in our Annual Information Form available on SEDAR at www.sedar.com.

Diversity and inclusion

Our 2021 Diversity and Inclusion Plan includes frequent communications to build awareness, leadership resources and engagement, employee training, and listening sessions. These efforts support us in maintaining a diverse and inclusive work environment that delivers business results.

Employee engagement

We strive continuously to attract, retain and develop a high quality workforce to enable us not only to sustain our business, but also to remain at the forefront of innovation and continuous improvement. We employ approximately 730 skilled and dedicated employees to maintain and operate our facilities and deliver on the capital transmission projects planned in Alberta.

Using an independent third party, we conduct ongoing employee engagement surveys with all employees.

In the first quarter of 2021, we conducted a third Pulse Survey on our COVID-19 response. We had an 87% response rate and received favourable scores on senior leadership communication through the COVID-19 pandemic, team effectiveness and manager support. In the second quarter of 2021, we continued to provide wellness and mental health support to our employees.

In 2020, we conducted two targeted Pulse Surveys on our COVID-19 response. Both surveys had an 86% response rate and we received favourable scores on our COVID-19 response, employee wellness and support, physical safety and our return to office strategy. To date, we have had no workplace COVID-19 transmission.

In the first quarter of 2021, we received the President's Award, the highest honour an organization can achieve from the United Way of Calgary and Area, for our 2020 campaign's inspiring commitment and efforts in supporting Calgary. Our 2020 campaign raised more than $1.0 million for the first time ever in AltaLink's history.

Safety

On March 31, 2021, we achieved a significant safety milestone, going one full year without an employee safety incident and we continued to be incident free in the second quarter of 2021. This milestone is thanks to our employee commitment to keeping themselves, and each other safe each and every day. To be able to stay safe in the middle of a pandemic, while there is so much uncertainty and change, is exceptional. AltaLink employees do not wait until an incident happens to review safety protocols. Instead, we have set company-wide goals to report hazards and near misses so that we can learn where incidents might happen and why.

The safety and security of our employees, customers, and the general public is our top priority. We have an Environmental, Health and Safety Leadership Committee that meets monthly to provide guidance and oversight with respect to safety; there is passionate engagement and discussion during these meetings. Our safety management initiatives encompass all aspects of our safety systems and focus our entire organization on safety accountabilities, responsibilities and culture. We strive to continuously improve our safety performance through focused training and ongoing commitment to our safety culture and safety management processes.

We consistently attain strong safety metrics and our employee injury frequency rate continues to be significantly better than those of our peers, as reported by the CEA.

The following table summarizes our strong safety performance.

	Twelve months ended June 30,	
	2021	2020
Total recordable injury frequency rate[1]	**0.00**	0.28

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

In November 2020, for the fourth consecutive year, we received the CEA President's Award of Excellence for employee safety as the best performing transmission company with 300 to 1499 employees in 2019.

As we are committed to public safety, we continue to maintain our accreditation from the Alberta Safety Codes Council to self-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.

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

We have an environmental management system that is modelled after the International Organization for Standardization (ISO) requirements and 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 30, 2021, AltaLink released its 2020 Sustainability Report, which is available on www.altalink.ca.

In November 2020, the CEA announced AltaLink, PLP and KLP as recipients of the 2020 Award for Advancement of an Integrated Approach to Sustainability for AltaLink's joint limited partnerships with the Piikani Nation and the Kainai Nation (Blood Tribe), who are now long-term investors in high-voltage electricity infrastructure on their lands.

We are the first Canadian utility to develop an Avian Protection Plan designed to reduce the impact transmission facilities can have on birds. The plan includes set standards and processes for preventing collisions by installing bird markers that make power lines more visible to birds in flight, reducing bird collisions with our transmission facilities between 60% and 90%.

In March 2021, through a collaboration with FulcrumAir Inc., we became the first utility in the world to use robotic technology to install bird diverters. The new tool, called LineFly, employs autonomous robotic technology that is carried by an unmanned aerial vehicle to precisely install bird markers at any desired spacing. Working with FulcrumAir Inc., we helped develop a prototype for a robot that could mark an entire span of power line with bird diverters, saving time and reducing the cost normally associated with traditional installation techniques. Deploying this new robotic technology means that bird diverters can be installed in almost any type of weather condition, beyond line of sight and work can be performed in areas that might otherwise be difficult to reach, such as wetlands or environmentally sensitive rights-of-way.

We 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 strive to be leaders in environmental best practices. We also promote and actively work with energy companies to connect their renewable generation facilities to our existing 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 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, we are regulated by the AUC, 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 of our 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. Such tariffs are regulated by the AUC under the provisions of the Electric Utilities Act (Alberta) in respect of rates and terms and conditions of service.

We have 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 how we conduct our business and in our relations with our colleagues, customers, shareholders and business partners.

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. Our continuous improvement culture and focus on operational excellence encompasses our project execution programs, maintenance processes, centralized work planning, and scheduling.

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

In late January 2020, with the onset of the COVID-19 pandemic in North America, we implemented our emergency response plan to ensure the ongoing safety of our employees and to maintain the transmission of essential and reliable electricity for Albertans and our industrial customers. We implemented additional safety measures which included a work from home strategy to maintain appropriate social distancing for employees and utilizing cell structures (partitioned work teams) for our control centre and field operations. On March 17, 2020, AltaLink was confirmed as an essential business by the Government of Alberta and our critical employees and contractors continue to work throughout our service territory to maintain and operate our transmission facilities.

Through the first half of 2021 AltaLink continued to maintain its emergency response plan and COVID-19 safety measures. Our integrated emergency response team also continues to closely monitor the situation and directions from Alberta Health Services to ensure the safety of our employees and the public and the reliability of our operations.

Capital projects

We energized or completed $99.0 million of capital project additions in the second quarter of 2021 (2020 – $41.5 million).

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 are able to compete, enabling access to low cost generation including renewable 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. We have a long-term trend of improving reliability through proactive operating practices and capital investment. Our reliability statistics are better than those of our peers, as reported by the CEA, which has ranked us in the top quartile of Canadian electric utilities for outage duration and outage frequency.

Our reliability of service provided to customers continues to be strong. Our average customer outage duration in the past 12 months ended June 30, 2021 improved and was 16 minutes compared to 20 minutes for the same period in 2020, primarily attributable to improved assessment of weather related risks in our outage scheduling process. The frequency of outages in the past 12 months ended June 30, 2021 improved and was 0.42 compared to 0.44 for the same period in 2020. Restoration performance in the past 12 months ended June 30, 2021 improved and was 66 minutes compared to 74 minutes for the same period in 2020. Our ongoing focus on capital maintenance investments, operating maintenance activities and initiatives to reduce restoration times, continues to provide consistent power system reliability in support of our customers.

The table below summarizes our reliability performance.

	Twelve months ended June 30,	
	2021	2020
Duration of outages (SAIDI)[1]	**16**	20
Frequency of outages (SAIFI)[2]	**0.42**	0.44
Restoration time (SARI)[3]	**66**	74

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 security
During the six months ended June 30, 2021, we continued to upgrade our cyber security preparedness by adding controls to meet compliance requirements and to keep pace with best practices.

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 regulated debt and equity capital structure approved by the AUC 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 April 14, 2021, S&P reaffirmed its issuer credit rating and senior secured rating on AltaLink at “A” with a stable outlook. On July 20, 2021, DBRS reaffirmed AltaLink's Issuer Rating and Senior Debt rating at “A” with stable trends, and the rating of its Commercial Paper at “R-1 (low)”.

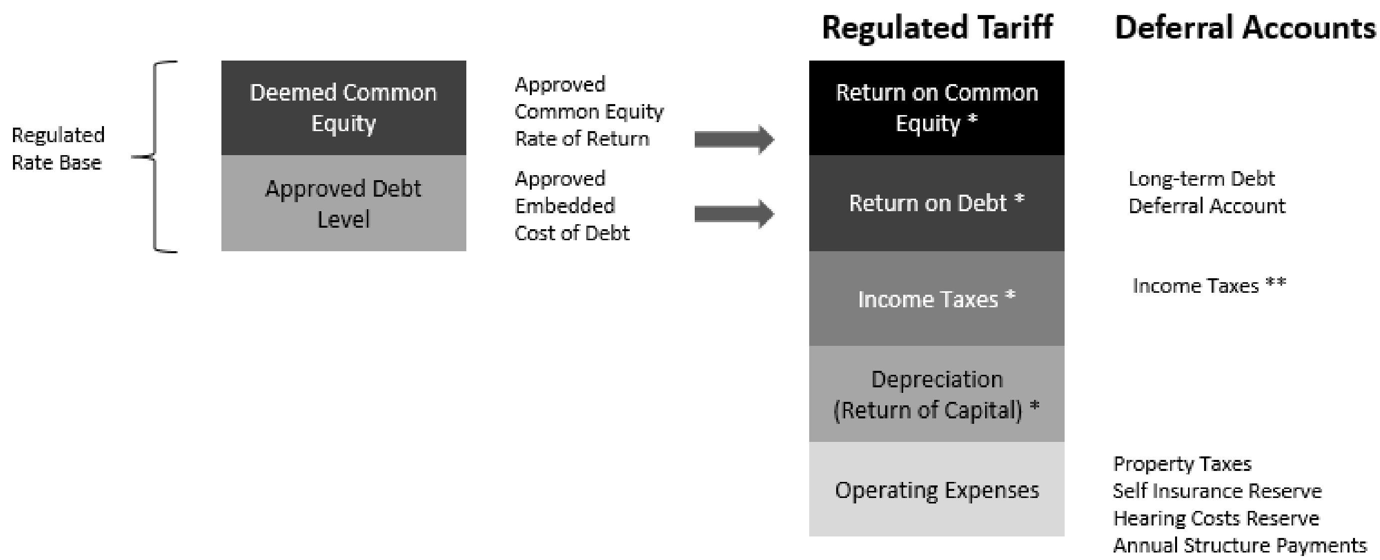
The financial strength demonstrated through an “A” credit rating allows us to keep debt financing costs low for our customers. For the six months ended June 30, 2021, our weighted average cost of long-term debt was 3.90% (June 30, 2020 – 4.00%).

Capital investment
Continued investment in our regulated capital assets provides reliability of supply of transmission service to our customers and is one of the key 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. In August 2018, the AUC approved an equity return of 8.5% and an equity ratio of 37% for 2018, 2019 and 2020. In October 2020, the AUC approved an equity return of 8.5% and an equity ratio of 37% for 2021. In March 2021, the AUC approved an equity return of 8.5% and an equity ratio of 37% for 2022. 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:



* Adjusted for our direct assigned capital deferral account

** Income taxes are recovered 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, 2020.

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 March 15, 2021, the AUC approved AltaLink's proposed 2021-2023 Tariff Refund Application resulting in a final tariff of $46.5 million per month starting April 2021, which includes monthly tariffs for PLP and KLP.

On November 19, 2020, the AUC approved AltaLink's proposed net salvage methodology resulting in a final tariff of $20.9 million for December 2020, which included salvage adjustments for 2019 and 2020. In this same decision, the AUC approved a 2021 monthly tariff starting at $71.4 million per month. Both tariffs included monthly tariffs for PLP and KLP.

On July 21, 2020, the AUC approved AltaLink's revised monthly tariffs of $71.2 million starting September 2020, which included monthly tariffs for PLP and KLP.

On October 15, 2019, AltaLink filed a letter with the AUC to request the continuation of the monthly interim refundable transmission tariff effective January 1, 2020, until a final tariff was approved. On October 18, 2019, the AUC confirmed the 2020 interim refundable transmission tariff starting at $74.0 million per month.

2022-2023 General Tariff Application

AltaLink provided responses to information requests from customer groups on July 9, 2021.

On April 30, 2021, AltaLink filed its 2022-2023 GTA delivering on the last two years of our commitment to keep rates flat for customers 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 continuing the use of the flow-through income tax method with an overall year over year increase of approximately 2% in 2022 and 2023 revenue requirements. In addition, similar to the $80.0 million refund of the previously collected accumulated depreciation surplus approved by the AUC for 2021, AltaLink proposed to provide further similar tariff reductions over the two years by refunding an additional $60.0 million per year.

The table below summarizes the 2023 and 2022 applied for transmission tariffs.

(in millions of dollars)	2023 Applied for	2022 Applied for
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 - ALP	**839.2**	**816.2**
Transmission tariffs - PLP	4.8	4.9
Transmission tariffs - KLP	3.1	3.2
Total transmission tariffs	**$ 847.1**	**$ 824.3**

* Totals may not add due to rounding

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

(in millions of dollars)	2023	2022
Gross capital expenditures	**$ 327.2**	**$ 381.8**

2021-2023 Tariff Refund Application

On April 15, 2021, the AUC issued Decision 26248-D02-2021, and confirmed its approval of AltaLink's customer tariff refund as provided in Decision 26248-D01-2021, issued on March 15, 2021, and also detailed its reasons for the decision. Specifically, the AUC found that the exceptional circumstances faced by Alberta ratepayers in 2021 have brought to bear an unprecedented need for ratepayer relief that has not existed previously. These exceptional circumstances included the current economic downturn due to the COVID-19 pandemic, the collapse in the world price of oil and the resulting significant negative impact to Albertans and businesses. As a result, immediate and temporary relief was warranted.

On March 15, 2021, the AUC issued Decision 26248-D01-2021 on AltaLink's 2021-2023 Tariff Refund Application. The AUC approved a 2021 customer tariff refund in the amount of $230.0 million and a net 2021 tariff reduction of $223.5 million, which provided Alberta ratepayers with immediate tariff relief in 2021. The approved 2021 tariff refund included a refund of $150.0 million of previously collected future income tax and a refund of $80.0 million of accumulated depreciation surplus. The AUC approved AltaLink's Tariff Refund Application resulting in a revised revenue requirement of $873.3 million for 2021 and a revised transmission tariff of $632.9 million, which included tariffs for PLP and KLP.

On January 18, 2021, driven by the sudden and unexpected pandemic and economic shutdown that has negatively impacted all Albertans, AltaLink filed an application with the AUC that requested approval of tariff relief measures totalling $350.0 million over the three-year period, 2021 to 2023. The tariff relief measures consisted of a proposed refund to customers of $150.0 million of previously collected future income taxes and $200.0 million of surplus accumulated depreciation. The future income tax refund would have been evenly distributed over the two-year period, 2021 to 2022, with $75.0 million included in each year. The accumulated depreciation surplus would have been refunded over the three-year period, 2021 to 2023, with $60.0 million included in 2021 and 2022, and $80.0 million in 2023.

2019-2021 General Tariff Application

On March 15, 2021, the AUC approved AltaLink's proposed tariff refund application resulting in a revised revenue requirement of $873.3 million for 2021 and a final tariff of $46.5 million per month starting April 2021, which includes monthly tariffs for PLP and KLP.

We delivered on the first three years of our commitment to customers to keep our rates flat for five years by obtaining the necessary AUC approvals. Our approved GTA maintains customer rates below the 2018 level of $904 million from 2019 to 2021.

The table below summarizes the 2021, 2020 and 2019 approved transmission tariffs.

(in millions of dollars)	2021 Approved	2020 Approved	2019 Approved
Return on equity	$ 237.5	$ 238.0	$ 237.9
Return on debt	191.6	191.0	188.3
Operating costs	170.6	168.5	168.4
Miscellaneous revenue offset	(8.4)	(8.3)	(8.2)
Depreciation and amortization	297.4	297.6	298.2
Revenue requirement	**888.7**	**886.7**	**884.6**
Refund of accumulated depreciation surplus	(10.4)	(10.4)	(10.4)
Other	—	—	(3.4)
Transmission tariffs as filed August 23, 2018	**$ 878.3**	**$ 876.4**	**$ 870.8**
Impact of 2018 actuals	(4.8)	(4.9)	(4.7)
Impact of deferral account decision	(1.7)	(1.7)	(1.6)
Fire mitigation plan	3.0	2.1	1.3
Other	(0.3)	(0.1)	(1.7)
Transmission tariffs as filed April 1, 2019	**$ 874.5**	**$ 871.7**	**$ 864.1**
Additional $20 million line clearance code compliance capital required	1.2	0.5	0.1
Increased salvage collected to maintain FFO/Debt ratio at 11.1%	1.2	1.3	—
Management update transmission tariffs	**876.8**	**873.5**	**864.2**
Forecast operating expense reductions	(9.0)	(8.9)	(4.6)
Forecast capital expenditure reductions	(6.1)	(3.0)	(0.8)
Lower forecast interest rates	(1.9)	(1.4)	(0.4)
Lower depreciation rate for steel poles	(0.6)	(0.6)	(0.6)
Transmission tariffs as filed July 10, 2019	**$ 859.2**	**$ 859.6**	**$ 857.8**
Revert to previously approved salvage methodology	29.4	24.7	22.9
Reduced forecast line clearance code compliance capital	(0.6)	(0.3)	(0.1)
Lower forecast long-term debt issuance in 2020	(0.4)	(0.2)	—
Transmission tariffs before transfer of assets to PLP and KLP	**$ 887.6**	**$ 883.8**	**$ 880.7**
Transfer of assets to PLP	(5.1)	(5.2)	(3.0)
Transfer of assets to KLP	(3.2)	(3.2)	—
Transmission tariffs as filed May 29, 2020 per compliance filing	**$ 879.4**	**$ 875.4**	**$ 877.6**
Revised forecast line clearance code compliance capital	0.1	0.1	—

Transmission tariffs as amended June 9, 2020 and approved July 21, 2020	**$ 879.4**	**$ 875.5**	**$ 877.6**
Net impact of approved new salvage proposal	(31.2)	(26.7)	(23.6)
Transmission tariffs as approved November 19, 2020	**$ 848.2**	**$ 848.8**	**$ 854.0**
Net impact of approved tariff refund	(223.5)	—	—
Transmission tariffs as approved March 15, 2021 - ALP	**$ 624.7**	**$ 848.8**	**$ 854.0**
Transmission tariffs as approved March 15, 2021 - PLP	5.0	5.1	3.0
Transmission tariffs as approved March 15, 2021 - KLP	3.2	3.2	—
Total transmission tariffs as approved March 15, 2021	**$ 632.9**	**$ 857.1**	**$ 857.0**

* Totals may not add due to rounding

The table below summarizes the GTA forecasted gross capital expenditures for 2021, 2020 and 2019.

(in millions of dollars)	2021	2020	2019
Gross capital expenditures	**$ 351.7**	**$ 304.4**	**$ 342.9**

On November 19, 2020, the AUC issued Decision 25870-D01-2020 on AltaLink's review and variance application with respect to its new salvage proposal. The AUC decided to vary the original decision and approved AltaLink's proposed net salvage methodology and the revised transmission tariffs as filed effective December 1, 2020. The AUC found that the proposed net salvage methodology does afford equitable intergenerational treatment for both current and future customers because, in the absence of another "big build," future customer rates will likely reflect reduced levels of undepreciated transmission capital costs, and the costs will be borne over a greater expected customer load base compared to current customers. Additionally, the AUC found that AltaLink's proposed net salvage methodology is otherwise principled, based on AltaLink's submissions that it is financially able to implement the proposed net salvage methodology, notwithstanding the effects of COVID-19; that adopting the proposal will not impact its credit rating, assuming certain parameters; and that Alberta's load growth is expected to recover in the mid to long-term. This reduced AltaLink's revenue requirement by $23.6 million, $26.7 million and $31.2 million for the years 2019, 2020 and 2021, respectively.

On September 10, 2020, the AUC granted AltaLink's request for a review with respect to its proposed salvage methodology on the basis that there are changed circumstances that could lead the AUC to materially vary or rescind the majority hearing panel's findings in Decision 23848-D01-2020. In October 2020, AltaLink filed responses to information requests from the AUC, written argument was filed by intervening parties, and written reply argument was filed by AltaLink.

On July 30, 2020, in line with our flat for five tariff commitment to customers, AltaLink filed an application with the AUC for the review and variance of Decision 23848-D01-2020 with respect to its 2019-2021 GTA. In that decision, the AUC deferred its decision on AltaLink's proposed salvage proposal pending a generic proceeding to consider the broader implications. With the closure of the generic proceeding on July 8, 2020, AltaLink requested the AUC to review and vary its decision and approve AltaLink's proposed new salvage methodology.

On June 5, 2020, the AUC issued a letter indicating that it reviewed the application and considered that AltaLink's compliance filing was routine in nature and did not include any contentious issues. On June 19, 2020, the AUC issued a letter indicating that it received no challenge to its routine designation of AltaLink's compliance filing and confirmed the proceeding record closed on June 18, 2020. On July 21, 2020, the AUC approved AltaLink's amended compliance filing for its 2019-2021 GTA and revised monthly tariffs of $71.2 million for September to December 2020 including monthly tariffs for PLP and KLP. AltaLink's revised revenue requirements were $895 million, $894 million, and $898 million for 2019, 2020 and 2021 respectively, which included the revenue requirements of PLP (July 2019-2021) and KLP (2020-2021). This delivers on our commitment to keep customer rates flat or lower than the approved 2018 revenue requirement of $904 million, for the next five years. As AltaLink had used 8.5% return on equity and 37% deemed equity ratio in its 2019-2021 GTA, no changes were required to its approved 2019-2021 transmission tariffs as a result of the AUC's 2021 GCOC decision. Please refer to the "2021 Generic Cost of Capital Proceeding" section of this MD&A.

On May 29, 2020, AltaLink filed its compliance filing incorporating the AUC's directions in its Decision 23848-D01-2020 with respect to AltaLink's 2019-2021 GTA, which included a partial negotiated settlement and excluded matters. The compliance filing was amended on June 9, 2020 to increase the line clearance mitigation capital forecasts by $1.5 million over three years. As part of AltaLink's compliance filing, general tariff applications for PLP (July 2019-2021) and KLP (2020-2021) were filed.

On April 16, 2020, the AUC issued Decision 23848-D01-2020 with respect to AltaLink's 2019-2021 GTA. The AUC approved the negotiated settlement agreement as filed and rendered its decision and directions on the excluded matters.

- The AUC declined to approve AltaLink's proposed salvage methodology at that time, but indicated that it would initiate a generic proceeding to review the depreciation and salvage matters on an industry wide basis. Reverting the salvage method back to the traditional pre-collection approach increased the amount of salvage collected by approximately $82 million, resulting in an increase to AltaLink's cash transmission tariffs collected from customers for the 2019-2021 period by approximately $77 million;
- The AUC approved $13 million of AltaLink's requested additional $20 million of forecast transmission line clearance capital on a placeholder basis and reviewed the remaining $7 million capital investment in AltaLink's compliance filing. The AUC will further review prudency of these actual expenditures in the next GTA;
- The AUC approved $3 million of forecast operating expenses and $4 million of forecast capital investment to reduce the risk of fires, with a further $31 million of capital reviewed in the compliance filing as well as prudency review in the next GTA; and
- The AUC approved $6 million of retirements for towers and fixtures.

In January 2020, AltaLink and the intervenors filed written argument and reply argument.

The oral hearing to examine the excluded matters was held in November 2019. In August 2019, AltaLink responded to information requests with respect to its 2019-2021 GTA negotiated settlement application and the excluded matters as described below.

On July 10, 2019, in line with our flat for five tariff commitment to customers, AltaLink filed a 2019-2021 GTA partial negotiated settlement application with the AUC. The application consisted of negotiated reductions from the April 1, 2019 GTA of $22.5 million of operating expenses and $58.0 million of transmission capital maintenance and information technology capital expenditures over three years, as well as lower forecast interest rates and lower depreciation for the steel poles asset class. These reductions resulted in a $38.0 million net decrease to the three-year total revenue requirement applied for in AltaLink's 2019-2021 GTA updated on April 1, 2019. However, this was partially offset by AltaLink's request for an additional $20 million of forecast transmission line clearance capital as part of an excluded matter. The 2019-2021 GTA Negotiated Settlement Agreement excluded matters consisting of the new salvage study and salvage recovery approach, additional capital for operations and maintenance and capital programs to reduce risk of fires, and to comply with line clearance code compliance requirements, and certain retirements for towers and fixtures. AltaLink's salvage proposal was estimated to save customers $267 million between 2019 and 2023. If AltaLink would have been successful on the excluded matters and the negotiated settlement was approved, the revised revenue requirements would have been $872.5 million, $870.0 million and $869.6 million for 2019, 2020 and 2021 respectively, which are lower than the approved 2018 revenue requirement of $904 million.

On April 1, 2019, AltaLink filed an update to its 2019-2021 GTA primarily to reflect its 2018 actual results and the impact of the AUC decision on AltaLink's 2014-2015 Deferral Accounts Reconciliation Application. The application update also included AltaLink's fire mitigation plan and a request for additional capital expenditures and operating expenses to enhance its current practices, operations and maintenance program to reduce the risk of fires. Prior to the negotiated settlement agreement, AltaLink's 2019-2021 GTA requested the approval of revised revenue requirements of $878.8 million, $882.1 million and $884.9 million for 2019, 2020 and 2021 respectively, which are lower than the approved 2018 revenue requirement of $904 million.

AltaLink provided responses to information requests in November 2018 and additional responses in December 2018 and April 2019.

On August 23, 2018, AltaLink filed its 2019-2021 GTA with the AUC, delivering on the first three years of our commitment to apply to the AUC to keep rates flat for customers for the next five years at the 2018 level of $904 million from 2019 to 2023. The three-year application achieved flat tariffs by keeping operating and maintenance expenses flat with the exception of salaries and wages and software licensing fees, transitioning to a new salvage recovery approach and continuing the use of the flow-through income tax method. In addition, similar to the $31 million refund approved by the AUC for the 2017-2018 GTA, AltaLink proposed to provide a further tariff reduction over the three years by refunding additional previously collected accumulated depreciation surplus of $31 million.

2022 Generic Cost of Capital Proceeding

On April 30, 2021, the Utilities Consumer Advocate filed an application with the AUC for review and variance of Decision 26212-D01-2021 with respect to extending the current approved return on equity and deemed equity ratio to the end of 2022. The basis for the application is the same as the permission to appeal filed with the Court of Appeal on April 1, 2021. The Utilities Consumer Advocate claims there are new circumstances and evidence that capital markets are stabilizing and consequently, the AUC's rationale for declining to hold an evidence-based proceeding to properly determine a fair return for 2022 is no longer applicable.

On April 1, 2021, the Utilities Consumer Advocate filed an application with the Court of Appeal of Alberta requesting permission to appeal the AUC's decision that set the return on equity of 8.5% and equity ratio of 37% on a final basis for 2022. In the appeal, the Utilities Consumer Advocate alleged that the AUC erred by failing to fulfil its statutory obligation of establishing a fair return and by failing to apply procedural fairness.

On March 4, 2021, the AUC issued Decision 26212-D01-2021 with respect to setting the return on equity and deemed equity ratios for certain Alberta utilities including AltaLink, PLP and KLP. The AUC approved an equity return of 8.5% and an equity ratio of 37% for 2022, based on continuing economic and market uncertainties, the unsettled nature of capital markets, and the need for certainty and stability for Alberta ratepayers.

	Approved 2022	Approved 2021	Approved 2020
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 11, 2021, AltaLink and EPCOR Distribution & Transmission (EPCOR) submitted a letter stating that, due to ongoing capital market volatility and other COVID-19-related uncertainties, there were reasonable grounds for extending the currently approved 2021 return on equity and deemed equity ratio on a final basis for 2022. AltaLink and EPCOR further stated that there was insufficient time to complete a full generic cost of capital proceeding in 2021, in order to issue a decision prior to the beginning of 2022, and that a formula-based approach should not be considered at that time. AltaLink and EPCOR suggested that a proceeding could be restarted in the third quarter of 2021, for 2023 and subsequent years.

On December 22, 2020, the AUC initiated the 2022 GCOC proceeding. This proceeding considered the return on equity and deemed equity ratios for 2022 and one or more additional test years. Due to the existing uncertainty as a result of the ongoing COVID-19 pandemic, before establishing a process schedule, the AUC requested participants to submit comments that addressed the following: (i) the continuation of the currently approved return on equity and deemed equity ratios for a further period of time; (ii) the appropriate test period for the proceeding; (iii) the scope of the proceeding, including whether a formula-based approach to return on equity should be utilized; (iv) the considerations to take into account when establishing the process for the proceeding; and (v) the avoidance of duplicative evidence and greater coordination and collaboration between parties.

2021 Generic Cost of Capital Proceeding

On October 13, 2020, the AUC issued Decision 24110-D01-2020 with respect to the setting of return on equity and deemed equity ratios for certain Alberta utilities including AltaLink, PLP and KLP. The AUC set the final approved return on equity and deemed equity ratio for AltaLink by extending the currently approved rates of 8.5% and 37%, respectively, for the duration of 2021. The AUC made its decision to ensure stability for the utilities, customers and investors, given the ongoing COVID-19 pandemic, the related economic and financial market uncertainty, and how little time remained to complete the proceeding and issue a prospective decision by the end of 2020.

On August 7, 2020, the AUC issued a letter indicating that it had decided not to resume the GCOC proceeding at that time and would continue to assess when, and under what conditions, the proceeding could resume.

In July 2020, AltaLink and EPCOR submitted a letter stating that it was too early to resume the proceeding. Instead, the AUC should continue to hold the proceeding in abeyance and, in accordance with the AUC's March 19, 2020 letter, re-visit the issue in another 30 to 60 days. AltaLink and EPCOR had significant concerns that capital markets would remain volatile and uncertain for the balance of 2020 and well into 2021. Any proceeding that seeks to fix fair return in this unprecedented economic environment would inevitably be problematic and fraught with uncertainty as the underlying market and economic conditions change virtually daily. Inevitably, the proceeding would be inefficient, as evidence would be required to be completed, reassessed and redone. For these reasons, AltaLink and EPCOR submitted that if the AUC determines that the proceeding should resume, the AUC should set a date for the filing of evidence by all parties in the first quarter of 2021, but not before January 31, 2021. AltaLink and EPCOR also submitted that given the current conditions and pervasive uncertainty, the proceeding, if resumed, should address fair return for 2021 and 2022 only.

In May 2020, the AUC proposed a method to determine fair cost of capital parameters for 2021 given the circumstances presented by the COVID-19 pandemic. The options for utilities and interested parties to consider were as follows:

- Option 1 - Fully interim parameters for 2021 - replace the currently approved parameters set for each utility on an interim basis for 2021 with final parameters for the entire test period once a decision is issued;
- Option 2 - Rolling final retrospective parameters for 2021 - extend the currently approved parameters for each utility on an interim basis one full quarter at a time. When final parameters for 2021 are determined, these parameters will become final commencing on the first day of the quarter in which the decision is issued;
- Option 3 - Rolling final prospective parameters for 2021 - extend the currently approved parameters for each utility on a final basis one full quarter at a time. When final parameters for 2021 are determined, these parameters will become final commencing on the first day of the following quarter; and
- Option 4 - Fully final parameters for 2021 - the final 2021 parameters, including a return on equity lower than 8.5%, for each utility would either be: (1) set by the AUC; or (2) under appropriate circumstances as determined by the AUC, reached by way of negotiated settlement among the relevant parties.

The AUC subsequently added a fifth option, which would have set 2021 return on equity at 8.3%, as a balance between certainty and economic conditions.

AltaLink and all utilities, except three city owned utilities, elected option 3 as providing the required certainty. Interveners support either option 1 or option 4.

The AUC originally scheduled a hearing in April 2020 but on March 19, 2020, as a result of the COVID-19 pandemic, suspended the proceeding for an indefinite period. The AUC noted it would review and reassess that decision in 30 to 60 days, as circumstances warrant and, if necessary, every 30 to 60 days thereafter, unless circumstances changed dramatically and call for earlier action by the AUC.

In January 2020, AltaLink filed company and expert evidence, recommending a range of 8.75% to 10.5% return on equity, on a recommended equity ratio of 40% for test years 2021 and 2022. The Consumers' Coalition of Alberta, the Utilities Consumer Advocate and the City of Calgary also filed intervenor evidence. The intervenors recommended a range of 5.0% to 6.9% return on equity, and an AltaLink common equity ratio of 35% to 37% for 2021 and 2022.

In December 2018, the AUC initiated a GCOC proceeding to consider returning to a formula-based approach to determining the return on equity for a given year, starting with 2021. On April 4, 2019, after receiving comments from interested parties, the AUC expanded the scope of the proceeding to include a traditional non-formulaic GCOC inquiry as well as the consideration of returning to a formula-based approach.

2018 Generic Cost of Capital Proceeding

On August 2, 2018, the AUC issued Decision 22570-D01-2018 on the 2018 GCOC proceeding to set the deemed capital structure and generic return on equity for 2018, 2019 and 2020. In its decision, the AUC set the generic return on equity and AltaLink's common equity ratio at 8.5% and 37%, respectively, for 2018, 2019 and 2020.

2020 Deferral Accounts Reconciliation

On April 30, 2021, AltaLink filed its 2020 deferral accounts reconciliation in its 2022-2023 GTA. The reconciliation included four projects with total gross capital additions of $26.2 million.

2019 Deferral Accounts Reconciliation Application

On May 13, 2021, the AUC issued Decision 26500-D01-2021 with respect to AltaLink's 2019 Deferral Accounts Reconciliation Compliance Filing. The AUC approved the application as filed.

On March 19, 2021, the AUC issued Decision 25913-D01-2021 with respect to AltaLink's 2019 Deferral Accounts Reconciliation Application. The AUC approved $128.0 million of the $128.5 million of gross capital project additions, disallowing $0.5 million of capital costs. The AUC also approved the other deferral accounts for taxes other than income taxes, long-term debt and annual structure payments as filed. AltaLink filed its compliance filing on April 29, 2021.

On December 1, 2020, AltaLink provided responses to AUC information requests, with argument filed by the Consumers' Coalition of Alberta on December 14, 2020 and reply argument filed by AltaLink on December 21, 2020.

On October 1, 2020, AltaLink initiated its 2019 direct assigned capital projects and other deferral accounts reconciliation proceeding and on October 14, 2020, AltaLink filed its application with the AUC after the AUC issued its ruling on confidentiality. The application included 10 projects with total gross capital additions of $128.5 million.

2016-2018 Deferral Accounts Reconciliation Application

On June 28, 2021, the AUC issued Decision 26500-D02-2021, approving AltaLink's one-time billing to the AESO as filed. On June 23, 2021, AltaLink filed an addendum to its compliance filing, seeking approval of a one-time billing to the AESO of $42.2 million to dispose of the final settlement balances approved in Decision 26278-D01-2021.

On May 13, 2021, the AUC issued Decision 26500-D01-2021 with respect to AltaLink's 2016-2018 Deferral Accounts Reconciliation Compliance Filing. The AUC approved the application as filed.

On April 27, 2021, the AUC issued Decision 26278-D01-2021 with respect to AltaLink's 2016-2018 Deferral Accounts Reconciliation Compliance Filing. The AUC approved the application as filed with the exception of $0.2 million of internal labour support costs to prepare and support the application. AltaLink filed its compliance filing on May 7, 2021.

On December 11, 2020, the AUC issued Decision 24681-D01-2020 on AltaLink's 2016-2018 Deferral Accounts Reconciliation Application. The AUC approved $941.0 million of the total $946.7 million of capital project additions, disallowing $5.7 million of capital costs. As part of this proceeding, the AUC also approved the following: AltaLink's deferral accounts for taxes other than income taxes, long-term debt, and annual structure payments; placeholder treatment for project trailing costs associated with two ongoing disputes; and cancelled project costs incurred in 2017 and 2018. AltaLink filed its compliance filing on January 29, 2021.

On August 7, 2020, the AUC determined that an oral hearing is not required and issued a proceeding schedule to provide for argument, reply argument and the close of record by September 14, 2020.

In May 2020, AltaLink provided additional responses to information requests as directed by the AUC. In accordance with the AUC's revised process schedule, the Consumers' Coalition of Alberta filed its intervener evidence in June 2020, and AltaLink subsequently filed information requests on the intervener evidence in June 2020, and filed its rebuttal evidence in July 2020.

On March 23, 2020, the AUC issued a letter indicating that it would provide further process steps after AltaLink submitted its remaining responses to information requests.

In December 2019, the AUC announced a series of technical meetings to address AltaLink's responses to certain information requests. The AUC issued its ruling on the disputed information requests in February 2020.

In October 2019, AltaLink provided responses to a large number of information requests regarding its 2016-2018 Deferral Accounts Reconciliation Application.

On June 27, 2019, AltaLink initiated its 2016-2018 direct assigned capital projects and other deferral accounts reconciliation proceeding and on July 7, 2019, AltaLink filed its application with the AUC after a ruling on confidentiality. The application included 116 projects with total actual gross capital additions, excluding AFUDC, of $947 million.

Edmonton Region Deferral Account Reconciliation Application

On April 27, 2021, the AUC issued Decision 26278-D01-2021 with respect to the Edmonton Region Deferral Account Reconciliation Compliance Filing. All costs were approved as filed.

On December 10, 2020, the AUC issued Decision 25369-D01-2020 with respect to the Edmonton Region Deferral Account Reconciliation Application, a joint filing with TransAlta Corporation that involved a review of the prudency of $90.9 million of capital additions for AltaLink constructed assets off the Stony Plain Reserve, and $21.6 million of capital additions for TransAlta Corporation assets on the Stony Plain Reserve, including AFUDC. The AUC approved all but $3.0 million of the total capital additions related to eight kilometres of transmission line assets owned by TransAlta Corporation on the Stony Plain Reserve. AltaLink filed its compliance filing on January 29, 2021.

In September 2020, AltaLink and interveners filed written argument and reply argument.

In June 2020, AltaLink provided responses to a large number of information requests with respect to its Edmonton Region Deferral Account Reconciliation Application.

In November 2019, AltaLink filed its Edmonton Region Project as a standalone application. The capital cost of this project, $76.9 million gross capital additions excluding AFUDC, was included as a placeholder in AltaLink's 2016-2018 Deferral Accounts Reconciliation Application. In December 2019, TransAlta Corporation filed its application with respect to its portion of the Edmonton Region Project.

Alberta Electric System Operator Tariff Decision

On May 25, 2021, AltaLink filed its second application for permission to appeal AUC Decision 26061-D01-2021. Both AltaLink's permission to appeal applications are now scheduled to be heard together in October 2021.

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 states 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. This matter will now move to the Court of Appeal on both the legality of the scheme and 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 is 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 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 at December 31, 2017, of approximately $375 million to AltaLink, and that the new contribution policy proposed by AltaLink 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 record of the review and variance proceeding and in January 2020, it issued specific information requests to each of FortisAlberta and AltaLink to clarify the evidence previously filed. 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. The proposal will 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 will 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 relative 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. FortisAlberta also filed for permission to appeal the decision with the Court of Appeal, which will not be heard until after the AUC's review proceeding.

First Nations Asset Transfer Applications

On June 17, 2021, the Alberta Court of Appeal heard AltaLink, PLP and KLP's appeal of the AUC decision to disallow additional annual audit and hearing costs arising out of the partnerships between AltaLink and the two First Nations. The AUC did not defend but answered questions on whether there was a compelling reason to disallow these costs only for the First Nation limited partnerships. The AUC confirmed to the court that it had never disallowed these costs against any transmission facility owner in the past. The court reserved its decision.

PLP revenue requirements of $3.0 million, $5.1 million and $5.0 million for 2019 (7 months), 2020 and 2021 respectively, and KLP revenue requirements of $3.2 million for each of 2020 and 2021, were approved as part of AltaLink's 2019-2021 GTA amended compliance filing. Please refer to "2019-2021 General Tariff Application" section of this MD&A for more information.

In January 2020, AltaLink closed the transaction with the Kainai Nation (Blood Tribe) by transferring transmission assets to KLP. These assets were originally placed into service in October 2010. The assets are related to the Southwest 240 kilovolt project located on the Blood Tribe Reserve lands. Effective January 1, 2020, the assets were transferred from AltaLink to KLP for $34.7 million measured at net book value pursuant to AUC Decision 22612-D01-2018. KLP used a $5.0 million or 51% equity contribution from 1759511 Alberta Ltd. (the nominee of the Blood Tribe), a $4.8 million or 49% equity contribution from AltaLink, a $3.0 million preferred equity contribution from AltaLink and an intercompany loan of $21.9 million from AltaLink to KLP to finance the asset purchase. AltaLink's preferred equity earned the approved regulated rate of 8.5%. In June 2020, AltaLink's $3.0 million preferred equity contribution was replaced with a $1.5 million equity contribution from 1759511 Alberta Ltd. and a $1.5 million equity contribution from AltaLink. 1759511 Alberta Ltd.'s $6.6 million limited partner interest or 51% of KLP is represented as a non-controlling interest within the equity section of the statement of financial position.

The Court of Appeal's decision was released in December 2019. The Court granted leave to appeal on questions related to whether the AUC fettered its discretion and failed to consider all relevant factors. Leave was not granted on harm from the loan arrangements or deferral account treatment for annual structure payments.

On October 9, 2019, the hearing for permission to appeal AUC's decision was held.

Effective June 1, 2019, PLP received $9.9 million or 51% from Piikani Transmission Holding, L.P. (the nominee of the Piikani First Nation) and $9.5 million or 49% from AltaLink both as equity contributions for the $52.6 million of transmission assets transferred to PLP. The reminder of the financing for the asset purchase was through an intercompany loan to PLP of $33.2 million provided by AltaLink.

On May 29, 2019, the AUC issued a decision dismissing the application for review and variance on the basis that AltaLink had not met the requirements for a review of the findings in the original decision. On January 14, 2019, AltaLink filed an application for review and variance with the AUC. On December 12, 2018, AltaLink filed an application with the Alberta Court of Appeal for permission to appeal the conditions.

On November 13, 2018, the AUC issued Decision 22612-D01-2018 approving the transfers subject to conditions. The conditions include no cost recovery for incremental audit or hearing costs, no cost recovery of additional costs arising from loan repayment and no deferral account treatment for annual structure payments and payments in lieu of property taxes. On April 27, 2017, AltaLink, on behalf of the PLP and the KLP, filed Transfer Applications and 2017-2018 General Tariff Applications with the AUC. The Transfer Applications request approval for sale and transfer of approximately $91.0 million of transmission assets located on reserve lands to new limited partnerships, including debt financing and affiliate cross charging procedures for each new limited partnership. The 2017-2018 General Tariff Applications of the new partnerships include revenue requests totalling $17.2 million for both partnerships for the two years. The transfers are part of the agreement which allowed AltaLink to route the Southwest Project on reserve land.

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, 2020.

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

On June 29, 2021, the AESO released the 2021 Long-term Outlook, which is the AESO's forecast of Alberta's load and generation over the next 20 years and is used as the foundation of the AESO’s Long-Term Transmission Plan. The 2021 Long-term Outlook includes a Reference Case scenario, which is the AESO's main forecast for long-term load growth and generation development in Alberta, and a set of alternative scenarios that are developed to understand future uncertainties. The 2021 Long-term Outlook Reference Case forecasts a reduction in load growth to 0.5% over the next 20 years compared to the 0.8% in the 2019 Long-term Outlook due to lower economic and oil sands production outlooks. The Reference Case forecasts 12,193 megawatts of new or substantially modified generation over the next 20 years with increased reliance on natural gas generation and strong growth in renewables. In addition to the Reference Case scenario, the AESO included a Clean-Tech scenario, a robust demand for global oil and gas scenario, and a stagnant demand for global oil and gas scenario.

On January 31, 2020, the AESO released the 2020 Long-term Transmission Plan. Developed based on a set of broad scenarios, the 2020 Long-term Transmission Plan seeks to optimize the use of the existing Alberta’s transmission system, and plan development of new transmission in a timely manner to provide for the safe, dependable and efficient delivery of electricity across Alberta. The AESO recognizes that the electricity industry has entered a transformational change and therefore continues to evolve its approach to planning. The 2020 Long-term Transmission Plan identifies 20 transmission developments proposed over the next five years, valued at approximately $1.4 billion. These developments are estimated to increase average transmission rates by about $0.50-$0.70 per megawatt hour, starting in 2025. Approximately $1.0 billion of the transmission developments are in our service territory. Each of these developments will still require detailed needs analysis and regulatory approval prior to proceeding.

Projects Overview

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

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.

Chapel Rock to Pincher Creek

The Chapel Rock to Pincher Creek development in South West Alberta will enable 700 megawatts of future renewable generation integration capability, further enhancing the transfer-out capability in the area and also 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 substation to be called Chapel Rock. The AESO is currently updating the congestion analysis for the project and anticipates it will be completed by the fall of 2021. The timing of the AESO's NID filing will depend on the outcome of the congestion analysis. The current total estimate of capital additions is $350-400 million. Due to the delay in the AESO's NID filing, the project in-service date, currently forecasted for 2024, may be impacted. We are under direction from the AESO to prepare the service proposal and facility application.

Provost to Edgerton and Nilrem to Vermilion Transmission Development

In December 2016, the AESO filed a NID for the approval of transmission system reinforcement to address existing and future load constraints and support flexible renewable integration in Central East Alberta. A revised NID along with construction milestones was submitted by the AESO on March 26, 2018. On April 10, 2019, the AUC approved the NID filed by the AESO with certain components being constructed only if certain system loading or congestion triggers are met. The proposed reinforcement involves 119 kilometres of single-circuit 240 kilovolt transmission lines, 71 kilometres of transmission line between Nilrem and a new substation in the Vermilion area, and 48 kilometres between Provost and Edgerton to be completed in two stages. 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.

We filed the facility application for the Nilrem to Vermilion Development on December 4, 2020. The AUC oral hearing for the Nilrem to Vermilion Development concluded on June 25, 2021. AltaLink's section of the Nilrem to Vermilion Development is estimated at $113 million and ATCO Electric Ltd.'s (ATCO Electric) section is estimated at $56 million. A decision on the Nilrem to Vermilion Development is expected in the third quarter of 2021.

We filed the facility application for the Provost to Edgerton Development on December 11, 2020. The AUC oral hearing for the Provost to Edgerton Development concluded on May 28, 2021. The Provost to Edgerton Development is estimated at $125 million, with Stage 1 estimated at $58 million and Stage 2 estimated at $67 million. A decision on the Provost to Edgerton Development is expected in the third quarter of 2021. The total cost estimate for the entire Provost to Edgerton and Nilrem to Vermilion Project is $294 million, with AltaLink's portion estimated at $238 million and ATCO Electric's portion estimated at $56 million.

The AESO is currently performing congestion analysis on the entire Provost to Edgerton and Nilrem to Vermilion Project. Currently, the in-service date for the Nilrem to Vermilion Development is May 2023 and the Provost to Edgerton Development is December 2023. However, these in-service dates may change depending on the outcome of the congestion analysis, which is anticipated to be completed in the third quarter of 2021.

Central East Transfer-Out

In August 2020, the AESO filed a NID for the Central East Transfer-Out development in Central East Alberta located in both the AltaLink and ATCO Electric service territories. The proposed development is planned to be executed in two stages; the first stage will consist of a new 240 kilovolt transmission line approximately 135 kilometres long. We will be responsible for construction of 60 kilometres of the line and ATCO Electric will construct 75 kilometres. The second stage will be to add a second 240 kilovolt transmission circuit at a later date depending upon firm coal-fired generation replacement in the areas of Battle River and Sheerness. We filed the facility application on September 25, 2020 with our share of project costs estimated at $159 million, $133 million of costs in the first stage and $26 million of costs in the second stage. The current anticipated in-service date for the first and second stages of development are 2024 and 2028, respectively. However, the AESO has committed to the AUC to perform a congestion reaffirmation study as an additional confirmation before triggering construction for the Central East Transfer-Out project. Depending on the outcome of the reaffirmation study, the in-service dates of each stage could change. The AUC oral hearing for the Central East Transfer-Out Transmission project concluded on May 14, 2021, and a decision is expected in the third quarter of 2021.

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

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

Financial Position and Cash Flows

Financial Position

In the following table, we discuss significant changes (over $25.0 million) in our statement of financial position as at June 30, 2021 compared to December 31, 2020.

(in millions of dollars)	**Increase/(Decrease)**	**Explanation**
Trade and other receivables [note 5]	49.4	The increase is primarily due to having lower AESO tariff receivables outstanding in December 2020 as a result of the AUC approval of AltaLink's net salvage methodology in our 2019-2021 GTA and higher prepaid expenses in 2021.
Other non-current assets [note 5]	116.0	The increase is primarily due to $36.1 million of receivables for the recovery of deemed future income taxes in 2021 and as a result of AltaLink refunding $76.7 million of the $230.0 million customer tariff relief as approved by the AUC.
AltaLink, L.P. equity	107.1	We generated comprehensive income of $150.6 million and distributed ($54.0) million to AILP and AML.

Cash Flows

(in millions of dollars)	**Three months ended June 30, 2021**	2020	**Six months ended June 30, 2021**	2020
Cash, beginning of period	**$ 5.9**	$ —	**$ 4.2**	$ 1.3
Cash flow provided by (used in):				
Operating activities	**25.3**	97.6	**115.1**	250.8
Investing activities	**(52.9)**	(62.1)	**(98.7)**	(131.5)
Financing activities	**21.8**	(35.5)	**(20.5)**	(120.6)
Cash, end of period	**$ 0.1**	$ —	**$ 0.1**	$ —

Operating activities

For the three and six months ended June 30, 2021, cash flow from operating activities decreased by $72.3 million and $135.7 million, respectively, compared to the same periods in 2020. The changes are primarily due to the collection of a lower tariff from the AESO in the first half of 2021 as a result of the AUC's approval of AltaLink's net salvage methodology in its 2019-2021 GTA, the AUC's approval of AltaLink's 2021 customer tariff refund in its 2021-2023 Tariff Refund Application and higher prepaid expenses in the second quarter of 2021 compared to the same period in 2020.

Investing activities

For the three and six months ended June 30, 2021, cash flow used in investing activities decreased by $9.2 million and $32.8 million, respectively, compared to the same periods in 2020. The changes are primarily due to lower capital project activity and proceeds from the sale of property.

Financing activities

For the three months ended June 30, 2021, our cash flows used in financing activities decreased by $57.3 million compared to the same period in 2020. This change is primarily due to distributing $60.0 million more to AILP and AML in 2020 and receiving $10.6 million of equity from AILP in 2021. These are partially offset by receiving $1.5 million of equity from a non-controlling interest in 2020 and having $12.0 million less of net issuance of commercial paper in 2021.

For the six months ended June 30, 2021, our cash flows used in financing activities decreased by $100.1 million compared to the same period in 2020. This change is primarily due to distributing $74.5 million more to AILP and AML in 2020, receiving $10.6 million of equity from AILP in 2021, and having $21.4 million more of net issuance of commercial paper in 2021. These are partially offset by receiving $6.6 million of equity from a non-controlling interest in 2020.

Commitments

We have contractual commitments for the repayment of long-term debt of $4,750.0 million (December 31, 2020 – $4,750.0 million), as disclosed in note 10 - Scheduled principal repayments, in our second quarter consolidated financial statements.

We are committed to lease payments of $74.1 million (December 31, 2020 – $73.0 million), as disclosed in note 12 - Lease liabilities, in our second quarter consolidated financial statements.

We also have contractual commitments associated with the construction of new facilities as at June 30, 2021 of $106.6 million (December 31, 2020 – $102.7 million), as disclosed in note 17 - Commitments, in our second quarter consolidated financial statements.

On March 15, 2021, the AUC issued a decision on our 2021-2023 Tariff Refund Application approving $230.0 million in tariff refunds. We are committed to providing the $230.0 million in refunds for our customers through net reductions totalling $223.5 million from its April to December 2021 monthly tariffs. As at June 30, 2021, our remaining customer tariff refund commitment was $153.3 million.

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 credit facilities at June 30, 2021 was $575.0 million (December 31, 2020 – $675.0 million). In January 2020, we extended the maturity dates for our credit facilities to December 2024 to extend term and reduce pricing risk. In April 2020, we added a new $100.0 million revolving term credit facility to support certain regulatory decisions and to provide additional liquidity during the COVID-19 pandemic. The $100.0 million facility matured on April 27, 2021 and was not extended. $500.0 million of the commercial paper backstop facility provides support to our commercial paper program, under which $164.0 million of commercial paper was outstanding as at June 30, 2021 (December 31, 2020 – $143.5 million). All bank credit facilities may be used for general corporate purposes. As at June 30, 2021, we had $409.3 million of liquidity remaining under those facilities (December 31, 2020 – $529.3 million). We consider our liquidity arrangements to be 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 and operating and maintenance charges. We remit to the individual customers all investment income related to deposits received from those customers for construction projects and utilize investment income we earn on deposits received from customers for future operating and maintenance costs.

Liquidity, coverage and capital ratios[1]

(in millions of dollars)	Twelve months ended June 30, 2021	2020
Comprehensive income	**$ 303.6**	$ 323.0
Actuarial loss (gain)	**0.3**	(3.4)
Non-controlling interests	**1.7**	1.2
Loss on disposal of assets	**6.4**	3.5
Finance costs	**185.5**	190.4
EBIT	**497.5**	514.7
Depreciation and amortization	**284.2**	272.1
EBITDA	**781.7**	786.8
Interest paid	**(188.1)**	(210.5)
FFO	**593.6**	576.3
Disallowed net capital costs	**5.6**	—
Adjusted FFO	**$ 599.2**	$ 576.3

(in millions of dollars)	Twelve months ended June 30, 2021	2020
Net cash provided by operating activities	**$ 363.8**	$ 619.3
Disallowed net capital costs	**(5.6)**	—
Change in non-cash working capital	**5.6**	(55.3)
Third party contributions revenue	**25.1**	24.1
Customer tariff refund	**76.7**	—
Change in financial assets and liabilities related to regulated activities, non-current	**83.9**	41.3
Change in deferred revenue for salvage	**44.6**	(30.7)
Change in other	**(0.5)**	(22.4)
FFO	**593.6**	576.3
Disallowed net capital costs	**5.6**	—
Adjusted FFO	**$ 599.2**	$ 576.3

(in millions of dollars)	As at June 30, 2021	2020
Letters of credit	**$ 1.7**	$ 3.3
Less: cash	**(0.1)**	—
Other post-employment benefits obligations[2]	**4.9**	4.3
Short-term debt (excluding outstanding cheques)	**164.0**	247.0
Long-term debt	**4,723.3**	4,623.1
Lease liabilities net of receivable	**53.6**	52.2
Total debt	**4,947.4**	4,929.9
Cash	**0.1**	—
Accrued interest on debt	**26.0**	26.6
Financing fees, premiums and discounts	**26.7**	26.9
Less: other post-employment benefits obligations[2]	**(4.9)**	(4.3)
Total debt as per Master Trust Indenture and bank credit facilities	**4,995.3**	4,979.1
Total equity including non-controlling interests	**3,513.4**	3,379.7
Less: AltaLink equity investment in subsidiaries	**(15.9)**	(15.9)
Total capitalization	**$ 8,492.8**	$ 8,342.9

	Twelve months ended June 30, 2021		Twelve months ended June 30, 2020	
Interest paid	$	**188.1**	$	210.5
Interest expense[3]	$	**188.3**	$	193.6
EBIT interest expense coverage[4]		**2.64X**		2.66X
EBITDA interest expense coverage[5]		**4.15X**		4.06X
FFO interest paid coverage[6]		**4.15X**		3.74X
FFO/Debt[7]		**12.00%**		11.69%
Adjusted FFO/Debt		**12.11%**		11.69%
Total debt/total capitalization as per Master Trust Indenture[8]		**58.82%**		59.68%
Total debt/total capitalization as per bank credit facilities[9]		**58.82%**		59.68%

1. Please refer to "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 $6.4 million as at June 30, 2021 were adjusted to reflect an after-tax amount equal to $4.9 million using an income tax rate of 23% (June 30, 2020 – $5.6 million was adjusted to $4.3 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 June 30, 2021, our working capital deficiency was $173.7 million (December 31, 2020 – $195.4 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.

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.

Earnings Coverage

	Twelve months ended June 30, 2021	Twelve months ended June 30, 2020
Earnings-to-interest coverage on total debt[1,2]	**2.61X[2,3,4]**	2.67X[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 "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 June 30, 2021, for the purposes of calculating this ratio, was $491.9 million (June 30, 2020 – $516.5 million). Our pro-forma interest requirement on short and long-term debt for the 12 months ended June 30, 2021 was $188.8 million (June 30, 2020 – $193.6 million).

4. Our pro-forma earnings before interest and income tax for the 12 months ended June 30, 2021 and 2020 is calculated as: comprehensive income of $303.6 million (June 30, 2020 – $323.0 million) plus finance costs of $185.5 million (June 30, 2020 – $190.4 million) plus capitalized borrowing costs of $2.8 million (June 30, 2020 – $3.1 million) plus income taxes of $nil (June 30, 2020 – $nil). Our pro-forma interest requirement on short and long-term debt for the 12 months ended June 30, 2021 and 2020 is calculated as: finance costs of $185.5 million (June 30, 2020 – $190.4 million) plus capitalized borrowing costs of $2.8 million (June 30, 2020 – $3.1 million) plus the net pro-forma effect of interest expense of $0.5 million on the September 2020 issuance of $225.0 million of Series 2020-1 Senior Secured Notes (June 30, 2020 – $nil).

Credit Ratings

We strive to maintain an "A" category credit rating in order to enable credit market access during periods of market turmoil and minimize financing costs for ratepayers. The AUC in its most recent GCOC Decision 26212-D01-2021 reaffirmed its support for this approach.

	As at June 30,	
	2021	2020
DBRS - Commercial Paper[1]	**R-1 (low)**	R-1 (low)
DBRS - Medium-Term Notes (secured)[1]	**A**	A
S&P - Medium-Term Notes (secured)[2]	**A**	A

1. On July 20, 2021, DBRS reaffirmed the existing ratings all with stable trends.
2. On April 14, 2021, S&P reaffirmed its issuer credit rating and senior secured rating on AltaLink at "A" with a stable outlook.

Results of Operations

Revenue

	Three months ended June 30,		Six months ended June 30,	
(in millions of dollars)	**2021**	2020	**2021**	2020
Operations	**$ 234.9**	$ 239.6	**$ 469.1**	$ 468.5
Other	**9.1**	10.2	**19.6**	18.8
	$ 244.0	$ 249.8	**$ 488.7**	$ 487.3

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 returns on rate base.

For the three months ended June 30, 2021, our revenue from operations decreased by $4.7 million compared to the same period in 2020. The change is primarily due to one-time adjustments related to the 2019-2021 GTA decision recognized in the second quarter of 2020 partially offset by higher recovery of allowed expenses in the second quarter of 2021.

For the six months ended June 30, 2021, our revenue from operations increased by $0.6 million compared to the same period in 2020. The change is primarily due to recovery of higher depreciation and salvage expenses partially offset by one-time adjustments related to the 2019-2021 GTA decision recognized in the second quarter of 2020.

Other revenue

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

Our other revenue for the three months ended June 30, 2021 decreased by $1.1 million, compared to the same periods in 2020. The variance is primarily due to lower cost recovery revenue from other utilities and third parties.

Our other revenue for the six months ended June 30, 2021 increased by $0.8 million compared to the same period in 2020. The variance is primarily due to higher amortization of third party contributions and higher revenue from related parties.

Operating expenses excluding disallowed capital costs

(in millions of dollars)	Three months ended June 30, **2021**	2020	Six months ended June 30, **2021**	2020
Operating expenses	**$ 25.0**	$ 25.6	**$ 53.4**	$ 51.9

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

Our operating expenses for the three months ended June 30, 2021 decreased by $0.6 million compared to the same period in 2020. The variance is primarily due to lower contracted labour for services provided to other utilities and third parties.

Our operating expenses for the six months ended June 30, 2021 increased by $1.5 million compared to the same period in 2020. The variance is primarily due to higher contracted labour for services in the first quarter of 2021 and incremental employee salaries and benefits.

Disallowed capital costs

(in millions of dollars)	Three months ended June 30, **2021**	2020	Six months ended June 30, **2021**	2020
Disallowed capital costs	**$ 0.2**	$ —	**$ 0.7**	$ —

On March 19, 2021, the AUC issued its decision on AltaLink's 2019 Deferral Accounts Reconciliation Application. The AUC approved $128.0 million of the total $128.5 million of capital project additions. The AUC disallowed 0.4% of the total capital cost applied for in the application.

On April 27, 2021, the AUC issued its decision on AltaLink's 2016-2018 Deferral Accounts Reconciliation Compliance Filing, disallowing an additional $0.2 million reflecting internal labour costs to prepare and support the application. In total, the AUC approved $940.8 million of the total $946.7 million of capital project additions in the application, disallowing 0.6%.

Property taxes, salvage and other

(in millions of dollars)	Three months ended June 30, **2021**	2020	Six months ended June 30, **2021**	2020
Property taxes, salvage and other	**$ 24.4**	$ 26.3	**$ 48.6**	$ 47.7

Property taxes, salvage and other expenses are recovered dollar for dollar through regulated deferral and reserve account mechanisms and includes property and business 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 months ended June 30, 2021 decreased by $1.9 million compared to the same period in 2020. The change is primarily a result of a decrease in salvage expense due to lower salvage activities and a decrease in hearing expenses.

Property taxes, salvage and other expenses for the six months ended June 30, 2021 increased by $0.9 million compared to the same period in 2020. The change is primarily a result of an increase in salvage expense due to higher salvage activities in the first quarter of 2021.

Depreciation and amortization

(in millions of dollars)	Three months ended June 30, **2021**	2020	Six months ended June 30, **2021**	2020
Depreciation and amortization	**$ 70.0**	$ 66.6	**$ 139.5**	$ 134.8

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

Depreciation and amortization for the three and six months ended June 30, 2021 increased by $3.4 million and $4.7 million, respectively compared to the same periods in 2020. The increase is primarily a result of capital projects that have been completed and added to our property, plant and equipment and intangible assets.

Finance costs

(in millions of dollars)	Three months ended June 30, **2021**	2020	Six months ended June 30, **2021**	2020
Finance costs	**$ 46.2**	$ 46.5	**$ 91.9**	$ 94.1

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

For the three and six months ended June 30, 2021, our weighted average cost of long-term debt was 3.90% and 3.90%, respectively, (June 30, 2020 – 4.00 % and 4.00%, respectively).

Our finance costs for the three and six months ended June 30, 2021 decreased by $0.3 million and $2.2 million, respectively compared to the same periods in 2020. The change is primarily due to a lower weighted average cost of debt.

EBITDA

(in millions of dollars)	Three months ended June 30, **2021**	2020	Six months ended June 30, **2021**	2020
EBITDA	**$ 194.3**	$ 197.8	**$ 386.0**	$ 387.7

Our EBITDA for the three and six months ended June 30, 2021 decreased by $3.5 million and $1.7 million, respectively, compared to the same periods in 2020. The decrease is primarily due to higher operating revenue recognized in the second quarter of 2020 as a result of one-time adjustments related to the 2019-2021 GTA decision partially offset by recovery of higher depreciation and losses on disposal of assets.

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

Net and comprehensive income

(in millions of dollars)	Three months ended June 30, **2021**	2020	Six months ended June 30, **2021**	2020
Net and comprehensive income	**$ 76.0**	$ 83.3	**$ 150.6**	$ 157.3

Our net and comprehensive income for the three and six months ended June 30, 2021 decreased by $7.3 million and $6.7 million, respectively compared to the same periods in 2020. The decrease is primarily due to higher operating revenue recognized in the second quarter of 2020 as a result of one-time adjustments related to the 2019-2021 GTA decision.

Selected financial information derived from our consolidated financial statements

(in millions of dollars)	Three months ended June 30, **2021**	2020	Six months ended June 30, **2021**	2020
Net and comprehensive income per partnership unit ($/unit)	**0.229**	0.251	**0.454**	0.474
Distributions per partnership unit ($/unit)	**0.015**	0.196	**0.163**	0.387
Total assets ($ millions)	**9,750.6**	9,640.7	**9,750.6**	9,640.7
Short and long-term debt ($ millions)[1]	**4,909.9**	4,894.2	**4,909.9**	4,894.2

1. The balance is shown before deducting deferred financing fees, which have been 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)
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
September 30, 2020	243.1	76.4	331.9	0.230
June 30, 2020	249.8	83.3	331.9	0.251
March 31, 2020	237.5	74.0	331.9	0.223
December 31, 2019	255.8	71.2	331.9	0.215
September 30, 2019	255.1	91.1	331.9	0.275
June 30, 2019	181.2	12.3	331.9	0.037
March 31, 2019	240.1	79.8	331.9	0.240
December 31, 2018	261.8	50.4	331.9	0.152
September 30, 2018	242.3	81.1	331.9	0.244

Risk Management

Our transmission business is subject to risks and uncertainties, including 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, the corresponding consolidated financial statements, our Annual Information Form, press releases, material change reports and our 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, 2020.

Risk Controls and Other Mitigating Measures

We have 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 and boiler and machinery (including substations), property terrorism, directors' and officers' liability, fiduciary liability, employment practices liability, crime, non-owned aircraft 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 that this coverage will be maintained.

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 for up to $400 million in general liability insurance. General liability insurance provides coverage for third party bodily injury or property damage for which we are legally obligated to pay arising from our operations or premises. 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 as a result of high premiums or for other reasons. In accordance with past prudent industry practice and certain past AUC directives, we self-insure against certain risks for which commercial insurance is not maintained. 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 may deny the recovery of damages through rates. In Decision 2013-417 (Utility Asset Disposition), the AUC has determined that in the case of an extraordinary retirement of a regulated asset, any under or over recovery of capital investment is for the account of the utility and its shareholders. We do not carry insurance for this risk.

The Liability Protection Regulation defines AltaLink as an agent or contractor of the Independent System Operator and the Electric Utilities Act (Alberta) limits our liability to direct loss or damage arising from our negligence, wilful misconduct or breach of contract in the course of carrying out our duties, responsibilities and functions. Direct loss or damage is defined in the Electric Utilities Act (Alberta) to exclude loss of profits, loss of revenue, loss of production, loss of earnings, loss of contract or other indirect, special or consequential loss or damage.

Risk Factors and Uncertainties

Despite our initiatives in managing risks, there can be no assurance that one or more of them will not adversely affect our business. Our results of operations, financial position and performance and, accordingly, the value of our outstanding securities, could be adversely affected if we are unable to adequately control or mitigate the effects of such risks on our business.

The following are the more significant risks that have an impact on our financial position and results of our operations which have not materially changed during the six months ended June 30, 2021, compared to those disclosed in our MD&A for the year ended December 31, 2020 except for the climate change and for the labour relations, as described below.

Regulatory Risks

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

Financial Risks

- Regulatory financial risk
- Competition
- Credit ratings
- Annual impairment tests
- Capital resources

Operational Risks

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

Climate change

As a transmission facility owner and operator, we are subject to uncertainties caused by climate change and severe weather conditions. These uncertainties include, but are not limited to, the following potential impacts of climate change:

- Customer legal claims due to not being able to reliably transmit power due to service disruptions caused by severe weather;
- Not being able to recover investments in assets or costs related to the repair or replacement of assets damaged by severe weather or required by new environmental regulations;
- Penalties for not being able to comply with regulations, rules, or reliability standards;
- Wildfire, flood, wind, or other damages as a result of more extreme weather;
- Demands on our transmission system due to electric vehicles and charging stations; or
- Government policy changes or customer preferences for electrical generation using lower carbon fuels causing certain transmission assets to become stranded and AltaLink's recovery of the related investments impaired and its reputation negatively impacted.

Labour relations

The collective bargaining agreement between AltaLink and the International Brotherhood of Electrical Workers (IBEW) expired on December 31, 2020. We are currently in negotiations with the IBEW for a new collective bargaining agreement.

AltaLink and the United Utility Workers’ Association of Canada (UUWA) renewed a collective agreement in July of 2020, which is effective from January 1, 2020 to December 31, 2021.

Approximately 55% of our employees are unionized (approximately 390 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 negotiation processes.

Transactions with Related Parties

In the 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 have indemnified AML for all employment associated expenses of $32.9 million and $67.8 million, respectively, for the three and six months ended June 30, 2021 (June 30, 2020 – $31.1 million and $65.4 million, respectively) and liabilities of $25.2 million as at June 30, 2021 (June 30, 2020 – $22.0 million).

Please refer to note 13 - Related party transactions in our second quarter consolidated financial statements for more details.

Legal Proceedings and Contingencies

We are subject to legal proceedings, assessments, and claims in the ordinary course of business. In one case, an AltaLink contractor has been sued by a subcontractor who seeks additional compensation in respect of work done by the subcontractor on an AltaLink project. We have been added as a third party to the action by the contractor. We intend to defend ourselves vigorously against these claims. At this time, in the opinion of management, the occurrence of a contingent loss is not determinable and is dependent on future events.

We have found instances of equipment, engineering or construction deficiencies following acceptance and energization of some assets. We have claims processes in place to seek recovery for such deficiencies. In one instance, we are in litigation and have claimed that specific equipment has inherent design, manufacturing and other defects that create a risk of personal injury and property damage. We have claimed $56.0 million for the cost of replacing specific equipment and the additional inspections required for the equipment. We intend to vigorously pursue these claims.

Off Balance Sheet Arrangements

Disclosure is required of 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 that are reasonably likely to materially affect liquidity or the availability of, or requirements for, capital resources. We currently have no such off-balance sheet arrangements. Please refer to note 17 - Commitments in our second quarter consolidated financial statements for details of our commitments.

Critical Accounting Estimates

The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. The more significant estimates that have an impact on our financial condition and the results of our operations are disclosed in note 2 - Basis of preparation in our second quarter consolidated financial statements.

Accounting Changes

Rate-regulated project

At the International Accounting Standards Board meetings in July 2015, the Board considered that a key to developing a standard for the recognition of rate-regulated activities is to understand that there are three inter-connected relationships involved, i.e. between:

- 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 and throughout 2017 to have initial discussions on a new accounting model for rate-regulated activities and to explore whether IFRS standards should be amended 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.

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 and prudency of all amounts added to rate base; 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;
- 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;
- 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 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;
- 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;
- 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 are 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 August 9, 2021. 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.