Financial Statements

AltaLink, L.P.

For the years ended
December 31, 2013 and 2012

Deloitte.

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Independent Auditor's Report

To the Partners of AltaLink, L.P.:

We have audited the accompanying financial statements of AltaLink, L.P., which comprise the statements of financial position as at December 31, 2013 and 2012, and the statements of comprehensive income, changes in partners' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AltaLink, L.P. as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
February 27, 2014
Calgary, Canada

Statement of Financial Position

	Notes	As at December 31, 2013	As at December 31, 2012
(in thousands of dollars)			
ASSETS			
Current			
Cash and cash equivalents		**$ 5,852**	$ 9,241
Trade and other receivables	5	**125,988**	145,612
		131,840	154,853
Non-current			
Goodwill		**202,066**	202,066
Intangible assets	6	**226,686**	173,942
Property, plant and equipment	7	**5,132,027**	3,469,990
Third party deposits	8	**107,565**	51,991
Other non-current assets	9	**58,009**	30,891
		$ 5,858,193	$ 4,083,733
LIABILITIES AND PARTNERS' EQUITY			
Current			
Trade and other payables	10	**$ 432,498**	$ 263,380
Commercial paper and bank credit facilities	11(a)	**42,461**	1,778
Long-term debt maturing in less than one year	11(b)	**—**	325,000
Current portion of deferred revenue	12	**34,035**	14,430
		508,994	604,588
Non-current			
Long-term debt	11(b)	**2,685,226**	1,466,979
Deferred revenue	12	**730,485**	587,695
Third party deposits liability	8	**107,565**	51,991
Other non-current liabilities	13	**12,347**	22,578
		4,044,617	2,733,831
Commitments and contingencies	21, 22		
Partners' equity		**1,813,576**	1,349,902
		$ 5,858,193	$ 4,083,733

See accompanying notes to the financial statements.

Approved on behalf of the Board of Directors

[original signed David Tuer]

David Tuer
Director

[original signed Patricia Nelson]

Patricia Nelson
Director

ALTALINK

Statement of Comprehensive Income

	Notes	Year ended December 31, 2013	December 31, 2012
(in thousands of dollars)			
Revenue			
Operations	16	**$ 502,973**	$ 379,893
Other	17	**31,099**	26,735
		534,072	406,628
Expenses			
Operating	18(a)	**(89,996)**	(78,948)
Property taxes, salvage and other	18(b)	**(52,270)**	(45,103)
Depreciation and amortization		**(133,074)**	(99,205)
		(275,340)	(223,256)
		258,732	183,372
Finance costs	11(e)	**(91,264)**	(72,994)
Loss on disposal of assets		**(5,840)**	(2,140)
Net income		**161,628**	108,238
Other comprehensive income			
Actuarial gain/(loss)	14(e)	**2,746**	(1,283)
Total comprehensive income		**$ 164,374**	$ 106,955

See accompanying notes to the financial statements.

Statement of Changes in Partners' Equity

	Units	Allocation to Limited Partner	Allocation to General Partner	Total Retained Earnings	Partners' Capital	Total
(in thousands)						
As at January 1, 2012	331,904	$ 225,154	$ 57	$ 225,211	$ 783,436	$ 1,008,647
Total comprehensive income	—	106,944	11	106,955	—	106,955
Equity investment received	—	—	—	—	270,800	270,800
Distributions paid	—	(36,496)	(4)	(36,500)	—	(36,500)
Balance at December 31, 2012	331,904	295,602	64	295,666	1,054,236	1,349,902
Total comprehensive income	—	164,358	16	164,374	—	164,374
Equity investment received	—	—	—	—	337,500	337,500
Distributions paid	—	(38,196)	(4)	(38,200)	—	(38,200)
Balance at December 31, 2013	**331,904**	**$ 421,764**	**$ 76**	**$ 421,840**	**$ 1,391,736**	**$ 1,813,576**

See accompanying notes to the financial statements.

Statement of Cash Flows

	Notes	Year ended December 31, 2013	December 31, 2012
(in thousands of dollars)			
Cash flows from operating activities			
Net income		**$ 161,628**	$ 108,238
Adjustments for			
Depreciation and amortization		**133,074**	99,205
Third party contributions revenue		**(14,816)**	(11,867)
Loss on disposal of assets		**5,840**	2,140
Change in other items	20	**(31,782)**	(1,673)
Funds generated from operations		**253,944**	196,043
Change in non-cash working capital items	20	**55,223**	(59,198)
Net cash provided by operating activities		**309,167**	136,845
Cash flows from investing activities			
Capital expenditures	20	**(1,720,498)**	(974,737)
Use of third party contributions		**174,552**	125,532
Proceeds from disposal of assets		**1,177**	2,805
Net cash used in investing activities		**(1,544,769)**	(846,400)
Cash flows from financing activities			
Senior debt issued		**1,225,000**	575,000
Senior debt repaid		**(325,000)**	—
Subordinated debt repaid		**—**	(85,000)
Use of commercial paper and bank credit facilities		**40,683**	(17,203)
Distributions paid		**(38,200)**	(36,500)
Equity investment received		**337,500**	270,800
Change in other financing activities	20	**(7,770)**	(3,709)
Net cash provided by financing activities		**1,232,213**	703,388
Net change in cash and cash equivalents		**(3,389)**	(6,167)
Cash and cash equivalents, beginning of year		**9,241**	15,408
Cash and cash equivalents, end of year		**$ 5,852**	$ 9,241
Supplementary cash flow information			
Interest paid		**$ (77,930)**	$ (72,683)

See accompanying notes to the financial statements.

ALTALINK

1. General information

AltaLink, L.P. (the Partnership or AltaLink) was formed under the laws of the Province of Alberta in Canada on July 3, 2001, to own and operate regulated transmission assets in Alberta. The Partnership's registered office is located at 2611 - 3rd Avenue SE, Calgary, Alberta, T2A 7W7. The Partnership has one limited partner, AltaLink Investments, L.P. (AILP), and is managed by AltaLink Management Ltd. (the General Partner). Although the General Partner holds legal title to the assets, the Partnership is the beneficial owner and assumes all risks and rewards of the assets.

SNC-Lavalin Group Inc. (SNC) is the ultimate parent of the Partnership. On September 30, 2013, SNC announced it had initiated a process to sell an equity stake in the Partnership, as part of its strategic plan to reconfigure and rebalance its ownership in principal assets within its Infrastructure Concession Investments portfolio. Any change in the Partnership's ownership structure requires the approval of the Alberta Utilities Commission (AUC).

The Partnership is regulated by the AUC, pursuant to the Electric Utilities Act (Alberta) (EUA), the Public Utilities Act (Alberta), the AUC Act (Alberta), and the Hydro and Electric Energy Act (Alberta). These statutes and their respective regulations cover matters such as tariffs, construction, operations, financing and accounting. The Alberta Electric System Operator (AESO) administers the transmission of all electrical energy through the Alberta Interconnected Electric System in the Province of Alberta.

During the years ended December 31, 2013 and 2012, the Partnership operated solely in one reportable geographical and business segment.

2. Basis of preparation

(a) Statement of compliance

These annual financial statements have been prepared on a going-concern basis in accordance with International Financial Reporting Standards (IFRS).

The Partnership has applied the IFRS standards and IFRS Interpretation Committee (IFRIC) interpretations that are currently applicable.

The principal accounting policies adopted to prepare these financial statements are set out below. The financial statements reflect the financial position and financial performance of the Partnership and do not include all of the assets, liabilities, revenues and expenses of the partners.

These financial statements were approved for issue by the Board of Directors on February 27, 2014.

(b) Basis of measurement

These financial statements have been prepared on a going-concern and historical cost basis except for the accrued defined benefit pension liability, provisions, accrued employment benefits liabilities and certain financial assets and liabilities related to regulated activities, which are measured initially at fair value. Financial assets and liabilities related to regulated activities are subsequently measured at amortized cost.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Partnership's functional currency.

(d) Use of estimates and judgement

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Judgements made by management that have significant effects on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

2. Basis of preparation (cont'd)

Accounting policies are selected and applied in a manner which ensures the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring the substance of the underlying transactions or other events is reported.

As a regulated utility, the Partnership records certain amounts at estimated values until these amounts are finalized. The Partnership bases its estimates and judgements on historical experience, including experience with regulatory processes, current conditions and various other assumptions that are believed to be reasonable under the circumstances. These factors form the basis for making judgements about the carrying values of assets and liabilities. They are also the basis for identifying and assessing the Partnership's accounting treatment with respect to commitments and contingencies. Significant estimates include:

- Expected regulatory decisions on matters that may impact revenue;
- The recovery and settlement of financial assets and liabilities related to regulated activities, including prudence reviews by the AUC of direct assigned capital deferral account (DACDA) applications;
- Key economic assumptions used in cash flow projections;
- The estimated useful lives of assets;
- The recoverability of tangible and intangible assets, including estimates of future costs to retire physical assets or the recoverability of costs associated with direct assigned projects that have been delayed in the regulatory process;
- The recoverability of intangible assets with indefinite lives, such as goodwill; and
- The accruals for capital projects and payroll.

The Partnership applies changes in estimates prospectively as they result from new information. To the extent that a change in accounting estimate gives rise to changes in assets or liabilities, or relates to an item of equity, the Partnership adjusts the carrying amount of the related asset or liability in the period of the change.

The Partnership discloses the nature and amount of a material change in an accounting estimate that has an effect in the current period. It also discloses the nature and amount of a material change in an accounting estimate that is expected to have an effect in future periods, except when it is impracticable to estimate that effect, in which case the Partnership discloses that fact.

3. Summary of significant accounting policies

(a) Regulation of transmission tariff

The Partnership operates under cost-of-service regulation in accordance with the EUA. The AUC must provide the Partnership with a reasonable opportunity to recover its prudently incurred and forecasted costs, including operating expenses, depreciation, cost-of-debt, capital and taxes associated with investment, and a fair return on investment. Fair return is determined on the basis of return on rate base and allowance for funds used during construction (AFUDC) for non-direct-assigned projects included in construction work-in-progress (CWIP). Since 2011 the AUC has authorized accelerated recovery of AFUDC for direct-assigned projects, which is referred to as "CWIP in rate base". The Partnership applies for a transmission tariff based on forecasted costs-of-service. Once approved, the transmission tariff is not adjusted if actual costs-of-service differ from forecast, except certain prescribed costs for which deferral and reserve accounts are established within the transmission tariff. The transmission tariff is received from the AESO in equal monthly installments. All tariff adjustments arising from deferral or reserve accounts relate to services provided to the AESO during the test years, and settlement of these accounts with the AESO is not contingent on providing future services.

If, in management's judgement, a reasonable estimate can be made of the impact future regulatory decisions may have on the current period's financial statements, such an estimate will be recorded in the current period. When the AUC issues a decision affecting the financial statements of a prior period, the effects of the decision are recorded in the period in which the decision is issued.

3. Summary of significant accounting policies (cont'd)

(b) Revenue recognition

Revenues from regulated activities represent the inflow of economic benefits earned during the period arising in the ordinary course of the Partnership's operating activities. Such revenues are recognized on the accrual basis in accordance with tariffs approved by the AUC, and estimates of revenues related to services provided but not yet billed to the AESO, including revenues arising from deferral accounts. The Partnership does not recognize revenue for any portion of tariffs received but not earned. Unearned tariffs are classified as financial liabilities related to regulated activities or deferred revenue in the financial statements.

Other revenue represents revenue received from third parties and includes, but is not limited to, services provided on a cost recovery basis to other utilities. Other revenue is recognized on the accrual basis as the costs are incurred. Rental income from third parties is recognized on a straight-line basis over the lease term.

(c) Financial assets and liabilities related to regulated activities

The regulatory and legal rights and obligations under which the Partnership operates assign the Partnership the right to bill and collect financial assets related to regulated activities from the AESO. The AESO is the Partnership's single counterparty for regulated activities and amounts billed to it by the Partnership are based on specific amounts and timing approved by the AUC. There is no future performance required by the Partnership to recover these amounts. Long-term amounts due from the AESO earn a regulatory return and are discounted at a market rate of interest.

The regulatory and legal rights and obligations under which the Partnership operates also require the Partnership to refund to the AESO certain amounts that have been received in tariff revenue that are greater than its actual expenses. Such financial liabilities related to regulated activities due to the AESO within 12 months are not discounted. Amounts due to the AESO beyond the next 12 months are discounted at a market rate of interest.

(d) Property, plant and equipment

Property, plant and equipment (PP&E) are carried at cost less accumulated depreciation. The initial cost of an asset consists of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and for qualifying assets, borrowing costs that are eligible to be recovered over the estimated useful life of the asset. The Partnership capitalizes major replacements and upgrades if these costs extend the life of the asset and the Partnership expects to use these items during more than one period. Maintenance and repair costs are recognized as expenses in the period in which they are incurred.

Depreciation is calculated over the estimated useful lives of assets on a straight-line basis based on depreciation studies prepared by an independent expert. The expected useful lives of the assets are reviewed annually, and if necessary, changes in useful lives are accounted for prospectively.

When an asset is retired or disposed of in the normal course of business, the gain or loss is recognized immediately in the Statement of Comprehensive Income.

Generally, losses or gains are recoverable from/repayable to the AESO through future transmission tariffs. AltaLink recognizes the related amounts in revenue and records the amount as financial assets or liabilities related to regulated activities. Construction work in progress, capital inventory and land are capitalized but not depreciated. These assets are valued at the lower of cost or net realizable value.

Reviews of PP&E to establish whether there has been any impairment are carried out when a change in circumstance is identified that indicates an asset might be impaired.

(e) Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets of operations acquired. The Partnership's goodwill relates to the 2002 acquisition of assets from TransAlta Energy Corporation. Goodwill is carried at initial cost less any write-down for impairment. Goodwill is assessed for impairment annually, and more frequently if there is any indication of impairment.

3. Summary of significant accounting policies (cont'd)

The Partnership's business represents one single cash generating unit. Goodwill is first assessed for impairment and fully written down before any other assets are assessed for impairment.

If goodwill has been fully written down, the Partnership would test other assets for impairment by assessing the value in use in the business as a whole. The estimated future cash flows for the business would be discounted to their present value using a pre-tax discount rate that reflects the risks specific to the business and relevant market assessments of the time value of money. If the carrying amounts of the assets exceeded the recoverable amount of the business, the assets comprising the business as a whole would be considered to be impaired. If impaired, the assets would be written down proportionately to ensure their carrying amounts reflect the recoverable amount and the impairment loss would be recognized immediately in the Statement of Comprehensive Income.

If an impairment loss subsequently reverses, the carrying amounts of assets other than goodwill would be increased to reflect the lesser of the recoverable amount and the carrying amount that would have been determined, had no impairment loss been recognized in prior periods. A reversal of an impairment loss would be recognized immediately in the Statement of Comprehensive Income.

Management performed an annual goodwill impairment test by examining the business and regulatory environment, current market conditions, the ownership structure, financing activities, credit ratings, and interest rates. It performed a discounted cash flow and net fair value analysis, which compared favourably to the carrying amount of goodwill. Management concluded that there have been no significant changes in circumstances during the year, and that the carrying value of the goodwill has not been impaired.

(f) Intangible assets

The Partnership's intangible assets are non-monetary assets without physical substance that can be individually identified and consist of the following:

i. Land rights

The Partnership pays fees to third parties to access, survey, build and maintain transmission facilities on third party land. Land rights are reported at cost less accumulated amortization and impairments, if any. Land rights are amortized on a straight-line basis at rates based on the estimated useful lives of tangible assets located on these lands. Changes to amortization rates are accounted for on a prospective basis.

ii. Computer software

Computer software includes application software and enterprise resource planning software. Computer software is reported at cost less accumulated amortization. Amortization is calculated on a straight-line basis at rates based on the estimated useful lives of assets. Changes to amortization rates are accounted for on a prospective basis.

(g) Third party deposits

i. Contributions in advance of construction

For certain projects, the AESO requires third parties wishing to interconnect to the Partnership's transmission facilities to contribute their share of capital project costs in advance of construction. The Partnership uses these cash contributions to fund capital expenditures as construction progresses. Third party contributions are recorded as deferred revenue when capital funds are expended and recognized into other revenue over the useful lives of the associated assets.

ii. Operating and maintenance charges in advance of construction

Certain third parties are required to provide advance funding for future operating and maintenance costs of assets constructed with third party-contributed funds. After these assets are put into service, these contributions are recorded as deferred revenue and recognized into other revenue as operating costs are incurred over the useful lives of the associated assets.

3. Summary of significant accounting policies (cont'd)

(h) Cash and cash equivalents

Cash equivalents include investments that are readily convertible into a known amount of cash and have an original maturity of three months or less.

(i) Provisions

Provisions are recognized when the Partnership has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to fulfill the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(j) Employee benefit obligations

The General Partner employs staff and provides administrative and operational services to the Partnership on a cost-reimbursement basis. The Partnership bears all of the related expenses and also bears the risk and reward of any pension plans or other staff-related programs which the General Partner establishes. The Partnership has indemnified the General Partner for all costs and liabilities associated with its employment of staff, including any pension liabilities. As such, the employee future benefit plans of the General Partner are reported as if they were provided by the Partnership even though the legal sponsor of the plans and employer of the staff is the General Partner. Current service costs are expensed in the period in which they are incurred.

i. Defined contribution plan

AltaLink's defined contribution plan is a post-employment plan under which the Partnership and employees pay fixed contributions into the plan and the Partnership has no legal or constructive obligation to pay further amounts. Obligations for contributions to the plan are recognized as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

ii. Defined benefit and other plans

The cost of the Partnership's defined benefit pension and post-retirement benefits plans is actuarially determined, by plan, using the projected benefit method pro-rated on service and management's assumptions to estimate discount rates, salary escalation and expected growth rate of health care costs. The liability discount rate is determined based on a portfolio of high-quality corporate bonds with cash flows that match the expected benefit payments under the plan. Market values are used to value benefit plan assets.

Actuarial gains and losses in the Partnership's defined benefit pension and post-retirement benefit plans arising from experience adjustments and changes in actuarial assumptions are charged to other comprehensive income in the Statement of Comprehensive Income in the period in which they arise.

Past service costs are recognized immediately in income.

The defined benefit obligation asset or liability is the difference between the present value of the defined benefit obligation, and the fair value of plan assets out of which the obligation is settled.

iii. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in the Statement of Comprehensive Income as the related service is provided.

A liability is recognized for the amount expected to be paid under the short-term incentive plan if the Partnership has a present legal or constructive obligation to pay this amount as a result of past service provided by employees, and the obligation can be estimated reliably.

3. Summary of significant accounting policies (cont'd)

iv. Long-term employee benefits

Long-term employee benefit obligations are measured on a discounted basis and expensed in the Statement of Comprehensive income as the related service is provided.

(k) Short-term and long-term debt

Short-term and long-term debt are measured initially at fair value and subsequently at amortized cost. Costs incurred to arrange long-term debt financing are offset against the debt amount and amortized using the effective interest rate method. The amortization of these charges is included in finance costs.

(l) Income taxes

As a limited partnership, AltaLink does not pay income taxes. Instead, the tax consequences of its operations are borne by its partners on a pro rata basis in proportion to their interest in the Partnership. Accordingly, no income tax expense is recognized in the financial statements. Any reference to income tax in these statements relates to the recovery in transmission tariff revenue of tax expense borne by the partners.

(m) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the Statement of Financial Position date. Non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction date. Revenues and expenses are translated at the exchange rate prevailing on the date of the transaction except for depreciation and amortization, which are translated at the exchange rate prevailing when the related assets were acquired. Gains and losses on translation are reflected in income when incurred.

(n) Deferred lease inducements

Deferred lease inducements represent leasehold improvements paid for by the lessors. Deferred lease inducements are amortized on a straight-line basis over the initial terms of the leases, and the amortization is recorded as a reduction of lease expense. The unamortized balance in deferred lease inducements is included in other liabilities.

(o) Leases

All of the Partnership's leases are classified as operating leases. Payments made under operating leases are recognized in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

(p) Capitalized borrowing costs

Borrowing costs are capitalized if they are incurred in connection with the acquisition or production of a "qualifying asset" for which a considerable period of time is required to prepare the asset for its intended use.

The Partnership borrows funds to provide financing for its capital construction program. Borrowing costs eligible for capitalization are applied to capital expenditures unless the borrowing costs are eligible to be recovered through transmission tariffs in the year in which the costs are incurred. The capitalization rate is based on actual costs of debt used to finance the acquisition or construction of qualifying assets.

3. Summary of significant accounting policies (cont'd)

(q) Adoption of new and revised accounting standards

New standards effective beginning on or after January 1, 2013

IFRS 10 - *Consolidated financial statements*, IFRS 11 - *Joint arrangements*, IFRS 12 - *Disclosure of interests in other entities* and IFRS 13 - *Fair value measurement* were issued in May 2011. They replace parts of IAS 27 – *Consolidated and separate financial statements* and IAS 28 - *Investments in associates and joint ventures* and relate to the accounting and disclosure for interests in other entities. IFRS 13 provides guidance on how to measure assets and liabilities at fair value as well as the disclosure required to explain management's assumptions to the reader. These standards did not have a material impact on the Partnership's financial statements or its disclosures.

Amendments to standards effective beginning on or after January 1, 2013

Amendments to IAS 1 – *Presentation of financial statements* were issued by the International Accounting Standards Board (IASB) in September 2011. The amendments relate to the disclosure of other comprehensive income as well as the tax impacts of other comprehensive income. These amendments did not have a material impact on the Partnership's financial statements or its disclosures.

Amendments to IAS 19 - *Employee benefits* were issued by the IASB in June 2011. These amendments did not have a material impact on the Partnership's financial statements or its disclosures.

Amendments to IFRS 7 - *Disclosures - Offsetting financial assets and liabilities* were published jointly by the IASB and Financial Accounting Standards Board in December 2011. The amendments are intended to improve the ability of users of financial statements to compare financial statements prepared in accordance with US GAAP and IFRS. These amendments did not have a material impact on the Partnership's financial statements or its disclosures.

In May 2012, the IASB issued amendments to five standards under its Annual Improvements Project. Amended standards include IFRS 1 – *First time adoption of International Financial Reporting Standards,* IAS 1 – *Presentation of financial statements,* IAS 16 - *Property, plant and equipment,* IAS 32 – *Financial instruments – Presentation,* and IAS 34 – *Interim financial reporting.* These amendments did not have a material impact on the Partnership's financial statements or its disclosures.

Effective after 2013

IFRS 9 - *Financial instruments: Classification and measurement* was issued in November 2009 and will replace IAS 39 - *Financial instruments: Recognition and measurement*. IFRS 9 is effective for periods beginning on or after January 1, 2018. The Partnership is evaluating the impact of the amendments on its financial statements as issued, although currently they are not expected to have a material impact.

Amendments to IAS 32 - *Financial instruments - Presentation* to clarify the application of the offsetting requirements were published in December 2011 to address inconsistencies in current practice. The amendments are effective for periods beginning on or after January 1, 2014, with earlier application permitted. The Partnership did not adopt this amendment early and implementation is not expected to have a material impact on the financial statements.

IFRIC 21 – *Levies* was issued in May 2013 and is an interpretation of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation clarifies the obligating event that gives rise to a liability to pay a levy. IFRIC 21 is effective for periods beginning on or after January 1, 2014. The Partnership is currently evaluating the impact of this interpretation on its financial statements.

4. Risk management and financial instruments

(a) Fair value of financial instruments

Financial Instrument	Designated Category	Measurement Basis	Associated Risks	Fair Value at December 31, 2013
Cash and cash equivalents	Fair value through profit or loss (Held for trading)	Fair value	• Market • Credit • Liquidity	Measured at fair value. Cash and cash equivalents earn interest at floating rates based on daily bank deposit rates.
Trade and other receivables *[note 5]*	Loans and receivables	Initially at fair value and subsequently at amortized cost	• Credit • Liquidity	Carrying value approximates fair value due to short-term nature.
Other non-current assets *[note 9]*	Loans and receivables	Initially at fair value and subsequently at amortized cost	• Credit • Liquidity	Amortized cost or carrying value approximates fair value due to nature of asset.
Trade and other payables *[note 10]*	Other liabilities	Initially at fair value and subsequently at amortized cost	• Liquidity	Carrying value approximates fair value due to short-term nature.
Other non-current liabilities *[note 13]*	Other liabilities	Initially at fair value and subsequently at amortized cost	• Liquidity	Amortized cost or carrying value approximates fair value due to nature of liability.
Debt *[note 11]*	Other liabilities	Initially at fair value and subsequently at amortized cost	• Market • Liquidity	$2,768.4 million. Fair values are determined using quoted market prices (which are classified as level 1 inputs) for the same or similar issues.
Third party deposits *[note 8]*	Fair value through profit or loss (Held for trading)	Fair value	• Market • Credit • Liquidity	Measured at fair value. The cash received is held in short-term investments.
Third party deposits liability *[note 8]*	Other liabilities	Initially at fair value and subsequently at amortized cost	• Liquidity	Carrying value approximates fair value due to the nature of the liability.

The Partnership currently does not use hedges or other derivative financial instruments in its operations.

(b) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause the Partnership to incur a financial loss. There is exposure to credit risk on all financial assets included in the Statement of Financial Position. To help manage this risk:

- The Partnership has a policy for establishing credit limits;
- Collateral may be required where appropriate; and
- Exposure to individual entities is managed through a system of credit limits.

The Partnership has a concentration of credit risk as approximately 92.5% of its trade receivable balance is due from the AESO (December 31, 2012 – 94.7%). The credit risk is mitigated by the fact that the AESO is an AA- rated entity by Standard & Poors, and it has been established under the EUA, while the remaining receivables are mostly due from investment grade utilities, comprised mainly of amounts due for tower and land leases and other services. In addition, joint project costs are being recovered from an investment grade utility, pursuant to the terms of the agreement for construction of the Heartland project.

The Partnership's maximum exposure to credit risk, without taking into account collateral held, equals the current carrying values of cash and cash equivalents, trade and other receivables, financial assets due from the AESO and third party deposits as disclosed in these financial statements.

4. Risk management and financial instruments (cont'd)

(c) Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. Components of market risk to which the Partnership is exposed are discussed below:

i. Interest rate risk

The Partnership does not have significant exposure to interest rate risk. To manage interest rate risk, the Partnership controls the proportion of floating rate debt relative to fixed rate debt. In addition, the Partnership maintains access to diverse sources of funding under its established capital markets platform.

It is the Partnership's practice to finance substantially all of its debt requirements with long-term debt securities for which interest rates are fixed during the entire term of each security, generally ranging from five to thirty years from the date of issue. To manage short-term liquidity requirements, the Partnership has established bank credit facilities under which interest rates may vary daily unless the Partnership elects to issue bankers' acceptances or commercial paper under which interest rates are fixed during the entire term, typically ranging from one week to ninety days from the date of issue. It is the Partnership's practice to issue commercial paper for substantially all of its short-term funding requirements. The Partnership may be exposed to interest rate risk upon the rollover of debt at maturity or the issuance of new debt.

ii. Foreign exchange risk

The Partnership does not have a significant exposure to foreign exchange risk.

(d) Liquidity Risk

Liquidity risk includes the risk that, as a result of the Partnership's operational liquidity requirements:

- It may not have sufficient funds to settle a transaction on the due date;
- It may be forced to sell financial assets below their fair market value; and,
- It may be unable to settle or recover a financial asset.

To manage this risk, the Partnership has readily accessible standby credit facilities and other funding arrangements in place; generally uses financial instruments that are tradable in highly liquid markets; and, has a liquidity portfolio structure wherein surplus funds are invested in highly liquid financial instruments. See note 11 – *Debt,* for a maturity analysis.

(e) Capital risk management

In managing its capital structure, the Partnership includes partners' capital, retained earnings and short-term and long-term debt in the definition of capital.

The Partnership manages its capital structure in order to reduce the cost of debt capital for customers and to safeguard its ability to continue as a going concern. In order to maintain or adjust the capital structure, the Partnership may adjust the amount of distributions paid to partners, return capital to partners or request additional contributions from partners. The Partnership reduces refinancing risk by diversifying the maturity dates of its debt obligations.

Summary of capital structure

	As at			
	December 31, 2013		December 31, 2012	
	(millions)	**%**	(millions)	%
Commercial paper and bank credit facilities	**$ 42.5**	**0.9**	$ 1.8	0.1
Long-term debt, maturing in less than one year	**—**	**—**	325.0	10.3
Long-term debt, excluding deferred financing fees	**2,701.4**	**59.3**	1,476.7	46.8
Partners' capital	**1,391.7**	**30.5**	1,054.2	33.4
Retained earnings	**421.8**	**9.3**	295.7	9.4
	$ 4,557.4	**100.0**	$ 3,153.4	100.0

4. Risk management and financial instruments (cont'd)

As at December 31, 2013, the Partnership was subject to externally imposed capitalization requirements under the Master Trust Indenture and the bank credit facilities. These agreements limit the amount of debt that can be incurred relative to total capitalization. The Partnership was in compliance with these requirements as at December 31, 2013.

5. Trade and other receivables

	As at	
	December 31, 2013	December 31, 2012
(in thousands of dollars)		
Trade receivables	**$ 68,438**	$ 110,140
GST receivable	**35,544**	5,571
Recovery of joint project costs	**6,455**	10,137
Prepaid expenses and deposits	**6,732**	7,928
Current portion of financial assets related to regulated activities	**8,819**	11,836
	$ 125,988	$ 145,612

Trade receivables as at December 31, 2013 include $38.0 million(December 31, 2012 - $56.8 million) due from the AESO resulting from the timing of cash receipts and $25.3 million (December 31, 2012 - $47.5 million) due from the AESO for accruals related to adjustments to the interim transmission tariff in accordance with standard regulatory practice until the final approval of the transmission tariff, at which time the cash is expected to be received by the Partnership.

The level of GST receivables outstanding at December 31, 2013 is a result of timing of refund receipts and an overall increase in construction activity.

Recovery of joint project costs relates to the Heartland Region Transmission Development project which was a joint operation to construct transmission assets in the Heartland Region, which were energized at 240kV in the last quarter of 2013.

Financial assets related to regulated activities include the recovery of certain costs incurred by the Partnership relating to its primary activities that are greater than what has been received to date in tariff revenue. The Partnership has recognized as receivables the costs to be recovered through the regulatory process. The current portion of such assets reflects the amounts to be recovered within the next twelve months. Included in the December 31, 2013 balance is $7.5 million related to cancelled projects (December 31, 2012 – $6.1 million).

Financial assets related to regulated activities also include amounts that have been added to rate base (AFUDC equity, AFUDC debt, and losses on disposals of property, plant and equipment) for regulatory purposes, which will be recovered or repaid in tariff revenue over a time period, which has been approved by the AUC.

6. Intangible assets

	Land rights	Computer software	Intangibles in CWIP	Total
(in thousands of dollars)				
Cost				
As at January 1, 2012	$ 55,394	$ 48,066	$ 18,798	$ 122,258
Additions to CWIP	—	—	77,750	77,750
Transfers	5,781	17,518	(23,299)	—
Retirements	—	(608)	—	(608)
As at December 31, 2012	61,175	64,976	73,249	199,400
Additions to CWIP	—	—	68,095	68,095
Transfers	42,631	12,032	(54,663)	—
Retirements	—	(3,393)	—	(3,393)
As at December 31, 2013	**$ 103,806**	**$ 73,615**	**$ 86,681**	**$ 264,102**
Accumulated amortization				
As at January 1, 2012	$ (2,133)	$ (15,176)	$ —	$ (17,309)
Amortization	(1,116)	(7,641)	—	(8,757)
Retirements	—	608	—	608
As at December 31, 2012	(3,249)	(22,209)	—	(25,458)
Amortization	(1,688)	(13,651)	—	(15,339)
Retirements	—	3,381	—	3,381
As at December 31, 2013	**$ (4,937)**	**$ (32,479)**	**$ —**	**$ (37,416)**
Net book value				
As at December 31, 2012	$ 57,926	$ 42,767	$ 73,249	$ 173,942
As at December 31, 2013	**$ 98,869**	**$ 41,136**	**$ 86,681**	**$ 226,686**

Intangible assets in CWIP are not amortized until they are available for use, when they are reclassified to the related asset class.

The Partnership has used the following effective amortization rates during the year:

	2013	2012
Land rights	**2.10%**	2.13%
Computer software	**27.92%-30.41%**	11.80%-28.33%
Intangibles in CWIP	**Not subject to amortization**	Not subject to amortization

7. Property, plant and equipment

(in thousands of dollars)	Lines[1]	Substations[2]	Buildings & equipment[3]	Land & CWIP[4]	Total
Cost					
As at January 1, 2012	$ 812,291	$ 1,211,379	$ 103,332	$ 671,197	$ 2,798,199
Additions to CWIP	—	—	—	927,584	927,584
Transfers	182,954	281,771	13,681	(478,406)	—
Retirements	(1,440)	(4,766)	(331)	(9)	(6,546)
As at December 31, 2012	993,805	1,488,384	116,682	1,120,366	3,719,237
Additions to CWIP	—	—	—	1,786,964	1,786,964
Transfers	870,792	405,692	25,325	(1,301,809)	—
Retirements	(7,358)	(5,534)	(2,877)	(62)	(15,831)
As at December 31, 2013	**$ 1,857,239**	**$ 1,888,542**	**$ 139,130**	**$ 1,605,459**	**$ 5,490,370**
Accumulated Depreciation					
As at January 1, 2012	$ (47,538)	$ (97,483)	$ (15,443)	$ —	$ (160,464)
Depreciation expense	(23,820)	(56,122)	(10,506)	—	(90,448)
Retirements	342	854	469	—	1,665
As at December 31, 2012	(71,016)	(152,751)	(25,480)	—	(249,247)
Depreciation expense	(40,612)	(63,727)	(13,396)	—	(117,735)
Retirements	4,807	1,093	2,739	—	8,639
As at December 31, 2013	**$ (106,821)**	**$ (215,385)**	**$ (36,137)**	**$ —**	**$ (358,343)**
Net book value					
As at December 31, 2012	$ 922,789	$ 1,335,633	$ 91,202	$ 1,120,366	$ 3,469,990
As at December 31, 2013	**$ 1,750,418**	**$ 1,673,157**	**$ 102,993**	**$ 1,605,459**	**$ 5,132,027**

1. Lines – transmission lines and related equipment.
2. Substations – substation and telecontrol equipment.
3. Buildings & equipment – office buildings, vehicles, tools and instruments, office furniture, telephone and related equipment and computer hardware.
4. Land & CWIP – land, capitalized inventory, emergency capital spare parts and CWIP. CWIP is reclassified to the appropriate asset classes when the assets are available for use.

The Partnership has used the following effective depreciation rates during the year:

	2013	2012
Lines	**1.65%-2.96%**	2.48%-4.23%
Substations	**2.47%-7.46%**	2.81%-10.15%
Buildings & equipment	**2.64%-21.94%**	2.65%-21.67%
Land and construction work in progress	**Not subject to depreciation**	Not subject to depreciation

8. Third party deposits

(in thousands of dollars)	Contributions in Advance of Construction	Operating and Maintenance Charges in Advance	Total
As at January 1, 2012	$ 84,671	$ 10,614	$ 95,285
Net receipts from third parties	85,560	(3,272)	82,288
Project expenditures	(125,532)	(50)	(125,582)
As at December 31, 2012	44,699	7,292	51,991
Net receipts from third parties	230,427	(135)	230,292
Project expenditures	(174,552)	(166)	(174,718)
As at December 31, 2013	**$ 100,574**	**$ 6,991**	**$ 107,565**

8. Third party deposits (cont'd)

Third party deposits are recognized as non-current assets with corresponding non-current liabilities. These deposits have certain restrictions attached and can be used only for their intended purpose (see note 3(g)).

Third party deposits are held in short-term investments, which are reinvested as needed. These investments earned an effective interest rate of 1.05% at December 31, 2013 (December 31, 2012 – 1.01%). For contributions in advance of construction, all interest received is paid annually to the AESO.

9. Other non-current assets

	As at	
	December 31, 2013	December 31, 2012
(in thousands of dollars)		
Non-current portion of financial assets related to regulated activities	**$ 58,009**	$ 30,891

Financial assets related to regulated activities include the recovery of certain costs incurred by the Partnership relating to its primary activities that are greater than what has been received to date in tariff revenue. The Partnership has recognized as receivables the expenses to be recovered through the regulatory process. The non-current portion of such assets reflects the amounts to be recovered beyond the next twelve months.

Financial assets related to regulated activities consist of amounts that have been included in rate base (DACDA, AFUDC equity, AFUDC debt, and losses on disposals of property, plant and equipment) for regulatory purposes, which will be recovered or repaid in tariff revenue over a period of time, which has been approved by the AUC.

10.Trade and other payables

	As at	
	December 31, 2013	December 31, 2012
(in thousands of dollars)		
Trade and accrued payables	**$ 376,381**	$ 229,976
Accrued interest on long-term debt	**23,090**	9,918
Other current liabilities	**4,106**	2,639
Current portion of financial liabilities related to regulated activities	**28,921**	20,847
	$ 432,498	$ 263,380

Financial liabilities related to regulated activities include accruals for the repayment of the difference between certain costs that have been incurred by the Partnership relating to its primary activities and what has been received in tariff revenue. The difference will be refunded to the AESO through the regulatory process. The current portion of such liabilities reflects the amounts to be refunded within the next twelve months.

Financial liabilities related to regulated activities consist of amounts for annual tower payments, property taxes, debt and capital costs which have been received in tariff revenue, but for various reasons the capital projects have not progressed as scheduled.

Other current liabilities include accruals for employee benefits.

11. Debt

(a) Commercial paper and bank credit facilities

As at December 31, 2013	**Committed**	**Drawdowns**	**Commercial paper outstanding**	**Letters of credit outstanding**	**Availability**	**Maturity date of facility**
(in thousands of dollars)						
Revolving credit facility	**$ 1,225,000**	**$ —**	**$ 42,461**	**$ —**	**$ 1,182,539**	**December 18, 2015**
Operating line of credit	**75,000**	**—**	**—**	**1,605**	**73,395**	**December 18, 2015**
Total bank credit facilities	**$ 1,300,000**	**$ —**	**$ 42,461**	**$ 1,605**	**$ 1,255,934**	

As at December 31, 2012	Committed	Drawdowns	Commercial paper outstanding	Letters of credit outstanding	Availability	Maturity date of facility
(in thousands of dollars)						
Revolving credit facility	$ 1,425,000	$ —	$ —	$ —	$ 1,425,000	December 27, 2014
Operating line of credit	75,000	1,778	—	612	72,610	December 27, 2014
Total bank credit facilities	$ 1,500,000	$ 1,778	$ —	$ 612	$ 1,497,610	

The revolving credit facility provides support for the borrowing under the unsecured commercial paper program and may also be used for general corporate purposes. Drawdowns under either the revolving credit facility or operating line of credit may be in the form of Canadian prime rate loans or bankers' acceptances. At the renewal date, the Partnership has the option to convert both facilities to one-year term facilities.

(b) Long-term debt

	Effective interest rate	**Maturing**	**As at December 31, 2013**	As at December 31, 2012
(in thousands of dollars)				
Senior debt obligations				
Series 03-2, 5.430%	5.811%	2013	**$ —**	$ 325,000
Series 2006-1, 5.249%	5.299%	2036	**150,000**	150,000
Series 2008-1, 5.243%	5.354%	2018	**201,394**	201,674
Series 2010-1, 5.381%	5.432%	2040	**125,000**	125,000
Series 2010-2, 4.872%	4.928%	2040	**150,000**	150,000
Series 2011-1, 4.462%	4.503%	2041	**275,000**	275,000
Series 2012-1, 3.990%	4.028%	2042	**300,000**	300,000
Series 2012-2, 2.978%	3.040%	2022	**275,000**	275,000
Series 2013-1, 4.446%	4.484%	2053	**250,000**	—
Series 2013-2, 3.621%	3.705%	2020	**125,000**	—
Series 2013-3, 4.922%	4.964%	2043	**350,000**	—
Series 2013-4, 3.668%	3.730%	2023	**500,000**	—
			2,701,394	1,801,674
Long-term debt maturing in less than one year			**—**	(325,000)
			2,701,394	1,476,674
Less: deferred financing fees			**(16,168)**	(9,695)
Long-term debt			**$ 2,685,226**	$ 1,466,979

Long-term debt issued under the existing $2,500.0 million Short Form Base Shelf Prospectus as at December 31, 2013 was $1,500.0 million (December 31, 2012- $275.0 million), including the four debt issuances totaling $1,225.0 million in 2013, included in the table above. The Short Form Base Shelf Prospectus expires in December 2014.

In general, the Partnership uses the proceeds from the issuance of Medium-Term Notes to repay commercial paper and indebtedness outstanding under the Partnership's credit facilities, and to finance the capital construction program.

11. Debt (cont'd)

The Medium-Term Notes are secured obligations and rank pari passu with all existing and future senior indebtedness, and ahead of all subordinated indebtedness of the Partnership.

Collateral for the Senior debt obligations consists of a first floating charge security interest on the Partnership's present and future assets. The bank credit facilities rank equally with Senior debt and all future senior secured indebtedness that is issued by the Partnership.

Senior debt is redeemable by the Partnership at the greater of (i) the prevailing Government of Canada bond yield plus a pre-determined premium, and (ii) the face amount of the debt to be redeemed plus, in each case, accrued and unpaid interest to the date of redemption. The Partnership does not intend to redeem any of its long-term debt prior to maturity.

(c) Capital markets platform

The Partnership has implemented a financing structure referred to by the Partnership as the "Capital Markets Platform" to finance the operation, maintenance and development of its assets. The Capital Markets Platform incorporates various debt instruments and borrowings, including term bank debt, revolving bank lines of credit, publicly-issued and privately-placed term debt securities, bankers' acceptances, commercial paper and medium-term notes.

The Master Trust Indenture dated April 28, 2003 between the Partnership, the General Partner and BNY Trust Company of Canada, as trustee, establishes common covenants for the benefit of all lenders under the Capital Markets Platform. The Capital Markets Platform governs all indebtedness, including the ranking and security (if any) of the various debt instruments. Indebtedness is calculated as total short-term and long-term debt, including outstanding letters of credit, and total capital is calculated as equity plus indebtedness. The Partnership is not permitted to borrow other than under the Capital Markets Platform, except in certain limited circumstances and, in any event, not in excess of an aggregate of $20.0 million. One of the principal covenants is that the Partnership cannot become liable for any indebtedness, unless the aggregate amount of all indebtedness does not exceed 75% of the total capitalization.

Under the Indenture, the Partnership may issue two categories of debt, namely (i) senior debt and (ii) subordinated debt. Bonds may be issued as either "Obligation Bonds" (to directly evidence the indebtedness of the Partnership to the holder of such debt) or as "Pledged Bonds" (to be held by the holder as collateral security for the indebtedness specified in the related instrument of pledge). The specific terms and conditions of each series of bonds under the Capital Markets Platform are set forth in the series supplement authorizing the series. It is expected that publicly-issued and privately-placed bonds will be in the form of Obligation Bonds, whereas all other indebtedness of the Partnership under the Capital Markets Platform will be supported by Pledged Bonds.

(d) Scheduled principal repayments

(in thousands of dollars)	
Maturing	
2014	$ —
2015	—
2016	—
2017	—
2018	200,000
2019 and thereafter	2,500,000

11. Debt (cont'd)

(e) Finance costs

(in thousands of dollars)	Year ended December 31, 2013	December 31, 2012
Interest expense	**$ 91,101**	$ 72,321
Amortization of deferred financing fees	**1,017**	1,444
Capitalized borrowing costs	**(854)**	(771)
	$ 91,264	$ 72,994

12. Deferred revenue

(in thousands of dollars)	Third Party Contributions	Deferred Revenue for Salvage	Total
As at January 1, 2012	$ 320,534	$ 170,596	$ 491,130
Transferred from third party deposits [note 8]	125,532	—	125,532
Received through transmission tariff [note 16]	—	11,897	11,897
Recognized as revenue [notes 17 and 18]	(11,867)	(14,567)	(26,434)
As at December 31, 2012	434,199	167,926	602,125
Transferred from third party deposits [note 8]	**174,552**	**—**	**174,552**
Received through transmission tariff [note 16]	**—**	**18,751**	**18,751**
Recognized as revenue [notes 17 and 18]	**(14,816)**	**(16,092)**	**(30,908)**
As at December 31, 2013	**$ 593,935**	**$ 170,585**	**$ 764,520**

Current portion	$ 14,430
Long-term portion	587,695
As at December 31, 2012	$ 602,125
Current portion	**$ 34,035**
Long-term portion	**730,485**
As at December 31, 2013	**$ 764,520**

Deposits received from third parties used to finance certain capital construction costs and other charges received in advance are initially recorded as deferred revenue and then subsequently recognized as revenue over the lives of the related assets. Funds provided by the regulator to pay for salvage costs are released into revenue when the associated costs are incurred.

13. Other non-current liabilities

	As at	
(in thousands of dollars)	**December 31, 2013**	December 31, 2012
Accrued employment benefit liabilities	**$ 5,129**	$ 6,216
Other liabilities	**3,137**	2,756
Non-current portion of financial liabilities related to regulated activities	**4,081**	13,606
	$ 12,347	$ 22,578

Financial liabilities related to regulated activities include accruals for the repayment of the difference between certain costs that have been incurred by the Partnership relating to its primary activities and what has been received in tariff revenue. The difference will be refunded to the AESO through the regulatory process. The non-current portion of such liabilities reflects the amounts to be refunded beyond the next twelve months.

Financial liabilities related to regulated activities consist of amounts for annual tower payments, property taxes, debt and capital costs which have been received in tariff revenue, but for various reasons the capital projects have not progressed as scheduled.

The accrued employment benefits liability is discussed in note 14 - *Post employee benefits obligations.*

14. Post employee benefits obligations

(a) Description

The General Partner employs staff and provides administrative and operational services to the Partnership on a cost-reimbursement basis. As part of the purchase of the transmission assets in 2002, the Partnership assumed pension obligations in respect of transmission employees who are members of the defined benefit plan. The pension obligation was transferred by the Partnership to the General Partner at the value of the pension surplus and the Partnership is credited with any pension income and charged for any pension expense. Any cash funding of the pension plan by the General Partner is reimbursed by the Partnership. The Partnership has indemnified the General Partner for all costs and liabilities associated with its employment of staff, including any pension liabilities. As such the pension is reported as if it is held by the Partnership even though the legal plan sponsor and employer of the staff is the General Partner.

The defined benefit provisions of the plan provide a final average pay type benefit. The defined benefit component requires the employees to contribute 2% of eligible earnings, which includes base salary plus short-term incentive pay. Those members who, at the date of the acquisition of the assets from TransAlta, were covered by the defined benefit component of the plan continue in that component.

In November 2013, the Partnership's Pension Committee recommended the wind-up of the defined benefit component of the pension plan. The General Partner's Board of Directors approved the wind-up, effective December 31, 2013. As of January 1, 2014, the remaining active members of the defined benefit component have joined the defined contribution component of the pension plan.

All other employees and any new employees are covered under a defined contribution component of the pension plan. The defined contribution component of the plan is an 8% employer, and 2% employee funded contribution plan.

The General Partner has a non-registered supplemental pension plan, which is provided to those employees who exceed the income tax limits on maximum pension contributions in a year. Membership in the supplemental pension plan is automatic once registered pension plan contributions have reached the maximum annual amount. Employer contributions to the plan are 8% (2012 – 8%).

Other post retirement benefits include the health and dental coverage provided to retired employees who have two years of service or more and retire at age fifty five or older. Benefits are provided to these employees until the age of sixty five.

14. Post employee benefits obligations (cont'd)

(b) Assumptions

The significant actuarial assumptions used in measuring the Partnership's net benefit plan cost are as follows:

The expected return on assets assumption is set based on the plan's target investment policy mix, and management's expectations for equity and fixed income returns over the long-term. Based on accounting standard updates for 2013, expected return on plan assets is no longer an assumption used in actuarial valuations.

	Year ended			
	December 31, 2013		December 31, 2012	
	Pension	**Other**	Pension	Other
	%	**%**	%	%
Discount rate for funded status	**4.90**	**4.70**	4.30	4.00
Discount rate for expense determinations	**4.30**	**4.00**	5.20	4.80
Expected long-term rate of return on plan assets	**—**	**—**	6.00	—
Rate of compensation increase	**3.50**	**—**	3.50	—
Health care cost trend rates:				
Initial weighted trend rate	**—**	**7.40**	—	7.20
Ultimate weighted trend rate	**—**	**4.56**	—	4.46

(c) Costs recognized

	Year ended			
	December 31, 2013		December 31, 2012	
(in thousands of dollars)	**Pension**	**Other**	Pension	Other
Current service cost	**$ 80**	**$ 768**	$ 88	$ 599
Interest cost on benefit obligation	**463**	**195**	492	205
Income on plan assets	**(420)**	**—**	(544)	—
Past service cost amortization	**—**	**(3)**	—	—
Loss on settlements	**311**	**—**	—	—
Special benefit enhancement cost	**615**	**—**	—	—
Defined benefit expense	**1,049**	**960**	36	804
Regulatory adjustment to offset expense	**(1,049)**	**—**	(36)	—
Expense	**—**	**960**	—	804
Defined contribution expense of registered pension plan	**6,683**	**—**	5,522	—
Supplemental pension expense	**164**	**—**	187	—
Net expense recognized in the financial statements	**$ 6,847**	**$ 960**	$ 5,709	$ 804

(d) Status of plans

The latest pension plan actuarial valuation for funding purposes was done as at December 31, 2010 and extrapolated to December 31, 2012. The effective date of the next required valuation for funding purposes was December 31, 2013. As a result of the defined benefit plan wind-up, an actuarial valuation for funding purposes will not be completed. An actuarial valuation for the wind-up will be prepared in place of the funding valuation and provided sixty days after December 31, 2013. The Partnership expects to contribute $0.9 million to its other post retirement benefit plans in 2014.

The actuarial report as at December 31, 2013 includes management's best estimate at this time of the wind up costs for the defined benefit component of the pension plan. It is not expected that any additional costs beyond those estimated will be material to the Partnership.

The asset mix of the defined benefit component of the pension plan as of December 31, 2013 consists of 95% bonds and 5% cash (December 31, 2012 - 56% equity and 44% bonds). The asset mix was modified by the Pension Committee in December 2013 to carry out the instructions of the General Partner's Board of Directors to facilitate the wind-up of the plan and eliminate equity and interest rate risk.

14. Post employee benefits obligations (cont'd)

	Year ended			
	December 31, 2013		December 31, 2012	
	Pension	**Other**	Pension	Other
(in thousands of dollars)				
Fair value of plan assets				
Balance, beginning of year	**$ 9,809**	**$ —**	$ 9,004	$ —
Employee contributions	**7**	**—**	8	—
Company contributions	**545**	**111**	398	101
Benefit payments	**(533)**	**(111)**	(361)	(101)
Interest income	**420**	**—**	—	—
Return on plan assets	**263**	**—**	760	—
Settlements on plan wind-up	**(10,511)**	**—**	—	—
Balance, end of year	**—**	**—**	9,809	—
Accrued benefits obligation				
Balance, beginning of year	**10,922**	**4,460**	9,253	3,689
Current service cost	**80**	**768**	88	599
Past service cost	**—**	**(3)**	—	—
Employee contributions	**7**	**—**	8	—
Benefit payments	**(533)**	**(111)**	(361)	(90)
Interest cost	**463**	**195**	492	205
Loss on settlements	**311**	**—**	—	—
Special benefit enhancement cost	**615**	**—**	—	—
Remeasurements:				
Effect of changes in demographic assumptions	**540**	**(1,413)**	—	—
Effect of changes in economic assumptions	**(805)**	**265**	1,442	57
Effect of experience adjustments	**(1,089)**	**19**	—	—
Settlements on plan wind-up	**(10,511)**	**—**	—	—
Balance, end of year	**—**	**4,180**	10,922	4,460
Funded status				
Funded status - deficit	**—**	**(4,180)**	(1,113)	(4,460)
Unamortized past service costs	**—**	**—**	—	141
Supplemental pension plan liability	**(949)**	**—**	(784)	—
Accrued liability, end of year	**$ (949)**	**$ (4,180)**	$ (1,897)	$ (4,319)

(e) Actuarial gains and losses recognized directly in other comprehensive income

The cumulative amounts of actuarial gains and losses recognized in other comprehensive income and included in retained earnings is $0.1 million (2012 - $2.6 million).

	Year ended					
	December 31, 2013			December 31, 2012		
	Pension	**Other**	**Total**	Pension	Other	Total
(in thousands of dollars)						
Net gain/(loss) arising during the year - post-retirement benefits obligation	**$ 1,617**	**$ 1,129**	**$ 2,746**	$ (1,226)	$ (57)	$ (1,283)

14. Post employee benefits obligations (cont'd)

(f) Sensitivity to changes in significant actuarial assumptions for the other post-retirement benefit plan obligation as at December 31, 2013 are as follows:

(in thousands of dollars)	One Percentage Point Increase	One Percentage Point Decrease
Effect of change to discount rate on obligation	**$ (451)**	**$ 539**
Effect of change to health care cost trend rates on obligation	**509**	**(435)**

15. Related party transactions

As described in note 1 – *General information*, ALP is indirectly owned by SNC.

In 2012, the Partnership entered into five-year contracts with two companies, including SNC-Lavalin ATP Inc., to provide Engineering, Procurement and Construction Management (EPCM) services for future capital projects. SNC-Lavalin ATP Inc. is a wholly owned subsidiary of SNC. For certain projects, which were underway when the new contracts were signed, EPCM services continue to be provided by SNC-Lavalin ATP Inc., under a previous contract.

In the normal course of business, the Partnership transacts with its partners and other related parties. The following transactions were measured at the exchange amount:

	Year ended	
(in thousands of dollars)	**December 31, 2013**	December 31, 2012
Employee compensation and benefits		
AltaLink Management Ltd.	**$ 117,415**	$ 98,550
Construction related services		
SNC – Lavalin ATP Inc.	**1,529,855**	784,669
Cost recovery for non-regulated activities		
AltaLink Investments, L.P.	**(2,620)**	(1,128)
Cost recovery related to Senior Executive secondment		
SNC – Lavalin Inc.	**(1,155)**	—

Amounts included in trade and other payables are:

	As at	
(in thousands of dollars)	**December 31, 2013**	December 31, 2012
AltaLink Management Ltd.	**$ 20,263**	$ 17,120
SNC-Lavalin ATP Inc.	**287,882**	167,434

None of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are due on a 30-day term and are settled in cash.

15. Related party transactions (cont'd)

Remuneration of senior management

	Year ended	
	December 31, 2013	December 31, 2012
(in thousands of dollars)		
Salary and other short-term benefits	**$ 3,170**	$ 3,392
Post-employment benefits	**247**	255
Other long-term benefits	**2,271**	1,627
Total for all senior management	**$ 5,688**	$ 5,274

Senior Management includes the Interim President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Executive Vice President and Chief Operating Officer, Senior Vice President Business Development, Senior Vice President Law, Regulatory and General Counsel, Senior Vice President External Engagement, Senior Vice President Human Resources, Senior Vice President Projects, and Senior Vice President Customer Service.

Effective January 17, 2013, the Chief Executive Officer was seconded to SNC-Lavalin Inc., and his duties were assumed on an interim basis by the Chief Operating Officer. In addition, the responsibilities of the Executive Vice President and Chief Operating Officer were divided between the Vice President Integrated Network Operations and Information Services and Vice President Asset Management. 50% of these Vice Presidents' compensation is included in the remuneration noted above.

Salary and other short-term benefits represent actual salary received during the year, annual short-term incentive plan payments based on the achievement of specific predetermined performance goals, and perquisites. Post-employment benefits include the defined contribution pension plan and supplemental pension plan employer contributions. Other long-term benefits include amounts related to retention and long-term incentive plans.

Remuneration of Board of Directors of the General Partner

	Year ended	
	December 31, 2013	December 31, 2012
(in thousands of dollars)		
Total fees earned by Directors	**$ 564**	$ 431

The Board of Directors includes the Chairman of the Board, and nine directors. The members of the Board, who are not representatives of the owners, are paid an annual fee plus a fee for meetings attended and additional retainers for serving on Board committees.

Transactions with post-employment benefit plans

The defined benefit plan and defined contribution plan are related parties to the Partnership. The Partnership's transactions with the pension plans include contributions and solvency deficiency payments made to the defined benefit plan. The Partnership has not entered into other transactions with the pension plans, nor does it have any outstanding balances at December 31, 2013.

For the years ended December 31, 2013 and 2012, there were no other material related party transactions.

16. Revenue from operations

In its 2013-2014 GTA, AltaLink requested approval from the AUC for revenue requirements of $491.7 million and $636.2 million for 2013 and 2014, respectively. On November 12, 2013, the AUC issued Decision 2013-407 approving the majority of AltaLink's requested revenue requirement. On January 15, 2014, AltaLink submitted a compliance filing as directed by the Commission in Decision 2013-407, requesting approval of revised revenue requirements of $481.3 million and $621.4 million for 2013 and 2014, respectively. On February 26, 2014, in Decision 2014-046, the AUC increased the monthly interim tariff, effective March 1, 2014, enabling us to collect the majority of the requested revenue requirement for 2013 and 2014 applied for in the compliance filing.

On January 30, 2013, the AUC issued Decision 2013-023 approving AltaLink's compliance filing, which finalized its 2011 and 2012 tariffs.

In Decision 2011-474, the Commission has approved a placeholder of 8.75% for 2013 return on common equity, pending a final decision as part of the 2013 Generic Cost of Capital proceeding.

The following table summarizes the timing differences between the approved interim transmission tariff and revenue from operations earned during the year.

	Year ended	
	December 31, 2013	December 31, 2012
(in thousands of dollars)		
Return on rate base	**$ 199,900**	$ 112,000
Recovery of forecast expenses	**222,700**	206,800
Deemed income taxes	**33,200**	17,400
Approved interim transmission tariff	**455,800**	336,200
Receivable directly assigned capital projects related revenue	**36,234**	42,134
Receivable/(repayable) property taxes and other	**6,561**	(5,168)
Salvage costs transferred to deferred revenue [note 12]	**(18,751)**	(11,897)
AFUDC net of capitalized borrowing costs	**1,202**	911
Adjustments related to regulatory activities	**21,927**	17,713
Revenue from operations	**$ 502,973**	$ 379,893

For the year ended December 31, 2013, approximately 94% of the Partnership's revenue is attributable to the AESO (December 31, 2012 – approximately 93%).

Adjustments are recorded to revenue from operations in order to recognize differences in accounting treatment for IFRS purposes, compared to regulatory purposes, as follows:

	Year ended	
	December 31, 2013	December 31, 2012
(in thousands of dollars)		
Revenue related to salvage costs	**$ 16,092**	$ 14,567
Recovery of loss on disposal of assets	**6,146**	3,542
Other	**(311)**	(396)
	$ 21,927	$ 17,713

17. Other revenue

The Partnership occasionally provides transmission construction services to third parties (primarily other utilities) on a cost recovery basis; therefore there is no net income impact. Related costs are included in operating expenses.

	Year ended	
	December 31, 2013	December 31, 2012
(in thousands of dollars)		
Third party contributions revenue [note 12]	**$ 14,816**	$ 11,867
Costs recovered from third parties	**4,991**	5,302
Services provided to third parties	**4,986**	4,954
Tower, land and other lease revenue	**1,656**	1,153
Related party and other revenue	**4,650**	3,459
	$ 31,099	$ 26,735

18. Expenses

(a) Operating expenses

	Year ended	
	December 31, 2013	December 31, 2012
(in thousands of dollars)		
Employee salaries and benefits	**$ 44,247**	$ 34,500
Contracted labour	**26,301**	23,200
Other operating expenses	**19,448**	21,248
	$ 89,996	$ 78,948

(b) Property taxes, salvage and other expenses

	Year ended	
	December 31, 2013	December 31, 2012
(in thousands of dollars)		
Property and business tax	**$ 25,088**	$ 22,904
Salvage expenses	**16,092**	14,567
Annual structure payments	**8,611**	6,426
Self insurance and hearing expenses	**2,479**	1,206
	$ 52,270	$ 45,103

Property taxes, salvage and other expenses do not have an impact on net income because they are fully recovered in tariff revenue (note 16 - *Revenue from operations*).

19. Partners' equity

The Partnership is authorized to issue an unlimited number of units. The units are voting and participate equally in profits, losses and capital distributions of the Partnership. The Partnership is also authorized to issue preferred partnership units which have the same rights, privileges, restrictions and conditions attached to all other units except that in the event of the liquidation, dissolution or winding-up of the Partnership, holders of each preferred unit are entitled to participate preferentially in any distribution. The Partnership has not issued any preferred units.

The General Partner does not hold any units in the Partnership. It manages the operations of the Partnership, and has a 0.01% interest in the profits, losses and capital distributions of the Partnership.

During the year ended December 31, 2013, the Partners invested additional equity of $337.5 million (December 31, 2012 - $270.8 million). No partnership units were issued during the year ended December 31, 2013 (December 31, 2012 – nil).

20. Other cash flow information

(in thousands of dollars)	Year ended December 31, 2013	Year ended December 31, 2012
Change in other items		
Employee benefits	**$ 1,633**	$ (419)
Deferred financing fees and capitalized borrowing costs	**162**	672
Deferred revenue for salvage	**2,659**	(2,672)
Financial assets related to regulated activities, non-current	**(27,118)**	(4,717)
Financial liabilities related to regulated activities, non-current	**(9,118)**	5,463
	$ (31,782)	$ (1,673)
Change in non-cash working capital		
Trade and other receivables	**$ 19,624**	$ (70,684)
Trade and other payables	**169,118**	41,374
	$ 188,742	$ (29,310)
Related to operating activities	**$ 55,223**	$ (59,198)
Related to investing activities	**133,519**	29,888
	$ 188,742	$ (29,310)
Net change in other financing activities		
Deferred financing fees	**$ (7,770)**	$ (3,709)
Third party deposits	**(55,574)**	43,294
Third party deposits liability	**55,574**	(43,294)
	$ (7,770)	$ (3,709)

21. Commitments

The contractual commitments of the Partnership for the purchase of property, plant and equipment as at December 31, 2013 are $1,791.8 million (December 31, 2012 - $1,434.0 million). Of these commitments, approximately 86% are with SNC-Lavalin ATP Inc., a wholly owned subsidiary of SNC (December 31, 2012 – approximately 99%).

The Partnership is committed to operating leases that have lease terms which expire between 2014 and 2026. Of the total expected minimum lease payments, approximately 87% relates to the Partnership's head office leases.

Expected minimum lease payments in future years are as follows:

(in thousands of dollars)	As at December 31, 2013
Operating lease obligations payable on non-cancellable leases are as follows:	
No later than 1 year	**$ 4,820**
Later than 1 year and no later than 5 years	**18,785**
Later than 5 years	**21,433**
	$ 45,038

22. Contingencies

From time to time, the Partnership is subject to legal proceedings, assessments, claims and regulatory matters in the ordinary course of business. The Partnership was served with an action on June 5, 2009, alleging that the Plaintiff and the Partnership had concluded a binding agreement for the sale to the Plaintiff of certain lands. At this time, in the opinion of management, none of these matters is expected to result in a material adverse effect on the Partnership's financial position or financial performance.