

Condensed Interim Financial
Statements

AltaLink, L.P.

(unaudited)

For the three months ended March 31, 2014 and 2013



ALTALINK

Statement of Financial Position

(unaudited)

	Notes	March 31, 2014	As at December 31, 2013
<i>(in thousands of dollars)</i>			
ASSETS			
Current			
Cash and cash equivalents		\$ —	\$ 5,852
Trade and other receivables	5	139,458	125,988
		139,458	131,840
Non-current			
Goodwill		202,066	202,066
Intangible assets	6	229,467	226,686
Property, plant and equipment	7	5,625,991	5,132,027
Third party deposits	8	100,260	107,565
Other non-current assets	5	49,658	58,009
		\$ 6,346,900	\$ 5,858,193
LIABILITIES AND PARTNERS' EQUITY			
Current			
Trade and other payables	9	\$ 674,026	\$ 432,498
Commercial paper and bank credit facilities	10(a)	192,633	42,461
Current portion of deferred revenue	11	34,736	34,035
		901,395	508,994
Non-current			
Long-term debt	10(b)	2,685,341	2,685,226
Deferred revenue	11	744,288	730,485
Third party deposits liability	8	100,260	107,565
Other non-current liabilities	9	14,643	12,347
		4,445,927	4,044,617
Commitments and contingencies	15, 16		
Partners' equity		1,900,973	1,813,576
		\$ 6,346,900	\$ 5,858,193

See accompanying notes to the condensed interim financial statements.

Statement of Comprehensive Income

(unaudited)

	Notes	Three months ended	
		March 31, 2014	March 31, 2013
<i>(in thousands of dollars)</i>			
Revenue			
Operations	13	\$ 148,138	\$ 102,747
Other		9,277	6,491
		157,415	109,238
Expenses			
Operating	14(a)	(25,837)	(20,118)
Property taxes, salvage and other	14(b)	(14,770)	(12,393)
Depreciation and amortization		(40,356)	(28,581)
		(80,963)	(61,092)
		76,452	48,146
Finance costs	10(d)	(29,192)	(21,107)
(Loss)/gain on disposal of assets		(1,063)	158
Net income		46,197	27,197
Other comprehensive income			
Actuarial loss		—	(330)
Total comprehensive income		\$ 46,197	\$ 26,867

See accompanying notes to the condensed interim financial statements.

Statement of Changes in Partners' Equity

(unaudited)

	Units	Allocation to Limited Partner	Allocation to General Partner	Total Retained Earnings	Partners' Capital	Total
<i>(in thousands)</i>						
As at January 1, 2013	331,904	\$ 295,602	\$ 64	\$ 295,666	\$ 1,054,236	\$ 1,349,902
Total comprehensive income	—	26,864	3	26,867	—	26,867
Equity investment received	—	—	—	—	14,000	14,000
Distributions paid	—	(9,799)	(1)	(9,800)	—	(9,800)
Balance at March 31, 2013	331,904	\$ 312,667	\$ 66	\$ 312,733	\$ 1,068,236	\$ 1,380,969
As at January 1, 2014	331,904	\$ 421,764	\$ 76	\$ 421,840	\$ 1,391,736	\$ 1,813,576
Total comprehensive income	—	46,192	5	46,197	—	46,197
Equity investment received	—	—	—	—	52,700	52,700
Distributions paid	—	(11,499)	(1)	(11,500)	—	(11,500)
Balance at March 31, 2014	331,904	\$ 456,457	\$ 80	\$ 456,537	\$ 1,444,436	\$ 1,900,973

See accompanying notes to the condensed interim financial statements.

Statement of Cash Flows

(unaudited)

	Three months ended	
	March 31, 2014	March 31, 2013
<i>(in thousands of dollars)</i>		
Cash flows from operating activities		
Net income	\$ 46,197	\$ 27,197
Adjustments for		
Depreciation and amortization	40,356	28,581
Third party contributions revenue	(4,689)	(3,593)
Loss/(gain) on disposal of assets	1,063	(158)
Change in other items	12,083	2,676
Funds generated from operations	95,010	54,703
Change in non-cash working capital items	(8,054)	111,819
Net cash provided by operating activities	86,956	166,522
Cash flows from investing activities		
Capital expenditures	(301,752)	(225,387)
Use of third party contributions	17,622	36,999
Proceeds from disposal of assets	30	289
Net cash used in investing activities	(284,100)	(188,099)
Cash flows from financing activities		
Use of commercial paper and bank credit facilities	150,172	8,426
Distributions paid	(11,500)	(9,800)
Equity investment received	52,700	14,000
Change in other financing activities	(80)	(290)
Net cash provided by financing activities	191,292	12,336
Net change in cash and cash equivalents	(5,852)	(9,241)
Cash and cash equivalents, beginning of period	5,852	9,241
Cash and cash equivalents, end of period	\$ —	\$ —
Supplementary cash flow information		
Interest paid	\$ (24,376)	\$ (7,886)

See accompanying notes to the condensed interim financial statements.

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. In September 2013, SNC 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. On May 1, 2014, SNC announced that it had entered into a binding agreement to sell 100 percent of its interest in AltaLink to MidAmerican (Alberta) Canada Holdings Corporation, which is ultimately owned by Berkshire Hathaway Energy. Completion of the sale is subject to regulatory approval by the Alberta Utilities Commission (AUC), and approvals required by the Competition Act and the Investment Canada Act.

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 three months ended March 31, 2014 and 2013, the Partnership operated solely in one reportable geographical and business segment.

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements (the financial statements) have been prepared in accordance with IAS 34 – *Interim Financial Reporting*. They should be read in conjunction with the Partnership's most recent annual audited financial statements as at and for the year ended December 31, 2013.

The Partnership has consistently applied the same accounting policies in these financial statements as compared to its most recent annual audited financial statements.

Certain of 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 May 1, 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.

2. Basis of preparation (cont'd)

(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.

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

The following is a summary of certain of the significant accounting policies. For a complete summary of significant accounting policies, please refer to note 3 in the Partnership's most recent annual audited financial statements.

(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.

(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.

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

(d) Third party deposits

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.

(e) Adoption of new and revised accounting standards

New standards effective beginning on or after January 1, 2014

IFRIC 21 – *Levies* was issued by the International Accounting Standards Board (IASB) 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 financial periods beginning on or after January 1, 2014. The Partnership has evaluated the impact of this interpretation on its financial statements and it did not have any material impact.

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 and were effective on January 1, 2013. 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, 2014

In December 2013, the IASB issued amendments to seven standards under its Annual Improvements Project for 2010-2012. Amended standards include *IFRS 2 - Share-based Payment*, *IFRS 3 - Business Combinations*, *IFRS 8 - Operating Segments*, *IFRS 13 - Fair Value Measurement*, *IAS 16 - Property, Plant and Equipment*, *IAS 24 - Related Party Disclosures*, and *IAS 38 - Intangible Assets*. These amendments are effective for financial periods beginning on or after July 1, 2014. The Partnership is evaluating the impact of these amendments on its financial statements and they are not expected to have any material impact.

In December 2013, the IASB also issued amendments to a number of standards under its Annual Improvements Project for 2011-2013. The following amendments are effective for financial periods beginning on or after January 1, 2014: *IAS 32 - Offsetting Financial Assets and Financial Liabilities*, *IFRS 10*, *IFRS 12* and *IAS 27 - Investment Entities*, *IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting*, *IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets*. In addition, the following amendments are effective for financial periods beginning on or after July 1, 2014: *IFRS 1 - First-time Adoption of IFRS*, *IFRS 3 - Business Combinations*, *IFRS 13 - Fair Value Measurement*, *IAS 40 - Investment Property*, and *IAS 19 - Defined Benefit Plans: Employee Contributions*. The Partnership is evaluating the impact of these amendments on its financial statements and they are not expected to have any material impact.

Amendments to *IAS 1 - Presentation of financial statements*, *IAS 19 - Employee benefits* and *IFRS 7 - Disclosures - Offsetting financial assets and liabilities* were issued by the IASB in 2011. These amendments did not have a material impact on the Partnership's financial statements or its disclosures.

Effective after 2014

IFRS 14 – *Regulatory Deferral Accounts* was issued by the IASB in January 2014 to provide interim guidance for the recognition of amounts related to rate-regulated activities until the IASB completes its comprehensive project on this topic. IFRS 14 is effective for financial periods beginning on or after January 1, 2016. As the interim standard is restricted to first-time adopters of IFRS, and the Partnership has been fully compliant with IFRS since 2011, the issuance of the interim standard does not have any impact on the Partnership's financial statements or its disclosures.

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 financial 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.

4. Risk management and financial instruments

(a) Fair value of financial instruments

Financial Instrument	Designated Category	Measurement Basis	Associated Risks	Fair Value at March 31, 2014
Cash and cash equivalents	Fair value through profit or loss (Held for trading)	Fair value	<ul style="list-style-type: none"> 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 and other non-current assets <i>[note 5]</i>	Loans and receivables	Initially at fair value and subsequently at amortized cost	<ul style="list-style-type: none"> Credit Liquidity 	Carrying value approximates fair value due to short-term nature.
Trade and other payables and other non-current liabilities <i>[note 9]</i>	Other liabilities	Initially at fair value and subsequently at amortized cost	<ul style="list-style-type: none"> Liquidity 	Carrying value approximates fair value due to short-term nature.
Debt <i>[note 10]</i>	Other liabilities	Initially at fair value and subsequently at amortized cost	<ul style="list-style-type: none"> Market Liquidity 	\$3,041.2 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 <i>[note 8]</i>	Fair value through profit or loss (Held for trading)	Fair value	<ul style="list-style-type: none"> Market Credit Liquidity 	Measured at fair value. The cash received is held in short-term investments.
Third party deposits liability <i>[note 8]</i>	Other liabilities	Initially at fair value and subsequently at amortized cost	<ul style="list-style-type: none"> 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 94% of its trade receivable balance is due from the AESO (December 31, 2013 – approximately 93%). 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 10 – *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			
	March 31, 2014		December 31, 2013	
	(millions)	%	(millions)	%
Commercial paper and bank credit facilities	\$ 192.6	4.0	\$ 42.5	0.9
Long-term debt, excluding deferred financing fees	2,701.3	56.4	2,701.4	59.3
Partners' capital	1,444.4	30.1	1,391.7	30.5
Retained earnings	456.5	9.5	421.8	9.3
	\$ 4,794.8	100.0	\$ 4,557.4	100.0

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

As at March 31, 2014, 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 March 31, 2014.

5. Trade and other receivables and other non-current assets

	March 31, 2014	As at December 31, 2013
<i>(in thousands of dollars)</i>		
Trade receivables	\$ 110,718	\$ 68,438
GST receivable	9,062	35,544
Recovery of joint project costs	135	6,455
Prepaid expenses and deposits	8,579	6,732
Current portion of financial assets related to regulated activities	10,964	8,819
Total trade and other receivables	\$ 139,458	\$ 125,988
Non-current portion of financial assets related to regulated activities	\$ 49,658	\$ 58,009

Trade receivables as at March 31, 2014 include \$38.0 million (December 31, 2013 - \$38.0 million) due from the AESO resulting from the timing of cash receipts and \$66.6 million (December 31, 2013 - \$25.3 million), which is being collected over the remaining months of 2014 from the AESO for accruals related to adjustments to the interim transmission tariff in accordance with standard regulatory practice.

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 March 31, 2014 balance is \$8.9 million related to cancelled projects (December 31, 2013 - \$7.5 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

	March 31, 2014	As at December 31, 2013
<i>(in thousands of dollars)</i>		
Net book value, beginning of period	\$ 226,686	\$ 173,942
Additions to CWIP	7,787	68,095
Retirements, net	—	(12)
Amortization	(5,006)	(15,339)
Net book value, end of period	\$ 229,467	\$ 226,686

During the three months ended March 31, 2014, the Partnership transferred \$8.0 million (March 31, 2013 - \$0.3 million) to land rights and computer software from CWIP.

7. Property, plant and equipment

	Lines ¹	Substations ²	Buildings & equipment ³	Land & CWIP ⁴	Total
<i>(in thousands of dollars)</i>					
Cost					
As at January 1, 2013	\$ 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
Additions to CWIP	—	—	—	530,067	530,067
Transfers	241,456	77,991	3,219	(322,666)	—
Retirements	(636)	(511)	(298)	—	(1,445)
As at March 31, 2014	\$ 2,098,059	\$ 1,966,022	\$ 142,051	\$ 1,812,860	\$ 6,018,992
Accumulated Depreciation					
As at January 1, 2013	\$ (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)
Depreciation expense	(13,020)	(18,902)	(3,429)	—	(35,351)
Retirements	274	121	298	—	693
As at March 31, 2014	\$ (119,567)	\$ (234,166)	\$ (39,268)	\$ —	\$ (393,001)
Net book value					
As at December 31, 2013	\$ 1,750,418	\$ 1,673,157	\$ 102,993	\$ 1,605,459	\$ 5,132,027
As at March 31, 2014	\$ 1,978,492	\$ 1,731,856	\$ 102,783	\$ 1,812,860	\$ 5,625,991

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.

8. Third party deposits

	Contributions in Advance of Construction	Operating and Maintenance Charges in Advance	Total
<i>(in thousands of dollars)</i>			
As at January 1, 2013	\$ 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
Net receipts from third parties	10,361	—	10,361
Project expenditures	(17,622)	(44)	(17,666)
As at March 31, 2014	\$ 93,313	\$ 6,947	\$ 100,260

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(d)).

Third party deposits are held in short-term investments, which are reinvested as needed. These investments earned an effective interest rate of 1.04% at March 31, 2014 (December 31, 2013 – 1.05%). For contributions in advance of construction, all interest received is paid annually to the AESO.

9. Trade and other payables and other non-current liabilities

	As at	
	March 31, 2014	December 31, 2013
<i>(in thousands of dollars)</i>		
Trade and accrued payables	\$ 618,421	\$ 376,381
Accrued interest on long-term debt	28,042	23,090
Other current liabilities	4,292	4,106
Current portion of financial liabilities related to regulated activities	23,271	28,921
Total trade and other payables	\$ 674,026	\$ 432,498
Accrued post-employment benefit liabilities	\$ 5,409	\$ 5,129
Other liabilities	94	3,137
Non-current portion of financial liabilities related to regulated activities	9,140	4,081
Total other non-current liabilities	\$ 14,643	\$ 12,347

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 the long-term incentive plan.

10. Debt

(a) Commercial paper and bank credit facilities

As at March 31, 2014	Committed	Drawdowns	Commercial paper outstanding	Letters of credit outstanding	Availability	Maturity date of facility
<i>(in thousands of dollars)</i>						
Revolving credit facility	\$ 1,225,000	\$ —	\$ 192,191	\$ —	\$ 1,032,809	December 18, 2015
Operating line of credit	75,000	442	—	4,637	69,921	December 18, 2015
Total bank credit facilities	\$ 1,300,000	\$ 442	\$ 192,191	\$ 4,637	\$ 1,102,730	

As at December 31, 2013	Committed	Drawdowns	Commercial paper outstanding	Letters of credit outstanding	Availability	Maturity date of facility
<i>(in thousands of dollars)</i>						
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	

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.

10. Debt (cont'd)

(b) Long-term debt

	Effective interest rate	Maturing	As at	
			March 31, 2014	December 31, 2013
<i>(in thousands of dollars)</i>				
Senior debt obligations				
Series 2006-1, 5.249%	5.299%	2036	\$ 150,000	\$ 150,000
Series 2008-1, 5.243%	5.354%	2018	201,322	201,394
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%	3.041%	2022	275,000	275,000
Series 2013-1, 4.446%	4.484%	2053	250,000	250,000
Series 2013-2, 3.621%	3.705%	2020	125,000	125,000
Series 2013-3, 4.922%	4.963%	2043	350,000	350,000
Series 2013-4, 3.668%	3.732%	2023	500,000	500,000
			2,701,322	2,701,394
Less: deferred financing fees			(15,981)	(16,168)
Long-term debt			\$ 2,685,341	\$ 2,685,226

Long-term debt issued under the existing \$2,500.0 million Short Form Base Shelf Prospectus as at March 31, 2014 was \$1,500.0 million (December 31, 2013 - \$1,500.0 million). 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.

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) Scheduled principal repayments

(in thousands of dollars)

Maturing

2015	\$	—
2016		—
2017		—
2018		200,000
2019		—
2020 and thereafter		2,500,000

10. Debt (cont'd)

(d) Finance costs

	Three months ended	
	March 31, 2014	March 31, 2013
<i>(in thousands of dollars)</i>		
Interest expense	\$ 29,327	\$ 20,913
Amortization of deferred financing fees	195	402
Capitalized borrowing costs	(330)	(208)
	\$ 29,192	\$ 21,107

11. Deferred revenue

	Third Party Contributions	Deferred Revenue for Salvage	Total
<i>(in thousands of dollars)</i>			
As at January 1, 2013	\$ 434,199	\$ 167,926	\$ 602,125
Transferred from third party deposits [note 8]	174,552	—	174,552
Received through transmission tariff	—	18,751	18,751
Recognized as revenue	(14,816)	(16,092)	(30,908)
As at December 31, 2013	593,935	170,585	764,520
Transferred from third party deposits [note 8]	17,622	—	17,622
Received through transmission tariff [note 13]	—	4,782	4,782
Recognized as revenue [notes 13 and 14]	(4,689)	(3,211)	(7,900)
As at March 31, 2014	\$ 606,868	\$ 172,156	\$ 779,024
Current portion			\$ 34,035
Long-term portion			730,485
As at December 31, 2013			\$ 764,520
Current portion			\$ 34,736
Long-term portion			744,288
As at March 31, 2014			\$ 779,024

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.

12. 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.

12. Related party transactions (cont'd)

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:

	Three months ended	
	March 31, 2014	March 31, 2013
<i>(in thousands of dollars)</i>		
Employee compensation and benefits		
AltaLink Management Ltd.	\$ 34,107	\$ 27,676
Construction related services		
SNC – Lavalin ATP Inc.	354,833	323,530

Amounts included in trade and other payables are:

	As at	
	March 31, 2014	December 31, 2013
<i>(in thousands of dollars)</i>		
AltaLink Management Ltd.	\$ 12,028	\$ 20,263
SNC-Lavalin ATP Inc.	468,609	287,882

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.

For the three months ended March 31, 2014 and 2013, there were no other material related party transactions.

13. 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 AltaLink to collect the majority of the requested revenue requirement for 2013 and 2014, applied for in the compliance filing.

In Decisions 2011-474 and 2013-459, the Commission approved a placeholder of 8.75% for 2013 and 2014 return on common equity, respectively, 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 period.

13. Revenue from operations (cont'd)

	Three months ended	
	March 31, 2014	March 31, 2013
<i>(in thousands of dollars)</i>		
Return on rate base	\$ 58,800	\$ 49,925
Recovery of forecast expenses	61,300	55,675
Deemed income taxes	10,900	8,275
Approved interim transmission tariff	131,000	113,875
Receivable/(repayable) directly assigned capital projects related revenue	16,387	(10,809)
Receivable/(repayable) property taxes and other	973	(346)
Salvage costs transferred to deferred revenue [note 11]	(4,782)	(3,889)
AFUDC net of capitalized borrowing costs	393	310
Adjustments related to regulatory activities	4,167	3,606
Revenue from operations	\$ 148,138	\$ 102,747

For the three months ended March 31, 2014, approximately 94% of the Partnership's revenue is attributable to the AESO (March 31, 2013 – approximately 94%).

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

	Three months ended	
	March 31, 2014	March 31, 2013
<i>(in thousands of dollars)</i>		
Revenue related to salvage costs [note 11]	\$ 3,211	\$ 3,726
Recovery of loss/(repayment of gain) on disposal of assets	1,069	(56)
Other	(113)	(64)
	\$ 4,167	\$ 3,606

14. Expenses

(a) Operating expenses

	Three months ended	
	March 31, 2014	March 31, 2013
<i>(in thousands of dollars)</i>		
Employee salaries and benefits	\$ 14,896	\$ 10,335
Contracted labour	5,176	5,069
Other operating expenses	5,765	4,714
	\$ 25,837	\$ 20,118

(b) Property taxes, salvage and other expenses

	Three months ended	
	March 31, 2014	March 31, 2013
<i>(in thousands of dollars)</i>		
Property and business tax	\$ 7,366	\$ 6,224
Salvage expenses	3,211	3,726
Annual structure payments	1,857	1,964
Hearing expenses and other	2,336	479
	\$ 14,770	\$ 12,393

14. Expenses (cont'd)

Property taxes, salvage and other expenses do not have an impact on net income because they are fully recovered in tariff revenue (note 13 - *Revenue from operations*).

15. Commitments

The contractual commitments of the Partnership for the purchase of property, plant and equipment as at March 31, 2014 are \$1,467.2 million (December 31, 2013 - \$1,791.8 million). Of these commitments, approximately 87% are with SNC-Lavalin ATP Inc., a wholly owned subsidiary of SNC (December 31, 2013 – approximately 86%).

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 91% relates to the Partnership's head office leases.

Expected minimum lease payments in future years are as follows:

	As at March 31, 2014
<i>(in thousands of dollars)</i>	
Operating lease obligations payable on non-cancellable leases are as follows:	
No later than 1 year	\$ 4,596
Later than 1 year and no later than 5 years	16,911
Later than 5 years	20,463
	\$ 41,970

16. 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.