AltaLink, L.P.

Consolidated Condensed Interim Financial Statements (unaudited)

For the three months ended March 31, 2023 and 2022

ALTALINK
A BERKSHIRE HATHAWAY ENERGY COMPANY

Statement of Financial Position
(unaudited)

	Notes	As at March 31, 2023	As at December 31, 2022
(in thousands of dollars)			
ASSETS			
Current			
Cash		**$ 4,760**	$ 62
Trade and other receivables	6	**108,246**	115,863
		113,006	115,925
Non-current			
Goodwill		**202,066**	202,066
Intangible assets	7	**279,271**	279,287
Property, plant and equipment	8	**8,021,837**	8,042,951
Third party deposits	9	**60,632**	60,365
Other non-current assets	6	**1,216,454**	1,197,158
		$ 9,893,266	$ 9,897,752
LIABILITIES AND PARTNERS' EQUITY			
Current			
Trade and other payables	10	**$ 121,310**	$ 101,058
Commercial paper and bank credit facilities	11	**106,000**	122,665
Long-term debt maturing in less than one year	11	**500,000**	500,000
Current portion of deferred revenue	12	**55,962**	56,068
		783,272	779,791
Non-current			
Long-term debt	11	**4,224,296**	4,224,376
Deferred revenue	12	**1,057,345**	1,051,599
Third party deposits liability	9	**60,632**	60,365
Lease liabilities	13	**48,179**	48,714
Other non-current liabilities	10	**34,308**	36,031
		6,208,032	6,200,876
Commitments and contingencies	18, 19		
Partners' equity			
AltaLink, L.P. equity		**3,668,769**	3,680,355
Non-controlling interests	17	**16,465**	16,521
		3,685,234	3,696,876
		$ 9,893,266	$ 9,897,752

See accompanying notes to the consolidated condensed interim financial statements.

ALTALINK
A BERKSHIRE HATHAWAY ENERGY COMPANY

Statement of Comprehensive Income

(unaudited)

	Notes	Three months ended March 31, 2023	March 31, 2022
(in thousands of dollars)			
Revenue			
Operations	15	**$ 236,654**	$ 237,490
Other		**9,500**	9,027
		246,154	246,517
Expenses			
Operating	16	**(29,103)**	(30,012)
Property taxes, salvage and other	16	**(22,999)**	(25,043)
Depreciation and amortization		**(72,360)**	(70,019)
		(124,462)	(125,074)
Operating income		**121,692**	121,443
Finance costs	11	**(47,963)**	(45,766)
(Loss) gain on disposal of assets		**(560)**	19
Income before non-controlling interests		**$ 73,169**	$ 75,696
Non-controlling interests		**(412)**	(424)
Net and comprehensive income		**$ 72,757**	$ 75,272

See accompanying notes to the consolidated condensed interim financial statements.

Statement of Changes in Partners' Equity

(unaudited)

(in thousands of dollars)	Units (thousands)	Allocation to Limited Partner	Allocation to General Partner	Total Retained Earnings	Partners' Capital	Non-Controllin Interests	Total Equity
As at January 1, 2022	331,904	$ 1,483,492	$ 149	$ 1,483,641	$ 2,130,433	$ 16,603	$ 3,630,677
Net and comprehensive income including non-controlling interests	—	75,265	7	75,272	—	424	75,696
Distributions paid	—	(49,495)	(5)	(49,500)	—	(426)	(49,926)
Equity reclassified to financial (redemption) liability	—	—	—	—	2	—	2
Balance at March 31, 2022	331,904	$ 1,509,262	$ 151	$ 1,509,413	$ 2,130,435	$ 16,601	$ 3,656,449
As at January 1, 2023	**331,904**	**$ 1,549,685**	**$ 155**	**$ 1,549,840**	**$ 2,130,515**	**$ 16,521**	**$ 3,696,876**
Net and comprehensive income including non-controlling interests	**—**	**72,750**	**7**	**72,757**	**—**	**412**	**73,169**
Distributions paid	**—**	**(84,392)**	**(8)**	**(84,400)**	**—**	**(468)**	**(84,868)**
Equity reclassified to financial (redemption) liability	**—**	**—**	**—**	**—**	**57**	**—**	**57**
Balance at March 31, 2023	**331,904**	**$ 1,538,043**	**$ 154**	**$ 1,538,197**	**$ 2,130,572**	**$ 16,465**	**$ 3,685,234**

See accompanying notes to the consolidated condensed interim financial statements.

Statement of Cash Flows

(unaudited)

	Notes	Three months ended March 31, 2023	March 31, 2022
(in thousands of dollars)			
Cash flows from operating activities			
Net income before non-controlling interests		**$ 73,169**	$ 75,696
Adjustments for			
Depreciation and amortization		**72,360**	70,019
Third party contributions revenue	12	**(6,641)**	(6,341)
Loss (gain) on disposal of assets		**560**	(19)
Disallowed net capital costs	8	**—**	1,547
Change in other items		**(19,058)**	(20,849)
Change in non-cash working capital		**37,988**	(32,745)
Net cash provided by operating activities		**158,378**	87,308
Cash flows from investing activities			
Capital expenditures		**(61,079)**	(56,965)
Use of third party contributions		**10,076**	10,718
Refund of third party contributions		**(160)**	—
Net cash used in investing activities		**(51,163)**	(46,247)
Cash flows from financing activities			
Net movement in commercial paper and bank credit facilities		**(16,665)**	3,500
Distributions paid		**(84,400)**	(49,500)
Distributions paid to non-controlling interests		**(468)**	(426)
Principal repayments of lease liabilities		**(526)**	(437)
Change in other financing activities		**(458)**	38
Net cash used in financing activities		**(102,517)**	(46,825)
Net change in cash		**4,698**	(5,764)
Cash, beginning of period		**62**	6,611
Cash, end of period		**$ 4,760**	$ 847
Supplementary cash flow information			
Interest paid		**$ (25,197)**	$ (24,115)

See accompanying notes to the consolidated condensed interim financial statements.

1. General information

AltaLink, L.P. (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. AltaLink's head office is located at 2611 - 3rd Avenue SE, Calgary, Alberta, T2A 7W7. AltaLink has one limited partner, AltaLink Investments, L.P., and is managed by AltaLink Management Ltd. (the General Partner). While the General Partner may hold legal title to the assets, AltaLink is the beneficial owner and assumes all risks and rewards of the assets.

On December 1, 2014, BHE Canada Holdings Corporation became the sole owner of AltaLink by indirectly acquiring 100 percent of AltaLink.

These consolidated condensed interim financial statements (the consolidated financial statements) include the accounts of AltaLink and its subsidiary entities, PiikaniLink, L.P. (PLP) and KainaiLink, L.P. (KLP) (collectively, the Partnership). For the purposes of consolidation, intercompany accounts and transactions have been eliminated.

The Partnership is regulated by the Alberta Utilities Commission (AUC), pursuant to the Electric Utilities Act (Alberta) (EUA), the Public Utilities Act (Alberta), the Alberta Utilities Commission Act (Alberta), and the Hydro and Electric Energy Act (Alberta). These statutes and their respective regulations cover matters such as tariffs, construction, operations and financing. 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, 2023 and 2022, the Partnership operated solely in one reportable geographical and business segment.

2. Basis of preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*. They should be read in conjunction with the Partnership's most recent annual audited consolidated financial statements as at and for the year ended December 31, 2022.

The Partnership has consistently applied the same accounting policies in these consolidated financial statements as compared to its 2022 annual audited consolidated financial statements.

Certain of the material accounting policies adopted to prepare these consolidated financial statements are set out below. The consolidated financial statements reflect the financial position and financial performance of the Partnership and do not include all the assets, liabilities, revenues and expenses of AltaLink Investments, L.P. or AltaLink Management Ltd.

These consolidated financial statements were approved for issue by the Audit Committee on April 25, 2023, as delegated by the Board of Directors.

Basis of measurement

These consolidated financial statements have been prepared on a going concern and historical cost basis except for employee retirement benefits liabilities and cash, which are measured at fair value.

Functional and presentation currency

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

Use of estimates and judgement

The preparation of these consolidated financial statements require management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues 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 consolidated 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 consolidated 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 reasonable assumptions. 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 and judgements include:

- Expected regulatory decisions on matters that may impact revenue;
- The recovery and settlement of financial assets and liabilities related to regulated activities, including the collection of the recovery of future income taxes and prudence reviews of capital additions by the AUC;
- Key economic assumptions used in cash flow projections to assess goodwill for impairment;
- 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 cancelled or delayed in the regulatory process; and
- The accruals for capital projects.

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.

3. Summary of material accounting policy information

The following is a summary of certain of the material accounting policy information. For a complete summary of significant accounting policies, please refer to note 3 in the Partnership's 2022 annual audited consolidated financial statements.

Regulation of transmission tariffs

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 based on return on rate base and allowance for funds used during construction (AFUDC) for projects included in construction work-in-progress (CWIP). The Partnership applies for transmission tariffs based on forecasted costs-of-service. The Partnership's transmission tariffs are not dependent on the price or volume of electricity transported through its transmission system. Once approved, the transmission tariffs are not adjusted if actual costs-of-service differ from forecast, except for certain prescribed costs for which deferral and reserve accounts are established within the transmission tariffs. The annual transmission tariff is received from the AESO in equal monthly installments and is included in accounts receivable as it falls due.

All tariff adjustments arising from deferral or reserve accounts relate to services provided to the AESO during the reporting periods, 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 consolidated financial statements, such an estimate will be recorded in the current period. When the AUC issues a decision affecting the consolidated financial statements of a prior period, the final effects of the decision are recorded in the period in which the decision is issued.

Revenue recognition

Operations revenue from regulated activities represent the inflow of economic benefits earned during the period arising in the ordinary course of the Partnership's operating activities. The Partnership has a single performance obligation to stand ready to provide electrical transmission services through its transmission infrastructure as directed by the AUC. The return earned by the Partnership is based on tariffs approved by the AUC and is subject to change. Operations revenue is recognized on an accrual basis in accordance with tariffs approved by the AUC and based on the value of consideration expected to be received by the Partnership. 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 consolidated financial statements.

Revenue for the recovery of deemed future income taxes is accrued based on the underlying right of the Partnership to earn an after-tax rate of return.

Funds provided by the AUC to pay for salvage costs are deferred and released into revenue from operations when the associated salvage activities are performed, and costs are incurred.

Other revenue represents revenue received from third parties and includes, but is not limited to, amortization of third party contributions, cost recoveries for services provided to other utilities, and rental income. 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. Cost recovery revenue is recognized on an accrual basis as the costs are incurred. Rental income from third parties is recognized on a straight-line basis over the contract term.

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.

Financial assets are reviewed for impairment every reporting period. The carrying amounts of financial assets are net of any disallowances or impairments recognized for any identified lifetime expected credit losses. Expected credit losses are a probability-weighted estimate of the present value of expected cash shortfalls over the expected life of the financial asset, determined based on the Partnership's historical experience and forward-looking information.

The regulatory and legal rights and obligations under which the Partnership operates also require the Partnership to refund to the AESO certain amounts that were received in the Partnership's tariffs that are greater than its actual expenses.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and disallowed capital cost impairments. 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, the weighted average 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 year. 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 in the period the changes were identified.

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 or repayable to the AESO through future transmission tariffs. The Partnership recognizes the related amounts in revenue and records the amount as financial assets or liabilities related to regulated activities. Capital inventory and land are capitalized but not depreciated. CWIP is capitalized but not depreciated until the assets are available for use and the costs have been transferred to lines, substations, and buildings and equipment.

Reviews of property, plant and equipment 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.

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.

4. Adoption of new and revised accounting standards

Amendments to standards effective on January 1, 2023

The Partnership has adopted amendments to *IAS 1 Presentation of Financial Statements* and to *IFRS Practice Statement 2 Making Materiality Judgements* as of January 1, 2023. These amendments provide guidance and examples to help in applying materiality judgements to accounting policy disclosures. In particular, the amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies; and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures by applying the four-step materiality process.

Management has determined its previously disclosed non-controlling interests policy remains consistent with *IFRS 10 Consolidated Financial Statements*, but it is not material for disclosure as an accounting policy.

5. Risk management and financial instruments

Fair value of financial instruments

Financial Instrument	Designated Category	Measurement Basis	Associated Risks	Fair Value at March 31, 2023
Cash	Fair value through profit or loss	Fair value	· Market · Credit	Carrying value is fair value due to short-term nature.
Trade and other receivables and other non-current assets [note 6]	Amortized cost	Initially at fair value and subsequently at amortized cost	· Credit · Liquidity	Amortized cost or carrying value approximates fair value due to nature of the asset.
Trade and other payables and other non-current liabilities [note 10]	Amortized cost	Initially at fair value and subsequently at amortized cost	· Liquidity	Amortized cost or carrying value approximates fair value due to nature of the liability.
Commercial paper and bank credit facilities and long-term debt [note 11]	Amortized cost	Initially at fair value and subsequently at amortized cost	· Market · Liquidity	$4,634.0 million. Due to the short-term nature of commercial paper and bank credit facilities, carrying value approximates fair value. Long-term debt fair values are determined using quoted market prices (which are classified as level 1 inputs).
Lease liabilities [note 13]	Amortized cost	Initially at fair value and subsequently at amortized cost	· Liquidity · Market	Amortized cost approximates fair value due to nature of the liability.
Third party deposits [note 9]	Amortized cost	Initially at fair value and subsequently at amortized cost	· Market · Credit · Liquidity	Carrying value approximates fair value as cash received is held in short-term investments.
Third party deposits liability [note 9]	Amortized cost	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.

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 97% of its trade receivable balance at March 31, 2023 is due from the AESO (December 31, 2022 – approximately 97%). The credit risk is mitigated by the fact that the AESO is an "AA-" rated entity by Standard & Poor's, and it has been established under the EUA, while the remaining trade receivables are mostly due from investment grade utilities, comprised mainly of amounts due for construction services and tower and land rents.

More than 99% of the trade receivables balance at March 31, 2023 is with third parties that the Partnership has been transacting with for over five years (December 31, 2022 – more than 99%). None of these balances are considered credit-impaired at the reporting date.

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

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:

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 its debt requirements with long-term debt securities for which interest rates are fixed during the entire term of each security, generally ranging from 5 to 50 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 7 to 90 days from the date of issue. It is the Partnership's practice to issue commercial paper for substantially all its short-term funding requirements.

The Partnership is not exposed to interest rate risk on new long-term debt issues. This risk is managed through the long-term debt deferral account, which protects the Partnership against interest rate forecast risk on new long-term debt issues. Volume risk on new long-term debt issuance is managed through the direct assign capital deferral account. For short-term debt, the Partnership is at risk for increases in interest rates above the rate approved by the AUC and any volume variances not caused by changes in direct assign capital expenditures.

Foreign exchange risk

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

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.

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 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 pay distributions 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, 2023 (millions)	**%**	December 31, 2022 (millions)	%
Commercial paper and bank credit facilities	**$ 106.0**	**1.2**	$ 122.7	1.4
Long-term debt maturing in less than one year	**500.0**	**5.9**	500.0	5.8
Long-term debt (before netting deferred financing fees)	**4,245.2**	**49.7**	4,245.2	49.6
AltaLink, L.P. capital	**2,130.6**	**25.0**	2,130.5	24.9
Non-controlling interests	**16.5**	**0.2**	16.5	0.2
Retained earnings	**1,538.2**	**18.0**	1,549.9	18.1
	$ 8,536.5	**100.0**	$ 8,564.8	100.0

The Partnership is subject to externally imposed capitalization requirements under its Master Trust Indenture and the bank credit facilities. These agreements limit the amount of debt that can be incurred to 75% of total capitalization. The Partnership was in compliance with these requirements as at March 31, 2023 and December 31, 2022.

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

	As at	
(in thousands of dollars)	**March 31, 2023**	December 31, 2022
Trade receivables	**$ 75,547**	$ 86,314
Prepaid expenses and deposits	**18,989**	15,870
Current financial assets related to regulated activities	**13,710**	13,679
Total trade and other receivables	**$ 108,246**	$ 115,863
CWIP-in-rate base and related income tax receivable	**$ 235,991**	$ 237,463
Recovery of deemed future income taxes	**662,035**	644,159
Cancelled projects	**1,343**	1,340
Other non-current financial assets related to regulated activities	**317,085**	314,196
Total other non-current assets	**$ 1,216,454**	$ 1,197,158

Trade receivables as at March 31, 2023 include $73.6 million due from the AESO for the March portion of the transmission tariffs (December 31, 2022 – $83.7 million).

Financial assets related to regulated activities include amounts that have been added to rate base for regulatory purposes, which will be recovered or repaid in tariff revenue over a time period, as approved by the AUC. Financial assets related to regulated activities also include the accrued recovery of deemed future income taxes which is based on the underlying right of the Partnership to earn an after-tax rate of return. Other non-current assets are comprised of financial assets related to regulated activities.

7. Intangible assets

	As at March 31, 2023	As at December 31, 2022
(in thousands of dollars)		
Net book value, beginning of period	**$ 279,287**	$ 289,727
Additions to CWIP	**5,337**	18,220
Disposals and retirements, net	**—**	(4,855)
Amortization	**(5,353)**	(23,805)
Net book value, end of period	**$ 279,271**	$ 279,287

During the three months ended March 31, 2023, the Partnership transferred $1.9 million (March 31, 2022 – $1.5 million) to land rights and computer software from CWIP.

8. Property, plant and equipment

(in thousands of dollars)	Lines[1]	Substations[2]	Buildings & equipment[3]	Land & CWIP[4]	Total
Cost					
As at January 1, 2022	$ 5,279,954	$ 4,366,784	$ 284,185	$ 240,059	$ 10,170,982
Additions to CWIP	—	—	—	233,875	233,875
Transfers	89,526	135,082	20,563	(245,171)	—
Cancelled project transfers	—	—	—	(9,789)	(9,789)
Disallowed capital costs[5]	(1,547)	—	—	—	(1,547)
Retirements and other	(1,313)	(7,123)	(10,767)	—	(19,203)
As at December 31, 2022	5,366,620	4,494,743	293,981	218,974	10,374,318
Additions to CWIP	**—**	**—**	**—**	**47,104**	**47,104**
Transfers	**8,190**	**11,655**	**2,104**	**(21,949)**	**—**
Cancelled project transfers	**—**	**—**	**—**	**(99)**	**(99)**
Retirements and other	**(92)**	**(306)**	**—**	**—**	**(398)**
As at March 31, 2023	**$ 5,374,718**	**$ 4,506,092**	**$ 296,085**	**$ 244,030**	**$ 10,420,925**
Accumulated depreciation					
As at January 1, 2022	$ (863,533)	$ (1,133,507)	$ (84,206)	$ —	$ (2,081,246)
Depreciation expense	(109,748)	(136,460)	(19,329)	—	(265,537)
Disallowed capital depreciation[5]	18	—	—	—	18
Retirements and other	756	4,068	10,574	—	15,398
As at December 31, 2022	(972,507)	(1,265,899)	(92,961)	—	(2,331,367)
Depreciation expense	**(28,101)**	**(34,677)**	**(4,781)**	**—**	**(67,559)**
Retirements and other	**(69)**	**(93)**	**—**	**—**	**(162)**
As at March 31, 2023	**$ (1,000,677)**	**$ (1,300,669)**	**$ (97,742)**	**$ —**	**$ (2,399,088)**
Net book value					
As at December 31, 2022	$ 4,394,113	$ 3,228,844	$ 201,020	$ 218,974	$ 8,042,951
As at March 31, 2023	**$ 4,374,041**	**$ 3,205,423**	**$ 198,343**	**$ 244,030**	**$ 8,021,837**

1. Lines – transmission lines and related equipment.
2. Substations – substation and telecontrol equipment.

3. Buildings & equipment – office buildings, leasehold improvements, leased assets, vehicles, tools and instruments, office furniture, telephone and related equipment, computer hardware and emergency capital spare parts. Leased assets relate to five building leases with an average remaining lease term of 15.4 years and net book value of $36.3 million as at March 31, 2023 (December 31, 2022 – $36.9 million); there were no additions to the cost of the leased assets during the three months ended March 31, 2023 (December 31, 2022 – $nil).
4. Land & CWIP – land, capitalized inventory and CWIP. CWIP is reclassified to the appropriate asset classes when the assets are available for use.
5. On January 19, 2022, the AUC issued its decision on AltaLink's 2022-2023 General Tariff Application, disallowing $1.55 million of capital replacement and upgrade project additions related to AltaLink's Wildfire Mitigation Plan. The net book value of the disallowed capital costs was $1.54 million and AltaLink repaid $0.01 million of accumulated depreciation which it had recovered.

9. Third party deposits

(in thousands of dollars)	Contributions in Advance of Construction	Operating and Maintenance Charges in Advance	Total
As at January 1, 2022	$ 58,383	$ 5,913	$ 64,296
Receipts and interest net of refunds	57,111	136	57,247
Transfers to deferred revenue	(60,996)	—	(60,996)
Recognized other revenue	—	(182)	(182)
As at December 31, 2022	54,498	5,867	60,365
Receipts and interest net of refunds	**10,415**	**70**	**10,485**
Transfers to deferred revenue	**(10,172)**	**—**	**(10,172)**
Recognized other revenue	**—**	**(46)**	**(46)**
As at March 31, 2023	**$ 54,741**	**$ 5,891**	**$ 60,632**

Third party deposits are held in short-term investments, which are reinvested as needed. These investments earned a weighted average annual effective interest rate of 4.44% as at March 31, 2023 (December 31, 2022 – 4.29%). For contributions in advance of construction, all interest is credited to the specific customer.

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

(in thousands of dollars)	As at **March 31, 2023**	December 31, 2022
Trade and accrued payables	**$ 60,295**	$ 63,374
Accrued interest on debt	**50,442**	27,213
Other current liabilities	**6,768**	7,303
Current financial liabilities related to regulated activities	**3,805**	3,168
Total trade and other payables	**$ 121,310**	$ 101,058
Accrued employment benefit liabilities	**$ 6,775**	$ 8,382
Other long-term liabilities	**4,820**	4,802
Non-current financial liabilities related to regulated activities	**6,248**	6,326
Financial (redemption) liabilities	**16,465**	16,521
Total other non-current liabilities	**$ 34,308**	$ 36,031

Financial liabilities related to regulated activities include accruals for the repayment of deferral account balances which are certain costs that were incurred by the Partnership relating to its primary activities with the AESO that are less than what was received in tariffs.

Piikani Transmission Holding Limited Partnership (the nominee of the Piikani First Nation) and 1759511 Alberta Ltd. (the nominee of the Blood Tribe) have put options to sell all their units in PLP and KLP, respectively, to AltaLink at any time, subject to regulatory approvals from the AUC. To reflect the put options of Piikani Transmission Holding Limited Partnership and 1759511 Alberta Ltd., the Partnership recognizes a financial (redemption) liability and reduces AltaLink partners' capital in these consolidated financial statements. The valuation of the purchase price on the put options are defined in the partnership agreements and are calculated as the net regulatory book value of long-term assets less the book value of long-term debt on the put option exercise date.

11. Debt

Commercial paper and credit facilities

As at March 31, 2023		**Committed**		**Drawdowns**		**Commercial paper outstanding**		**Letters of credit outstanding**		**Availability**	**Maturity date of facility**
(in thousands of dollars)											
Revolving credit facility	**$**	**500,000**	**$**	**—**	**$**	**106,000**	**$**	**—**	**$**	**394,000**	**December 15, 2027**
Revolving credit facility		**75,000**		**—**		**—**		**1,694**		**73,306**	**December 15, 2027**
Inter-affiliate revolving credit facility		**150,000**		**—**		**—**		**—**		**150,000**	**March 31, 2026**
	$	**725,000**	**$**	**—**	**$**	**106,000**	**$**	**1,694**	**$**	**617,306**	

In addition, the Partnership has outstanding cheques net of cash in the amount of $nil as at March 31, 2023 (December 31, 2022 – $1.2 million).

As at December 31, 2022		Committed		Drawdowns		Commercial paper outstanding		Letters of credit outstanding		Availability	Maturity date of facility
(in thousands of dollars)											
Revolving credit facility	$	500,000	$	—	$	121,500	$	—	$	378,500	December 15, 2027
Revolving credit facility		75,000		—		—		1,694		73,306	December 15, 2027
	$	575,000	$	—	$	121,500	$	1,694	$	451,806	

The $500.0 million revolving bank credit facility provides support for the borrowing under the unsecured commercial paper program and may also be used for operating expenses, capital expenditures, working capital needs, and for general corporate purposes including the payment of distributions. Drawdowns under this facility may be in the form of Canadian prime rate loans or bankers' acceptances.

The $75.0 million revolving bank credit facility may be used for operating expenses, capital expenditures, working capital needs, and for general corporate purposes including the payment of distributions. Drawdowns under this facility may be in the form of Canadian prime rate loans bankers' acceptances, U.S. base rate loans or drawn letters of credit.

On an annual basis, the Partnership can request the lenders’ consent that the maturity date of the credit facilities be extended for a further 365 days.

The $150.0 million inter-affiliate revolving credit facility provided by AltaLink Investments, L.P. may be used for operating expenses, capital expenditures, working capital needs, and for general corporate purposes including the payment of distributions. Drawdowns under this facility may be in the form of Canadian prime rate loans.

Long-term debt

	Effective Interest Rate	Maturing	As at March 31, 2023	December 31, 2022
(in thousands of dollars)				
Senior Debt obligations				
Series 2013-4, 3.668%	3.733%	2023	**500,000**	500,000
Series 2014-1, 3.399%	3.463%	2024	**350,000**	350,000
Series 2016-1, 2.747%	2.813%	2026	**350,000**	350,000
Series 2020-1, 1.509%	1.588%	2030	**225,000**	225,000
Series 2022-1, 4.692%	4.779%	2032	**275,000**	275,000
Series 2006-1, 5.249%	5.299%	2036	**150,000**	150,000
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%	4.029%	2042	**525,000**	525,000
Series 2013-3, 4.922%	4.963%	2043	**350,000**	350,000
Series 2014-3, 4.054%	4.091%	2044	**295,000**	295,000
Series 2015-1, 4.090%	4.127%	2045	**350,000**	350,000
Series 2016-2, 3.717%	3.753%	2046	**450,000**	450,000
Series 2013-1, 4.446%	4.484%	2053	**250,000**	250,000
Series 2014-2, 4.274%	4.305%	2064	**130,000**	130,000
			4,750,000	4,750,000
Debt discounts and premiums			**(4,784)**	(4,824)
Less: deferred financing fees			**(20,920)**	(20,800)
Long-term debt maturing in less than one year			**(500,000)**	(500,000)
Long-term debt			**$ 4,224,296**	$ 4,224,376

The Partnership uses the proceeds from the issuance of Senior Debt obligations to repay commercial paper and indebtedness outstanding under the Partnership's credit facilities and maturing Senior Debt obligations, to finance the capital construction program, and for general corporate purposes.

In November 2022, AltaLink issued $275.0 million of 4.692% 10-year Series 2022-1 Senior Secured Notes due November 28, 2032 and repaid $275.0 million of maturing 2.978% 10-year Series 2012-2 Medium-Term Notes due November 28, 2022.

The Senior Debt obligations 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 Term 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 has no current plans to redeem any of its long-term debt prior to maturity. Certain of the AltaLink debt instruments have a provision which allows for redemption at the face amount, either three or six months before maturity.

Scheduled principal repayments

(in thousands of dollars)	
Maturing	
Fourth quarter 2023	$ 500,000
Second quarter 2024	350,000
2025	—
2026	350,000
2027	—
2028 and thereafter	3,550,000

Finance costs

	Three months ended	
	March 31, 2023	March 31, 2022
(in thousands of dollars)		
Interest expense	**$ 47,943**	$ 45,683
Amortization of deferred financing fees	**378**	371
Capitalized borrowing costs[1] [note 15]	**(841)**	(791)
Interest expense on lease liabilities	**483**	503
	$ 47,963	$ 45,766

1. The average capitalization rate during the period ended March 31, 2023 was 3.96% (December 31, 2022 – 3.84%, March 31, 2022 – 3.81%).

12. Deferred revenue

(in thousands of dollars)	Deferred Revenue for Salvage	Third Party Contributions	Total
As at January 1, 2022	$ 214,725	$ 889,791	$ 1,104,516
Transferred from third party deposits net of refunds	—	34,891	34,891
Cancelled project transfers	—	(8,449)	(8,449)
Received through transmission tariffs	30,600	—	30,600
Transferred from third parties	26	—	26
Recognized as revenue	(28,597)	(25,320)	(53,917)
As at December 31, 2022	216,754	890,913	1,107,667
Transferred from third party deposits net of refunds	**—**	**10,012**	**10,012**
Cancelled project transfers	**—**	**(96)**	**(96)**
Received through transmission tariffs [note 15]	**7,650**	**—**	**7,650**
Recognized as revenue	**(5,285)**	**(6,641)**	**(11,926)**
As at March 31, 2023	**$ 219,119**	**$ 894,188**	**$ 1,113,307**

	As at	
	March 31, 2023	December 31, 2022
(in thousands of dollars)		
Current portion	**$ 55,962**	$ 56,068
Long-term portion	**1,057,345**	1,051,599
	$ 1,113,307	$ 1,107,667

13. Lease liabilities

Lease liabilities

	As at	
	March 31, 2023	December 31, 2022
(in thousands of dollars)		
Current lease liabilities	**$ 2,142**	$ 2,133
Long-term portion	**48,179**	48,714
	$ 50,321	$ 50,847

Lease payments

	Remaining nine months 2023	2024	2025	2026	2027	2028 and thereafter	**Total as at March 31, 2023**
(in thousands of dollars)							
Lease payments	$ 3,027	$ 3,924	$ 4,228	$ 4,299	$ 4,300	$ 47,573	**$ 67,351**
Amounts representing implicit interest							**(17,030)**
Lease liabilities							**$ 50,321**

As at March 31, 2023, the weighted average lessee incremental borrowing rate applied to the lease liabilities is 3.84% (December 31, 2022 – 3.84%).

Amounts related to leases recognized in statement of comprehensive income

	Three months ended March 31,	
	2023	2022
(in thousands of dollars)		
Gross depreciation	**652**	$ 652
Capitalized depreciation	**(552)**	(527)
Net depreciation expense	**100**	$ 125
Interest expense	**483**	503
Expense related to short-term and variable lease payments not included in the measurement of the lease liability	**644**	942
	1,227	$ 1,570

14. Related party transactions

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, 2023	March 31, 2022
(in thousands of dollars)		
AltaLink Management Ltd.		
Employee compensation and benefits	**$ 33,692**	$ 36,134
Cost recovery revenue for non-regulated activities	**$ 440**	$ 771

AltaLink Management Ltd. employs all staff who provide administrative and operational services to the Partnership on a cost reimbursement basis. The Partnership has indemnified AltaLink Management Ltd. for all associated expenses and liabilities.

The Partnership has an accrued balance for employee compensation and benefits of $16.0 million as at March 31, 2023 (December 31, 2022 – $22.9 million).

Cost recovery revenue for non-regulated activities includes services provided to AltaLink Investments, L.P., AltaLink Investment Management Ltd., AltaLink Holdings, L.P., BHE Canada, L.P., BHE Canada Limited, BHE Canada Holdings Corporation, Berkshire Hathaway Energy Company, MATL Canada L.P. and BHE Canada Rattlesnake L.P.

During the three months ended March 31, 2023, the Partnership incurred $0.5 million of third-party costs which will be paid to Berkshire Hathaway Energy Company as cost reimbursement of these third-parties charges.

AltaLink has a $150.0 million inter-affiliate revolving credit agreement from its limited partner, AltaLink Investments, L.P., with $nil drawn on this facility as at March 31, 2023.

15. Revenue from operations

The AUC approved AltaLink's 2022 revenue requirement at $870.8 million, with total approved 2022 revenue requirement, including PLP and KLP, of $878.9 million, and AltaLink's 2023 revenue requirement at $875.0 million, with total approved 2023 revenue requirement, including PLP and KLP, of $883.0 million.

On March 4, 2021, the AUC issued Decision 26212-D01-2021 approving an equity return of 8.5% and an equity ratio of 37% for 2022. On March 31, 2022, the AUC issued Decision 27084-D01-2022 approving an equity return of 8.5% and an equity ratio of 37% for 2023.

For the three months ended March 31, 2023, approximately 96% of the Partnership's revenue is attributable to the AESO (March 31, 2022 – approximately 96%).

The following table summarizes the timing differences between the revenue requirement approved on August 17, 2022 for 2023 and on January 19, 2022 for 2022, and revenue from operations earned during the periods.

	Three months ended March 31, 2023	March 31, 2022
(in thousands of dollars)		
Debt and equity return on rate base	**$ 104,179**	$ 105,212
Recovery of forecast expenses	**116,580**	114,055
Revenue requirement	**$ 220,759**	$ 219,267
AFUDC	**2,124**	2,120
(Repayable) receivable direct assigned capital projects	**(529)**	159
Receivable property taxes and other	**710**	1,266
Revenue related IFRS adjustments[1]	**13,590**	14,678
Revenue from operations	**$ 236,654**	$ 237,490

1. The Partnership has included adjustments to recognize differences in accounting treatment for International Financial Reporting Standards (IFRS) purposes, compared to regulatory purposes, as shown in more detail in the table below.

	Three months ended March 31, 2023	March 31, 2022
(in thousands of dollars)		
Revenue related to salvage costs [note 12]	**$ 5,285**	$ 6,846
Salvage funds transferred to deferred revenue [note 12]	**(7,650)**	(7,650)
Revenue for the recovery of future income taxes	**17,876**	17,999
Recovery of loss (gain) on disposal of assets other than land	**561**	(19)
Capitalized borrowing costs [note 11]	**(841)**	(791)
Collection of receivables related to IFRS adjustments	**(1,641)**	(1,707)
Revenue related IFRS adjustments	**$ 13,590**	$ 14,678

16. Expenses

Operating expenses

	Three months ended March 31, 2023	March 31, 2022
(in thousands of dollars)		
Employee salaries and benefits	**$ 15,447**	$ 16,528
Contracted labour	**5,080**	5,199
Other operating expenses	**8,576**	6,738
Disallowed capital costs [note 8]	**—**	1,547
	$ 29,103	$ 30,012

Property taxes, salvage and other expenses

	Three months ended			
		March 31, 2023		March 31, 2022
(in thousands of dollars)				
Property and business tax	**$**	**13,805**	$	13,272
Salvage expenses		**5,285**		6,846
Annual structure payments		**3,909**		3,932
Hearing expenses and other		**—**		993
	$	**22,999**	$	25,043

The property taxes, salvage and other expenses in the table above do not have an impact on net income because they are fully recovered in tariff revenue (note 15 - Revenue from operations).

17. Non-controlling interests

AltaLink holds 49% interests in two non-wholly-owned subsidiaries, KLP and PLP, which are also transmission facility owners operated by the General Partner. These subsidiaries were formed to jointly hold the Southwest 240 kilovolt regulated transmission assets located on First Nations Reserve lands with local First Nation partners.

As at March 31, 2023, the non-controlling interests within the equity section of the statement of financial position are comprised of 1759511 Alberta Ltd.'s (the nominee of the Blood Tribe) $6.6 million limited partner interest (December 31, 2022 – $6.6 million) or 51% of KLP, and Piikani Transmission Holding Limited Partnership's (the nominee of the Piikani First Nation) $9.9 million limited partner interest (December 31, 2022 – $9.9 million) or 51% of PLP.

18. Commitments

The contractual commitments of the Partnership associated with the construction of new facilities as at March 31, 2023 are $101.3 million (December 31, 2022 – $90.8 million).

19. Contingencies

The Partnership is subject to legal proceedings, assessments, and claims in the ordinary course of business, including the following:

- AltaLink has been sued by third parties who seek compensation for damages in respect of certain operating, capital or other activities performed by AltaLink or its contractors.
- The Partnership has found instances of equipment, engineering or construction deficiencies following acceptance and energization of some assets. Claims processes are in place to seek recovery for such deficiencies. In one instance, the Partnership is in litigation and has claimed that specific equipment has inherent design, manufacturing and other defects that create a risk of personal injury and property damage. The Partnership has claimed $56 million for the cost of replacing specific equipment and the additional inspections required for the equipment.

At this time, in the opinion of management, the contingencies are dependent on future legal proceeding results and the likely outcomes are not determinable.