



AltaLink, L.P.

Consolidated Condensed Interim Financial Statements (unaudited)

For the three and nine months ended September 30, 2020 and 2019



Statement of Financial Position

(unaudited)

	Notes	As at	
		September 30, 2020	December 31, 2019
<i>(in thousands of dollars)</i>			
ASSETS			
Current			
Cash		\$ 50	\$ 1,313
Trade and other receivables	5	158,332	159,086
		158,382	160,399
Non-current			
Goodwill		202,066	202,066
Intangible assets	6	294,909	291,468
Property, plant and equipment	7	8,151,347	8,131,718
Third party deposits	8	83,252	62,606
Other non-current assets	5	777,585	717,921
		\$ 9,667,541	\$ 9,566,178
LIABILITIES AND PARTNERS' EQUITY			
Current			
Trade and other payables	9	\$ 143,199	\$ 136,373
Commercial paper and bank credit facilities	10	129,771	249,361
Long-term debt maturing in less than one year	10	—	125,000
Current portion of deferred revenue	11	56,323	61,402
		329,293	572,136
Non-current			
Long-term debt	10	4,722,368	4,497,604
Deferred revenue	11	1,051,815	995,995
Third party deposits liability	8	83,252	62,606
Lease liabilities	12	53,230	51,449
Other non-current liabilities	9	44,475	35,476
		6,284,433	6,215,266
Commitments and contingencies	17, 18		
Partners' equity			
AltaLink, L.P. equity		3,366,589	3,340,978
Non-controlling interests	16	16,519	9,934
		3,383,108	3,350,912
		\$ 9,667,541	\$ 9,566,178

See accompanying notes to the consolidated condensed interim financial statements.

Statement of Comprehensive Income

(unaudited)

	Notes	Three months ended		Nine months ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
<i>(in thousands of dollars)</i>					
Revenue					
Operations	14	\$ 232,108	\$ 247,186	\$ 700,566	\$ 703,121
Re-measurement of future income tax recovery	14	—	—	—	(57,969)
Other		11,031	7,934	29,850	31,223
		243,139	255,120	730,416	676,375
Expenses					
Operating	15	(26,609)	(22,165)	(78,512)	(78,808)
Property taxes, salvage and other	15	(24,974)	(28,278)	(72,633)	(70,187)
Depreciation and amortization		(68,012)	(65,751)	(202,819)	(199,127)
		(119,595)	(116,194)	(353,964)	(348,122)
		123,544	138,926	376,452	328,253
Finance costs	10	(46,804)	(46,603)	(140,900)	(141,392)
Gain (loss) on disposal of assets		64	(930)	(696)	(3,441)
Income before non-controlling interests		\$ 76,804	\$ 91,393	\$ 234,856	\$ 183,420
Non-controlling interests		(423)	(273)	(1,159)	(332)
Net and comprehensive income		\$ 76,381	\$ 91,120	\$ 233,697	\$ 183,088

See accompanying notes to the consolidated 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	Non- Controlling Interests	Total Equity
<i>(in thousands of dollars)</i>							
As at January 1, 2019	331,904	\$ 1,247,204	\$ 124	\$ 1,247,328	\$ 2,136,436	\$ —	\$ 3,383,764
Net and comprehensive income							
including non-controlling interest	—	183,070	18	183,088	—	332	183,420
Equity investment received	—	—	—	—	—	9,982	9,982
Distributions paid	—	(202,480)	(20)	(202,500)	—	(347)	(202,847)
Equity reclassified to financial (redemption) liability	—	—	—	—	(9,966)	—	(9,966)
Balance at September 30, 2019	331,904	\$ 1,227,794	\$ 122	\$ 1,227,916	\$ 2,126,470	\$ 9,967	\$ 3,364,353
As at January 1, 2020	331,904	\$ 1,214,354	\$ 121	\$ 1,214,475	\$ 2,126,503	\$ 9,934	\$ 3,350,912
Net and comprehensive income							
including non-controlling interests	—	233,673	24	233,697	—	1,159	234,856
Equity investment received	—	—	—	—	—	6,585	6,585
Distributions paid	—	(201,481)	(20)	(201,501)	—	(1,159)	(202,660)
Equity reclassified to financial (redemption) liability [note 9]	—	—	—	—	(6,585)	—	(6,585)
Balance at September 30, 2020	331,904	\$ 1,246,546	\$ 125	\$ 1,246,671	\$ 2,119,918	\$ 16,519	\$ 3,383,108

See accompanying notes to the consolidated condensed interim financial statements.

Statement of Cash Flows

(unaudited)

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
<i>(in thousands of dollars)</i>				
Cash flows from operating activities				
Net income including non-controlling interests	\$ 76,804	\$ 91,393	\$ 234,856	\$ 183,420
Adjustments for				
Depreciation and amortization	68,012	65,751	202,819	199,127
Third party contributions revenue	(6,209)	(6,072)	(18,572)	(17,976)
(Gain) loss on disposal of assets	(64)	930	696	3,441
Re-measurement of future income tax recovery	—	—	—	57,969
Change in other items	(10,836)	24,844	(31,034)	12,348
Change in non-cash working capital	20,137	(38,276)	9,897	32,883
Net cash provided by operating activities	147,844	138,570	398,662	471,212
Cash flows from investing activities				
Capital expenditures	(68,302)	(84,248)	(226,565)	(239,881)
Use of third party contributions	15,000	8,553	41,758	31,508
Proceeds from disposal of assets	—	—	35	11
Net cash used in investing activities	(53,302)	(75,695)	(184,772)	(208,362)
Cash flows from financing activities				
Senior debt repaid	(125,000)	—	(125,000)	—
Senior debt issued	225,000	—	225,000	—
Net movement in commercial paper and bank credit facilities	(119,646)	3,194	(119,590)	(76,354)
Distributions paid	(73,001)	(64,000)	(201,501)	(202,500)
Distributions paid to non-controlling interests	(387)	(347)	(1,159)	(347)
Equity received from non-controlling interests	—	—	6,585	9,982
Principal repayments of lease liabilities	(408)	(306)	(1,231)	(1,112)
Lease incentive received	—	—	3,000	4,000
Change in other financing activities	(1,100)	36	(1,257)	104
Net cash used in financing activities	(94,542)	(61,423)	(215,153)	(266,227)
Net change in cash	—	1,452	(1,263)	(3,377)
Cash, beginning of period	50	100	1,313	4,929
Cash, end of period	\$ 50	\$ 1,552	\$ 50	\$ 1,552
Supplementary cash flow information				
Interest paid	\$ (24,904)	\$ (43,589)	\$ (120,973)	\$ (123,665)

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 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 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 nine months ended September 30, 2020 and 2019, the Partnership operated solely in one reportable geographical and business segment.

2. Basis of preparation

Statement of compliance

These consolidated condensed interim financial statements (the 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, 2019.

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

Certain of the significant 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 of the assets, liabilities, revenues and expenses of the partners.

These consolidated financial statements were approved for issue by the Audit Committee on November 3, 2020, 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 the consolidated 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 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 by the AUC of direct assigned capital deferral account (DACDA) applications;
- Key economic assumptions used in cash flow projections, including those used to assess goodwill for impairment;
- The estimated useful lives of assets;
- Control over subsidiaries where the Partnership has less than a 50% ownership interest;
- Judgment in identifying whether a contract is or contains a lease;
- 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;
- The recoverability of intangible assets with indefinite lives, such as goodwill; 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.

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 2019 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 determined on the basis of 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 transmission tariffs are received from the AESO in equal monthly installments, and are 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 variability. 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 for the Partnership to earn an after-tax rate of return.

Funds provided by the regulator 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, cost recoveries for services provided to other utilities. 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 asset. Other 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 in the statement of financial position are net of impairment loss allowances 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. No provision for impairment was required during the nine months ended September 30, 2020.

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 the Partnership's tariffs that are greater than its actual expenses. Such financial liabilities related to regulated activities due to the AESO within 12 months are not discounted.

Non-controlling interests

Portions of the equity not owned by AltaLink are reflected as non-controlling interests within the equity section of the statement of financial position. Portions of the net income attributable to AltaLink and the non-controlling interests are reported on the statement of comprehensive income.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and disallowed capital costs. The initial cost of an asset consists of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and for qualifying assets, borrowing costs that are eligible to be recovered over the estimated useful life of the asset. The Partnership capitalizes major replacements and upgrades if these costs extend the life of the asset and the Partnership expects to use these items during more than one 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 prospectively.

When an asset is retired or disposed of in the normal course of business, the gain or loss is recognized immediately in the statement of comprehensive income. Generally, losses or gains are recoverable from 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. Risk management and financial instruments

Fair value of financial instruments

Financial Instrument	Designated Category	Measurement Basis	Associated Risks	Fair Value at September 30, 2020
Cash	Fair value through profit or loss	Fair value	<ul style="list-style-type: none"> · Market · Credit 	Carrying value is fair value due to short-term nature.
Trade and other receivables and other non-current assets [note 5]	Amortized cost	Initially at fair value and subsequently at amortized cost	<ul style="list-style-type: none"> · 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 9]	Amortized cost	Initially at fair value and subsequently at amortized cost	<ul style="list-style-type: none"> · 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 10]	Amortized cost	Initially at fair value and subsequently at amortized cost	<ul style="list-style-type: none"> · Market · Liquidity 	\$5,995.0 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 12]	Amortized cost	Initially at fair value and subsequently at amortized cost	<ul style="list-style-type: none"> · Liquidity · Market 	Amortized cost approximates fair value due to nature of the liability.
Third party deposits [note 8]	Amortized cost	Initially at fair value and subsequently at amortized cost	<ul style="list-style-type: none"> · Market · Credit · Liquidity 	Carrying value approximates fair value as cash received is held in short-term investments.
Third party deposits liability [note 8]	Amortized cost	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.

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 September 30, 2020 is due from the AESO (December 31, 2019 – 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 September 30, 2020 is with third parties that the Partnership has been transacting with for over five years (December 31, 2019 – 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 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 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 of 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 regulator 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 10 - 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 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			
	September 30, 2020		December 31, 2019	
	(millions)	%	(millions)	%
Commercial paper and bank credit facilities	\$ 129.8	1.6	\$ 249.4	3.0
Long-term debt maturing in less than one year	—	—	125.0	1.5
Long-term debt (before netting deferred financing fees)	4,744.8	57.6	4,519.7	54.9
AltaLink, L.P. capital	2,119.9	25.7	2,126.5	25.8
Retained earnings	1,246.7	15.1	1,214.5	14.8
	\$ 8,241.2	100.0	\$ 8,235.1	100.0

The Partnership is 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 to 75% of total capitalization. The Partnership was in compliance with these requirements as at September 30, 2020 and December 31, 2019.

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

	As at	
	September 30, 2020	December 31, 2019
<i>(in thousands of dollars)</i>		
Trade receivables	\$ 65,582	\$ 85,549
Current net lease incentive [note 12]	1,394	1,351
Prepaid expenses and deposits	30,941	12,118
Cancelled projects	26,300	26,300
Current financial assets related to regulated activities	34,115	33,768
Total trade and other receivables	\$ 158,332	\$ 159,086
CWIP-in-rate base and related income tax	\$ 248,805	\$ 255,605
Recovery of deemed future income taxes	332,172	278,626
Cancelled projects	—	2,711
Other non-current financial assets related to regulated activities	196,608	180,979
Total other non-current assets	\$ 777,585	\$ 717,921

Trade receivables as at September 30, 2020 include \$63.8 million due from the AESO for the September portion of the transmission tariffs and for the difference between recognized revenue and approved tariff revenue received (December 31, 2019 – \$82.7 million).

Current financial assets related to regulated activities and cancelled projects include the recovery of certain costs incurred by the Partnership relating to its primary activities with the AESO that are greater than what has been received to date in tariffs. The Partnership has recognized as receivables the costs to be recovered through the regulatory process. At September 30, 2020 and December 31, 2019, current financial assets related to regulated activities include 2016-2018 deferral accounts which have been filed with the AUC.

Other non-current assets 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. Non-current financial assets related to regulated activities include amounts that have been added to rate base (AFUDC in excess of capitalized borrowing costs, and losses on disposals of property, plant and equipment) and other regulatory balances. These amounts are expected to be recovered in the Partnership's tariffs beyond 12 months, as approved by the AUC.

6. Intangible assets

	As at	
	September 30, 2020	December 31, 2019
<i>(in thousands of dollars)</i>		
Net book value, beginning of period	\$ 291,468	\$ 290,862
Additions to CWIP	18,855	25,036
Amortization	(15,414)	(24,430)
Net book value, end of period	\$ 294,909	\$ 291,468

During the nine months ended September 30, 2020, the Partnership transferred \$9.9 million (September 30, 2019 – \$9.4 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, 2019	\$ 4,965,095	\$ 4,015,012	\$ 220,440	\$ 233,095	\$ 9,433,642
Additions to CWIP	—	—	—	326,869	326,869
Transfers	123,595	160,887	76,432	(360,914)	—
Cancelled project transfers	—	—	—	(2,711)	(2,711)
Retirements	(2,784)	(10,506)	(15,327)	(1)	(28,618)
As at December 31, 2019	5,085,906	4,165,393	281,545	196,338	9,729,182
Additions to CWIP	—	—	—	209,411	209,411
Transfers	68,742	45,310	10,053	(124,105)	—
Retirements and other	(293)	(1,498)	(989)	—	(2,780)
As at September 30, 2020	\$ 5,154,355	\$ 4,209,205	\$ 290,609	\$ 281,644	\$ 9,935,813
Accumulated depreciation					
As at January 1, 2019	\$ (557,007)	\$ (744,429)	\$ (71,122)	\$ —	\$ (1,372,558)
Depreciation expense	(77,839)	(152,029)	(18,398)	—	(248,266)
Retirements and other	187	6,020	17,153	—	23,360
As at December 31, 2019	(634,659)	(890,438)	(72,367)	—	(1,597,464)
Depreciation expense	(93,375)	(82,564)	(13,112)	—	(189,051)
Retirements and other	(79)	1,240	888	—	2,049
As at September 30, 2020	\$ (728,113)	\$ (971,762)	\$ (84,591)	\$ —	\$ (1,784,466)
Net book value					
As at December 31, 2019	\$ 4,451,247	\$ 3,274,955	\$ 209,178	\$ 196,338	\$ 8,131,718
As at September 30, 2020	\$ 4,426,242	\$ 3,237,443	\$ 206,018	\$ 281,644	\$ 8,151,347

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 18 years and net book value of \$42.8 million as at September 30, 2020 (December 31, 2019 – \$44.8 million); there were no additions to the cost of the leased assets for the nine months ended September 30, 2020 (December 31, 2019 – \$25.5 million).
4. Land & CWIP – land, capitalized inventory 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, 2019	\$ 60,726	\$ 6,278	\$ 67,004
Receipts net of refunds and interest	23,006	133	23,139
Transfers to deferred revenue [note 11]	(27,342)	—	(27,342)
Recognized other revenue	—	(195)	(195)
As at December 31, 2019	56,390	6,216	62,606
Receipts net of refunds and interest	62,506	49	62,555
Transfers to deferred revenue [note 11]	(41,758)	—	(41,758)
Recognized other revenue	—	(151)	(151)
As at September 30, 2020	\$ 77,138	\$ 6,114	\$ 83,252

Third party deposits are held in short-term investments, which are reinvested as needed. These investments earned an annual effective interest rate of 0.65% as at September 30, 2020 (December 31, 2019 – 2.15%). For contributions in advance of construction, all interest is credited to the specific customer.

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

	As at	
	September 30, 2020	December 31, 2019
<i>(in thousands of dollars)</i>		
Trade and accrued payables	\$ 79,953	\$ 92,719
Accrued interest on debt	49,423	27,108
Other current liabilities	4,506	9,759
Current financial liabilities related to regulated activities	9,317	6,787
Total trade and other payables	\$ 143,199	\$ 136,373
Accrued employment benefit liabilities	\$ 11,394	\$ 10,704
Other long-term liabilities	7,410	7,411
Non-current financial liabilities related to regulated activities	9,153	7,428
Financial (redemption) liability	16,518	9,933
Total other non-current liabilities	\$ 44,475	\$ 35,476

Financial liabilities related to regulated activities include accruals for the repayment of differences between certain costs that have been incurred by the Partnership relating to its primary activities with the AESO and what has been received in tariffs.

Financial (redemption) liability

Piikani Transmission Holding Limited Partnership 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 the 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.

10. Debt

Commercial paper and bank credit facilities

As at September 30, 2020 <i>(in thousands of dollars)</i>	Committed	Drawdowns	Commercial paper outstanding	Letters of credit outstanding	Availability	Maturity date of facility
Revolving credit facility	\$ 500,000	\$ —	\$ 126,000	\$ —	\$ 374,000	December 14, 2024
Revolving credit facility	75,000	—	—	3,298	71,702	December 14, 2024
Revolving credit facility	100,000	—	—	—	100,000	April 27, 2021
Total bank credit facilities	\$ 675,000	\$ —	\$ 126,000	\$ 3,298	\$ 545,702	

In addition, the Partnership has outstanding cheques net of cash in the amount of \$3.8 million as at September 30, 2020 (December 31, 2019 – \$nil).

As at December 31, 2019 <i>(in thousands of dollars)</i>	Committed	Drawdowns	Commercial paper outstanding	Letters of credit outstanding	Availability	Maturity date of facility
Revolving credit facility	\$ 500,000	\$ —	\$ 249,361	\$ —	\$ 250,639	December 14, 2023
Revolving credit facility	75,000	—	—	3,448	71,552	December 14, 2023
Total bank credit facilities	\$ 575,000	\$ —	\$ 249,361	\$ 3,448	\$ 322,191	

The \$500.0 million revolving 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. On an annual basis, with the consent of the lenders, the Partnership can request that the maturity date of the credit facility be extended for a further 365 days.

The \$75.0 million revolving 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 or bankers' acceptances, U.S. base rate loans, U.S. LIBOR loans or drawn letters of credit. On an annual basis, with the consent of the lenders, the Partnership can request that the maturity date of the credit facility be extended for a further 365 days.

The \$100.0 million revolving credit facility may be used for working capital needs and for general corporate purposes. Drawdowns under this facility may be in the form of Canadian prime rate loans or bankers' acceptances. On an annual basis, with the consent of the lenders, the Partnership can request that the maturity date of the credit facility be extended for a further 365 days. AltaLink entered into this credit facility in order to provide additional liquidity during the COVID-19 pandemic and to provide support for certain regulatory decisions.

Long-term debt

	Effective Interest Rate	Maturing	September 30, 2020	As at December 31, 2019
<i>(in thousands of dollars)</i>				
Senior Debt obligations				
Series 2013-2, 3.621%	3.705%	2020	\$ —	\$ 125,000
Series 2012-2, 2.978%	3.041%	2022	275,000	275,000
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%	1.575%	2030	225,000	—
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	4,650,000
Long-term debt maturing in less than one year			—	(125,000)
			4,750,000	4,525,000
Debt discounts and premiums			(5,169)	(5,278)
Less: deferred financing fees			(22,463)	(22,118)
Long-term debt			\$ 4,722,368	\$ 4,497,604

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 September 2020, AltaLink issued \$225.0 million of 1.509% 10-year Series 2020-1 Senior Secured Notes due September 11, 2030 and repaid \$125.0 million of maturing 3.621% 7-year Series 2013-2 Medium-Term Notes due September 17, 2020.

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 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 2020	\$	—
2021		—
2022		275,000
2023		500,000
2024		350,000
2025		—
2026 and thereafter		3,625,000

Finance costs

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
<i>(in thousands of dollars)</i>				
Interest expense	\$ 47,110	\$ 48,434	\$ 141,500	\$ 143,775
Amortization of deferred financing fees	346	332	1,020	980
Capitalized borrowing costs ¹	(900)	(2,269)	(2,360)	(3,679)
Interest expense on lease liabilities	248	106	740	316
	\$ 46,804	\$ 46,603	\$ 140,900	\$ 141,392

1. The average capitalization rate for the period ended September 30, 2020 was 3.90% (December 31, 2019 – 3.93%, September 30, 2019 – 3.92%).

11. Deferred revenue

	Third Party Contributions	Deferred Revenue for Salvage	Total
<i>(in thousands of dollars)</i>			
As at January 1, 2019	\$ 812,569	\$ 207,755	\$ 1,020,324
Transferred from third party deposits [note 8]	27,342	—	27,342
Received through transmission tariffs	—	61,800	61,800
Transferred from third parties	—	3,916	3,916
Recognized as revenue	(23,684)	(32,301)	(55,985)
As at December 31, 2019	816,227	241,170	1,057,397
Transferred from third party deposits [note 8]	41,758	—	41,758
Received through transmission tariffs [note 14]	—	46,746	46,746
Transferred from third parties	—	2,779	2,779
Recognized as revenue [note 14]	(18,572)	(21,970)	(40,542)
As at September 30, 2020	\$ 839,413	\$ 268,725	\$ 1,108,138

	As at	
	September 30, 2020	December 31, 2019
<i>(in thousands of dollars)</i>		
Current portion	\$ 56,323	\$ 61,402
Long-term portion	1,051,815	995,995
	\$ 1,108,138	\$ 1,057,397

12. Lease liabilities

Leased assets are presented together with property, plant and equipment (note 7 – Property, plant and equipment).

Lease liabilities

	As at	
	September 30, 2020	December 31, 2019
<i>(in thousands of dollars)</i>		
Current net lease incentive [note 5]	\$ (1,394)	\$ (1,351)
Long-term portion	53,230	51,449
	\$ 51,836	\$ 50,098

Lease payments

	Remaining three months						Total as at	
	2020	2021	2022	2023	2024	2025 and thereafter	September 30, 2020	
<i>(in thousands of dollars)</i>								
Net lease payments	\$ 908	\$ 624	\$ 3,967	\$ 4,034	\$ 3,924	\$ 60,400	\$ 73,857	
Present value discount							(22,021)	
							\$ 51,836	

As at September 30, 2020 the weighted average lessee incremental borrowing rate applied to the lease liabilities is 3.84% (December 31, 2019 – 3.84%).

Amounts recognized in statement of comprehensive income

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
<i>(in thousands of dollars)</i>				
Gross depreciation expense of leased assets	\$ 651	\$ 699	\$ 1,956	\$ 2,091
Capitalized depreciation expense of leased assets	(567)	(509)	(1,646)	(1,467)
Net depreciation expense of leased assets	\$ 84	\$ 190	\$ 310	\$ 624
Interest expense on lease liabilities	248	106	740	316
Expense relating to short-term leases not included in the measurement of the lease liability	47	248	139	654
Expense relating to variable lease payments not included in the measurement of the lease liability	742	1,071	2,462	3,108
	\$ 1,121	\$ 1,615	\$ 3,651	\$ 4,702

The total cash outflows for lease principal and interest were \$0.9 million and \$2.7 million for the three and nine months ended September 30, 2020, respectively (September 30, 2019 – \$0.8 million and \$2.4 million, respectively). The cash inflow for lease incentive was \$nil and \$3.0 million for the three and nine months ended September 30, 2020, respectively (September 30, 2019 – \$nil and \$4.0 million, respectively).

13. 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		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2020	2019	2020	2019
<i>(in thousands of dollars)</i>				
AltaLink Management Ltd.				
Employee compensation and benefits	\$ 30,358	\$ 30,573	\$ 95,758	\$ 95,237
Cost recovery for non-regulated activities	\$ 443	\$ 231	\$ 1,414	\$ 815

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 \$26.1 million as at September 30, 2020 (December 31, 2019 – \$27.1 million).

Cost recovery 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 Ltd., BHE Canada Holdings Corporation, Berkshire Hathaway Energy Company, BHE Canada Rattlesnake L.P., MATL Canada L.P. and NAT-1 L.P.

14. Revenue from operations

AltaLink filed its 2019-2021 General Tariff Application on August 23, 2018 and amended application in April 2019. On July 10, 2019, AltaLink filed with the AUC a partial negotiated settlement application for its 2019-2021 General Tariff Application. An oral hearing on matters excluded from the partial negotiated settlement application was held in November 2019. On April 16, 2020, the AUC issued Decision 23848-D01-2020 with respect to AltaLink's 2019-2021 General Tariff Application. AltaLink's compliance filing in response to this decision was filed on May 29, 2020. On June 9, 2020, AltaLink submitted its 2019-2021 General Tariff Application amended compliance filing. On July 21, 2020, the AUC approved AltaLink's 2019-2021 General Tariff Application amended compliance filing and revised monthly tariffs of \$71.2 million for September to December 2020, and monthly tariffs of \$74.0 million for 2021, which both include monthly tariffs for PLP and KLP.

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

On November 12, 2018, the AUC approved an interim refundable transmission tariff for 2019 of \$74.0 million per month.

The AUC issued Decision 22570-D01-2018 in relation to the 2018 Generic Cost of Capital Proceeding in August 2018. In its decision, the AUC set the generic rate of return on common equity at 8.5% for 2018, 2019 and 2020, and the Partnership's common equity ratio at 37% for 2018, 2019 and 2020. On October 13, 2020, the AUC issued Decision 24110-D01-2020 with respect to the setting of return on equity and deemed equity ratios for certain Alberta utilities including AltaLink. The AUC set the final approved return on equity and deemed equity ratio for AltaLink by extending the current approved 8.5% and 37% respectively, for the duration of 2021.

The following table summarizes the timing differences between the revenue requirement approved on July 21, 2020, and revenue from operations earned during the period.

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
<i>(in thousands of dollars)</i>				
Return on rate base	\$ 105,503	\$ 108,668	\$ 316,508	\$ 326,005
Recovery of forecast expenses	118,054	113,292	354,164	339,876
2020 revenue requirement / 2019 interim tariff	\$ 223,557	\$ 221,960	\$ 670,672	\$ 665,881
AFUDC	2,340	4,256	6,067	7,755
(Repayable) receivable directly assigned capital projects	(974)	11,391	2,892	11,679
(Repayable) receivable property taxes and other	(467)	1,065	189	42
Revenue related IFRS adjustments ¹	7,652	8,514	20,746	17,764
Revenue from operations	\$ 232,108	\$ 247,186	\$ 700,566	\$ 703,121

- 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		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
<i>(in thousands of dollars)</i>				
Revenue related to salvage costs [note 11]	\$ 8,552	\$ 9,827	\$ 21,970	\$ 17,986
Salvage funds transferred to deferred revenue [note 11]	(16,043)	(15,427)	(46,746)	(46,327)
Revenue for the recovery of future income taxes	17,843	17,897	53,546	53,595
Recovery of loss on disposal of assets other than land	248	930	1,043	3,451
Capitalized borrowing costs	(900)	(2,269)	(2,360)	(3,679)
Collection of receivables related to the above IFRS adjustments	(2,048)	(2,444)	(6,707)	(7,262)
Revenue related IFRS adjustments	\$ 7,652	\$ 8,514	\$ 20,746	\$ 17,764

The impact of the June 2019 Alberta corporate income tax rate change on previous years' revenue is shown below. The re-measurement of future income tax recovery was a result of the Alberta government reducing the corporate income tax rate in 1% increments from 12% for the first half of 2019 to 8% for 2022.

On June 29, 2020, the Alberta government announced it would accelerate the provincial corporate tax rate reduction to 8% effective July 1, 2020, to help revive the Alberta economy. This acceleration does not impact the current period financial statements, as AltaLink has been recognizing revenue related to the recovery of future income taxes based on the 8% Alberta corporate income tax rate and the 15% Federal corporate income tax rate since June 2019.

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
<i>(in thousands of dollars)</i>				
Re-measurement of future income tax recovery	\$ —	\$ —	\$ —	\$ (57,969)

For the nine months ended September 30, 2020, approximately 96% of the Partnership's revenue is attributable to the AESO (September 30, 2019 – approximately 95%).

15. Expenses

Operating expenses

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
<i>(in thousands of dollars)</i>				
Employee salaries and benefits	\$ 12,126	\$ 11,772	\$ 39,346	\$ 39,166
Contracted labour	7,950	5,317	19,493	21,165
Other operating expenses	6,533	5,076	19,673	18,477
	\$ 26,609	\$ 22,165	\$ 78,512	\$ 78,808

Property taxes, salvage and other expenses

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
<i>(in thousands of dollars)</i>				
Property and business tax	\$ 12,691	\$ 12,967	\$ 38,069	\$ 38,802
Salvage expenses	8,552	9,827	21,970	17,986
Annual structure payments	3,716	3,819	11,359	11,642
Hearing expenses and other	15	1,665	1,235	1,757
	\$ 24,974	\$ 28,278	\$ 72,633	\$ 70,187

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 14 - Revenue from operations).

16. Non-controlling interests

As at September 30, 2020, AltaLink holds partial 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.

On January 1, 2020, KLP used a \$5.0 million equity contribution from 1759511 Alberta Ltd. (the nominee of the Blood Tribe), a \$4.8 million equity contribution from AltaLink, a \$3.0 million preferred equity contribution from AltaLink, and an intercompany loan of \$21.9 million from AltaLink to KLP to purchase the Southwest 240 kilovolt regulated transmission assets located on the Blood Tribe Reserve lands. The purchase was measured at net book value pursuant to AUC Decision 22612-D01-2018. On June 19, 2020, AltaLink's \$3.0 million preferred equity contribution was replaced with a \$1.5 million equity contribution from 1759511 Alberta Ltd. and a \$1.5 million equity contribution from AltaLink. 1759511 Alberta Ltd.'s \$6.6 million limited partner interest or 51% of KLP is represented as a non-controlling interest within the equity section of the statement of financial position.

Piikani Transmission Holding Limited Partnership's (the nominee of the Piikani First Nation) \$9.9 million limited partner interest or 51% of PLP is represented as a non-controlling interest within the equity section of the statement of financial position.

17. Commitments

The contractual commitments of the Partnership associated with the construction of new facilities as at September 30, 2020 are \$131.9 million (December 31, 2019 – \$94.1 million).

18. Contingencies

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

- An AltaLink contractor has been sued by a subcontractor who seeks additional compensation in respect of work done by the subcontractor on an AltaLink Project. AltaLink was named as a third party to the action by the contractor.
- 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 occurrence of a contingent loss is not determinable and is dependent on future events.