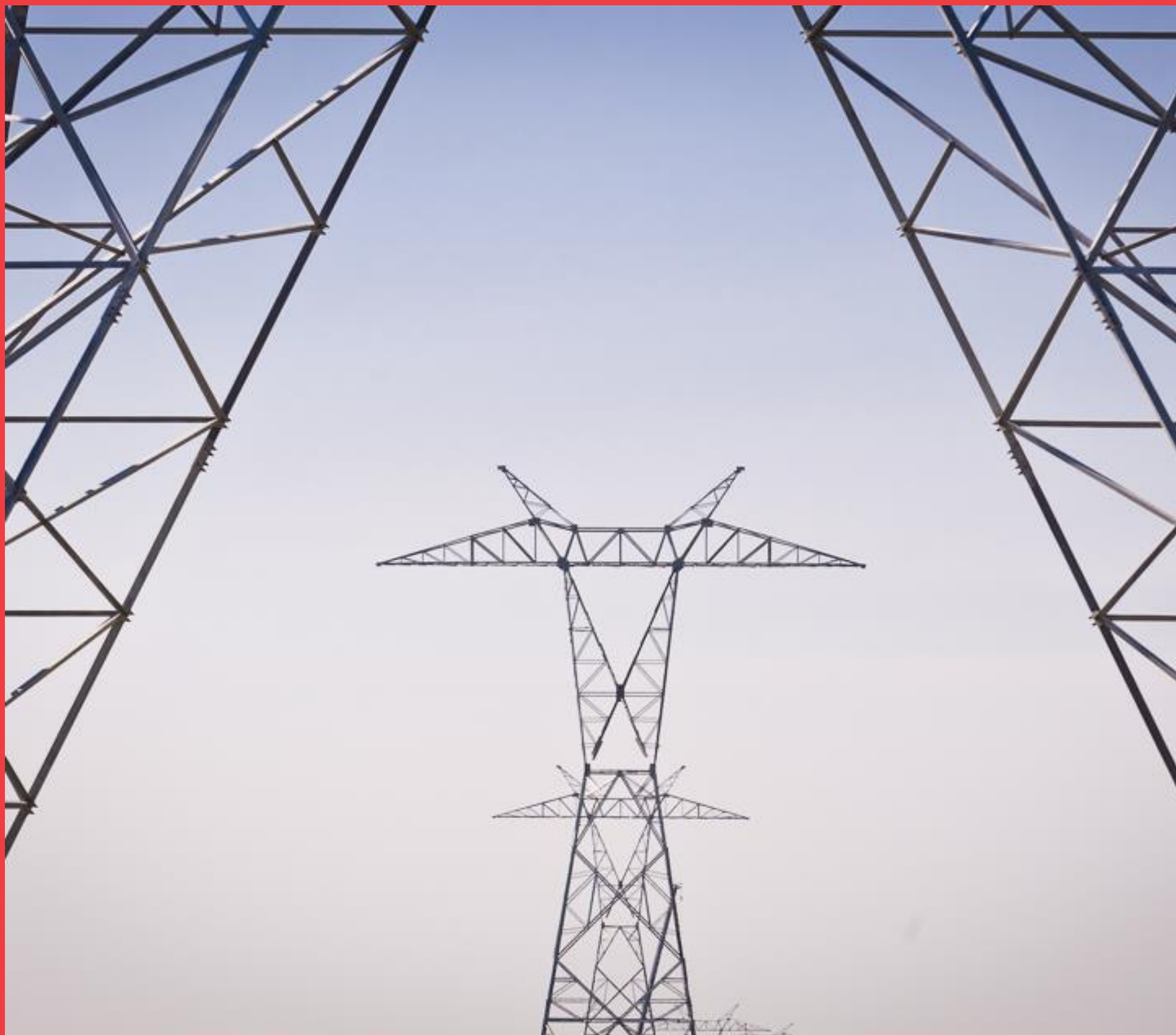

AltaLink, L.P.

Condensed Interim Financial Statements (unaudited)

For the three months ended March 31, 2017 and 2016

ALTALINK
A BERKSHIRE HATHAWAY ENERGY COMPANY

Statement of Financial Position

(unaudited)

	Notes	As at March 31, 2017	As at December 31, 2016
(in thousands of dollars)			
ASSETS			
Current			
Cash		**$ 269**	$ 2,122
Trade and other receivables	6	**125,210**	127,187
		125,479	129,309
Non-current			
Goodwill		**202,066**	202,066
Intangible assets	7	**297,114**	291,906
Property, plant and equipment	8	**7,923,275**	7,861,158
Third party deposits	9	**45,302**	46,822
Other non-current assets	6	**592,823**	578,614
		$ 9,186,059	$ 9,109,875
LIABILITIES AND PARTNERS' EQUITY			
Current			
Trade and other payables	10	**$ 222,720**	$ 195,561
Commercial paper and bank credit facilities	11	**51,962**	34,973
Current portion of deferred revenue	12	**76,780**	79,339
		351,462	309,873
Non-current			
Long-term debt	11	**4,818,920**	4,818,995
Deferred revenue	12	**858,160**	844,968
Third party deposits liability	9	**45,302**	46,822
Other non-current liabilities	10	**12,043**	12,095
		6,085,887	6,032,753
Commitments and contingencies	16, 17		
Partners' equity		**3,100,172**	3,077,122
		$ 9,186,059	$ 9,109,875

See accompanying notes to the condensed interim financial statements.

ALTALINK
A BERKSHIRE HATHAWAY ENERGY COMPANY

Statement of Comprehensive Income

(unaudited)

	Notes	Three months ended March 31, 2017	Three months ended March 31, 2016
(in thousands of dollars)			
Revenue			
Operations	14	**$ 237,622**	$ 218,388
Other		**12,376**	10,652
		249,998	229,040
Expenses			
Operating	15	**(24,500)**	(27,300)
Property taxes, salvage and other	15	**(24,937)**	(25,853)
Depreciation and amortization		**(60,986)**	(66,435)
		(110,423)	(119,588)
		139,575	109,452
Finance costs	11	**(47,011)**	(42,066)
(Loss) gain on disposal of assets		**(9,514)**	362
Net and comprehensive income		**$ 83,050**	$ 67,748

See accompanying notes to the condensed interim financial statements.

Statement of Changes in Partners' Equity
(unaudited)

	Units	Allocation to Limited Partner	Allocation to General Partner	Total Retained Earnings	Partners' Capital	Total
(in thousands)						
As at January 1, 2016	331,904	$ 771,080	$ 112	$ 771,192	$ 1,957,836	$ 2,729,028
Net and comprehensive income	—	67,741	7	67,748	—	67,748
Distributions paid	—	(31,497)	(3)	(31,500)	—	(31,500)
Balance at March 31, 2016	331,904	$ 807,324	$ 116	$ 807,440	$ 1,957,836	$ 2,765,276
As at January 1, 2017	331,904	$ 1,018,049	$ 137	$ 1,018,186	$ 2,058,936	$ 3,077,122
Net and comprehensive income	—	83,042	8	83,050	—	83,050
Distributions paid	—	(59,994)	(6)	(60,000)	—	(60,000)
Balance at March 31, 2017	**331,904**	**$ 1,041,097**	**$ 139**	**$ 1,041,236**	**$ 2,058,936**	**$ 3,100,172**

See accompanying notes to the condensed interim financial statements.

Statement of Cash Flows

(unaudited)

	Three months ended March 31, 2017	Three months ended March 31, 2016
(in thousands of dollars)		
Cash flows from operating activities		
Net income	**$ 83,050**	$ 67,748
Adjustments for		
Depreciation and amortization	**60,986**	66,435
Third party contributions revenue	**(5,171)**	(6,557)
Loss (gain) on disposal of assets	**9,514**	(362)
Financial assets related to regulated activities, non-current	**(14,209)**	347
Change in other items	**4,724**	(4,125)
Change in non-cash working capital items	**27,127**	(6,120)
Net cash provided by operating activities	**166,021**	117,366
Cash flows from investing activities		
Capital expenditures	**(134,400)**	(149,105)
Use of third party contributions	**9,963**	4,761
Proceeds from disposal of assets	**—**	854
Net cash used in investing activities	**(124,437)**	(143,490)
Cash flows from financing activities		
Net movement in commercial paper and bank credit facilities	**16,989**	53,702
Distributions paid	**(60,000)**	(31,500)
Change in other financing activities	**(426)**	(46)
Net cash (used in) provided by financing activities	**(43,437)**	22,156
Net change in cash	**(1,853)**	(3,968)
Cash, beginning of period	**2,122**	3,968
Cash, end of period	**$ 269**	$ —
Supplementary cash flow information		
Interest paid	**$ (24,153)**	$ (25,063)

See accompanying notes to the condensed interim financial statements.

ALTALINK
A BERKSHIRE HATHAWAY ENERGY COMPANY

1. General information

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

On December 1, 2014, Berkshire Hathaway Energy Canada Holdings Corporation became the sole owner of the Partnership by acquiring 100 percent of AltaLink.

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 three months ended March 31, 2017 and 2016, the Partnership operated solely in one reportable geographical and business segment.

2. Basis of preparation

Statement of compliance

These condensed interim financial statements (the financial statements) have been prepared in accordance with IAS 34 – *Interim Financial Reporting*. They should be read in conjunction with the Partnership's most recent annual audited financial statements as at and for the year ended December 31, 2016.

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

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

These financial statements were approved for issue by the Audit Committee of the Board of Directors on May 3, 2017.

Basis of measurement

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

Functional and presentation currency

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

Use of estimates and judgement

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

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

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

As a regulated utility, the Partnership records certain amounts at estimated values until these amounts are finalized. The Partnership bases its estimates and judgements on historical experience, including experience with regulatory processes, current conditions and various other 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;
- The recoverability of tangible and intangible assets, including estimates of future costs to retire physical assets or the recoverability of costs associated with direct assigned projects that have been delayed in the regulatory process;
- The recoverability of intangible assets with indefinite lives, such as goodwill; and
- The accruals for capital projects.

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 2016 annual audited financial statements.

Regulation of transmission tariff

The Partnership operates under cost-of-service regulation in accordance with the EUA. The AUC must provide the Partnership with a reasonable opportunity to recover its prudently incurred and forecasted costs, including operating expenses, depreciation, cost-of-debt, capital and taxes associated with investment, and a fair return on investment. Fair return is determined on the basis of return on rate base and allowance for funds used during construction (AFUDC) for projects included in construction work-in-progress (CWIP). The Partnership applies for a transmission tariff based on forecasted costs-of-service. Once approved, the transmission tariff is not adjusted if actual costs-of-service differ from forecast, except for certain prescribed costs for which deferral and reserve accounts are established within the transmission tariff. The transmission tariff is received from the AESO in equal monthly installments.

All tariff adjustments arising from deferral or reserve accounts relate to services provided to the AESO during the reporting years, and settlement of these accounts with the AESO is not contingent on providing future services.

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

Revenue recognition

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

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

The regulatory and legal rights and obligations under which the Partnership operates also require the Partnership to refund to the AESO certain amounts that have been received in tariff revenue that are greater than its actual expenses. Such financial liabilities related to regulated activities due to the AESO within twelve months are not discounted.

4. Adoption of new and revised accounting standards

Amendments to standards effective on or after January 1, 2017

In January 2016, the International Accounting Standards Board ("IASB") issued amendments to International Accounting Standard ("IAS") 7 – *Statement of cash flows*, which became effective on January 1, 2017. These amendments did not have any material impact on the Partnership's financial statements or its disclosures.

New standards effective after 2017

The Partnership is evaluating the impact of the following standards on its financial statements.

- In May 2014, the IASB issued International Financial Reporting Standard ("IFRS") 15 – *Revenue from contracts with customers*, which is effective for financial periods beginning on or after January 1, 2018. In June 2016, the IASB issued a narrow-scope amendment to the standard, *Clarification to IFRS 15 Revenue from contracts with customers*.
- In July 2014, the IASB issued IFRS 9 – *Financial instruments*, which is effective for financial periods beginning on or after January 1, 2018.
- In January 2016, the IASB issued IFRS 16 – *Leases*, which is effective for financial periods beginning on or after January 1, 2019, with early application permitted if IFRS 15 is also applied at the same time.

5. Risk management and financial instruments

Fair value of financial instruments

Financial Instrument	Designated Category	Measurement Basis	Associated Risks	Fair Value at March 31, 2017
Cash and cash equivalents	Fair value through profit or loss (Held for trading)	Fair value	• Market • Credit • Liquidity	Carrying value is fair value due to short-term nature.
Trade and other receivables and other non-current assets *[note 6]*	Loans and receivables	Initially at fair value and subsequently at amortized cost	• Credit • Liquidity	Amortized cost or carrying value approximates fair value due to nature of asset.
Trade and other payables and other non-current liabilities *[note 10]*	Other liabilities	Initially at fair value and subsequently at amortized cost	• Liquidity	Amortized cost or carrying value approximates fair value due to nature of liability.
Commercial paper and bank credit facilities and Long-term Debt *[note 11]*	Other liabilities	Initially at fair value and subsequently at amortized cost	• Market • Liquidity	$5,321.3 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).
Third party deposits *[note 9]*	Fair value through profit or loss (Held for trading)	Fair value	• Market • Credit • Liquidity	Carrying value approximates fair value as cash received is held in short-term investments.
Third party deposits liability *[note 9]*	Other liabilities	Initially at fair value and subsequently at amortized cost	• Liquidity	Carrying value approximates fair value due to the nature of the liability.

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

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 85% of its trade receivable balance is due from the AESO (December 31, 2016 – approximately 54%). The credit risk is mitigated by the fact that the AESO is an "AA-" rated entity by Standard & Poors, and it has been established under the EUA, while the remaining trade receivables are mostly due from investment grade utilities, comprised mainly of amounts due for construction services and tower and land rents.

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

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

It is the Partnership's practice to finance substantially all of its debt requirements with long-term debt securities for which interest rates are fixed during the entire term of each security, generally ranging from five to 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 one week 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 may be exposed to interest rate risk upon the rollover of debt at maturity or the issuance of new debt.

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

Summary of capital structure

	As at					
	March 31, 2017			December 31, 2016		
		(millions)	**%**		(millions)	%
Commercial paper and bank credit facilities	**$**	**52.0**	**0.7**	$	35.0	0.4
Long-term debt (including discounts and premiums)		**4,844.8**	**60.6**		4,844.8	60.9
Partners' capital		**2,058.9**	**25.7**		2,058.9	25.9
Retained earnings		**1,041.2**	**13.0**		1,018.2	12.8
	$	**7,996.9**	**100.0**	$	7,956.9	100.0

As at March 31, 2017, the Partnership was subject to externally imposed capitalization requirements under the Master Trust Indenture and the bank credit facilities. These agreements limit the amount of debt that can be incurred relative to total capitalization. The Partnership was in compliance with these requirements as at March 31, 2017.

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

	As at			
	March 31, 2017		December 31, 2016	
(in thousands of dollars)				
Trade receivables	**$**	**101,423**	$	34,168
GST receivable		**—**		5,760
Prepaid expenses and deposits		**13,045**		9,002
Current portion of financial assets related to regulated activities		**10,742**		78,257
Total trade and other receivables	**$**	**125,210**	$	127,187
Non-current portion of financial assets related to regulated activities	**$**	**592,823**	$	578,614

Trade receivables as at March 31, 2017 include $70.4 million (December 31, 2016 - $11.9 million) due from the AESO for the March portion of the transmission tariff and $15.4 million (December 31, 2016 - $6.7 million) due from the AESO for the difference between recognized revenue and the approved tariff revenues received.

Financial assets related to regulated activities include the recovery of certain costs incurred by the Partnership relating to its primary activities that are greater than what has been received to date in tariff revenue. The Partnership has recognized as receivables the costs to be recovered through the regulatory process. The current portion of such assets reflects the amounts to be recovered within the next twelve months. Amounts included in this account at December 31, 2016, related to the deferral accounts reconciliation for 2012, 2013, and the 2014 direct assigned additions for the Heartland project, were collected during the first quarter of 2017.

The non-current portion of financial assets related to regulated activities reflects the amounts to be collected beyond the next twelve months. At March 31, 2017, these amounts include 2014 to 2017 year-to date deferral accounts, which have not yet been filed with the AUC, $259.8 million (December 31, 2016 - $261.7 million) for the refund of 2011-2014 return on CWIP-in-rate base and related income tax, and a receivable of $100.2 million for the recovery of deemed future income taxes (December 31, 2016 - $79.1 million). Also included in the March 31, 2017 balance is $54.7 million related to cancelled projects (December 31, 2016 - $54.7 million).

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

7. Intangible assets

	As at March 31, 2017	As at December 31, 2016
(in thousands of dollars)		
Net book value, beginning of period	**$ 291,906**	$ 275,920
Additions to CWIP	**11,028**	36,988
Amortization	**(5,820)**	(21,002)
Net book value, end of period	**$ 297,114**	$ 291,906

During the three months ended March 31, 2017, the Partnership transferred $3.4 million (March 31, 2016 - $6.2 million) to land rights and computer software from CWIP.

8. Property, plant and equipment

	Lines[1]	Substations[2]	Buildings & equipment[3]	Land & CWIP[4]	Total
(in thousands of dollars)					
Cost					
As at January 1, 2016	$ 4,172,445	$ 3,457,461	$ 192,586	$ 565,887	$ 8,388,379
Additions to CWIP	—	—	—	485,937	485,937
Transfers	454,168	199,665	19,679	(673,512)	—
Cancelled project transfers	—	—	—	(42,715)	(42,715)
Retirements	(14,135)	(8,125)	(15,843)	(533)	(38,636)
As at December 31, 2016	4,612,478	3,649,001	196,422	335,064	8,792,965
Additions to CWIP	—	—	—	126,573	126,573
Transfers	36,073	8,976	1,830	(46,879)	—
Retirements	(7,907)	(1,485)	(2,531)	—	(11,923)
As at March 31, 2017	**$ 4,640,644**	**$ 3,656,492**	**$ 195,721**	**$ 414,758**	**$ 8,907,615**
Accumulated Depreciation					
As at January 1, 2016	$ (251,243)	$ (393,448)	$ (69,411)	$ —	$ (714,102)
Depreciation expense	(112,293)	(114,326)	(18,070)	—	(244,689)
Retirements	4,663	5,604	16,717	—	26,984
As at December 31, 2016	(358,873)	(502,170)	(70,764)	—	(931,807)
Depreciation expense	(21,919)	(28,806)	(4,441)	—	(55,166)
Retirements	189	911	1,533	—	2,633
As at March 31, 2017	**$ (380,603)**	**$ (530,065)**	**$ (73,672)**	**$ —**	**$ (984,340)**
Net book value					
As at December 31, 2016	$ 4,253,605	$ 3,146,831	$ 125,658	$ 335,064	$ 7,861,158
As at March 31, 2017	**$ 4,260,041**	**$ 3,126,427**	**$ 122,049**	**$ 414,758**	**$ 7,923,275**

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

9. Third party deposits

(in thousands of dollars)	Contributions in Advance of Construction	Operating and Maintenance Charges in Advance	Total
As at January 1, 2016	$ 36,677	$ 6,571	$ 43,248
Receipts net of refunds and interest	42,344	68	42,412
Project expenditures [note 12]	(38,705)	(133)	(38,838)
As at December 31, 2016	40,316	6,506	46,822
Receipts net of refunds and interest	8,475	17	8,492
Project expenditures [note 12]	(9,963)	(49)	(10,012)
As at March 31, 2017	**$ 38,828**	**$ 6,474**	**$ 45,302**

Third party deposits are held in short-term investments, which are reinvested as needed. These investments earned an annual effective interest rate of 0.88% as at March 31, 2017 (December 31, 2016 – 0.89%). 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, 2017	As at December 31, 2016
Trade and accrued payables	**$ 148,839**	$ 142,142
Accrued interest on long-term debt	**52,489**	28,568
Other current liabilities	**2,298**	2,947
GST payable	**1,150**	—
Current portion of financial liabilities related to regulated activities	**17,944**	21,904
Total trade and other payables	**$ 222,720**	$ 195,561
Accrued post-employment benefit liabilities	**$ 7,620**	$ 7,355
Other liabilities	**1,789**	2,724
Non-current portion of financial liabilities related to regulated activities	**2,634**	2,016
Total other non-current liabilities	**$ 12,043**	$ 12,095

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

The non-current portion of financial liabilities related to regulated activities reflects the amounts to be refunded beyond the next twelve months. These amounts include 2014 to 2017 year-to-date deferral accounts, which have not yet been filed with the AUC.

11. Debt

Commercial paper and bank credit facilities

As at March 31, 2017	Committed	Drawdowns	Commercial paper outstanding	Letters of credit outstanding	Availability	Maturity date of facility
(in thousands of dollars)						
Revolving credit facility	**$ 750,000**	**$ —**	**$ 51,962**	**$ —**	**$ 698,038**	**December 14, 2018**
Revolving credit facility	**75,000**	**—**	**—**	**10,577**	**64,423**	**December 14, 2018**
Total bank credit facilities	**$ 825,000**	**$ —**	**$ 51,962**	**$ 10,577**	**$ 762,461**	

As at December 31, 2016	Committed	Drawdowns	Commercial paper outstanding	Letters of credit outstanding	Availability	Maturity date of facility
(in thousands of dollars)						
Revolving credit facility	$ 750,000	$ —	$ 34,973	$ —	$ 715,027	December 14, 2018
Revolving credit facility	75,000	—	—	10,577	64,423	December 14, 2018
Total bank credit facilities	$ 825,000	$ —	$ 34,973	$ 10,577	$ 779,450	

The $750.0 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. At the renewal date, the Partnership has the option to convert the facility to a one-year term facility.

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. At the renewal date, the Partnership has the option to convert the facility to a one-year term facility.

Long-term debt

	Effective interest rate	Maturing	As at March 31, 2017	As at December 31, 2016
(in thousands of dollars)				
Senior debt obligations (Medium-Term Notes)				
Series 2008-1, 5.243%	5.355%	2018	**$ 200,000**	$ 200,000
Series 2013-2, 3.621%	3.705%	2020	**125,000**	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 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
			4,850,000	4,850,000
Debt discounts and premiums			**(5,250)**	(5,199)
Less: deferred financing fees			**(25,830)**	(25,806)
Long-term debt			**$ 4,818,920**	$ 4,818,995

The total issuance under the $2,000.0 million Short Form Base Shelf Prospectus as at March 31, 2017 was $1,150.0 million (December 31, 2016 - $1,150.0 million). The Short Form Base Shelf Prospectus expires in July 2017.

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

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

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

Senior debt is redeemable by the Partnership at the greater of (i) the prevailing Government of Canada bond yield plus a pre-determined premium, and (ii) the face amount of the debt to be redeemed plus, in each case, accrued and unpaid interest to the date of redemption. The Partnership has no plans to redeem any of its long-term debt prior to maturity. Certain of the ALP debt instruments have a provision which allows for redemption at the face amount, either three or six months prior to maturity.

Scheduled principal repayments

(in thousands of dollars)	
Maturing	
2018	$ 200,000
2019	—
2020	125,000
2021	—
2022	275,000
2023 and thereafter	4,250,000

Finance costs

	Three months ended	
	March 31, 2017	March 31, 2016
(in thousands of dollars)		
Interest expense	**$ 48,075**	$ 43,415
Amortization of deferred financing fees	**351**	284
Capitalized borrowing costs[1]	**(1,415)**	(1,633)
	$ 47,011	$ 42,066

1. The average capitalization rate for the period ended March 31, 2017 was 3.96% (December 31, 2016 – 3.88%).

12. Deferred revenue

(in thousands of dollars)	Third Party Contributions	Deferred Revenue for Salvage	Total
As at January 1, 2016	$ 729,820	$ 148,534	$ 878,354
Transferred from third party deposits [note 9]	38,705	—	38,705
Received through transmission tariff	—	60,091	60,091
Recognized as revenue	(12,534)	(40,309)	(52,843)
As at December 31, 2016	755,991	168,316	924,307
Transferred from third party deposits [note 9]	**9,963**	**—**	**9,963**
Received through transmission tariff [note 14]	**—**	**13,018**	**13,018**
Recognized as revenue [notes 14 and 15]	**(5,171)**	**(7,177)**	**(12,348)**
As at March 31, 2017	**$ 760,783**	**$ 174,157**	**$ 934,940**

	As at	
	March 31, 2017	**December 31, 2016**
(in thousands of dollars)		
Current portion	$ 76,780	$ 79,339
Long-term portion	858,160	844,968
	$ 934,940	**$ 924,307**

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

13. 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, 2017	March 31, 2016
(in thousands of dollars)		
AltaLink Management Ltd.		
Employee compensation and benefits	$ **34,042**	$ 36,649
Cost recovery for non-regulated activities	**269**	391

Cost recovery for non-regulated activities includes services provided to AltaLink Investments, L.P., AltaLink Holdings, L.P., BHE Canada, L.P., BHE Canada Ltd., and BHE Canada Holdings Corporation.

AltaLink Management Ltd. employs all staff who provide administrative and operational services to AltaLink 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 $24.2 million as at March 31, 2017 (December 31, 2016 - $34.9 million).

14. Revenue from operations

On November 28, 2016, the AUC approved an interim tariff for 2017 of $70.4 million per month.

AltaLink initially filed its 2017-2018 GTA on February 16, 2016, however, in response to the findings and conclusions of the AUC presented in the 2015-2016 GTA decision issued on May 9, 2016, AltaLink updated and refiled its 2017-2018 GTA on August 4, 2016. AltaLink again refiled its 2017-2018 GTA on October 28, 2016 to reflect the impacts of the GCOC Decision issued on October 7, 2016. In December 2016, the AUC approved AltaLink's request to enter into a negotiated settlement process with the aim of reducing hearing costs and regulatory lag. Negotiated settlement discussions concluded on January 27, 2017, and on February 8, 2017 AltaLink filed with the AUC the 2017-2018 negotiated settlement application. AltaLink calculates its revenue by using the approved interim transmission tariff and then adjusts for deferral accounts and other items that it expects the AUC to incorporate into AltaLink's final 2017 approved revenue requirement.

AltaLink has recognized the impact of the AUC's decision on the 2015-2016 GTA in the prior year. Any additional adjustments to transmission tariff will be recorded in the period in which the final decision is issued.

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

	Three months ended	
	March 31, 2017	March 31, 2016
(in thousands of dollars)		
Return on rate base	**$ 101,963**	$ 79,938
Recovery of forecast expenses	**109,357**	102,425
Approved interim transmission tariff	**$ 211,320**	$ 182,363
AFUDC net of capitalized borrowing costs	**2,263**	2,265
Directly assigned capital projects related revenue receivable	**1,831**	12,255
Repayable property taxes and other	**(279)**	(1,079)
Adjustments related to regulatory activities	**22,487**	22,584
Revenue from operations	**$ 237,622**	$ 218,388

In the table above, the Partnership has also included adjustments to recognize differences in accounting treatment for IFRS purposes, compared to regulatory purposes, as shown in more detail in the table below.

The AUC issued Decision 20622-D01-2016 in October 2016 and in its decision, the AUC set the generic rate of return on common equity at 8.30% for 2016 and 8.5% for 2017, and increased the Partnership's common equity ratio from 36% to 37% for 2016 and 2017. The effect of the 2016 GCOC Decision is reflected in the table above.

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

	Three months ended	
	March 31, 2017	March 31, 2016
(in thousands of dollars)		
Revenue related to salvage costs [note 12]	**7,177**	11,786
Recovery of loss on disposal of assets other than land	**9,514**	263
Salvage funds transferred to deferred revenue [note 12]	**(13,018)**	(8,191)
FIT Revenue[1]	**21,121**	18,964
Other	**(2,307)**	(238)
	$ 22,487	$ 22,584

1. The AUC approved a change from the future income tax (FIT) funding method to the flow through income tax funding method for the calculation of deemed income taxes in revenue requirement in AUC Decision 3524-D01-2016. FIT revenue is recognized on an accrual basis.

For the three months ended March 31, 2017, approximately 95% of the Partnership's revenue is attributable to the AESO (March 31, 2016 – approximately 95%).

15. Expenses

Operating expenses

	Three months ended	
(in thousands of dollars)	**March 31, 2017**	March 31, 2016
Employee salaries and benefits	**$ 13,615**	$ 14,231
Contracted labour	**4,663**	6,841
Other operating expenses	**6,222**	6,228
	$ 24,500	$ 27,300

Property taxes, salvage and other expenses

	Three months ended	
(in thousands of dollars)	**March 31, 2017**	March 31, 2016
Property and business tax	**$ 13,089**	$ 10,495
Salvage expenses	**7,177**	11,786
Annual structure payments	**3,643**	3,483
Hearing expenses and other	**1,028**	89
	$ 24,937	$ 25,853

The 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. Commitments

The contractual commitments of the Partnership associated with the construction of new facilities as at March 31, 2017 are $349.7 million (December 31, 2016 - $505.2 million).

The Partnership is committed to operating leases that have lease terms which expire between 2017 and 2026. Of the total expected minimum lease payments, approximately 89% relates to the Partnership's head office leases.

Expected minimum lease payments in future years are as follows:

	As at March 31, 2017
(in thousands of dollars)	
Operating lease obligations payable on non-cancellable leases are as follows:	
No later than 1 year	**$ 4,390**
Later than 1 year and no later than 5 years	**14,834**
Later than 5 years	**10,630**
	$ 29,854

17. Contingencies

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

- In June 2009, the Partnership was served with an action, alleging that the Plaintiff and the Partnership had concluded a binding agreement for the sale to the Plaintiff of certain lands.
- In September 2012, a fire occurred on grasslands on which are located transmission facilities owned and operated by another utility and are under an operating services agreement with the Partnership. In September 2014, the other utility and the Partnership were served with a number of actions related to this incident.
- In 2013, a road construction company damaged another utility's transmission line, which was connected into the Partnership's transmission facilities, causing loss of power. Two refinery owners filed statements of claim for damages against the construction company, which in turn filed third party claims against the Partnership and the other utility.
- The AUC approved a project to upgrade a transmission line that is owned by another utility and located on land owned by a First Nation, which had refused to allow the Partnership to access its land. In December 2014, the First Nation filed a Statement of Claim against a number of parties, including the Partnership. In March of 2016, the members of the council for the First Nation discontinued the action against all defendants and removed access restrictions; however, one individual certificate of possession holder did not discontinue their action.
- The Partnership has a number of cost recovery applications that are currently, or will be, before the AUC, as part of the normal regulatory process for reviewing cost recovery applications before making a final decision on the prudence of such costs.
- 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. These defects create a risk of causing personal injury and property damage. The Partnership has claimed $56 million for the cost of replacing the specific equipment and the additional inspections required for the equipment.
- 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.

At this time, in the opinion of management, the occurrence of a future event confirming a contingent loss is not determinable.