



## AltaLink, L.P.

### *Consolidated Condensed Interim Financial Statements (unaudited)*

*For the three and six months ended June 30, 2022 and 2021*



## Statement of Financial Position

(unaudited)

	Notes	As at	
		June 30, 2022	December 31, 2021
<i>(in thousands of dollars)</i>			
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 4,286	\$ 6,611
Trade and other receivables	5	203,337	82,256
		<b>207,623</b>	<b>88,867</b>
<b>Non-current</b>			
Goodwill		202,066	202,066
Intangible assets	6	281,800	289,727
Property, plant and equipment	7	8,066,759	8,089,736
Third party deposits	8	55,520	64,296
Other non-current assets	5	1,156,462	1,120,080
		<b>\$ 9,970,230</b>	<b>\$ 9,854,772</b>
<b>LIABILITIES AND PARTNERS' EQUITY</b>			
<b>Current</b>			
Trade and other payables	9	\$ 99,316	\$ 92,975
Commercial paper and bank credit facilities	10	192,500	136,500
Long-term debt maturing in less than one year	10	275,000	275,000
Current portion of deferred revenue	11	53,279	57,898
		<b>620,095</b>	<b>562,373</b>
<b>Non-current</b>			
Long-term debt	10	4,449,928	4,449,103
Deferred revenue	11	1,060,672	1,046,618
Third party deposits liability	8	55,520	64,296
Lease liabilities	12	49,791	50,847
Other non-current liabilities	9	37,444	50,858
		<b>6,273,450</b>	<b>6,224,095</b>
<b>Commitments and contingencies</b>	17, 18		
<b>Partners' equity</b>			
AltaLink, L.P. equity		3,680,183	3,614,074
Non-controlling interests	16	16,597	16,603
		<b>3,696,780</b>	<b>3,630,677</b>
		<b>\$ 9,970,230</b>	<b>\$ 9,854,772</b>

See accompanying notes to the consolidated condensed interim financial statements.

## Statement of Comprehensive Income

(unaudited)

	Notes	Three months ended		Six months ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<i>(in thousands of dollars)</i>					
<b>Revenue</b>					
Operations	14	\$ 233,826	\$ 234,862	\$ 471,316	\$ 469,086
Other		8,725	9,110	17,752	19,628
		<b>242,551</b>	<b>243,972</b>	<b>489,068</b>	<b>488,714</b>
<b>Expenses</b>					
Operating	15	(24,998)	(25,234)	(55,010)	(54,093)
Property taxes, salvage and other	15	(22,755)	(24,426)	(47,798)	(48,640)
Depreciation and amortization		(70,949)	(70,000)	(140,968)	(139,523)
		<b>(118,702)</b>	<b>(119,660)</b>	<b>(243,776)</b>	<b>(242,256)</b>
<b>Operating income</b>		<b>123,849</b>	<b>124,312</b>	<b>245,292</b>	<b>246,458</b>
Finance costs	10	(46,491)	(46,177)	(92,257)	(91,943)
Gain (loss) on disposal of assets		96	(1,756)	115	(3,144)
<b>Income before non-controlling interests</b>		<b>\$ 77,454</b>	<b>\$ 76,379</b>	<b>\$ 153,150</b>	<b>\$ 151,371</b>
Non-controlling interests		(423)	(411)	(847)	(817)
<b>Net and comprehensive income</b>		<b>\$ 77,031</b>	<b>\$ 75,968</b>	<b>\$ 152,303</b>	<b>\$ 150,554</b>

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, 2021	331,904	\$ 1,269,711	\$ 127	\$ 1,269,838	\$ 2,119,901	\$ 16,535	\$ 3,406,274
Net and comprehensive income							
including non-controlling interests	—	150,539	15	150,554	—	817	151,371
Equity investment received	—	—	—	—	10,600	—	10,600
Distributions paid	—	(53,995)	(5)	(54,000)	—	(799)	(54,799)
Equity reclassified to financial (redemption) liability	—	—	—	—	(18)	—	(18)
<b>Balance at June 30, 2021</b>	<b>331,904</b>	<b>\$ 1,366,255</b>	<b>\$ 137</b>	<b>\$ 1,366,392</b>	<b>\$ 2,130,483</b>	<b>\$ 16,553</b>	<b>\$ 3,513,428</b>
As at January 1, 2022	<b>331,904</b>	<b>\$ 1,483,492</b>	<b>\$ 149</b>	<b>\$ 1,483,641</b>	<b>\$ 2,130,433</b>	<b>\$ 16,603</b>	<b>\$ 3,630,677</b>
Net and comprehensive income							
including non-controlling interests	—	<b>152,288</b>	<b>15</b>	<b>152,303</b>	—	<b>847</b>	<b>153,150</b>
Distributions paid	—	<b>(86,191)</b>	<b>(9)</b>	<b>(86,200)</b>	—	<b>(853)</b>	<b>(87,053)</b>
Equity reclassified to financial (redemption) liability	—	—	—	—	6	—	6
<b>Balance at June 30, 2022</b>	<b>331,904</b>	<b>\$ 1,549,589</b>	<b>\$ 155</b>	<b>\$ 1,549,744</b>	<b>\$ 2,130,439</b>	<b>\$ 16,597</b>	<b>\$ 3,696,780</b>

See accompanying notes to the consolidated condensed interim financial statements.

## Statement of Cash Flows

(unaudited)

	Notes	Three months ended		Six months ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<i>(in thousands of dollars)</i>					
<b>Cash flows from operating activities</b>					
Net income before non-controlling interests		\$ 77,454	\$ 76,379	\$ 153,150	\$ 151,371
Adjustments for					
Depreciation and amortization		70,949	70,000	140,968	139,523
Third party contributions revenue	11	(6,273)	(6,274)	(12,614)	(12,636)
(Gain) loss on disposal of assets		(96)	1,756	(115)	3,144
Disallowed net capital costs	7	(18)	190	1,529	638
Customer tariff refund		—	(76,667)	—	(76,667)
Change in other items		(22,274)	(18,695)	(43,123)	(39,805)
Change in non-cash working capital		(77,535)	(21,407)	(110,280)	(50,533)
<b>Net cash provided by operating activities</b>		<b>42,207</b>	<b>25,282</b>	<b>129,515</b>	<b>115,035</b>
<b>Cash flows from investing activities</b>					
Capital expenditures		(62,316)	(65,486)	(119,281)	(132,154)
Use of third party contributions		8,040	8,591	18,758	29,412
Proceeds from disposal of assets		607	4,000	607	4,000
<b>Net cash used in investing activities</b>		<b>(53,669)</b>	<b>(52,895)</b>	<b>(99,916)</b>	<b>(98,742)</b>
<b>Cash flows from financing activities</b>					
Net movement in commercial paper and bank credit facilities		52,500	16,958	56,000	21,458
Distributions paid		(36,700)	(5,000)	(86,200)	(54,000)
Distributions paid to non-controlling interests		(427)	(400)	(853)	(799)
Equity investment received		—	10,600	—	10,600
Principal repayments of lease liabilities		(511)	(391)	(948)	(798)
Lease incentive received		—	—	—	3,000
Change in other financing activities		39	37	77	79
<b>Net cash provided by (used in) financing activities</b>		<b>14,901</b>	<b>21,804</b>	<b>(31,924)</b>	<b>(20,460)</b>
<b>Net change in cash</b>		<b>3,439</b>	<b>(5,809)</b>	<b>(2,325)</b>	<b>(4,167)</b>
Cash, beginning of period		847	5,871	6,611	4,229
<b>Cash, end of period</b>		<b>\$ 4,286</b>	<b>\$ 62</b>	<b>\$ 4,286</b>	<b>\$ 62</b>
<b>Supplementary cash flow information</b>					
Interest paid		\$ (69,870)	\$ (69,478)	\$ (93,985)	\$ (93,617)

See accompanying notes to the consolidated condensed interim financial statements.

## 1. General information

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

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

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

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

During the six months ended June 30, 2022 and 2021, the Partnership operated solely in one reportable geographical and business segment.

## 2. Basis of preparation

### Statement of compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*. They should be read in conjunction with the Partnership's most recent annual audited consolidated financial statements as at and for the year ended December 31, 2021.

The Partnership has consistently applied the same accounting policies in these consolidated financial statements as compared to its 2021 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 the assets, liabilities, revenues and expenses of AltaLink Investments, L.P. or AltaLink Management Ltd.

These consolidated financial statements were approved for issue by the Board of Directors on August 4, 2022.

### Basis of measurement

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

### Functional and presentation currency

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

## Use of estimates and judgement

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

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

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

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

- Expected regulatory decisions on matters that may impact revenue;
- The recovery and settlement of financial assets and liabilities related to regulated activities, including the collection of the recovery of future income taxes and prudence reviews of capital additions by the AUC;
- Key economic assumptions used in cash flow projections to assess goodwill for impairment;
- The estimated useful lives of assets;
- The recoverability of tangible and intangible assets, including estimates of future costs to retire physical assets or the recoverability of costs associated with direct assigned projects that have been cancelled or delayed in the regulatory process; and
- The accruals for capital projects.

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

## 3. Summary of 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 2021 annual audited consolidated financial statements.

### Regulation of transmission tariffs

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

All tariff adjustments arising from deferral or reserve accounts relate to services provided to the AESO during the reporting periods, and settlement of these accounts with the AESO is not contingent on providing future services. If, in management's judgement, a reasonable estimate can be made of the impact future regulatory decisions may have on the current period's consolidated financial statements, such an estimate will be recorded in the current period. When the AUC issues a decision affecting the consolidated financial statements of a prior period, the final effects of the decision are recorded in the period in which the decision is issued.

### Revenue recognition

Operations revenue from regulated activities represent the inflow of economic benefits earned during the period arising in the ordinary course of the Partnership's operating activities. The Partnership has a single performance obligation to stand ready to provide electrical transmission services through its transmission infrastructure as directed by the AUC. The return earned by the Partnership is based on tariffs approved by the AUC and is subject to change. Operations revenue is recognized on an accrual basis in accordance with tariffs approved by the AUC and based on the value of consideration expected to be received by the Partnership. The Partnership does not recognize revenue for any portion of tariffs received but not earned. Unearned tariffs are classified as financial liabilities related to regulated activities or deferred revenue in the consolidated financial statements.

Revenue for the recovery of deemed future income taxes is accrued based on the underlying right 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, amortization of third party contributions, cost recoveries for services provided to other utilities, and rental income. Third party contributions are recorded as deferred revenue when capital funds are expended and recognized into other revenue over the useful lives of the associated assets. Cost recovery revenue is recognized on an accrual basis as the costs are incurred. Rental income from third parties is recognized on a straight-line basis over the contract term.

### Financial assets and liabilities related to regulated activities

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

Financial assets are reviewed for impairment every reporting period. The carrying amounts of financial assets 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 six months ended June 30, 2022.

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

When an asset is retired or disposed of in the normal course of business, the gain or loss is recognized immediately in the statement of comprehensive income. Generally, losses or gains are recoverable from or repayable to the AESO through future transmission tariffs. The Partnership recognizes the related amounts in revenue and records the amount as financial assets or liabilities related to regulated activities. Capital inventory and land are capitalized but not depreciated. CWIP is capitalized but not depreciated until the assets are available for use and the costs have been transferred to lines, substations, and buildings and equipment.

Reviews of property, plant and equipment to establish whether there has been any impairment are carried out when a change in circumstance is identified that indicates an asset might be impaired.

## Short-term and long-term debt

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

## 4. Risk management and financial instruments

### Fair value of financial instruments

Financial Instrument	Designated Category	Measurement Basis	Associated Risks	Fair Value at June 30, 2022
Cash	Fair value through profit or loss	Fair value	<ul style="list-style-type: none"> <li>· Market</li> <li>· Credit</li> </ul>	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"> <li>· Credit</li> <li>· Liquidity</li> </ul>	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"> <li>· Liquidity</li> </ul>	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"> <li>· Market</li> <li>· Liquidity</li> </ul>	\$4,611.7 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"> <li>· Liquidity</li> <li>· Market</li> </ul>	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"> <li>· Market</li> <li>· Credit</li> <li>· Liquidity</li> </ul>	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"> <li>· Liquidity</li> </ul>	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 99% of its trade receivable balance at June 30, 2022 is due from the AESO (December 31, 2021 – approximately 96%). 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 June 30, 2022 is with third parties that the Partnership has been transacting with for over five years (December 31, 2021 – more than 99%). None of these balances are considered credit-impaired at the reporting date.

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

### Market risk

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

#### Interest rate risk

To manage interest rate risk, the Partnership controls the proportion of floating rate debt relative to fixed rate debt. In addition, the Partnership maintains access to diverse sources of funding under its established capital markets platform.

It is the Partnership's practice to finance substantially all its debt requirements with long-term debt securities for which interest rates are fixed during the entire term of each security, generally ranging from 5 to 50 years from the date of issue. To manage short-term liquidity requirements, the Partnership has established bank credit facilities under which interest rates may vary daily unless the Partnership elects to issue bankers' acceptances or commercial paper under which interest rates are fixed during the entire term, typically ranging from 7 to 90 days from the date of issue. It is the Partnership's practice to issue commercial paper for substantially all its short-term funding requirements.

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

#### Foreign exchange risk

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

### Liquidity risk

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

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

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

	June 30, 2022		As at December 31, 2021	
	(millions)	%	(millions)	%
Commercial paper and bank credit facilities	\$ 192.5	2.2	\$ 136.5	1.6
Long-term debt maturing in less than one year	275.0	3.2	275.0	3.2
Long-term debt (before netting deferred financing fees)	4,470.1	51.8	4,470.0	52.5
AltaLink, L.P. capital	2,130.4	24.7	2,130.4	25.1
Non-controlling interests	16.6	0.2	16.6	0.2
Retained earnings	1,549.8	17.9	1,483.7	17.4
	<b>\$ 8,634.4</b>	<b>100.0</b>	<b>\$ 8,512.2</b>	<b>100.0</b>

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 June 30, 2022 and December 31, 2021.

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

	As at	
	June 30, 2022	December 31, 2021
<i>(in thousands of dollars)</i>		
Trade receivables	\$ 147,771	\$ 48,784
Prepaid expenses and deposits	42,022	17,871
Current financial assets related to regulated activities	13,544	15,601
<b>Total trade and other receivables</b>	<b>\$ 203,337</b>	<b>\$ 82,256</b>
CWIP-in-rate base and related income tax receivable	\$ 240,406	\$ 243,247
Recovery of deemed future income taxes	608,275	572,311
Other non-current financial assets related to regulated activities	307,781	304,522
<b>Total other non-current assets</b>	<b>\$ 1,156,462</b>	<b>\$ 1,120,080</b>

Trade receivables as at June 30, 2022 include \$146.1 million due from the AESO primarily for the June portion of the transmission tariffs and the difference between recognized revenue and approved interim tariff received (December 31, 2021 – \$46.7 million).

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

## 6. Intangible assets

	As at	
	June 30, 2022	December 31, 2021
<i>(in thousands of dollars)</i>		
Net book value, beginning of period	\$ 289,727	\$ 293,154
Additions to CWIP	7,971	20,495
Disposals and retirements, net	(4,855)	(163)
Amortization	(11,043)	(23,759)
<b>Net book value, end of period</b>	<b>\$ 281,800</b>	<b>\$ 289,727</b>

During the six months ended June 30, 2022, the Partnership transferred \$4.2 million (June 30, 2021 – \$6.8 million) to land rights and computer software from CWIP.

## 7. Property, plant and equipment

	Lines <sup>1</sup>	Substations <sup>2</sup>	Buildings & equipment <sup>3</sup>	Land & CWIP <sup>4</sup>	Total
<i>(in thousands of dollars)</i>					
<b>Cost</b>					
As at January 1, 2021	\$ 5,186,125	\$ 4,250,104	\$ 286,249	\$ 253,399	\$ 9,975,877
Additions to CWIP	—	—	—	237,499	237,499
Transfers	95,138	131,945	12,763	(239,846)	—
Cancelled project transfers	—	—	—	(10,036)	(10,036)
Disallowed capital costs <sup>5</sup>	(297)	(365)	—	—	(662)
Retirements and other	(1,012)	(14,900)	(14,827)	(957)	(31,696)
<b>As at December 31, 2021</b>	<b>5,279,954</b>	<b>4,366,784</b>	<b>284,185</b>	<b>240,059</b>	<b>10,170,982</b>
Additions to CWIP	—	—	—	110,186	110,186
Transfers	20,225	35,421	2,578	(58,224)	—
Cancelled project transfers	—	—	—	(87)	(87)
Disallowed capital costs <sup>6</sup>	(1,547)	—	—	—	(1,547)
Retirements and other	441	(873)	(1,280)	—	(1,712)
<b>As at June 30, 2022</b>	<b>\$ 5,299,073</b>	<b>\$ 4,401,332</b>	<b>\$ 285,483</b>	<b>\$ 291,934</b>	<b>\$ 10,277,822</b>
<b>Accumulated depreciation</b>					
As at January 1, 2021	\$ (759,532)	\$ (1,001,821)	\$ (75,787)	\$ —	\$ (1,837,140)
Depreciation expense	(104,512)	(139,650)	(18,221)	—	(262,383)
Disallowed capital depreciation <sup>5</sup>	10	14	—	—	24
Retirements and other	501	7,950	9,802	—	18,253
<b>As at December 31, 2021</b>	<b>(863,533)</b>	<b>(1,133,507)</b>	<b>(84,206)</b>	<b>—</b>	<b>(2,081,246)</b>
Depreciation expense	(54,463)	(67,266)	(9,326)	—	(131,055)
Disallowed capital depreciation <sup>6</sup>	18	—	—	—	18
Retirements and other	(181)	332	1,069	—	1,220
<b>As at June 30, 2022</b>	<b>\$ (918,159)</b>	<b>\$ (1,200,441)</b>	<b>\$ (92,463)</b>	<b>\$ —</b>	<b>\$ (2,211,063)</b>
<b>Net book value</b>					
As at December 31, 2021	\$ 4,416,421	\$ 3,233,277	\$ 199,979	\$ 240,059	\$ 8,089,736
<b>As at June 30, 2022</b>	<b>\$ 4,380,914</b>	<b>\$ 3,200,891</b>	<b>\$ 193,020</b>	<b>\$ 291,934</b>	<b>\$ 8,066,759</b>

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 16.1 years and net book value of \$38.2 million as at June 30, 2022 (December 31, 2021 – \$39.5 million); there were no additions to the cost of the leased assets during the six months ended June 30, 2022 (December 31, 2021 – \$nil).
4. Land & CWIP – land, capitalized inventory and CWIP. CWIP is reclassified to the appropriate asset classes when the assets are available for use.
5. On March 19, 2021, the AUC issued its decision on AltaLink's 2019 Deferral Accounts Reconciliation Application. The AUC approved \$128.0 million of the total \$128.5 million of capital project additions, disallowing \$0.5 million of capital costs. On April 27, 2021, the AUC issued its decision on AltaLink's 2016-2018 Deferral Accounts Reconciliation Compliance Filing, disallowing \$0.2 million of internal labour costs to prepare and support the application. The net book value of the disallowed capital costs was \$0.64 million and AltaLink repaid \$0.02 million of accumulated depreciation which it had recovered.
6. On January 19, 2022, the AUC issued its decision on AltaLink's 2022-2023 General Tariff Application, disallowing \$1.55 million of capital replacement and upgrade project additions related to AltaLink's Wildfire Mitigation Plan. The net book value of the disallowed capital costs was \$1.54 million and AltaLink repaid \$0.01 million of accumulated depreciation which it had recovered.

## 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, 2021	\$ 68,717	\$ 6,073	\$ 74,790
Receipts and interest net of refunds	56,693	38	56,731
Transfers to deferred revenue [note 11]	(67,027)	—	(67,027)
Recognized other revenue	—	(198)	(198)
As at December 31, 2021	58,383	5,913	64,296
Receipts and interest net of refunds	10,128	32	10,160
Transfers to deferred revenue [note 11]	(18,845)	—	(18,845)
Recognized other revenue	—	(91)	(91)
<b>As at June 30, 2022</b>	<b>\$ 49,666</b>	<b>\$ 5,854</b>	<b>\$ 55,520</b>

Third party deposits are held in short-term investments, which are reinvested as needed. These investments earned a weighted average annual effective interest rate of 1.00% as at June 30, 2022 (December 31, 2021 – 0.23%). For contributions in advance of construction, all interest is credited to the specific customer.

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

	June 30, 2022	As at December 31, 2021
<i>(in thousands of dollars)</i>		
Trade and accrued payables	\$ 62,322	\$ 56,095
Accrued interest on debt	26,024	26,775
Other current liabilities	3,682	5,188
Current lease liabilities [note 12]	2,092	1,984
Current financial liabilities related to regulated activities	5,196	2,933
<b>Total trade and other payables</b>	<b>\$ 99,316</b>	<b>\$ 92,975</b>
Accrued employment benefit liabilities	\$ 9,509	\$ 10,976
Other long-term liabilities	4,372	10,106
Non-current financial liabilities related to regulated activities	6,966	13,173
Financial (redemption) liabilities	16,597	16,603
<b>Total other non-current liabilities</b>	<b>\$ 37,444</b>	<b>\$ 50,858</b>

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

The financial (redemption) liabilities reflect the put options of Piikani Transmission Holding Limited Partnership and 1759511 Alberta Ltd. which are subject to regulatory approvals from the AUC. The Partnership recognized financial (redemption) liabilities and reduced AltaLink partners' capital in these consolidated financial statements. The valuation of the purchase price on the put options are defined in the partnership agreements and are calculated as the net regulatory book value of long-term assets less the book value of long-term debt on the put option exercise date.

## 10. Debt

### Commercial paper and bank credit facilities

As at June 30, 2022	Committed	Drawdowns	Commercial paper outstanding	Letters of credit outstanding	Availability	Maturity date of facility
<i>(in thousands of dollars)</i>						
Revolving credit facility	\$ 500,000	\$ —	\$ 192,500	\$ —	\$ 307,500	December 15, 2026
Revolving credit facility	75,000	—	—	1,694	73,306	December 15, 2026
	<b>\$ 575,000</b>	<b>\$ —</b>	<b>\$ 192,500</b>	<b>\$ 1,694</b>	<b>\$ 380,806</b>	

As at December 31, 2021	Committed	Drawdowns	Commercial paper outstanding	Letters of credit outstanding	Availability	Maturity date of facility
<i>(in thousands of dollars)</i>						
Revolving credit facility	\$ 500,000	\$ —	\$ 136,500	\$ —	\$ 363,500	December 15, 2026
Revolving credit facility	75,000	—	—	1,605	73,395	December 15, 2026
	<b>\$ 575,000</b>	<b>\$ —</b>	<b>\$ 136,500</b>	<b>\$ 1,605</b>	<b>\$ 436,895</b>	

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.

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, bankers' acceptances, U.S. base rate loans or drawn letters of credit.

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

### Long-term debt

	Effective Interest Rate	Maturing		As at June 30, 2022	December 31, 2021
<i>(in thousands of dollars)</i>					
<b>Senior Debt obligations</b>					
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%	1.588%	2030		225,000	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
				<b>4,750,000</b>	4,750,000
Debt discounts and premiums				<b>(4,904)</b>	(4,981)
Less: deferred financing fees				<b>(20,168)</b>	(20,916)
Long-term debt maturing in less than one year				<b>(275,000)</b>	(275,000)
Long-term debt			\$	<b>4,449,928</b>	\$ 4,449,103

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.



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 2022	\$ 275,000
Fourth quarter 2023	500,000
2024	350,000
2025	—
2026	350,000
2027	—
2028 and thereafter	3,275,000

### Finance costs

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Interest expense	\$ 46,550	\$ 46,133	\$ 92,233	\$ 91,842
Amortization of deferred financing fees	376	363	747	721
Capitalized borrowing costs <sup>1</sup> [note 14]	(933)	(834)	(1,724)	(1,634)
Interest expense on lease liabilities	498	515	1,001	1,014
	\$ 46,491	\$ 46,177	\$ 92,257	\$ 91,943

(in thousands of dollars)

- The average capitalization rate during the period ended June 30, 2022 was 3.82% (December 31, 2021 – 3.83%, June 30, 2021 – 3.14%).

## 11. Deferred revenue

	Deferred Revenue for Salvage	Third Party Contributions	Total
<i>(in thousands of dollars)</i>			
As at January 1, 2021	\$ 216,527	\$ 858,288	\$ 1,074,815
Transferred from third party deposits [note 8]	—	67,027	67,027
Cancelled project transfers	—	(10,036)	(10,036)
Received through transmission tariffs	29,770	—	29,770
Transferred from third parties	137	—	137
Recognized as revenue	(31,709)	(25,488)	(57,197)
As at December 31, 2021	214,725	889,791	1,104,516
Transferred from third party deposits [note 8]	—	18,845	18,845
Cancelled project transfers	—	(87)	(87)
Received through transmission tariffs [note 14]	15,300	—	15,300
Transferred from third parties	16	—	16
Recognized as revenue	(12,025)	(12,614)	(24,639)
<b>As at June 30, 2022</b>	<b>\$ 218,016</b>	<b>\$ 895,935</b>	<b>\$ 1,113,951</b>

	As at	
	June 30, 2022	December 31, 2021
<i>(in thousands of dollars)</i>		
Current portion	\$ 53,279	\$ 57,898
Long-term portion	1,060,672	1,046,618
	<b>\$ 1,113,951</b>	<b>\$ 1,104,516</b>

## 12. Lease liabilities

### Lease liabilities

	As at	
	June 30, 2022	December 31, 2021
<i>(in thousands of dollars)</i>		
Current lease liabilities [note 9]	\$ 2,092	\$ 1,984
Long-term portion	49,791	50,847
	<b>\$ 51,883</b>	<b>\$ 52,831</b>

### Lease payments

	Remaining six months						Total as at June 30, 2022
	2022	2023	2024	2025	2026	2027 and thereafter	2022
<i>(in thousands of dollars)</i>							
Lease payments	\$ 2,018	\$ 4,035	\$ 3,924	\$ 4,228	\$ 4,299	\$ 51,873	\$ 70,377
Amounts representing implicit interest							(18,494)
Lease liabilities							<b>\$ 51,883</b>

As at June 30, 2022, the weighted average lessee incremental borrowing rate applied to the lease liabilities is 3.84% (December 31, 2021 – 3.84%).

### Amounts related to leases recognized in statement of comprehensive income

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<i>(in thousands of dollars)</i>				
Gross depreciation	\$ 652	\$ 651	\$ 1,304	\$ 1,304
Capitalized depreciation	(603)	(547)	(1,130)	(1,070)
Net depreciation expense	\$ 49	\$ 104	\$ 174	\$ 234
Interest expense	498	515	1,001	1,014
Expense related to short-term and variable lease payments not included in the measurement of the lease liability	1,002	944	1,944	1,848
	\$ 1,549	\$ 1,563	\$ 3,119	\$ 3,096

### 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		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<i>(in thousands of dollars)</i>				
AltaLink Management Ltd.				
Employee compensation and benefits	\$ 30,937	\$ 32,949	\$ 67,071	\$ 67,768
Cost recovery for non-regulated activities	\$ 886	\$ 715	\$ 1,657	\$ 1,287

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 \$23.2 million as at June 30, 2022 (December 31, 2021 – \$29.5 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 and MATL Canada L.P.

### 14. Revenue from operations

On May 17, 2022, the AUC approved final transmission tariffs for AltaLink, including monthly tariffs for PLP and KLP, of \$83.6 million per month effective June 1, 2022, for the remainder of 2022, and \$73.6 million per month for 2023. The AUC approved AltaLink's 2022 revenue requirement at \$870.7 million, with total approved 2022 revenue requirement, including PLP and KLP, of \$878.8 million.

On November 23, 2021, the AUC approved an interim tariff of \$57.4 million per month starting at January 1, 2022, which includes monthly tariffs for PLP and KLP.

On March 15, 2021, the AUC approved a revised revenue requirement of \$873.3 million for 2021 and a final cash transmission tariff of \$46.5 million per month starting April 2021, which included amounts for PLP and KLP. On November 19, 2020, the AUC approved 2021 monthly cash tariffs of \$71.4 million starting January 2021, which included monthly tariffs for PLP and KLP.

On October 13, 2020, the AUC issued Decision 24110-D01-2020 to set the 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. On March 4, 2021, the AUC issued Decision 26212-D01-2021 approving an equity return of 8.5% and an equity ratio of 37% for 2022.

For the six months ended June 30, 2022, approximately 96% of the Partnership's revenue is attributable to the AESO (June 30, 2021 – approximately 96%).

The following table summarizes the timing differences between the revenue requirement approved on May 17, 2022 for 2022 and on March 15, 2021 for 2021, and revenue from operations earned during the periods.

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<i>(in thousands of dollars)</i>				
Debt and equity return on rate base	\$ 105,195	\$ 108,855	\$ 210,407	\$ 214,470
Recovery of forecast expenses	114,943	111,084	228,998	222,167
Revenue requirement	\$ 220,138	\$ 219,939	\$ 439,405	\$ 436,637
AFUDC	2,388	2,224	4,508	4,280
Repayable direct assigned capital projects	(3,030)	(3,775)	(2,871)	(5,186)
Receivable (repayable) property taxes and other	907	(221)	2,173	477
Revenue related IFRS adjustments <sup>1</sup>	13,423	16,695	28,101	32,878
<b>Revenue from operations</b>	<b>\$ 233,826</b>	<b>\$ 234,862</b>	<b>\$ 471,316</b>	<b>\$ 469,086</b>

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

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<i>(in thousands of dollars)</i>				
Revenue related to salvage costs [note 11]	\$ 5,179	\$ 7,942	\$ 12,025	\$ 14,821
Salvage funds transferred to deferred revenue [note 11]	(7,650)	(7,442)	(15,300)	(14,885)
Revenue for the recovery of future income taxes	17,965	18,222	35,964	36,066
Recovery of loss on disposal of assets other than land	511	517	492	1,905
Capitalized borrowing costs [note 10]	(933)	(834)	(1,724)	(1,634)
Collection of receivables related to IFRS adjustments	(1,649)	(1,710)	(3,356)	(3,395)
<b>Revenue related IFRS adjustments</b>	<b>\$ 13,423</b>	<b>\$ 16,695</b>	<b>\$ 28,101</b>	<b>\$ 32,878</b>

## 15. Expenses

### Operating expenses

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<i>(in thousands of dollars)</i>				
Employee salaries and benefits	\$ 12,549	\$ 13,449	\$ 29,077	\$ 28,606
Contracted labour	5,874	5,712	11,073	11,899
Other operating expenses	6,575	5,876	13,313	12,926
Disallowed capital costs [note 7]	—	197	1,547	662
	<b>\$ 24,998</b>	<b>\$ 25,234</b>	<b>\$ 55,010</b>	<b>\$ 54,093</b>

### Property taxes, salvage and other expenses

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<i>(in thousands of dollars)</i>				
Property and business tax	\$ 13,612	\$ 12,506	\$ 26,884	\$ 25,013
Salvage expenses	5,179	7,942	12,025	14,821
Annual structure payments	3,929	3,861	7,861	7,693
Hearing expenses and other	35	117	1,028	1,113
	<b>\$ 22,755</b>	<b>\$ 24,426</b>	<b>\$ 47,798</b>	<b>\$ 48,640</b>

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

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

As at June 30, 2022, the non-controlling interests within the equity section of the statement of financial position are comprised of 1759511 Alberta Ltd.'s (the nominee of the Blood Tribe) \$6.6 million limited partner interest (December 31, 2021 – \$6.6 million) or 51% of KLP, and Piikani Transmission Holding Limited Partnership's (the nominee of the Piikani First Nation) \$10.0 million limited partner interest (December 31, 2021 – \$10.0 million) or 51% of PLP.

## 17. Commitments

The contractual commitments of the Partnership associated with the construction of new facilities as at June 30, 2022 are \$91.3 million (December 31, 2021 – \$101.8 million).

## 18. Contingencies

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

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

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