



## AltaLink, L.P.

*Condensed Interim Financial Statements (unaudited)  
For the three and nine months ended September 30, 2017 and 2016*



## Statement of Financial Position

(unaudited)

	Notes	As at	
		September 30, 2017	December 31, 2016
<i>(in thousands of dollars)</i>			
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 2,203	\$ 2,122
Trade and other receivables	6	234,381	127,187
		<b>236,584</b>	<b>129,309</b>
<b>Non-current</b>			
Goodwill		202,066	202,066
Intangible assets	7	298,600	291,906
Property, plant and equipment	8	8,070,203	7,861,158
Third party deposits	9	52,538	46,822
Other non-current assets	6	565,421	578,614
		<b>\$ 9,425,412</b>	<b>\$ 9,109,875</b>
<b>LIABILITIES AND PARTNERS' EQUITY</b>			
<b>Current</b>			
Trade and other payables	10	\$ 229,212	\$ 195,561
Commercial paper and bank credit facilities	11	162,288	34,973
Long-term debt maturing in less than one year	11	200,000	—
Current portion of deferred revenue	12	63,525	79,339
		<b>655,025</b>	<b>309,873</b>
<b>Non-current</b>			
Long-term debt	11	4,619,527	4,818,995
Deferred revenue	12	929,181	844,968
Third party deposits liability	9	52,538	46,822
Other non-current liabilities	10	23,312	12,095
		<b>6,279,583</b>	<b>6,032,753</b>
<b>Commitments and contingencies</b>	16, 17		
<b>Partners' equity</b>		<b>3,145,829</b>	<b>3,077,122</b>
		<b>\$ 9,425,412</b>	<b>\$ 9,109,875</b>

See accompanying notes to the condensed interim financial statements.

## Statement of Comprehensive Income

(unaudited)

	Notes	Three months ended		Nine months ended	
		September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<i>(in thousands of dollars)</i>					
<b>Revenue</b>					
Operations	14	\$ 238,370	\$ 235,306	\$ 705,956	\$ 693,563
Other		7,655	8,783	27,675	29,487
		<b>246,025</b>	<b>244,089</b>	<b>733,631</b>	<b>723,050</b>
<b>Expenses</b>					
Operating	15	(26,758)	(25,332)	(73,820)	(77,463)
Property taxes, salvage and other	15	(21,728)	(27,604)	(69,886)	(73,308)
Depreciation and amortization		(62,331)	(66,893)	(184,827)	(209,137)
		<b>(110,817)</b>	<b>(119,829)</b>	<b>(328,533)</b>	<b>(359,908)</b>
		<b>135,208</b>	<b>124,260</b>	<b>405,098</b>	<b>363,142</b>
Finance costs	11	(48,458)	(44,721)	(143,588)	(129,572)
Loss on disposal of assets		(925)	(860)	(11,803)	(6,652)
<b>Net and comprehensive income</b>		<b>\$ 85,825</b>	<b>\$ 78,679</b>	<b>\$ 249,707</b>	<b>\$ 226,918</b>

See accompanying notes to the condensed interim financial statements.

**Statement of Changes in Partners' Equity**

(unaudited)

	Units	Allocation to Limited Partner	Allocation to General Partner	Total Retained Earnings	Partners' Capital	Total
<i>(in thousands)</i>						
As at January 1, 2016	331,904	\$ 771,080	\$ 112	\$ 771,192	\$ 1,957,836	\$ 2,729,028
Net and comprehensive income	—	226,895	23	226,918	—	226,918
Equity investment received	—	—	—	—	10,500	10,500
Distributions paid	—	(50,495)	(5)	(50,500)	—	(50,500)
<b>Balance at September 30, 2016</b>	<b>331,904</b>	<b>\$ 947,480</b>	<b>\$ 130</b>	<b>\$ 947,610</b>	<b>\$ 1,968,336</b>	<b>\$ 2,915,946</b>
As at January 1, 2017	331,904	\$ 1,018,049	\$ 137	\$ 1,018,186	\$ 2,058,936	\$ 3,077,122
Net and comprehensive income	—	249,682	25	249,707	—	249,707
Distributions paid	—	(180,982)	(18)	(181,000)	—	(181,000)
<b>Balance at September 30, 2017</b>	<b>331,904</b>	<b>\$ 1,086,749</b>	<b>\$ 144</b>	<b>\$ 1,086,893</b>	<b>\$ 2,058,936</b>	<b>\$ 3,145,829</b>

See accompanying notes to the condensed interim financial statements.

## Statement of Cash Flows

(unaudited)

	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<i>(in thousands of dollars)</i>				
<b>Cash flows from operating activities</b>				
Net income	\$ 85,825	\$ 78,679	\$ 249,707	\$ 226,918
Adjustments for				
Depreciation and amortization	62,331	66,893	184,827	209,137
Third party contributions revenue	(5,272)	(6,342)	(15,591)	(19,239)
Loss on disposal of assets	925	860	11,803	6,652
Financial assets related to regulated activities, non-current	(50,260)	(62,034)	13,193	(378,896)
Change in other items	11,336	(1,273)	28,855	11,665
Change in non-cash working capital items	41,397	(14,952)	(77,937)	193,210
<b>Net cash provided by operating activities</b>	<b>146,282</b>	<b>61,831</b>	<b>394,857</b>	<b>249,447</b>
<b>Cash flows from investing activities</b>				
Capital expenditures	(156,918)	(147,859)	(392,381)	(513,745)
Use of third party contributions	22,769	11,504	51,341	21,055
Net proceeds from disposal of assets	403	(662)	484	858
<b>Net cash used in investing activities</b>	<b>(133,746)</b>	<b>(137,017)</b>	<b>(340,556)</b>	<b>(491,832)</b>
<b>Cash flows from financing activities</b>				
Senior debt issued	—	—	—	350,000
Net movement in commercial paper and bank credit facilities	44,368	84,930	127,315	(68,927)
Distributions paid	(57,000)	(10,500)	(181,000)	(50,500)
Equity investment received	—	—	—	10,500
Change in other financing activities	(57)	(254)	(535)	(2,135)
<b>Net cash (used in) provided by financing activities</b>	<b>(12,689)</b>	<b>74,176</b>	<b>(54,220)</b>	<b>238,938</b>
<b>Net change in cash</b>	<b>(153)</b>	<b>(1,010)</b>	<b>81</b>	<b>(3,447)</b>
Cash, beginning of period	2,356	1,531	2,122	3,968
<b>Cash, end of period</b>	<b>\$ 2,203</b>	<b>\$ 521</b>	<b>\$ 2,203</b>	<b>\$ 521</b>
<b>Supplementary cash flow information</b>				
Interest paid	\$ (24,439)	\$ (24,766)	\$ (122,896)	\$ (112,009)

See accompanying notes to the condensed interim financial statements.

## 1. General information

AltaLink, L.P. (the Partnership or AltaLink) was formed under the laws of the Province of Alberta in Canada on July 3, 2001, to own and operate regulated transmission assets in Alberta. The Partnership's registered office is located at 2611 - 3rd Avenue SE, Calgary, Alberta, T2A 7W7. The Partnership has one limited partner, AltaLink Investments, L.P., 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 and nine months ended September 30, 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 Board of Directors on November 2, 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 AltaLink's tariff 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

**Revenue from contracts with customers** - In 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.

The new guidance requires that an entity recognize revenue in accordance with a five-step model. The core principle of the guidance requires that an entity recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the total consideration to which an entity expects to be entitled during the term of the contract in exchange for those goods or services. Additionally, the guidance requires the entity to disclose further quantitative and qualitative information regarding the nature and amount of revenues arising from contracts with customers, as well as other information about the significant judgements and estimates used in recognizing revenues from contracts with customers.

AltaLink will adopt the new standard on the effective date of January 1, 2018. There are two methods under which the new standard can be adopted: 1) a full retrospective approach with restatement of all prior periods presented, or 2) a modified retrospective approach with a cumulative-effect adjustment as of the date of adoption. AltaLink is evaluating both methods of adoption as it works through its analysis.



AltaLink is currently evaluating the impact of adopting this guidance on its financial statements and disclosures. All existing customer contracts that are within the scope of the new guidance have been identified and the Partnership is in the final stages of analyzing individual contracts to identify any significant changes in how revenues are recognized as a result of implementing the new standard. As AltaLink continues its contract analysis, it is also quantifying the impact, if any, on prior period revenues. Subject to finalization of technical accounting interpretation of certain industry specific matters, AltaLink does not expect the timing and amount of revenue currently recognized to be materially different after adoption of the new guidance, as revenue from operations is recognized when the Partnership has the right to the revenue based on the services delivered during the reporting period.

AltaLink is addressing any system and process changes needed to compile information to meet the recognition and disclosure requirements of the new standard, but no significant changes are anticipated. AltaLink is currently evaluating the impact of the guidance on its disclosures, and developing any additional disclosures required under the new standard.

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

- In July 2014, the IASB issued IFRS 9 – Financial instruments, which is effective for financial periods beginning on or after January 1, 2018. No material impact to the Partnership’s financial statements or disclosures is expected.
- 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 September 30, 2017
Cash and cash equivalents	Fair value through profit or loss (Held for trading)	Fair value	<ul style="list-style-type: none"> <li>• Market</li> <li>• Credit</li> <li>• Liquidity</li> </ul>	Carrying value is fair value due to short-term nature.
Trade and other receivables and other non-current assets <i>[note 6]</i>	Loans and receivables	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 asset.
Trade and other payables and other non-current liabilities <i>[note 10]</i>	Other liabilities	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 liability.
Commercial paper and bank credit facilities and Long-term Debt <i>[note 11]</i>	Other liabilities	Initially at fair value and subsequently at amortized cost	<ul style="list-style-type: none"> <li>• Market</li> <li>• Liquidity</li> </ul>	\$5,331.4 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 <i>[note 9]</i>	Fair value through profit or loss (Held for trading)	Fair value	<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 <i>[note 9]</i>	Other liabilities	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 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***

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

It is the Partnership’s practice to finance substantially all of its debt requirements with long-term debt securities for which interest rates are fixed during the entire term of each security, generally ranging from 5 to 50 years from the date of issue. To manage short-term liquidity requirements, the Partnership has established bank credit facilities under which interest rates may vary daily unless the Partnership elects to issue bankers’ acceptances or commercial paper under which interest rates are fixed during the entire term, typically ranging from 7 to 90 days from the date of issue. It is the Partnership’s practice to issue commercial paper for substantially all of its short-term funding requirements. The Partnership 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			
	September 30, 2017		December 31, 2016	
	(millions)	%	(millions)	%
Commercial paper and bank credit facilities	\$ 162.3	2.0	\$ 35.0	0.4
Long-term debt maturing in less than one year	200.0	2.5	—	—
Long-term debt (including discounts and premiums)	4,644.6	57.0	4,844.8	60.9
Partners' capital	2,058.9	25.2	2,058.9	25.9
Retained earnings	1,086.9	13.3	1,018.2	12.8
	\$ 8,152.7	100.0	\$ 7,956.9	100.0

As at September 30, 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 September 30, 2017.

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

	As at	
	September 30, 2017	December 31, 2016
<i>(in thousands of dollars)</i>		
Trade receivables	\$ 104,362	\$ 34,168
GST receivable	—	5,760
Prepaid expenses and deposits	16,292	9,002
Cancelled projects	54,771	4,975
Current portion of financial assets related to regulated activities	58,956	73,282
Total trade and other receivables	\$ 234,381	\$ 127,187
CWIP-in-rate base and related income tax	\$ 269,866	\$ 257,935
Recovery of deemed future income taxes	147,069	79,080
Cancelled projects	—	54,658
Other non-current financial assets related to regulated activities	148,486	186,941
Non-current portion of financial assets related to regulated activities	\$ 565,421	\$ 578,614

Trade receivables as at September 30, 2017 include \$70.4 million (December 31, 2016 - \$11.9 million) due from the AESO for the September portion of the transmission tariff and \$16.7 million (December 31, 2016 - \$6.7 million) due from the AESO for the difference between recognized revenue and 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 its tariff. 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, which includes amounts related to the deferral accounts reconciliation for 2014 and specific 2015 direct assigned projects, filed with the AUC during April 2017. 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, including amounts that have been added to rate base (DACDA, AFUDC, and losses on disposals of property, plant and equipment) and other regulatory balances. These amounts will be recovered in AltaLink's tariff over a future time period, which has been approved by the AUC.

## 7. Intangible assets

	As at	
	September 30, 2017	December 31, 2016
<i>(in thousands of dollars)</i>		
Net book value, beginning of year	\$ 291,906	\$ 275,920
Additions to CWIP	23,620	36,988
Amortization	(16,926)	(21,002)
<b>Net book value</b>	<b>\$ 298,600</b>	<b>\$ 291,906</b>

During the nine months ended September 30, 2017, the Partnership transferred \$11.5 million (September 30, 2016 - \$15.6 million) to land rights and computer software from CWIP.

## 8. 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, 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)
<b>As at December 31, 2016</b>	<b>4,612,478</b>	<b>3,649,001</b>	<b>196,422</b>	<b>335,064</b>	<b>8,792,965</b>
Additions to CWIP	—	—	—	389,233	389,233
Transfers	127,898	68,041	10,249	(206,188)	—
Retirements	(9,352)	(3,329)	(8,494)	(2,130)	(23,305)
<b>As at September 30, 2017</b>	<b>\$ 4,731,024</b>	<b>\$ 3,713,713</b>	<b>\$ 198,177</b>	<b>\$ 515,979</b>	<b>\$ 9,158,893</b>
<b>Accumulated Depreciation</b>					
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
<b>As at December 31, 2016</b>	<b>(358,873)</b>	<b>(502,170)</b>	<b>(70,764)</b>	<b>—</b>	<b>(931,807)</b>
Depreciation expense	(66,164)	(88,341)	(13,396)	—	(167,901)
Retirements	357	2,255	8,406	—	11,018
<b>As at September 30, 2017</b>	<b>\$ (424,680)</b>	<b>\$ (588,256)</b>	<b>\$ (75,754)</b>	<b>\$ —</b>	<b>\$ (1,088,690)</b>
<b>Net book value</b>					
As at December 31, 2016	\$ 4,253,605	\$ 3,146,831	\$ 125,658	\$ 335,064	\$ 7,861,158
<b>As at September 30, 2017</b>	<b>\$ 4,306,344</b>	<b>\$ 3,125,457</b>	<b>\$ 122,423</b>	<b>\$ 515,979</b>	<b>\$ 8,070,203</b>

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, computer hardware and emergency capital spare parts.

4. Land & CWIP – land, capitalized inventory and CWIP. CWIP is reclassified to the appropriate asset classes when the assets are available for use.

On August 30, 2017, the AUC issued Decision 21341-D01-2017 approving AltaLink's negotiated settlement agreement for the 2017-2018 GTA. The AUC Decision approved lower depreciation rates for certain assets, resulting in a \$6.8 million and \$20.4 million decrease to depreciation expense for the three and nine months ended September 30, 2017, respectively, compared to the same periods in 2016.

## 9. 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, 2016	\$ 36,677	\$ 6,571	\$ 43,248
Receipts net of refunds and interest	42,344	68	42,412
Transfers to deferred revenue [note 12]	(38,705)	(133)	(38,838)
As at December 31, 2016	40,316	6,506	46,822
Receipts net of refunds and interest	57,150	54	57,204
Transfers to deferred revenue [note 12]	(51,341)	(147)	(51,488)
<b>As at September 30, 2017</b>	<b>\$ 46,125</b>	<b>\$ 6,413</b>	<b>\$ 52,538</b>

Third party deposits are held in short-term investments, which are reinvested as needed. These investments earned an annual effective interest rate of 1.39% as at September 30, 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

	September 30, 2017	As at December 31, 2016
<i>(in thousands of dollars)</i>		
Trade and accrued payables	\$ 158,365	\$ 142,142
Accrued interest on long-term debt	52,722	28,568
Other current liabilities	3,365	2,947
GST payable	112	—
Current portion of financial liabilities related to regulated activities	14,648	21,904
<b>Total trade and other payables</b>	<b>\$ 229,212</b>	<b>\$ 195,561</b>
Accrued post-employment benefit liabilities	\$ 7,936	\$ 7,355
Other liabilities	3,170	2,724
Non-current portion of financial liabilities related to regulated activities	12,206	2,016
<b>Total other non-current liabilities</b>	<b>\$ 23,312</b>	<b>\$ 12,095</b>

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 its tariff. 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 2015 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 September 30, 2017 <i>(in thousands of dollars)</i>	Committed	Drawdowns	Commercial paper outstanding	Letters of credit outstanding	Availability	Maturity date of facility
Revolving credit facility	\$ 750,000	\$ —	\$ 162,288	\$ —	\$ 587,712	December 14, 2018
Revolving credit facility	75,000	—	—	9,178	65,822	December 14, 2018
<b>Total bank credit facilities</b>	<b>\$ 825,000</b>	<b>\$ —</b>	<b>\$ 162,288</b>	<b>\$ 9,178</b>	<b>\$ 653,534</b>	

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

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	September 30, 2017	As at December 31, 2016
<i>(in thousands of dollars)</i>				
<b>Senior debt obligations (Medium-Term Notes)</b>				
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
			<b>4,850,000</b>	4,850,000
Long-term debt maturing in less than one year			<b>(200,000)</b>	—
			<b>4,650,000</b>	4,850,000
Debt discounts and premiums			<b>(5,357)</b>	(5,199)
Less: deferred financing fees			<b>(25,116)</b>	(25,806)
<b>Long-term debt</b>			<b>\$ 4,619,527</b>	<b>\$ 4,818,995</b>

The total issuance under the \$2,000.0 million Short Form Base Shelf Prospectus as at September 30, 2017 was \$1,150.0 million (December 31, 2016 - \$1,150.0 million). The Short Form Base Shelf Prospectus expired 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		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<i>(in thousands of dollars)</i>				
Interest expense	\$ 49,923	\$ 45,980	\$ 147,050	\$ 133,669
Amortization of deferred financing fees	360	291	1,067	864
Capitalized borrowing costs <sup>1</sup>	(1,825)	(1,550)	(4,529)	(4,961)
	<b>\$ 48,458</b>	<b>\$ 44,721</b>	<b>\$ 143,588</b>	<b>\$ 129,572</b>

1. The average capitalization rate for the period ended September 30, 2017 was 3.98% (December 31, 2016 – 3.88%).

**12. Deferred revenue**

	Third Party	Deferred	Total
	Contributions	Revenue for Salvage	
<i>(in thousands of dollars)</i>			
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]	51,341	—	51,341
Change in third party contributions receivable	11,550	—	11,550
Received through transmission tariff [note 14]	—	39,435	39,435
Recognized as revenue [notes 14 and 15]	(15,591)	(18,336)	(33,927)
<b>As at September 30, 2017</b>	<b>\$ 803,291</b>	<b>\$ 189,415</b>	<b>\$ 992,706</b>

	As at	
	September 30, 2017	December 31, 2016
<i>(in thousands of dollars)</i>		
Current portion	\$ 63,525	\$ 79,339
Long-term portion	929,181	844,968
	<b>\$ 992,706</b>	<b>\$ 924,307</b>

Contributions received from third parties used to finance certain capital construction costs and other charges 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		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<i>(in thousands of dollars)</i>				
AltaLink Management Ltd.				
Employee compensation and benefits	\$ 28,201	\$ 32,578	\$ 92,860	\$ 102,518
Cost recovery for non-regulated activities	295	371	893	991

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 \$22.2 million as at September 30, 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.

On February 8, 2017, AltaLink filed with the AUC a negotiated settlement application for its 2017-2018 GTA. On August 30, 2017, the AUC issued a final decision, with no material impact to the financial statements, on AltaLink's 2017-2018 GTA. AltaLink has calculated its revenue to reflect the final approved revenue requirement for 2017, adjusted for deferral accounts and other items.

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 revenue requirement and revenue from operations earned during the period.

	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<i>(in thousands of dollars)</i>				
Return on rate base	\$ 114,781	\$ 129,100	\$ 318,707	\$ 288,975
Recovery of forecast expenses	122,800	135,426	341,514	340,275
Revenue requirement	\$ 237,581	\$ 264,526	\$ 660,221	\$ 629,250
AFUDC net of capitalized borrowing costs	2,618	2,224	6,746	6,959
(Repayable) receivable directly assigned capital projects related revenue	(13,621)	(52,320)	(11,072)	6,449
(Repayable) receivable property taxes and other	(1,261)	1,239	(2,564)	(716)
Revenue related IFRS adjustments	13,053	19,637	52,625	51,621
<b>Revenue from operations</b>	<b>\$ 238,370</b>	<b>\$ 235,306</b>	<b>\$ 705,956</b>	<b>\$ 693,563</b>

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		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<i>(in thousands of dollars)</i>				
Revenue related to salvage costs [note 12]	4,952	11,312	18,336	28,680
Recovery of loss on disposal of assets other than land	1,327	197	12,287	7,510
Salvage funds transferred to deferred revenue [note 12]	(13,296)	(11,322)	(39,435)	(42,391)
FIT Revenue <sup>1</sup>	21,975	19,696	67,989	58,546
Other	(1,905)	(246)	(6,552)	(724)
	\$ 13,053	\$ 19,637	\$ 52,625	\$ 51,621

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 issued May 9, 2016. FIT revenue is recognized on an accrual basis.

For the three and nine months ended September 30, 2017, approximately 97% and 96%, respectively, of the Partnership's revenue is attributable to the AESO (three and nine months ended September 30, 2016 – approximately 96%).

## 15. Expenses

### Operating expenses

	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<i>(in thousands of dollars)</i>				
Employee salaries and benefits	\$ 10,570	\$ 12,013	\$ 35,319	\$ 38,066
Contracted labour	7,499	8,388	16,873	21,668
Other operating expenses	8,689	4,931	21,628	17,729
	\$ 26,758	\$ 25,332	\$ 73,820	\$ 77,463

### Property taxes, salvage and other expenses

	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<i>(in thousands of dollars)</i>				
Property and business tax	\$ 13,020	\$ 10,495	\$ 39,122	\$ 31,501
Salvage expenses	4,952	11,312	18,336	28,680
Annual structure payments	3,689	3,641	11,136	10,707
Hearing expenses and other	67	2,156	1,292	2,420
	\$ 21,728	\$ 27,604	\$ 69,886	\$ 73,308

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. Commitments

The contractual commitments of the Partnership associated with the construction of new facilities as at September 30, 2017 are \$184.0 million (December 31, 2016 - \$505.2 million).

The Partnership is committed to operating leases that have lease terms which expire between 2017 and 2030. Of the total expected minimum lease payments, approximately 71% relates to the Partnership's head office leases.

Expected minimum lease payments in future years are as follows:

As at  
September 30, 2017

*(in thousands of dollars)*

**Operating lease obligations payable on non-cancellable leases are as follows:**

No later than 1 year	\$	4,637
Later than 1 year and no later than 5 years		15,959
Later than 5 years		14,355
	\$	34,951

## 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 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 is claiming he 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.