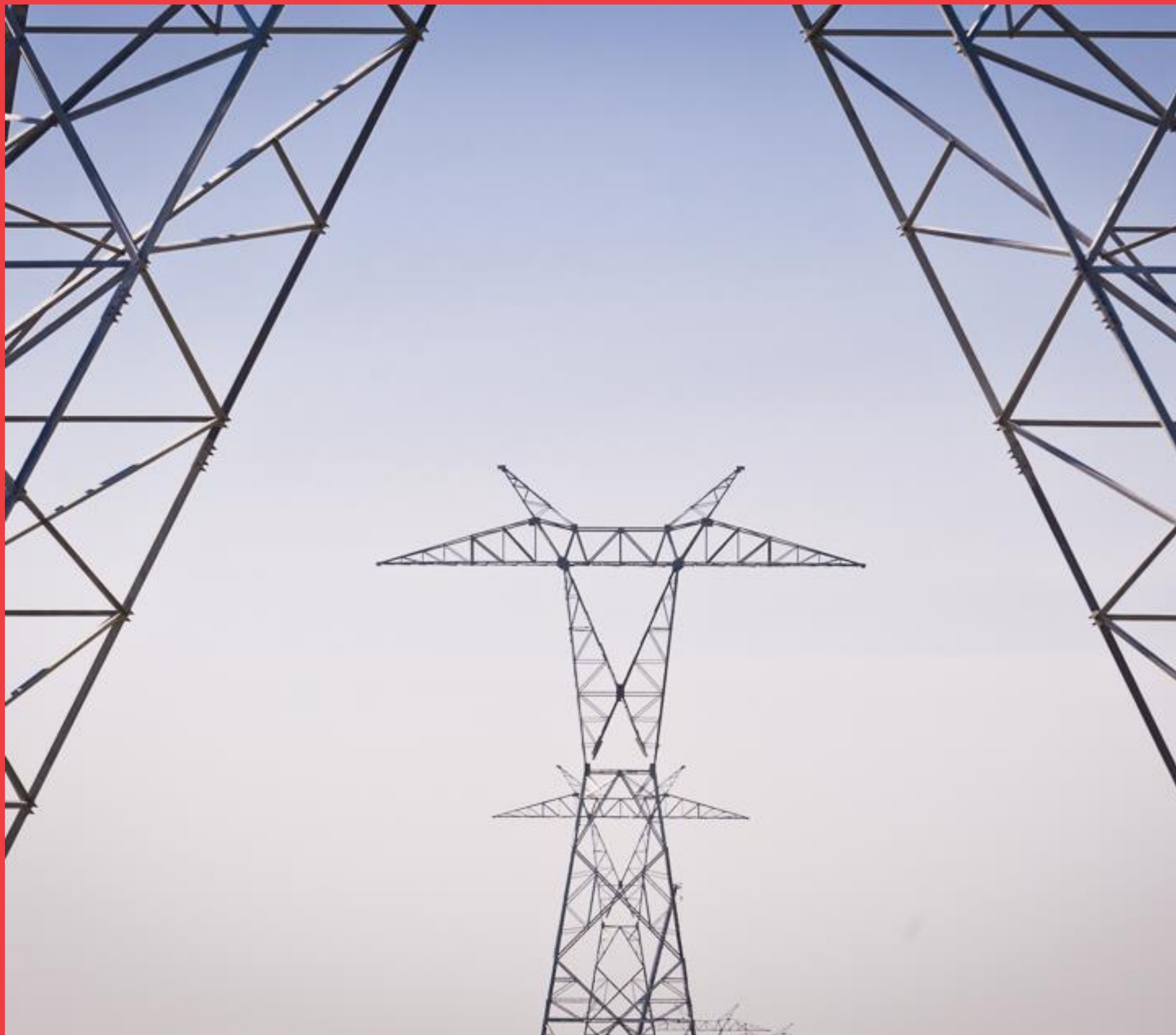

AltaLink, L.P.

Condensed Interim Financial Statements (unaudited)

For the three and nine months ended September 30, 2018 and 2017

A BERKSHIRE HATHAWAY ENERGY COMPANY

Statement of Financial Position
(unaudited)

	Notes	As at September 30, 2018	As at December 31, 2017
(in thousands of dollars)			
ASSETS			
Current			
Cash		**$ —**	$ 5,929
Trade and other receivables	6	**297,139**	299,107
		297,139	305,036
Non-current			
Goodwill		**202,066**	202,066
Intangible assets	7	**293,001**	296,521
Property, plant and equipment	8	**8,056,430**	8,054,025
Third party deposits	9	**70,098**	41,230
Other non-current assets	6	**712,806**	631,457
		$ 9,631,540	$ 9,530,335
LIABILITIES AND PARTNERS' EQUITY			
Current			
Trade and other payables	10	**$ 146,489**	$ 189,499
Commercial paper and bank credit facilities	11	**365,522**	150,797
Long-term debt maturing in less than one year	11	**—**	200,000
Current portion of deferred revenue	12	**58,925**	65,447
		570,936	605,743
Non-current			
Long-term debt	11	**4,620,834**	4,619,842
Deferred revenue	12	**962,342**	929,325
Third party deposits liability	9	**70,098**	41,230
Other non-current liabilities	10	**27,280**	23,911
		6,251,490	6,220,051
Commitments and contingencies	16, 17		
Partners' equity		**3,380,050**	3,310,284
		$ 9,631,540	$ 9,530,335

See accompanying notes to the condensed interim financial statements.

ALTALINK
A BERKSHIRE HATHAWAY ENERGY COMPANY

Statement of Comprehensive Income
(unaudited)

	Notes	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
(in thousands of dollars)					
Revenue					
Operations	14	**$ 234,883**	$ 238,370	**$ 717,619**	$ 705,956
Other		**7,398**	7,655	**22,659**	27,675
		242,281	246,025	**740,278**	733,631
Expenses					
Operating	15	**(21,622)**	(26,758)	**(71,326)**	(73,820)
Property taxes, salvage and other	15	**(23,247)**	(21,728)	**(73,523)**	(69,886)
Depreciation and amortization		**(68,380)**	(62,331)	**(206,411)**	(184,827)
		(113,249)	(110,817)	**(351,260)**	(328,533)
		129,032	135,208	**389,018**	405,098
Finance costs	11	**(48,029)**	(48,458)	**(145,359)**	(143,588)
Gain (Loss) on disposal of assets		**111**	(925)	**(1,893)**	(11,803)
Net and comprehensive income		**$ 81,114**	$ 85,825	**$ 241,766**	$ 249,707

See accompanying notes to the condensed interim financial statements.

ALTALINK
A BERKSHIRE HATHAWAY ENERGY COMPANY

Statement of Changes in Partners' Equity
(unaudited)

(in thousands)	Units	Allocation to Limited Partner	Allocation to General Partner	Total Retained Earnings	Partners' Capital	Total
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)
Balance at September 30, 2017	331,904	$ 1,086,749	$ 144	$ 1,086,893	$ 2,058,936	$ 3,145,829
As at January 1, 2018	331,904	$ 1,173,695	$ 153	$ 1,173,848	$ 2,136,436	$ 3,310,284
Net and comprehensive income	—	241,742	24	241,766	—	241,766
Distributions paid	—	(171,983)	(17)	(172,000)	—	(172,000)
Balance at September 30, 2018	**331,904**	**$ 1,243,454**	**$ 160**	**$ 1,243,614**	**$ 2,136,436**	**$ 3,380,050**

See accompanying notes to the condensed interim financial statements.

Statement of Cash Flows
(unaudited)

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
(in thousands of dollars)				
Cash flows from operating activities				
Net income	**$ 81,114**	$ 85,825	**$ 241,766**	$ 249,707
Adjustments for				
Depreciation and amortization	**68,380**	62,331	**206,411**	184,827
Third party contributions revenue	**(5,310)**	(5,272)	**(16,546)**	(15,591)
(Gain) Loss on disposal of assets	**(111)**	925	**1,893**	11,803
Change in other items	**(16,116)**	(38,924)	**(59,255)**	42,048
Change in non-cash working capital items	**(59,264)**	41,397	**12,646**	(77,937)
Net cash provided by operating activities	**68,693**	146,282	**386,915**	394,857
Cash flows from investing activities				
Capital expenditures	**(72,603)**	(156,918)	**(262,818)**	(392,381)
Use of third party contributions	**10,478**	22,769	**27,276**	51,341
Proceeds from disposal of assets	**1**	403	**13**	484
Net cash used in investing activities	**(62,124)**	(133,746)	**(235,529)**	(340,556)
Cash flows from financing activities				
Senior debt repaid	**—**	—	**(200,000)**	—
Net movement in commercial paper and bank credit facilities	**31,897**	44,368	**214,725**	127,315
Distributions paid	**(38,500)**	(57,000)	**(172,000)**	(181,000)
Change in other financing activities	**34**	(57)	**(40)**	(535)
Net cash used in financing activities	**(6,569)**	(12,689)	**(157,315)**	(54,220)
Net change in cash	**—**	(153)	**(5,929)**	81
Cash, beginning of period	**—**	2,356	**5,929**	2,122
Cash, end of period	**$ —**	$ 2,203	**$ —**	$ 2,203
Supplementary cash flow information				
Interest paid	**$ (42,709)**	$ (24,439)	**$ (141,809)**	$ (122,896)

See accompanying notes to the condensed interim financial statements.

ALTALINK
A BERKSHIRE HATHAWAY ENERGY COMPANY

1. General information

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

On December 1, 2014, Berkshire Hathaway Energy Canada Holdings Corporation (BHE) 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 nine months ended September 30, 2018 and 2017, 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, 2017.

The Partnership has consistently applied the same accounting policies in these financial statements as compared to its most recent annual audited financial statements, except those as disclosed as adopted as of January 1, 2018.

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 1, 2018.

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 cancelled or delayed in the regulatory process;
- The recoverability of intangible assets with indefinite lives, such as goodwill; and
- The accruals for capital projects.

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

The Partnership discloses the nature and amount of a material change in an accounting estimate that has an effect in the current period. It also discloses the nature and amount of a material change in an accounting estimate that is expected to have an effect in future periods, except when it is impracticable to estimate that effect, in which case the Partnership discloses that fact.

3. Summary of significant accounting policies

The following is a summary of certain of the significant accounting policies. For a complete summary of significant accounting policies, please refer to note 3 in the Partnership's 2017 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, 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 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

Operations revenue from regulated activities represent the inflow of economic benefits earned during the period arising in the ordinary course of the Partnership's operating activities. The Partnership has a single performance obligation to stand ready to provide electrical transmission services through its transmission infrastructure as directed by the AUC. The return earned by the Partnership is based on tariffs approved by the AUC and is subject to variability. Operations revenues are recognized on the 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 financial statements.

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

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

Other revenue represents revenue received from third parties and includes, but is not limited to, cost recoveries for services provided to other utilities. Third party contributions are recorded as deferred revenue when capital funds are expended and recognized into other revenue over the useful lives of the associated asset. Other revenue is recognized on 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.

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 as a result of the adoption of IFRS 9.

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 12 months are not discounted.

4. Adoption of new and revised accounting standards

Amendments to standards effective on or after January 1, 2018

Adoption of International Financial Reporting Standard (IFRS) 15 – Revenue from contracts with customers

AltaLink adopted IFRS 15 – Revenue from contracts with customers issued in May 2014, and the narrow-scope amendment, Clarification to IFRS 15 – Revenue from contracts with customers issued in June 2016 (IFRS 15), with a date of initial application of January 1, 2018. IFRS 15 provides a comprehensive framework for recognizing revenue from contracts with customers, and replaces International Accounting Standard (IAS) 11 – Construction contracts, IAS 18 - Revenue, and International Financial Reporting Interpretations Committee (IFRIC) 18 – Transfers of Assets from Customers, revenue standards previously applicable to AltaLink.

IFRS 15 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 has evaluated 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 were identified and analyzed by the Partnership to establish whether any changes to revenue recognition results from the implementation of the new standard. The Partnership concluded that adoption of the new guidance, has no impact on the Partnership's revenue recognition, as revenue from operations was recognized when AltaLink had the right to the revenue based on the services delivered during the reporting period. AltaLink has applied a modified retrospective approach. AltaLink also concluded that system and process changes were not needed to compile information to meet the recognition and disclosure requirements of the new standard.

Adoption of IFRS 9 - Financial Instruments

The Partnership adopted IFRS 9 – Financial Instruments issued July 2014 (IFRS 9), with a date of initial application of January 1, 2018. IFRS 9 introduces new requirements for the classification and measurement of financial assets, amends the requirements related to hedge accounting, and introduces a forward-looking expected loss impairment model. The adoption of this standard has not had a material impact on AltaLink's financial statements.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

As a result of adopting IFRS 9, third party deposits were reclassifies from fair value through profit and loss to assets at amortized cost. The change in classification category did not result in an adjustment to the carrying amount of the assets. In accordance with the transition provisions of IFRS 9, the financial assets and liabilities held at January 1, 2018 were reclassified based on the characteristics of each financial instrument at January 1, 2018.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except assessments relating to the determination of the business model within which a financial asset is held, which has been made on the basis of the facts and circumstances that existed at the date of initial application.

New standards effective after 2018

Leases - In January 2016, the IASB issued IFRS 16 – Leases, which is effective on January 1, 2019, with early application permitted. The standard eliminates the classification of leases from a lessee perspective, requiring all leases, including those disclosed in note 16, to be capitalized by recognizing the present value of lease payments, and presenting them as either lease assets or together with property, plant and equipment and lease liabilities in the Statement of Financial Position.

AltaLink will adopt the new standard on the effective date of January 1, 2019. 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 to opening retained earnings as of the date of adoption. The modified retrospective approach includes a number of optional practical expedients. AltaLink is evaluating both methods of adoption as it works through its analysis.

AltaLink is addressing any system and process changes needed to compile information to meet the recognition and disclosure requirements of the new standard. AltaLink is currently evaluating the impact of the guidance on its disclosures, and developing any additional disclosures required under the new standard.

5. Risk management and financial instruments

Fair value of financial instruments

Financial Instrument	Designated Category	Measurement Basis	Associated Risks	Fair Value at September 30, 2018
Cash	Fair value through profit or loss	Fair value	• Market • Credit • Liquidity	Carrying value is fair value due to short-term nature.
Trade and other receivables and other non-current assets *[note 6]*	Amortized cost	Initially at fair value and subsequently at amortized cost	• Credit • Liquidity	Amortized cost or carrying value approximates fair value due to nature of the asset.
Trade and other payables and other non-current liabilities *[note 10]*	Amortized cost	Initially at fair value and subsequently at amortized cost	• Liquidity	Amortized cost or carrying value approximates fair value due to nature of the liability.
Commercial paper and bank credit facilities and Long-term debt *[note 11]*	Amortized cost	Initially at fair value and subsequently at amortized cost	• Market • Liquidity	$5,317.0 million. Due to the short-term nature of commercial paper and bank credit facilities, carrying value approximates fair value. Long term debt fair values are determined using quoted market prices (which are classified as level 1 inputs).
Third party deposits *[note 9]*	Amortized cost	Initially at fair value and subsequently at amortized cost	• Market • Credit • Liquidity	Carrying value approximates fair value as cash received is held in short-term investments.
Third party deposits liability *[note 9]*	Amortized cost	Initially at fair value and subsequently at amortized cost	• Liquidity	Carrying value approximates fair value due to the nature of the liability.

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

Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause the Partnership to incur a financial loss. There is exposure to credit risk on all financial assets included in the Statement of Financial Position. To help manage this risk:

- The Partnership has a policy for establishing credit limits;
- Collateral may be required where appropriate; and
- Exposure to individual entities is managed through a system of credit limits.

The Partnership has a concentration of credit risk as approximately 99% of its trade receivable balance is due from the AESO (December 31, 2017 – approximately 97%). 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.

More than 99% of the trade receivables balance at September 30, 2018 is with third parties that AltaLink has been transacting with for over five years. 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 financial statements.

Market risk

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

Interest rate risk

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

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

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

Foreign exchange risk

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

Liquidity risk

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

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

To manage this risk, the Partnership has readily accessible standby credit facilities and other funding arrangements in place; generally uses financial instruments that are tradable in highly liquid markets; and, has a liquidity portfolio structure wherein surplus funds are invested in highly liquid financial instruments. See note 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, 2018		December 31, 2017	
	(millions)	**%**	(millions)	%
Commercial paper and bank credit facilities	**$ 365.5**	**4.4**	$ 150.8	1.8
Long-term debt maturing in less than one year	**—**	**—**	200.0	2.4
Long-term debt (including discounts and premiums)	**4,644.5**	**55.4**	4,644.6	55.9
Partners' capital	**2,136.4**	**25.5**	2,136.4	25.7
Retained earnings	**1,243.6**	**14.7**	1,173.8	14.2
	$ 8,390.0	**100.0**	$ 8,305.6	100.0

The Partnership is subject to externally imposed capitalization requirements under the Master Trust Indenture and the bank credit facilities. These agreements limit the amount of debt that can be incurred relative to total capitalization. The Partnership was in compliance with these requirements as at September 30, 2018 and December 31, 2017.

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

	As at	
	September 30, 2018	December 31, 2017
(in thousands of dollars)		
Trade receivables	**$ 153,028**	$ 162,619
Prepaid expenses and deposits	**20,048**	13,022
Cancelled projects	**54,771**	54,771
Current financial assets related to regulated activities	**69,292**	68,695
Total trade and other receivables	**$ 297,139**	$ 299,107
CWIP-in-rate base and related income tax refund	**$ 272,298**	$ 277,283
Recovery of deemed future income taxes	**235,233**	168,987
Cancelled projects	**25,028**	25,028
Other non-current financial assets related to regulated activities	**180,247**	160,159
Total other non-current assets	**$ 712,806**	$ 631,457

Trade receivables as at September 30, 2018 include $151.7 million (December 31, 2017 - $156.1 million) due from the AESO for the August and September portion of the transmission tariff.

Financial assets related to regulated activities and cancelled projects include the recovery of certain costs incurred by the Partnership relating to its primary activities with the AESO that are greater than what has been received to date in its tariff. The Partnership has recognized as receivables the costs to be recovered through the regulatory process. At September 30, 2018 and December 31, 2017, current financial assets related to regulated activities include amounts related to the deferral accounts reconciliation for 2014 and 2015 direct assigned projects, initially filed with the AUC in April 2017 and amended in December 2017.

Non-current assets include the recovery of certain costs incurred by the Partnership relating to its primary activities that are greater than what has been received to date in tariff revenue. Non-current financial assets related to regulated activities include amounts that have been added to rate base (DACDA, AFUDC in excess of capitalized borrowing costs, and losses on disposals of property, plant and equipment) and other regulatory balances. These amounts are expected to be recovered in AltaLink's tariff beyond 12 months, as approved by the AUC.

7. Intangible assets

	As at September 30, 2018	As at December 31, 2017
(in thousands of dollars)		
Net book value, beginning of period	**$ 296,521**	$ 291,906
Additions to CWIP	**16,942**	31,238
Retirements, net	**(4)**	—
Amortization	**(20,458)**	(26,623)
Net book value, end of period	**$ 293,001**	$ 296,521

During the nine months ended September 30, 2018, the Partnership transferred $11.5 million (September 30, 2017 - $11.5 million) to land rights and computer software from CWIP.

8. Property, plant and equipment

	Lines[1]	Substations[2]	Buildings & equipment[3]	Land & CWIP[4]	Total
(in thousands of dollars)					
Cost					
As at January 1, 2017	$ 4,612,478	$ 3,649,001	$ 196,422	$ 335,064	$ 8,792,965
Additions to CWIP	—	—	—	475,899	475,899
Transfers	316,599	258,302	16,496	(591,397)	—
Cancelled project transfers	—	—	—	(25,028)	(25,028)
Retirements	(16,717)	(3,138)	(10,654)	(2,134)	(32,643)
As at December 31, 2017	4,912,360	3,904,165	202,264	192,404	9,211,193
Additions to CWIP	**—**	**—**	**—**	**190,247**	**190,247**
Transfers	**47,248**	**59,301**	**5,742**	**(112,291)**	**—**
Retirements	**(2,278)**	**(1,530)**	**(23,079)**	**(66)**	**(26,953)**
As at September 30, 2018	**$ 4,957,330**	**$ 3,961,936**	**$ 184,927**	**$ 270,294**	**$ 9,374,487**
Accumulated Depreciation					
As at January 1, 2017	$ (358,873)	$ (502,170)	$ (70,764)	$ —	$ (931,807)
Depreciation expense	(99,626)	(120,995)	(20,324)	—	(240,945)
Retirements	2,756	2,277	10,551	—	15,584
As at December 31, 2017	(455,743)	(620,888)	(80,537)	—	(1,157,168)
Depreciation expense	**(78,717)**	**(94,485)**	**(12,751)**	**—**	**(185,953)**
Retirements	**383**	**1,222**	**23,459**	**—**	**25,064**
As at September 30, 2018	**$ (534,077)**	**$ (714,151)**	**$ (69,829)**	**$ —**	**$ (1,318,057)**
Net book value					
As at December 31, 2017	$ 4,456,617	$ 3,283,277	$ 121,727	$ 192,404	$ 8,054,025
As at September 30, 2018	**$ 4,423,253**	**$ 3,247,785**	**$ 115,098**	**$ 270,294**	**$ 8,056,430**

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.

9. Third party deposits

	Contributions in Advance of Construction	Operating and Maintenance Charges in Advance	Total
(in thousands of dollars)			
As at January 1, 2017	$ 40,316	$ 6,506	$ 46,822
Receipts net of refunds and interest	62,616	82	62,698
Transfers to deferred revenue [note 12]	(68,092)	(198)	(68,290)
As at December 31, 2017	34,840	6,390	41,230
Receipts net of refunds and interest	**56,240**	**42**	**56,282**
Transfers to deferred revenue [note 12]	**(27,276)**	**(138)**	**(27,414)**
As at September 30, 2018	**$ 63,804**	**$ 6,294**	**$ 70,098**

Third party deposits are held in short-term investments, which are reinvested as needed. These investments earned an annual effective interest rate of 1.90% as at September 30, 2018 (December 31, 2017 – 1.40%). For contributions in advance of construction, all interest is credited to the specific customer.

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

	As at	
	September 30, 2018	December 31, 2017
(in thousands of dollars)		
Trade and accrued payables	**$ 63,423**	$ 121,630
Accrued interest on debt	**50,052**	45,785
Other current liabilities	**3,966**	2,882
GST payable	**2,689**	424
Current financial liabilities related to regulated activities	**26,359**	18,778
Total trade and other payables	**$ 146,489**	$ 189,499
Accrued post-employment benefit liabilities	**$ 9,926**	$ 8,380
Other liabilities	**2,003**	3,717
Non-current financial liabilities related to regulated activities	**15,351**	11,814
Total other non-current liabilities	**$ 27,280**	$ 23,911

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

11. Debt

Commercial paper and bank credit facilities

As at September 30, 2018	Committed	Drawdowns	Commercial paper outstanding	Letters of credit outstanding	Availability	Maturity date of facility
(in thousands of dollars)						
Revolving credit facility	**$ 750,000**	**$ —**	**$ 365,507**	**$ —**	**$ 384,493**	**December 13, 2022**
Revolving credit facility	**75,000**	**—**	**—**	**6,452**	**68,548**	**December 13, 2022**
Total bank credit facilities	**$ 825,000**	**$ —**	**$ 365,507**	**$ 6,452**	**$ 453,041**	

In addition, the Partnership has outstanding cheques net of cash in the amount of $0.015 million as at September 30, 2018 (December 31, 2017 - $nil).

As at December 31, 2017	Committed	Drawdowns	Commercial paper outstanding	Letters of credit outstanding	Availability	Maturity date of facility
(in thousands of dollars)						
Revolving credit facility	$ 750,000	$ —	$ 150,797	$ —	$ 599,203	December 13, 2019
Revolving credit facility	75,000	—	—	8,737	66,263	December 13, 2019
Total bank credit facilities	$ 825,000	$ —	$ 150,797	$ 8,737	$ 665,466	

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. On an annual basis, with the consent of the lenders, the Partnership can request that the maturity date of the credit facility be extended for a further 364 days. Effective December 14, 2018, the partnership's $750.0 million committed revolving credit facility will be reduced in size to $500.0 million.

The $75.0 million revolving credit facility may be used for operating expenses, capital expenditures, working capital needs, and for general corporate purposes including the payment of distributions. Drawdowns under this facility may be in the form of Canadian prime rate loans or bankers' acceptances, U.S. base rate loans, U.S. LIBOR loans or drawn letters of credit. On an annual basis, with the consent of the lenders, the Partnership can request that the maturity date of the credit facility be extended for a further 364 days.

Long-term debt

	Effective interest rate	Maturing	As at September 30, 2018	As at December 31, 2017
(in thousands of dollars)				
Senior debt obligations (Medium-Term Notes)				
Series 2008-1, 5.243%	5.355%	2018	**$ —**	$ 200,000
Series 2013-2, 3.621%	3.705%	2020	**125,000**	125,000
Series 2012-2, 2.978%	3.041%	2022	**275,000**	275,000
Series 2013-4, 3.668%	3.733%	2023	**500,000**	500,000
Series 2014-1, 3.399%	3.463%	2024	**350,000**	350,000
Series 2016-1, 2.747%	2.813%	2026	**350,000**	350,000
Series 2006-1, 5.249%	5.299%	2036	**150,000**	150,000
Series 2010-1, 5.381%	5.432%	2040	**125,000**	125,000
Series 2010-2, 4.872%	4.928%	2040	**150,000**	150,000
Series 2011-1, 4.462%	4.503%	2041	**275,000**	275,000
Series 2012-1, 3.990%	4.029%	2042	**525,000**	525,000
Series 2013-3, 4.922%	4.963%	2043	**350,000**	350,000
Series 2014-3, 4.054%	4.091%	2044	**295,000**	295,000
Series 2015-1, 4.090%	4.127%	2045	**350,000**	350,000
Series 2016-2, 3.717%	3.753%	2046	**450,000**	450,000
Series 2013-1, 4.446%	4.484%	2053	**250,000**	250,000
Series 2014-2, 4.274%	4.305%	2064	**130,000**	130,000
			4,650,000	4,850,000
Long-term debt maturing in less than one year			**—**	(200,000)
			4,650,000	4,650,000
Debt discounts and premiums			**(5,451)**	(5,411)
Less: deferred financing fees			**(23,715)**	(24,747)
Long-term debt			**$ 4,620,834**	$ 4,619,842

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 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 prior to maturity.

Scheduled principal repayments

(in thousands of dollars)	
Maturing	
Fourth quarter 2018	$ —
2019	—
2020	125,000
2021	—
2022	275,000
2023	500,000
2024 and thereafter	3,750,000

Finance costs

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	**September 30, 2018**	September 30, 2017
(in thousands of dollars)				
Interest expense	**$ 48,480**	$ 49,923	**$ 146,077**	$ 147,050
Amortization of deferred financing fees	**319**	360	**1,031**	1,067
Capitalized borrowing costs[1]	**(770)**	(1,825)	**(1,749)**	(4,529)
	$ 48,029	$ 48,458	**$ 145,359**	$ 143,588

1. The average capitalization rate for the period ended September 30, 2018 was 3.97% (December 31, 2017 – 3.89%).

12. Deferred revenue

(in thousands of dollars)	Third Party Contributions	Deferred Revenue for Salvage	Total
As at January 1, 2017	$ 755,991	$ 168,316	$ 924,307
Transferred from third party deposits [note 9]	68,092	—	68,092
Change in third party contributions receivable	3,697	—	3,697
Received through transmission tariff	—	52,525	52,525
Recognized as revenue	(21,517)	(32,332)	(53,849)
As at December 31, 2017	806,263	188,509	994,772
Transferred from third party deposits [note 9]	**27,276**	**—**	**27,276**
Change in third party contributions receivable	**(3,678)**	**—**	**(3,678)**
Received through transmission tariff [note 14]	**—**	**42,396**	**42,396**
Recognized as revenue [note 14]	**(16,546)**	**(22,953)**	**(39,499)**
As at September 30, 2018	**$ 813,315**	**$ 207,952**	**$ 1,021,267**

	As at	
(in thousands of dollars)	September 30, 2018	December 31, 2017
Current portion	**$ 58,925**	$ 65,447
Long-term portion	**962,342**	929,325
	$ 1,021,267	$ 994,772

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	
(in thousands of dollars)	**September 30, 2018**	September 30, 2017	**September 30, 2018**	September 30, 2017
AltaLink Management Ltd.				
Employee compensation and benefits	$ **28,256**	$ 28,201	$ **91,579**	$ 92,860
Cost recovery for non-regulated activities	$ **269**	$ 295	$ **878**	$ 893

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 $25.2 million as at September 30, 2018 (December 31, 2017 - $22.9 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., and BHE Canada Holdings Corporation.

14. Revenue from operations

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 on AltaLink's 2017-2018 GTA, with no material change to the financial statements. On November 22, 2017, the AUC approved an interim tariff for 2018 of $74.0 million per month, which is net of $1.3 million related to the approved refund of accumulated depreciation surplus to customers in 2018.

The approved 2018 revenue requirement is $903.5 million for the year ended December 31, 2018. The Partnership recognizes revenue from operations based on the approved 2018 tariff, adjustments related to deferral accounts and revenue for the recovery of future income taxes, in relation to its performance obligations under the AESO contract during the 2018 service period.

The AUC issued Decision 22570-D01-2018 in relation to the 2018 Generic Cost of Capital Proceeding in August 2018. In its decision, the AUC set the generic rate of return on common equity (ROE) at 8.5% for 2018, 2019 and 2020, and the Partnership's common equity ratio at 37% for 2018, 2019 and 2020. The AUC issued Decision 20622-D01-2016 in relation to the 2016 Generic Cost of Capital Proceeding in October 2016. In its decision, the AUC set the generic rate of return on common equity (ROE) at 8.5% for 2017, and the Partnership's common equity ratio at 37% for 2017. 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, 2018	September 30, 2017	**September 30, 2018**	September 30, 2017
(in thousands of dollars)				
Return on rate base	**$ 108,669**	$ 114,781	**$ 326,005**	$ 318,707
Recovery of forecast expenses	**117,218**	122,800	**351,652**	341,514
Revenue requirement	**$ 225,887**	$ 237,581	**$ 677,657**	$ 660,221
AFUDC	**1,939**	4,443	**4,291**	12,875
Repayable directly assigned capital projects related revenue	**(3,232)**	(13,621)	**(4,684)**	(11,072)
Repayable property taxes and other	**(1,213)**	(1,261)	**(2,543)**	(2,564)
Revenue related IFRS adjustments[1]	**11,502**	11,228	**42,898**	46,496
Revenue from operations	**$ 234,883**	$ 238,370	**$ 717,619**	$ 705,956

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

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	**September 30, 2018**	September 30, 2017
(in thousands of dollars)				
Revenue related to salvage costs [note 12]	**$ 6,756**	$ 4,952	**$ 22,953**	$ 18,336
Salvage funds transferred to deferred revenue [note 12]	**(14,189)**	(13,296)	**(42,396)**	(39,435)
Revenue for the recovery of future income taxes	**22,071**	21,975	**66,245**	67,989
Recovery of loss on disposal of assets other than land	**(164)**	1,327	**1,852**	12,287
Capitalized borrowing costs	**(770)**	(1,825)	**(1,749)**	(4,529)
Collection of receivables related to the above IFRS adjustments	**(2,202)**	(1,905)	**(4,007)**	(8,152)
Revenue related IFRS adjustments	**$ 11,502**	$ 11,228	**$ 42,898**	$ 46,496

For the three and nine months ended September 30, 2018, approximately 97% of the Partnership's revenue is attributable to the AESO (for three and nine months ended September 30, 2017 – approximately 97% and 96%, respectively).

15. Expenses

Operating expenses

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	**September 30, 2018**	September 30, 2017
(in thousands of dollars)				
Employee salaries and benefits	**$ 10,676**	$ 10,570	**$ 37,752**	$ 35,319
Contracted labour	**5,913**	7,499	**14,738**	16,873
Other operating expenses	**5,033**	8,689	**18,836**	21,628
	$ 21,622	$ 26,758	**$ 71,326**	$ 73,820

Property taxes, salvage and other expenses

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	**September 30, 2018**	September 30, 2017
(in thousands of dollars)				
Property and business tax	**$ 12,459**	$ 13,020	**$ 37,255**	$ 39,122
Salvage expenses	**6,756**	4,952	**22,953**	18,336
Annual structure payments	**3,868**	3,689	**11,631**	11,136
Hearing expenses and other	**164**	67	**1,684**	1,292
	$ 23,247	$ 21,728	**$ 73,523**	$ 69,886

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, 2018 are $152.4 million (December 31, 2017 - $155.0 million).

The Partnership is committed to operating leases that have lease terms which expire between 2018 and 2062. Of the total expected minimum lease payments, approximately 76% relates to Partnership's head office leases.

Expected minimum lease payments in future years are as follows:

	As at September 30, 2018
(in thousands of dollars)	
Operating lease obligations payable on non-cancellable leases are as follows:	
No later than 1 year	**$ 3,680**
Later than 1 year and no later than 5 years	**13,773**
Later than 5 years	**14,361**
	$ 31,814

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 a First Nation's reserve grasslands on which are located transmission facilities owned by another utility, but operated and maintained by the Partnership under a services agreement. In September 2014, the other utility and the Partnership were served with a number of actions related to this incident.
- An AltaLink contractor has been sued by a subcontractor who seeks additional compensation in respect of work done by the subcontractor on an AltaLink Project. AltaLink was named as a third party to the action by the contractor.
- The 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 the 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 that create a risk of personal injury and property damage. The Partnership has claimed $56 million for the cost of replacing specific equipment and the additional inspections required for the equipment.

At this time, in the opinion of management, the occurrence of a contingent loss is not determinable and is dependent on future events.