AltaLink, L.P.

Financial Statements

For the years ended December 31, 2016 and 2015

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Partners of AltaLink, L.P.:

We have audited the accompanying financial statements of AltaLink, L.P., which comprise the statements of financial position as at December 31, 2016 and December 31, 2015, and the statements of comprehensive income, changes in partners' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of AltaLink, L.P. as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants
February 23, 2017
Calgary, Alberta

Statement of Financial Position

	Notes	As at December 31, 2016	December 31, 2015
(in thousands of dollars)			
ASSETS			
Current			
Cash		**$ 2,122**	$ 3,968
Trade and other receivables	6	**127,187**	139,465
		129,309	143,433
Non-current			
Goodwill		**202,066**	202,066
Intangible assets	7	**291,906**	275,920
Property, plant and equipment	8	**7,861,158**	7,674,277
Third party deposits	9	**46,822**	43,248
Other non-current assets	10	**578,614**	127,496
		$ 9,109,875	$ 8,466,440
LIABILITIES AND PARTNERS' EQUITY			
Current			
Trade and other payables	11	**$ 195,561**	$ 332,685
Commercial paper and bank credit facilities	12	**34,973**	449,144
Current portion of deferred revenue	13	**79,339**	73,121
		309,873	854,950
Non-current			
Long-term debt	12	**4,818,995**	4,022,419
Deferred revenue	13	**844,968**	805,233
Third party deposits liability	9	**46,822**	43,248
Other non-current liabilities	14	**12,095**	11,562
		6,032,753	5,737,412
Commitments and contingencies	22, 23		
Partners' equity	20	**3,077,122**	2,729,028
		$ 9,109,875	$ 8,466,440

See accompanying notes to the financial statements.

Approved on behalf of the Board of Directors

David Tuer
Director

Patricia Nelson
Director

ALTALINK
A BERKSHIRE HATHAWAY ENERGY COMPANY

Statement of Comprehensive Income

	Notes	Year ended December 31, 2016	December 31, 2015
(in thousands of dollars)			
Revenue			
Operations	17	**$ 941,249**	$ 789,396
2013 generic cost of capital adjustments	17	**—**	(27,200)
Other	18	**36,638**	66,911
		977,887	829,107
Expenses			
Operating	19	**(115,160)**	(129,170)
Property taxes, salvage and other	19	**(100,448)**	(98,650)
Depreciation and amortization		**(265,691)**	(231,552)
		(481,299)	(459,372)
		496,588	369,735
Finance costs	12	**(177,904)**	(137,950)
Loss on disposal of assets		**(12,636)**	(22,527)
Net income		**306,048**	209,258
Other comprehensive income			
Actuarial gain	15	**1,446**	528
Total comprehensive income		**$ 307,494**	$ 209,786

See accompanying notes to the financial statements.

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Statement of Changes in Partners' Equity

(in thousands)	Units	Allocation to Limited Partner	Allocation to General Partner	Total Retained Earnings	Partners' Capital	Total
As at January 1, 2015	331,904	$ 594,312	$ 94	$ 594,406	$ 1,837,336	$ 2,431,742
Total comprehensive income	—	209,765	21	209,786	—	209,786
Equity investment received	—	—	—	—	120,500	120,500
Distributions paid	—	(32,997)	(3)	(33,000)	—	(33,000)
Balance at December 31, 2015	331,904	$ 771,080	$ 112	$ 771,192	$ 1,957,836	$ 2,729,028
Total comprehensive income	—	307,463	31	307,494	—	307,494
Equity investment received	—	—	—	—	101,100	101,100
Distributions paid	—	(60,494)	(6)	(60,500)	—	(60,500)
Balance at December 31, 2016	**331,904**	**$ 1,018,049**	**$ 137**	**$ 1,018,186**	**$ 2,058,936**	**$ 3,077,122**

See accompanying notes to the financial statements.

Statement of Cash Flows

	Notes	Year ended December 31, 2016	Year ended December 31, 2015
(in thousands of dollars)			
Cash flows from operating activities			
Net income		**$ 306,048**	$ 209,258
Adjustments for			
Depreciation and amortization		**265,691**	231,552
Third party contributions revenue		**(12,534)**	(24,402)
Loss on disposal of assets		**12,636**	22,527
Financial assets related to regulated activities, non-current		**(408,402)**	(46,765)
Change in other items	21	**18,486**	(45,646)
Change in non-cash working capital items	21	**(23,885)**	58,400
Net cash provided by operating activities		**158,040**	404,924
Cash flows from investing activities			
Capital expenditures		**(621,268)**	(1,241,354)
Use of third party contributions		**38,705**	64,280
Proceeds from disposal of assets		**923**	407
Net cash used in investing activities		**(581,640)**	(1,176,667)
Cash flows from financing activities			
Senior debt issued		**800,000**	350,000
Net movement in commercial paper and bank credit facilities		**(414,171)**	327,992
Distributions paid		**(60,500)**	(33,000)
Equity investment received		**101,100**	120,500
Change in other financing activities	21	**(4,675)**	(2,540)
Net cash provided by financing activities		**421,754**	762,952
Net change in cash		**(1,846)**	(8,791)
Cash, beginning of year		**3,968**	12,759
Cash, end of year		**$ 2,122**	$ 3,968
Supplementary cash flow information			
Interest paid		**$ (178,602)**	$ (165,746)

See accompanying notes to the 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 years ended December 31, 2016 and 2015, the Partnership operated solely in one reportable geographical and business segment.

2. Basis of preparation

Statement of compliance

These annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The principal 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 February 23, 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

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). From 2011 to 2014, the Partnership recognized, as authorized by the AUC, accelerated recovery of AFUDC for direct-assigned projects, which was referred to as "CWIP-in-rate base". In its general tariff application (GTA) for 2015-2016, the Partnership proposed to discontinue using the CWIP-in-rate base model to recognize its transmission tariff revenue. This change was approved by the AUC in a GTA decision issued May 9, 2016. Consistent with this GTA application and decision, since January 1, 2015, the Partnership has ceased to recognize CWIP-in-rate base and has reverted to the AFUDC model for recognizing transmission tariff revenue. Reverting to the AFUDC model has an impact on cash flow as the related cash is received over the average life of the assets, instead of within the current year. 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.

The Partnership had also applied to refund tariff funds collected pursuant to the CWIP-in-rate base mechanism over the 2011-2014 years. The GTA decision approved this refund, with the exception of amounts considered finalized through the rate-making process and DACDA applications. Consistent with the GTA decision, the refund of CWIP is treated as an investment in the Partnership's rate base and will be collected over the average life of the assets to which the refund relates.

The GTA decision also contained approval for the Partnership's application to recover deemed income tax expenses using the flow through method. This method changes the timing of cash flows but does not change the underlying right for AltaLink to recover an after-tax rate of return including deemed future income tax expenses.

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

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

Revenue recognition

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

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

Financial assets and liabilities related to regulated activities

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

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

Property, plant and equipment

Property, plant and equipment (PP&E) are carried at cost less accumulated depreciation. The initial cost of an asset consists of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and for qualifying assets, borrowing costs that are eligible to be recovered over the estimated useful life of the asset. The Partnership capitalizes major replacements and upgrades if these costs extend the life of the asset and the Partnership expects to use these items during more than one period. Maintenance and repair costs are recognized as expenses in the period in which they are incurred.

Depreciation is calculated over the estimated useful lives of assets on a straight-line basis based on depreciation studies prepared by an independent expert. The expected useful lives of the assets are reviewed annually, and if necessary, changes in useful lives are accounted for prospectively.

When an asset is retired or disposed of in the normal course of business, the gain or loss is recognized immediately in the Statement of Comprehensive Income.

Generally, losses or gains are recoverable from/repayable to the AESO through future transmission tariffs. AltaLink recognizes the related amounts in revenue and records the amount as financial assets or liabilities related to regulated activities. Construction work in progress, capital inventory and land are capitalized but not depreciated. Capital inventory is valued at the lower of cost or net realizable value.

Reviews of PP&E to establish whether there has been any impairment are carried out when a change in circumstance is identified that indicates an asset might be impaired.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets of operations acquired. The Partnership's goodwill relates to the 2002 acquisition of assets from TransAlta Energy Corporation. Goodwill is carried at initial cost less any write-down for impairment. Goodwill is assessed for impairment annually, and more frequently if there is any indication of impairment.

The Partnership's business represents one single cash generating unit. Goodwill and other assets are assessed for impairment. Goodwill is first fully written down for impairment before any other assets are written down.

To date, the goodwill balance has not been written down. If goodwill was fully written down, the Partnership would then test other assets for impairment by assessing their value in use in the business as a whole. The estimated future cash flows for the business would be discounted to their present value using a pre-tax discount rate that reflects the risks specific to the business and relevant market assessments of the time value of money. If the carrying amounts of the assets exceeded the recoverable amount of the business, the assets comprising the business as a whole would be considered to be impaired. If impaired, the assets would be written down proportionately to ensure their carrying amounts reflect the recoverable amount and the impairment loss would be recognized immediately in the Statement of Comprehensive Income. An impairment loss recognized for goodwill cannot be reversed in a subsequent period.

Management performed an annual goodwill impairment test in November 2016 by examining the business and regulatory environment, current market conditions, the ownership structure, financing activities, credit ratings, and interest rates. It performed a discounted cash flow and net fair value analysis, which compared favourably to the carrying amount of goodwill. Management concluded that there have been no significant changes in circumstances during the year, and that the carrying value of the goodwill has not been impaired.

Intangible assets

The Partnership's intangible assets are non-monetary assets without physical substance that can be individually identified and consist of the following:

Land rights

The Partnership pays fees to third parties to access, survey, build and maintain transmission facilities on third party land. Land rights are reported at cost less accumulated amortization and impairments, if any. Land rights are amortized on a straight-line basis at rates based on the estimated useful lives of tangible assets located on these lands. The expected useful lives of the assets are reviewed annually, and if necessary, changes in useful lives are accounted for prospectively.

Computer software

Computer software includes application software and enterprise resource planning software. Computer software is reported at cost less accumulated amortization. Amortization is calculated on a straight-line basis at rates based on the estimated useful lives of assets. The expected useful lives of the assets are reviewed annually, and if necessary, changes in useful lives are accounted for prospectively.

Third party deposits

Third party deposits are recognized as non-current assets with corresponding non-current liabilities. These deposits have certain restrictions attached and can be used only for their intended purpose, as follows:

Contributions in advance of construction

For certain projects, the AESO requires third parties wishing to interconnect to the Partnership's transmission facilities to contribute their share of capital project costs in advance of construction. The Partnership uses these cash contributions to fund capital expenditures as construction progresses. Third party contributions are recorded as deferred revenue when capital funds are expended and recognized into other revenue over the useful lives of the associated assets.

Operating and maintenance charges in advance of construction

Certain third parties were required to provide advance funding for future operating and maintenance costs of assets constructed with third party-contributed funds. These contributions were recorded as deferred revenue and recognized into other revenue as operating costs are incurred over the useful lives of the associated assets.

Cash and cash equivalents

Cash equivalents include investments that are readily convertible into a known amount of cash and have an original maturity of three months or less.

Provisions

Provisions are recognized when the Partnership has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to fulfill the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Employee benefit obligations

The General Partner employs staff and provides administrative and operational services to the Partnership on a cost-reimbursement basis. The Partnership bears all of the related expenses and also bears the risk and reward of staff-related programs which the General Partner establishes. The Partnership has indemnified the General Partner for all costs and liabilities associated with its employment of staff. As such, the employee future benefit plans of the General Partner are reported as if they were provided by the Partnership even though the legal sponsor of the plans and employer of the staff is the General Partner. Current service costs are expensed in the period in which they are incurred.

Defined contribution plan

AltaLink's defined contribution plan is a post-employment plan under which the Partnership and employees pay fixed contributions into the plan and the Partnership has no legal or constructive obligation to pay further amounts. Obligations for contributions to the plan are recognized as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

Post-employment benefits plan

The cost of the Partnership's post-employment benefits plan is actuarially determined, using the projected benefit method pro-rated on service and management's estimate of discount rates and the expected growth rate of health care costs. The liability discount rate is determined based on a portfolio of high-quality corporate bonds with cash flows that match the expected benefit payments under the plan.

Actuarial gains and losses in the Partnership's post-employment benefits plan arising from experience adjustments and changes in actuarial assumptions are charged to other comprehensive income in the Statement of Comprehensive Income in the period in which they arise.

Past service costs are recognized immediately in income.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in the Statement of Comprehensive Income as the related service is provided.

A liability is recognized for the amount expected to be paid under the short-term incentive plan if the Partnership has a present legal or constructive obligation to pay this amount as a result of past service provided by employees, and the obligation can be estimated reliably.

Long-term employee benefits

Long-term employee benefit obligations are measured on a discounted basis and expensed in the Statement of Comprehensive income as the related service is provided.

A liability is recognized for the amount expected to be paid under the long-term incentive plan if the Partnership has a present legal or constructive obligation to pay this amount as a result of past service provided by employees, and the obligation can be estimated reliably.

Short-term and long-term debt

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

Income taxes

As a limited partnership, AltaLink does not pay income taxes. Instead, the tax consequences of its operations are borne by its partners on a pro rata basis in proportion to their interest in the Partnership. Accordingly, no income tax expense is recognized in the financial statements. Any reference to income tax in these statements relates to the recovery in transmission tariff revenue of tax expense borne by the partners.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the Statement of Financial Position date. Non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction date. Revenues and expenses are translated at the exchange rate prevailing on the date of the transaction except for depreciation and amortization, which are translated at the exchange rate prevailing when the related assets were acquired. Gains and losses on translation are reflected in income when incurred.

Deferred lease inducements

Deferred lease inducements represent leasehold improvements paid for by the lessors. Deferred lease inducements are amortized on a straight-line basis over the initial terms of the leases, and the amortization is recorded as a reduction of lease expense. The unamortized balance in deferred lease inducements is included in other liabilities.

Leases

All of the Partnership's leases are classified as operating leases. Payments made under operating leases are recognized in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Capitalized borrowing costs

Borrowing costs are capitalized if they are incurred in connection with the acquisition or production of a "qualifying asset" for which a considerable period of time is required to prepare the asset for its intended use.

The Partnership borrows funds to provide financing for its capital construction program. Borrowing costs eligible for capitalization are included in capital expenditures unless the borrowing costs are eligible to be recovered through transmission tariffs in the year in which the costs are incurred. The capitalization rate is based on actual costs of debt used to finance the acquisition or construction of qualifying assets.

4. Adoption of new and revised accounting standards

New standards effective after 2016

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

- In May 2014, the IASB issued IFRS 15 – *Revenue from contracts with customers*, which is effective for financial periods beginning on or after January 1, 2018. In June 2016, the IASB issued a narrow-scope amendment to the standard, *Clarification to IFRS 15 Revenue from contracts with customers*.
- In July 2014, the IASB issued IFRS 9 – *Financial instruments*, which is effective for financial periods beginning on or after January 1, 2018.
- In January 2016, the IASB issued IFRS 16 – *Leases*, which is effective for financial periods beginning on or after January 1, 2019, with early application permitted if IFRS 15 is also applied at the same time.
- In January 2016, the IASB issued amendments to IAS 7 – *Statement of cash flows*, which are effective for financial periods beginning on or after January 1, 2017. These are relatively minor amendments.

5. Risk management and financial instruments

Fair value of financial instruments

Financial Instrument	Designated Category	Measurement Basis	Associated Risks	Fair Value at December 31, 2016
Cash and cash equivalents	Fair value through profit or loss (Held for trading)	Fair value	• Market • Credit • Liquidity	Carrying value is fair value due to short-term nature.
Trade and other receivables *[note 6]*	Loans and receivables	Initially at fair value and subsequently at amortized cost	• Credit • Liquidity	Carrying value approximates fair value due to short-term nature.
Other non-current assets *[note 10]*	Loans and receivables	Initially at fair value and subsequently at amortized cost	• Credit • Liquidity	Amortized cost or carrying value approximates fair value due to nature of asset.
Trade and other payables *[note 11]*	Other liabilities	Initially at fair value and subsequently at amortized cost	• Liquidity	Carrying value approximates fair value due to short-term nature.
Other non-current liabilities *[note 14]*	Other liabilities	Initially at fair value and subsequently at amortized cost	• Liquidity	Amortized cost or carrying value approximates fair value due to nature of liability.
Debt *[note 12]*	Other liabilities	Initially at fair value and subsequently at amortized cost	• Market • Liquidity	$5,254.8 million. Fair values are determined using quoted market prices (which are classified as level 1 inputs).
Third party deposits *[note 9]*	Fair value through profit or loss (Held for trading)	Fair value	• Market • Credit • Liquidity	Carrying value approximates fair value due to short-term nature. The cash received is held in short-term investments.
Third party deposits liability *[note 9]*	Other liabilities	Initially at fair value and subsequently at amortized cost	• Liquidity	Carrying value approximates fair value due to the nature of the liability.

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

Credit risk

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

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

The Partnership has a concentration of credit risk as approximately 54% of its trade receivable balance is due from the AESO (December 31, 2015 – approximately 84%). 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 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, financial assets due from the AESO and third party deposits as disclosed in these financial statements.

Market risk

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

Interest rate risk

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

It is the Partnership's practice to finance substantially all of its debt requirements with long-term debt securities for which interest rates are fixed during the entire term of each security, generally ranging from five to fifty years from the date of issue. To manage short-term liquidity requirements, the Partnership has established bank credit facilities under which interest rates may vary daily unless the Partnership elects to issue bankers' acceptances or commercial paper under which interest rates are fixed during the entire term, typically ranging from one week to ninety 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 12 – *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			
	December 31, 2016		December 31, 2015	
	(millions)	**%**	(millions)	%
Commercial paper and bank credit facilities	**$ 35.0**	**0.4**	$ 449.1	6.2
Long-term debt (including discounts and premiums)	**4,844.8**	**60.9**	4,045.0	56.0
Partners' capital	**2,058.9**	**25.9**	1,957.8	27.1
Retained earnings	**1,018.2**	**12.8**	771.2	10.7
	$ 7,956.9	**100.0**	$ 7,223.1	100.0

As at December 31, 2016, 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 December 31, 2016 and 2015.

6. Trade and other receivables

	As at	
	December 31, 2016	December 31, 2015
(in thousands of dollars)		
Trade receivables	**$ 34,168**	$ 85,999
GST receivable	**5,760**	7,794
Prepaid expenses and deposits	**9,002**	7,270
Current portion of financial assets related to regulated activities	**78,257**	38,402
	$ 127,187	$ 139,465

Trade receivables as at December 31, 2016 include $11.9 million (December 31, 2015 - $60.8 million) due from the AESO for the December portion of the transmission tariff and $6.7 million (December 31, 2015 - $11.3 million) due from the AESO for the difference between recognized revenue and the approved tariff revenues received.

Financial assets related to regulated activities include the recovery of certain costs incurred by the Partnership relating to its primary activities that are greater than what has been received to date in tariff revenue. The Partnership has recognized as receivables the costs to be recovered through the regulatory process. The current portion of such assets reflects the amounts to be recovered within the next twelve months, which includes amounts related to the deferral accounts reconciliation for 2012 and 2013, and the 2014 direct assigned additions for the Heartland project. The AUC approved these balances in its December 22, 2016 decision on these deferral accounts. The Partnership was directed to bill the AESO in January 2017. Also included in the December 31, 2016 balance is $5.0 million related to cancelled projects (December 31, 2015 - $4.7 million).

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

7. Intangible assets

	Land rights	Computer software	Intangibles in CWIP	Total
(in thousands of dollars)				
Cost				
As at January 1, 2015	$ 119,386	$ 83,480	$ 93,933	$ 296,799
Additions to CWIP	—	—	40,950	40,950
Transfers	100,012	23,445	(123,457)	—
Retirements	—	(9,475)	—	(9,475)
As at December 31, 2015	219,398	97,450	11,426	328,274
Additions to CWIP	—	—	36,988	36,988
Transfers	8,563	23,165	(31,728)	—
Retirements	(543)	(10,146)	—	(10,689)
As at December 31, 2016	**$ 227,418**	**$ 110,469**	**$ 16,686**	**$ 354,573**
Accumulated amortization				
As at January 1, 2015	$ (7,509)	$ (38,227)	$ —	$ (45,736)
Amortization	(2,830)	(13,263)	—	(16,093)
Retirements	—	9,475	—	9,475
As at December 31, 2015	(10,339)	(42,015)	—	(52,354)
Amortization	(4,160)	(16,842)	—	(21,002)
Retirements	543	10,146	—	10,689
As at December 31, 2016	**$ (13,956)**	**$ (48,711)**	**$ —**	**$ (62,667)**
Net book value				
As at December 31, 2015	$ 209,059	$ 55,435	$ 11,426	$ 275,920
As at December 31, 2016	**$ 213,462**	**$ 61,758**	**$ 16,686**	**$ 291,906**

Intangible assets in CWIP are not amortized until they are available for use, when they are reclassified to the related asset class.

The Partnership has used the following effective amortization rates during the year:

	2016	2015
Land rights	**2.02%**	2.08%
Computer software	**10.27%-50.27%**	10.31%-50.30%
Intangibles in CWIP	**Not subject to amortization**	Not subject to amortization

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, 2015	$ 2,325,832	$ 2,479,216	$ 162,523	$ 2,394,947	$ 7,362,518
Additions to CWIP	—	—	—	1,054,001	1,054,001
Transfers	1,862,390	990,083	30,587	(2,883,060)	—
Retirements	(15,777)	(11,838)	(524)	(1)	(28,140)
As at December 31, 2015	4,172,445	3,457,461	192,586	565,887	8,388,379
Additions to CWIP	—	—	—	485,937	485,937
Transfers	454,168	199,665	19,679	(673,512)	—
Cancelled project transfers				(42,715)	(42,715)
Retirements	(14,135)	(8,125)	(15,843)	(533)	(38,636)
As at December 31, 2016	**$ 4,612,478**	**$ 3,649,001**	**$ 196,422**	**$ 335,064**	**$ 8,792,965**

	Lines[1]	Substations[2]	Buildings & equipment[3]	Land & CWIP[4]	Total
Accumulated Depreciation					
As at January 1, 2015	$ (163,130)	$ (292,118)	$ (49,714)	$ —	$ (504,962)
Depreciation expense	(89,428)	(105,795)	(20,236)	—	(215,459)
Retirements	1,315	4,465	539	—	6,319
As at December 31, 2015	(251,243)	(393,448)	(69,411)	—	(714,102)
Depreciation expense	(112,293)	(114,326)	(18,070)	—	(244,689)
Retirements	4,663	5,604	16,717	—	26,984
As at December 31, 2016	**$ (358,873)**	**$ (502,170)**	**$ (70,764)**	**$ —**	**$ (931,807)**
Net book value					
As at December 31, 2015	$ 3,921,202	$ 3,064,013	$ 123,175	$ 565,887	$ 7,674,277
As at December 31, 2016	**$ 4,253,605**	**$ 3,146,831**	**$ 125,658**	**$ 335,064**	**$ 7,861,158**

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

The Partnership has used the following effective depreciation rates during the year:

	2016	2015
Lines	**1.76%-4.51%**	1.74%-4.49%
Substations	**2.42%-6.31%**	2.38%-6.42%
Buildings & equipment	**2.36%-20.00%**	2.38%-22.76%
Land and construction work in progress	**Not subject to depreciation**	Not subject to depreciation

9. Third party deposits

(in thousands of dollars)	Contributions in Advance of Construction	Operating and Maintenance Charges in Advance	Total
As at January 1, 2015	$ 44,674	$ 6,809	$ 51,483
Receipts net of refunds and interest	56,283	(54)	56,229
Project expenditures	(64,280)	(184)	(64,464)
As at December 31, 2015	36,677	6,571	43,248
Receipts net of refunds and interest	42,344	68	42,412
Project expenditures	(38,705)	(133)	(38,838)
As at December 31, 2016	**$ 40,316**	**$ 6,506**	**$ 46,822**

Third party deposits are held in short-term investments, which are reinvested as needed. These investments earned an annual effective interest rate of 0.89% as at December 31, 2016 (December 31, 2015 – 0.90%). For contributions in advance of construction, all interest is credited to the specific customer.

10. Other non-current assets

	As at	
(in thousands of dollars)	**December 31, 2016**	December 31, 2015
Non-current portion of financial assets related to regulated activities	**$ 578,614**	$ 127,496

Financial assets related to regulated activities include the recovery of certain costs incurred by the Partnership relating to its primary activities that are greater than what has been received to date in tariff revenue. The Partnership has recognized as receivables the expenses to be recovered through the regulatory process. The non-current portion of such assets reflects the amounts to be collected beyond the next twelve months. These amounts include 2014, 2015, and 2016 deferral accounts, which have not yet been filed with the AUC, $265.5 million for the refund of 2011-2014 return on CWIP-in-rate base and related income tax, and a receivable of $79.1 million for the recovery of deemed future income taxes. Included in the December 31, 2016 balance is $54.7 million related to cancelled projects (December 31, 2015 - $2.7 million).

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

11. Trade and other payables

	As at	
	December 31, 2016	December 31, 2015
(in thousands of dollars)		
Trade and accrued payables	**$ 142,142**	$ 241,945
Accrued interest on long-term debt	**28,568**	25,990
Other current liabilities	**2,947**	3,495
Current portion of financial liabilities related to regulated activities	**21,904**	61,255
	$ 195,561	$ 332,685

Financial liabilities related to regulated activities include accruals for the repayment of the difference between certain costs that have been incurred by the Partnership relating to its primary activities and what has been received in tariff revenue. The difference will be refunded to the AESO through the regulatory process. The current portion of such liabilities includes the amounts to be refunded within the next twelve months, which include amounts related to the 2012 and 2013 deferral accounts reconciliation application that was approved by the AUC on December 22, 2016.

Other current liabilities include the current portion of accruals for the long-term incentive plan and deferred leasehold improvements.

12. Debt

Commercial paper and bank credit facilities

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

As at December 31, 2015	Committed	Drawdowns	Commercial paper outstanding	Letters of credit outstanding	Availability	Maturity date of facility
(in thousands of dollars)						
Revolving credit facility	$ 750,000	$ —	$ 449,144	$ —	$ 300,856	December 15, 2017
Revolving credit facility	75,000	—	—	12,430	62,570	December 15, 2017
Total bank credit facilities	$ 825,000	$ —	$ 449,144	$ 12,430	$ 363,426	

The $750.0 million revolving credit facility provides support for the borrowing under the unsecured commercial paper program and may also be used for operating expenses, capital expenditures, working capital needs, and for general corporate purposes including the payment of distributions. Drawdowns under this facility may be in the form of Canadian prime rate loans or bankers' acceptances. At the renewal date, the Partnership has the option to convert the facility to a one-year term facility.

The $75.0 million revolving credit facility may be used for operating expenses, capital expenditures, working capital needs, and for general corporate purposes including the payment of distributions. Drawdowns under this facility may be in the form of Canadian prime rate loans or bankers' acceptances, U.S. base rate loans, U.S. LIBOR loans or drawn letters of credit. At the renewal date, the Partnership has the option to convert the facility to a one-year term facility.

Long-term debt

	Effective interest rate	Maturing	As at December 31, 2016	As at December 31, 2015
(in thousands of dollars)				
Senior debt obligations (Medium-Term Notes)				
Series 2008-1, 5.243%	5.355%	2018	**$ 200,000**	$ 200,000
Series 2013-2, 3.621%	3.705%	2020	**125,000**	125,000
Series 2012-2, 2.978%	3.041%	2022	**275,000**	275,000
Series 2013-4, 3.668%	3.733%	2023	**500,000**	500,000
Series 2014-1, 3.399%	3.463%	2024	**350,000**	350,000
Series 2016-1, 2.747%	2.813%	2026	**350,000**	—
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%	3.748%	2046	**450,000**	—
Series 2013-1, 4.446%	4.484%	2053	**250,000**	250,000
Series 2014-2, 4.274%	4.305%	2064	**130,000**	130,000
			4,850,000	4,050,000
Debt discounts and premiums			**(5,199)**	(5,011)
Less: deferred financing fees			**(25,806)**	(22,570)
Long-term debt			**$ 4,818,995**	$ 4,022,419

During 2016, the Partnership issued $350.0 million of ten year, 2.747% Series 2016-1 Medium-Term Notes due May 29, 2026 and $450.0 million of thirty year, 3.717% Series 2016-2 Medium-Term Notes due December 3, 2046 under the $2,000.0 million Short Form Base Shelf Prospectus dated June 23, 2015. The total issuance under the $2,000.0 million Short Form Base Shelf Prospectus as at December 31, 2016 was $1,150 million (December 31, 2015 - $350.0 million). The Short Form Base Shelf Prospectus expires in July 2017.

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

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

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

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

Capital markets platform

The Partnership has implemented a financing structure referred to by the Partnership as the "Capital Markets Platform" to finance the operation, maintenance and development of its assets. The Capital Markets Platform incorporates various debt instruments and borrowings, including term bank debt, revolving bank lines of credit, publicly-issued and privately-placed term debt securities, bankers' acceptances, commercial paper and medium-term notes.

The Master Trust Indenture dated April 28, 2003 between the Partnership, the General Partner and BNY Trust Company of Canada, as trustee, establishes common covenants for the benefit of all lenders under the Capital Markets Platform. The Capital Markets Platform governs all indebtedness, including the ranking and security (if any) of the various debt instruments. Indebtedness is calculated as total short-term and long-term debt, including outstanding letters of credit, and total capitalization is calculated as equity plus indebtedness. The Partnership is not permitted to borrow other than under the Capital Markets Platform, except in certain limited circumstances and, in any event, not in excess of an aggregate of $20.0 million. One of the principal covenants is that the Partnership cannot become liable for any indebtedness, unless the aggregate amount of all indebtedness does not exceed 75% of total capitalization.

Under the Indenture, the Partnership may issue two categories of debt, namely (i) senior debt and (ii) subordinated debt. Bonds may be issued as either "Obligation Bonds" (to directly evidence the indebtedness of the Partnership to the holder of such debt) or as "Pledged Bonds" (to be held by the holder as collateral security for the indebtedness specified in the related instrument of pledge). The specific terms and conditions of each series of bonds under the Capital Markets Platform are set forth in the series supplement authorizing the series. It is expected that publicly-issued and privately-placed bonds will be in the form of Obligation Bonds, whereas all other indebtedness of the Partnership under the Capital Markets Platform will be supported by Pledged Bonds.

Scheduled principal repayments

(in thousands of dollars)	
Maturing	
2017	$ —
2018	200,000
2019	—
2020	125,000
2021	—
2022 and thereafter	4,525,000

Finance costs

	Year ended	
	December 31, 2016	December 31, 2015
(in thousands of dollars)		
Interest expense	**$ 181,180**	$ 166,000
Amortization of deferred financing fees	**1,252**	1,095
Capitalized borrowing costs	**(4,528)**	(29,145)
	$ 177,904	$ 137,950

The average capitalization rate for 2016 was 3.88% (2015 – 4.15%).

13. Deferred revenue

(in thousands of dollars)	Third Party Contributions	Deferred Revenue for Salvage	Total
As at January 1, 2015	$ 689,942	$ 165,666	$ 855,608
Transferred from third party deposits [note 9]	64,280	—	64,280
Received through transmission tariff [note 17]	—	28,486	28,486
Recognized as revenue [notes 18 and 19]	(24,402)	(45,618)	(70,020)
As at December 31, 2015	729,820	148,534	878,354
Transferred from third party deposits [note 9]	**38,705**	**—**	**38,705**
Received through transmission tariff [note 17]	**—**	**60,091**	**60,091**
Recognized as revenue [notes 18 and 19]	**(12,534)**	**(40,309)**	**(52,843)**
As at December 31, 2016	**$ 755,991**	**$ 168,316**	**$ 924,307**

(in thousands of dollars)	As at December 31, 2016	December 31, 2015
Current portion	**$ 79,339**	$ 73,121
Long-term portion	**844,968**	805,233
	$ 924,307	$ 878,354

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

14. Other non-current liabilities

(in thousands of dollars)	As at December 31, 2016	December 31, 2015
Accrued employment benefit liabilities	**$ 7,355**	$ 7,224
Other liabilities	**2,724**	3,116
Non-current portion of financial liabilities related to regulated activities	**2,016**	1,222
	$ 12,095	$ 11,562

Financial liabilities related to regulated activities include accruals for the repayment of the difference between certain costs that have been incurred by the Partnership relating to its primary activities and what has been received in tariff revenue. The difference will be refunded to the AESO through the regulatory process. The non-current portion of such liabilities reflects the amounts to be refunded beyond the next twelve months. These amounts include 2014, 2015, and 2016 deferral accounts, which have not yet been filed with the AUC.

15. Post employee benefits obligations

Description

All employees are covered under the defined contribution pension plan. The defined contribution pension plan is an 8% employer, and 2% employee funded contribution plan. For 2016, the defined contribution pension plan employer contribution expense is $8.3 million (2015 - $8.2 million).

The General Partner has an unfunded, non-registered supplemental pension plan, which is provided to those employees who exceed the income tax limits on maximum pension contributions in a year. Membership in the supplemental pension plan is automatic once registered pension plan contributions have reached the maximum annual amount. The employer contribution rate is 8% (2015 – 8%). For 2016, the supplemental pension plan employer contribution expense is $0.3 million (2015 – $0.1 million) and the liability is $1.3 million (2015 – $1.2 million).

The post-employment benefits plan is unfunded and includes providing health and dental coverage to retired employees who have two years of service or more and retire at age fifty-five or older. Benefits are provided to these employees until the age of sixty-five. For 2016, the current service cost and interest cost on the benefit obligation are $1.5 million (2015 - $1.1 million). The accrued benefit obligation is $6.0 million in 2016 (2015 – $6.1 million). The actuarial gain recognized in other comprehensive income is $1.4 million (2015 – $0.5 million). The Partnership expects to contribute $1.0 million to its post-employment benefits plan in 2017.

16. 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:

	Year ended	
	December 31, 2016	December 31, 2015
(in thousands of dollars)		
AltaLink Management Ltd.		
Employee compensation and benefits	$ **133,739**	$ 134,185
Cost recovery for non-regulated activities	**1,297**	2,978

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 $34.9 million at December 31, 2016 (December 31, 2015 - $33.2 million).

Remuneration of senior management

	Year ended	
	December 31, 2016	December 31, 2015
(in thousands of dollars)		
Salary and other short-term benefits	**$ 3,418**	$ 4,165
Post-employment benefits	**264**	321
Other long-term benefits	**2,722**	3,378
Total for all senior management	**$ 6,404**	$ 7,864

Senior management includes the President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Executive Vice President and Chief Operating Officer, Senior Vice President Customer and Stakeholder Engagement, Senior Vice President Human Resources, Senior Vice President Law, Regulatory and General Counsel, Senior Vice President Projects, and Vice President Government Relations.

Salary and other short-term benefits represent actual salary received during the year, annual short-term incentive plan payments based on the achievement of specific predetermined performance goals, perquisites and other bonuses, excluding severance payouts. Post-employment benefits include the defined contribution pension plan and supplemental pension plan employer contributions. Other long-term benefits include amounts related to retention and long-term incentive plans.

Remuneration of Board of Directors of the General Partner

	Year ended			
		December 31, 2016		December 31, 2015
(in thousands of dollars)				
Total fees earned by Directors	**$**	**558**	$	553

The Board of Directors includes the Chairman of the Board, and nine other directors. The members of the Board, who are not management or representatives of the owners, are paid an annual fee plus a fee for meetings attended and additional retainers for serving on Board committees.

17. Revenue from operations

On May 9, 2016, the AUC issued a decision on AltaLink's 2015-2016 GTA, which reduced transmission tariffs for AltaLink's customer. On July 19, 2016, AltaLink submitted its 2015-2016 GTA compliance filing and a decision from the AUC was received December 16, 2016. A compliance filing in response to this decision was filed January 30, 2017.

On July 19, 2016, AltaLink applied for a revised 2016 interim tariff which was approved on August 24, 2016.

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

AltaLink has recognized the impact of the AUC's decision on the 2015-2016 GTA in the current period. 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 revenue requirement approved on December 16, 2016 and revenue from operations earned during the year.

	Year ended			
		December 31, 2016		December 31, 2015
(in thousands of dollars)				
Return on rate base	**$**	**388,733**	$	275,518
Recovery of forecast expenses		**453,467**		394,497
Deemed income taxes		**—**		59,435
Revenue requirement December 16, 2016	**$**	**842,200**	$	729,450
AFUDC net of capitalized borrowing costs		**6,918**		35,386
Receivable (repayable) directly assigned capital projects related revenue		**24,564**		(12,654)
Repayable property taxes and other		**(320)**		(1,684)
Adjustments related to regulatory activities		**67,887**		38,898
Revenue from operations	**$**	**941,249**	$	789,396

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% and increased the Partnership's common equity ratio from 36% to 37% for 2016. 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:

	Year ended	
	December 31, 2016	December 31, 2015
(in thousands of dollars)		
Revenue related to salvage costs [note 13]	**40,309**	45,618
Recovery of loss on disposal of assets other than land	**13,559**	22,655
Salvage funds transferred to deferred revenue [note 13]	**(60,091)**	(28,486)
FIT Revenue1	**79,080**	—
Other	**(4,970)**	(889)
	$ 67,887	$ 38,898

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

In Decisions 2011-474 and 2013-459, the AUC approved a placeholder of 8.75% for 2013 and 2014 return on common equity pending a final decision as part of the 2013 Generic Cost of Capital (GCOC) proceeding. The AUC issued Decision 2191-D01-2015 in March 2015 and in its decision, AUC decreased the generic rate of return on common equity from 8.75% to 8.30% and decreased the Partnership's common equity ratio from 37% to 36% for the years 2013, 2014 and 2015. The decision reduced the revenue that had previously been recognized for 2013 and 2014 by approximately $11 million and $16 million, respectively.

The impact of the 2013 GCOC Decision is shown below.

	Year ended	
	December 31, 2016	December 31, 2015
(in thousands of dollars)		
2013 GCOC adjustments	**$ —**	$ (27,200)

For the year ended December 31, 2016, approximately 96% of the Partnership's revenue is attributable to the AESO (December 31, 2015 – approximately 92%).

18. Other revenue

The Partnership occasionally provides transmission construction services to third parties (primarily other utilities) on a cost recovery basis; therefore, there is no net income impact. Related costs are included in operating expenses:

	Year ended	
	December 31, 2016	December 31, 2015
(in thousands of dollars)		
Third party contributions revenue [note 13]	**$ 12,534**	$ 24,402
Costs recovered from third parties	**16,213**	32,089
Services provided to third parties	**4,902**	5,078
Tower, land and other lease revenue	**934**	1,684
Related party and other revenue	**2,055**	3,658
	$ 36,638	$ 66,911

19. Expenses

Operating expenses

	Year ended December 31, 2016	Year ended December 31, 2015
(in thousands of dollars)		
Employee salaries and benefits	**$ 50,212**	$ 49,891
Contracted labour	**40,206**	54,901
Other operating expenses	**24,742**	24,378
	$ 115,160	$ 129,170

Property taxes, salvage and other expenses

	Year ended December 31, 2016	Year ended December 31, 2015
(in thousands of dollars)		
Property and business tax	**$ 42,530**	$ 36,420
Salvage expenses	**40,309**	45,618
Annual structure payments	**14,415**	14,170
Hearing expenses and other	**3,194**	2,442
	$ 100,448	$ 98,650

Property taxes, salvage and other expenses do not have an impact on net income because they are fully recovered in tariff revenue (note 17 - *Revenue from operations*).

20. Partners` equity

The Partnership is authorized to issue an unlimited number of units. The units are voting and participate equally in profits, losses and capital distributions of the Partnership. The Partnership is also authorized to issue preferred partnership units which have the same rights, privileges, restrictions and conditions attached to all other units except that in the event of the liquidation, dissolution or winding-up of the Partnership, holders of each preferred unit are entitled to participate preferentially in any distribution. The Partnership has not issued any preferred units.

The General Partner does not hold any units in the Partnership. It manages the operations of the Partnership, and has a 0.01% interest in the profits, losses and capital distributions of the Partnership.

During the year ended December 31, 2016, the Partners invested additional equity of $101.1 million (December 31, 2015- $120.5 million). No partnership units were issued during the year ended December 31, 2016 (December 31, 2015 – nil).

21. Other cash flow information

	Year ended December 31, 2016	Year ended December 31, 2015
(in thousands of dollars)		
Change in other items		
Employee benefits and other liabilities	**$ 1,186**	$ (1,282)
Amortization of financing fees and capitalized borrowing costs	**(3,276)**	(28,050)
Deferred revenue for salvage	**19,782**	(17,132)
Financial liabilities related to regulated activities, non-current	**794**	818
	$ 18,486	$ (45,646)

Change in non-cash working capital				
Trade and other receivables	**$**	**12,278**	$	4,058
Trade and other payables		**(137,124)**		(120,093)
	$	**(124,846)**	$	(116,035)
Related to operating activities	**$**	**(23,885)**	$	58,400
Related to investing activities		**(100,961)**		(174,435)
	$	**(124,846)**	$	(116,035)
Change in other financing activities				
Deferred financing fees	**$**	**(4,675)**	$	(2,540)
Third party deposits		**(3,574)**		8,235
Third party deposits liability		**3,574**		(8,235)
	$	**(4,675)**	$	(2,540)

22. Commitments

The contractual commitments of the Partnership associated with the construction of new facilities as at December 31, 2016 are $505.2 million (December 31, 2015 - $537.2 million).

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

Expected minimum lease payments in future years are as follows:

(in thousands of dollars)		**As at December 31, 2016**
Operating lease obligations payable on non-cancellable leases are as follows:		
No later than 1 year	**$**	**4,424**
Later than 1 year and no later than 5 years		**15,398**
Later than 5 years		**11,325**
	$	**31,147**

23. Contingencies

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

- In June 2009, the Partnership was served with an action, alleging that the Plaintiff and the Partnership had concluded a binding agreement for the sale to the Plaintiff of certain lands.
- In September 2012, a fire occurred on grasslands on which are located transmission facilities owned and operated by another utility and are under an operating services agreement with the Partnership. In September 2014, the other utility and the Partnership were served with a number of actions related to this incident.
- In 2013, a road construction company damaged another utility's transmission line, which was connected into the Partnership's transmission facilities, causing loss of power. Two refinery owners filed statements of claim for damages against the construction company, which in turn filed third party claims against the Partnership and the other utility.
- The AUC approved a project to upgrade a transmission line that is owned by another utility and located on land owned by a First Nation, which had refused to allow the Partnership to access its land. In December 2014, the First Nation filed a Statement of Claim against a number of parties, including the Partnership. In March of 2016, the members of the

council for the First Nation discontinued the action against all defendants and removed access restrictions; however, one individual certificate of possession holder did not discontinue their action.

- The Partnership has a number of cost recovery applications that are currently, or will be, before the AUC, as part of the normal regulatory process for reviewing cost recovery applications before making a final decision on the prudence of such costs.
- The Partnership has found instances of equipment, engineering or construction deficiencies following acceptance and energization of some assets. Claims processes are in place to seek recovery for such deficiencies. In one instance, the Partnership is in litigation and has claimed that specific equipment has inherent design, manufacturing and other defects. These defects create a risk of causing personal injury and property damage. The Partnership has claimed $56 million for the cost of replacing the specific equipment and the additional inspections required for the equipment.
- The Partnership has been advised that 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.