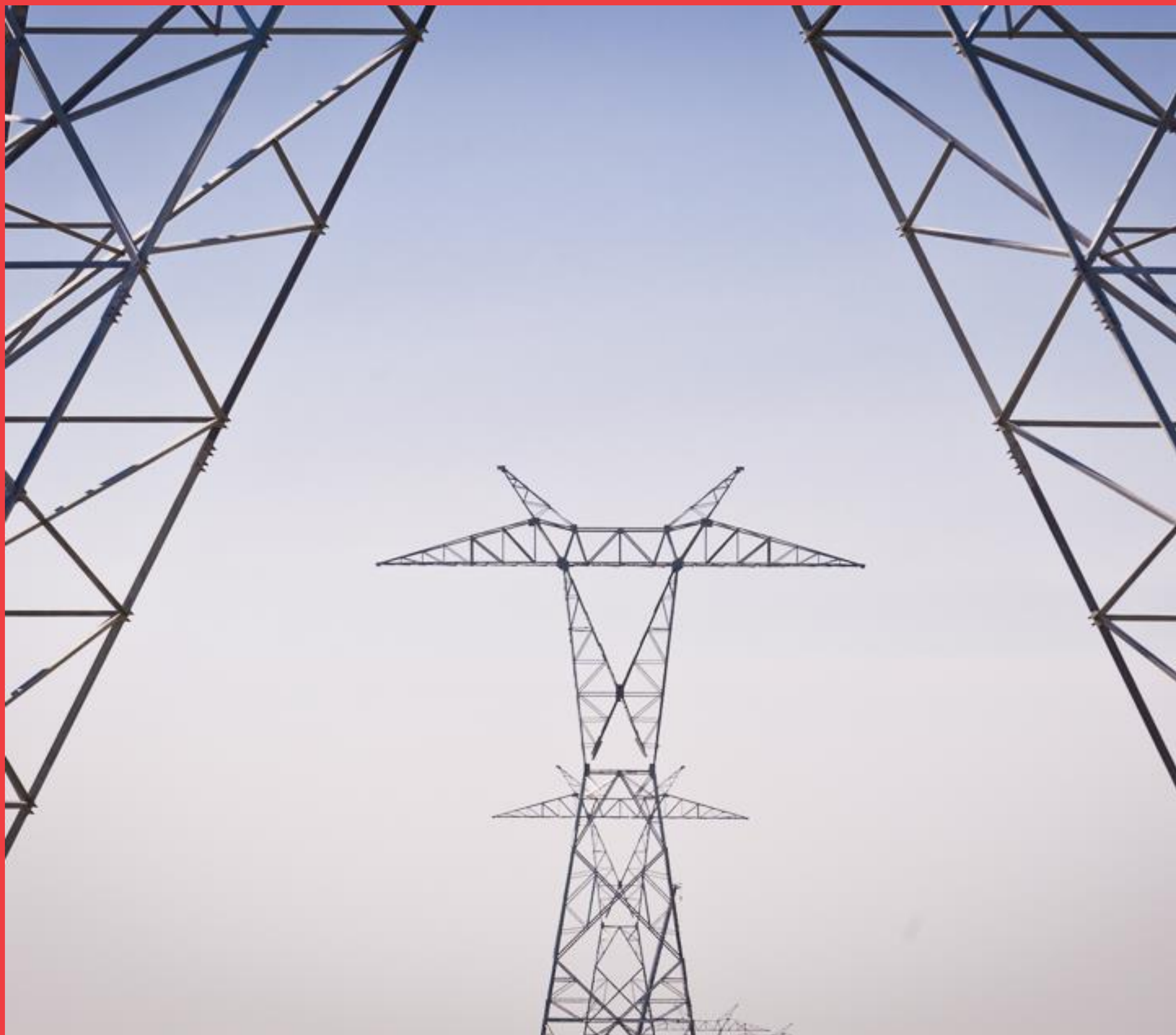

AltaLink, L.P.

Financial Statements

For the years ended December 31, 2017 and 2016

ALTALINK
A BERKSHIRE HATHAWAY ENERGY COMPANY

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, 2017 and December 31, 2016, 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, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
February 22, 2018
Calgary, Alberta

Statement of Financial Position

	Notes	As at December 31, 2017	December 31, 2016
(in thousands of dollars)			
ASSETS			
Current			
Cash		**$ 5,929**	$ 2,122
Trade and other receivables	6	**299,107**	127,187
		305,036	129,309
Non-current			
Goodwill		**202,066**	202,066
Intangible assets	7	**296,521**	291,906
Property, plant and equipment	8	**8,054,025**	7,861,158
Third party deposits	9	**41,230**	46,822
Other non-current assets	10	**631,457**	578,614
		$ 9,530,335	$ 9,109,875
LIABILITIES AND PARTNERS' EQUITY			
Current			
Trade and other payables	11	**$ 189,499**	$ 195,561
Commercial paper and bank credit facilities	12	**150,797**	34,973
Long-term debt maturing in less than one year	12	**200,000**	—
Current portion of deferred revenue	13	**65,447**	79,339
		605,743	309,873
Non-current			
Long-term debt	12	**4,619,842**	4,818,995
Deferred revenue	13	**929,325**	844,968
Third party deposits liability	9	**41,230**	46,822
Other non-current liabilities	14	**23,911**	12,095
		6,220,051	6,032,753
Commitments and contingencies	22, 23		
Partners' equity		**3,310,284**	3,077,122
		$ 9,530,335	$ 9,109,875

See accompanying notes to the financial statements.

Approved on behalf of the Board of Directors

David Tuer
Director

Patricia Nelson
Director

Statement of Comprehensive Income

	Notes	Year ended December 31, 2017	December 31, 2016
(in thousands of dollars)			
Revenue			
Operations	17	**$ 973,106**	$ 941,249
Other	18	**36,196**	36,638
		1,009,302	977,887
Expenses			
Operating	19	**(95,728)**	(115,160)
Property taxes, salvage and other	19	**(97,754)**	(100,448)
Depreciation and amortization		**(267,568)**	(265,691)
		(461,050)	(481,299)
		548,252	496,588
Finance costs	12	**(194,949)**	(177,904)
Loss on disposal of assets		**(16,478)**	(12,636)
Net income		**336,825**	306,048
Other comprehensive income			
Actuarial (loss) gain	15	**(163)**	1,446
Total comprehensive income		**$ 336,662**	$ 307,494

See accompanying notes to the financial statements.

Statement of Changes in Partners' Equity

	Units	Allocation to Limited Partner	Allocation to General Partner	Total Retained Earnings	Partners' Capital [note 20]	Total
(in thousands)						
As at January 1, 2016	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
Total comprehensive income	—	336,628	34	336,662	—	336,662
Equity investment received	—	—	—	—	77,500	77,500
Distributions paid	—	(180,982)	(18)	(181,000)	—	(181,000)
Balance at December 31, 2017	**331,904**	**$ 1,173,695**	**$ 153**	**$ 1,173,848**	**$ 2,136,436**	**$ 3,310,284**

See accompanying notes to the financial statements.

Statement of Cash Flows

	Notes	Year ended December 31, 2017	December 31, 2016
(in thousands of dollars)			
Cash flows from operating activities			
Net income		**$ 336,825**	$ 306,048
Adjustments for			
Depreciation and amortization		**267,568**	265,691
Third party contributions revenue		**(21,517)**	(12,534)
Loss on disposal of assets		**16,478**	12,636
Financial assets related to regulated activities, non-current		**(27,816)**	(408,402)
Change in other items	21	**29,672**	18,486
Change in non-cash working capital items	21	**(166,471)**	(23,885)
Net cash provided by operating activities		**434,739**	158,040
Cash flows from investing activities			
Capital expenditures		**(511,343)**	(621,268)
Use of third party contributions		**68,092**	38,705
Proceeds from disposal of assets		**582**	923
Net cash used in investing activities		**(442,669)**	(581,640)
Cash flows from financing activities			
Senior debt issued		**—**	800,000
Net movement in commercial paper and bank credit facilities		**115,824**	(414,171)
Distributions paid		**(181,000)**	(60,500)
Equity investment received		**77,500**	101,100
Change in other financing activities	21	**(587)**	(4,675)
Net cash provided by financing activities		**11,737**	421,754
Net change in cash		**3,807**	(1,846)
Cash, beginning of year		**2,122**	3,968
Cash, end of year		**$ 5,929**	$ 2,122
Supplementary cash flow information			
Interest paid		**$ (179,905)**	$ (178,602)

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, 2017 and 2016, 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 22, 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 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). 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 applied to refund tariff funds collected pursuant to the CWIP-in-rate base mechanism over the 2011-2014 years. The general tariff application (GTA) decision 3524-D01-2016 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 in 2016 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 3524-D01-2016 also contained approval for the Partnership's application to recover deemed income tax expenses using the flow through method starting January 1, 2015. 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

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. Operations revenue is based on the cost of transmission services provided and a return on deemed equity, but it is not impacted by the price or volume of electricity transported through AltaLink's transmission system. 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. 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 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.

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.

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 2017 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 wanting 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.

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.

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 as an expense immediately in the income statement.

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.

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

Amendments to standards effective on or after January 1, 2017

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

New standards effective after 2017

Revenue from contracts with customers - In 2014, the IASB issued International Financial Reporting Standard ("IFRS") 15 – Revenue from contracts with customers, which is effective for financial periods beginning on or after January 1, 2018. In June 2016, the IASB issued a narrow-scope amendment to IFRS 15.

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

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

AltaLink is completing its evaluation of the impact of adopting this guidance on its financial statements and disclosures. All existing customer contracts that are within the scope of the new guidance have been identified and analyzed by the Partnership to identify any changes in how revenues are recognized as a result of implementing the new standard. AltaLink has found the impact on prior period revenues to be immaterial. The timing and amount of revenue recognized after adoption of the new guidance will not be materially different as revenue from operations has been recognized when the Partnership has the right to the revenue based on the services delivered during the reporting period.

AltaLink has not identified any significant 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.

Financial Instruments - In July 2014, the IASB issued IFRS 9 – Financial instruments, which is effective for financial periods beginning on or after January 1, 2018. AltaLink has evaluated the effect of adopting this guidance on the Partnership's financial statements and disclosures, and found there to be no material impact.

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 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 in the Statement of Financial Position. The Partnership is evaluating the impact of the new leases standard on its financial statements through the identification and analysis of existing lease agreements, and plans on adopting IFRS 16 starting January 1, 2019.

5. Risk management and financial instruments

Fair value of financial instruments

Financial Instrument	Designated Category	Measurement Basis	Associated Risks	Fair Value at December 31, 2017
Cash	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.
Commercial paper and bank credit facilities and Long-term debt *[note 12]*	Other liabilities	Initially at fair value and subsequently at amortized cost	• Market • Liquidity	$5,494.6 million. Due to the short-term nature of commercial paper and bank credit facilities, carrying value approximates fair value. Long term debt fair values are determined using quoted market prices (which are classified as level 1 inputs).
Third party deposits *[note 9]*	Fair value through profit or loss (Held for trading)	Fair value	• Market • Credit • Liquidity	Carrying value approximates fair value as cash received is held in short-term investments.
Third party deposits liability *[note 9]*	Other liabilities	Initially at fair value and subsequently at amortized cost	• Liquidity	Carrying value approximates fair value due to the nature of the liability.

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

Credit risk

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

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

The Partnership has a concentration of credit risk as approximately 97% of its trade receivable balance is due from the AESO (December 31, 2016 – approximately 54%). The credit risk is mitigated by the fact that the AESO is an “AA-“ rated entity by Standard & Poors, and it has been established under the EUA, while the remaining trade receivables are mostly due from investment grade utilities, comprised mainly of amounts due for construction services and tower and land rents.

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

Market risk

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

Interest rate risk

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

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

The Partnership 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 are 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 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, 2017			December 31, 2016		
		(millions)	**%**		(millions)	%
Commercial paper and bank credit facilities	**$**	**150.8**	**1.8**	$	35.0	0.4
Long-term debt maturing in less than one year		**200.0**	**2.4**		—	—
Long-term debt (including discounts and premiums)		**4,644.6**	**55.9**		4,844.8	60.9
Partners' capital		**2,136.4**	**25.7**		2,058.9	25.9
Retained earnings		**1,173.8**	**14.2**		1,018.2	12.8
	$	**8,305.6**	**100.0**	$	7,956.9	100.0

As at December 31, 2017, the Partnership was subject to externally imposed capitalization requirements under the Master Trust Indenture and the bank credit facilities. These agreements limit the amount of debt that can be incurred relative to total capitalization. The Partnership was in compliance with these requirements as at December 31, 2017 and 2016.

6. Trade and other receivables

	As at			
	December 31, 2017		December 31, 2016	
(in thousands of dollars)				
Trade receivables	**$**	**162,619**	$	34,168
GST receivable		**—**		5,760
Prepaid expenses and deposits		**13,022**		9,002
Cancelled projects		**54,771**		4,975
Current financial assets related to regulated activities		**68,695**		73,282
	$	**299,107**	$	127,187

Trade receivables as at December 31, 2017 include $156.1 million (December 31, 2016 - $11.9 million) due from the AESO for the November and December portion of the transmission tariff. At December 31, 2016, $6.7 million was due from the AESO for the difference between recognized revenue and approved tariff revenues received.

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

7. Intangible assets

(in thousands of dollars)	Land rights	Computer software	Intangibles in CWIP	Total
Cost				
As at January 1, 2016	$ 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
Additions to CWIP	**—**	**—**	**31,238**	**31,238**
Transfers	**15,347**	**27,039**	**(42,386)**	**—**
Retirements	**(583)**	**(16,545)**	**—**	**(17,128)**
As at December 31, 2017	**$ 242,182**	**$ 120,963**	**$ 5,538**	**$ 368,683**
Accumulated amortization				
As at January 1, 2016	$ (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)
Amortization	**(5,209)**	**(21,414)**	**—**	**(26,623)**
Retirements	**583**	**16,545**	**—**	**17,128**
As at December 31, 2017	**$ (18,582)**	**$ (53,580)**	**$ —**	**$ (72,162)**
Net book value				
As at December 31, 2016	$ 213,462	$ 61,758	$ 16,686	$ 291,906
As at December 31, 2017	**$ 223,600**	**$ 67,383**	**$ 5,538**	**$ 296,521**

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:

	2017	2016
Land rights	**2.01%**	2.02%
Computer software	**10.15%-50.40%**	10.27%-50.27%
Intangibles in CWIP	**Not subject to amortization**	Not subject to amortization

8. Property, plant and equipment

(in thousands of dollars)	**Lines[1]**	**Substations[2]**	**Buildings & equipment[3]**	**Land & CWIP[4]**	**Total**
Cost					
As at January 1, 2016	$ 4,172,445	$ 3,457,461	$ 192,586	$ 565,887	$ 8,388,379
Additions to CWIP	—	—	—	485,937	485,937
Transfers	454,168	199,665	19,679	(673,512)	—
Cancelled project transfers	—	—	—	(42,715)	(42,715)
Retirements	(14,135)	(8,125)	(15,843)	(533)	(38,636)
As at December 31, 2016	4,612,478	3,649,001	196,422	335,064	8,792,965
Additions to CWIP	**—**	**—**	**—**	**475,899**	**475,899**
Transfers	**316,599**	**258,302**	**16,496**	**(591,397)**	**—**
Cancelled project transfers [note 10]	**—**	**—**	**—**	**(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**

Accumulated Depreciation					
As at January 1, 2016	$ (251,243)	$ (393,448)	$ (69,411)	$ —	$ (714,102)
Depreciation expense	(112,293)	(114,326)	(18,070)	—	(244,689)
Retirements	4,663	5,604	16,717	—	26,984
As at December 31, 2016	(358,873)	(502,170)	(70,764)	—	(931,807)
Depreciation expense	**(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)**
Net book value					
As at December 31, 2016	$ 4,253,605	$ 3,146,831	$ 125,658	$ 335,064	$ 7,861,158
As at December 31, 2017	**$ 4,456,617**	**$ 3,283,277**	**$ 121,727**	**$ 192,404**	**$ 8,054,025**

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

On August 30, 2017, the AUC issued Decision 21341-D01-2017 approving AltaLink's negotiated settlement agreement with customers for the 2017-2018 GTA. The AUC Decision approved lower depreciation rates for certain assets, resulting in a $27.2 million decrease to depreciation expense for the year ended December 31, 2017, compared to the prior year.

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

	2017	2016
Lines	**1.75%-4.49%**	1.76%-4.51%
Substations	**2.42%-6.28%**	2.42%-6.31%
Buildings & equipment	**2.36%-19.99%**	2.36%-20.00%
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, 2016	$ 36,677	$ 6,571	$ 43,248
Receipts net of refunds and interest	42,344	68	42,412
Transfers to deferred revenue [note 13]	(38,705)	(133)	(38,838)
As at December 31, 2016	40,316	6,506	46,822
Receipts net of refunds and interest	**62,616**	**82**	**62,698**
Transfers to deferred revenue [note 13]	**(68,092)**	**(198)**	**(68,290)**
As at December 31, 2017	**$ 34,840**	**$ 6,390**	**$ 41,230**

Third party deposits are held in short-term investments, which are reinvested as needed. These investments earned an annual effective interest rate of 1.40% as at December 31, 2017 (December 31, 2016 – 0.89%). For contributions in advance of construction, all interest is credited to the specific customer.

10. Other non-current assets

	As at December 31, 2017	As at December 31, 2016
(in thousands of dollars)		
CWIP-in-rate base and related income tax	**$ 277,283**	$ 270,201
Recovery of deemed future income taxes	**168,987**	79,080
Cancelled projects	**25,028**	54,658
Non-current financial assets related to regulated activities	**160,159**	174,675
	$ 631,457	$ 578,614

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. The Partnership has recognized as non-current receivables the expenses to be recovered through the regulatory process beyond 12 months.

Non-current financial assets related to regulated activities include amounts that have been added to rate base (DACDA, AFUDC, and losses on disposals of property, plant and equipment) and other regulatory balances. These amounts are expected to be recovered in AltaLink's tariff beyond 12 months, as approved by the AUC.

11. Trade and other payables

	As at December 31, 2017	As at December 31, 2016
(in thousands of dollars)		
Trade and accrued payables	**$ 121,630**	$ 142,142
Accrued interest on long-term debt	**45,785**	28,568
Other current liabilities	**2,882**	2,947
GST payable	**424**	—
Current financial liabilities related to regulated activities	**18,778**	21,904
	$ 189,499	$ 195,561

Current 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 and what has been received in its tariff. The difference is expected to be refunded to the AESO through the regulatory process within the next 12 months.

12. Debt

Commercial paper and bank credit facilities

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**	

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

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

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

Long-term debt

			As at	
	Effective interest rate	**Maturing**	**December 31, 2017**	December 31, 2016
(in thousands of dollars)				
Senior debt obligations (Medium-Term Notes)				
Series 2008-1, 5.243%	5.355%	2018	**$ 200,000**	$ 200,000
Series 2013-2, 3.621%	3.705%	2020	**125,000**	125,000
Series 2012-2, 2.978%	3.041%	2022	**275,000**	275,000
Series 2013-4, 3.668%	3.733%	2023	**500,000**	500,000
Series 2014-1, 3.399%	3.463%	2024	**350,000**	350,000
Series 2016-1, 2.747%	2.813%	2026	**350,000**	350,000
Series 2006-1, 5.249%	5.299%	2036	**150,000**	150,000
Series 2010-1, 5.381%	5.432%	2040	**125,000**	125,000
Series 2010-2, 4.872%	4.928%	2040	**150,000**	150,000
Series 2011-1, 4.462%	4.503%	2041	**275,000**	275,000
Series 2012-1, 3.990%	4.029%	2042	**525,000**	525,000
Series 2013-3, 4.922%	4.963%	2043	**350,000**	350,000
Series 2014-3, 4.054%	4.091%	2044	**295,000**	295,000
Series 2015-1, 4.090%	4.127%	2045	**350,000**	350,000
Series 2016-2, 3.717%	3.753%	2046	**450,000**	450,000
Series 2013-1, 4.446%	4.484%	2053	**250,000**	250,000
Series 2014-2, 4.274%	4.305%	2064	**130,000**	130,000
			4,850,000	4,850,000
Long-term debt maturing in less than one year			**(200,000)**	—
			4,650,000	4,850,000
Debt discounts and premiums			**(5,411)**	(5,199)
Less: deferred financing fees			**(24,747)**	(25,806)
Long-term debt			**$ 4,619,842**	$ 4,818,995

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

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

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

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

Senior debt is redeemable by the Partnership at the greater of (i) the prevailing Government of Canada bond yield plus a pre-determined premium, and (ii) the face amount of the debt to be redeemed plus, in each case, accrued and unpaid interest to the date of redemption. The Partnership has no current 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	
2018	$ 200,000
2019	—
2020	125,000
2021	—
2022	275,000
2023 and thereafter	4,250,000

Finance costs

	Year ended December 31, 2017	December 31, 2016
(in thousands of dollars)		
Interest expense	**$ 197,122**	$ 181,180
Amortization of deferred financing fees	**1,434**	1,252
Capitalized borrowing costs[1]	**(3,607)**	(4,528)
	$ 194,949	$ 177,904

1. The average capitalization rate for the period ended December 31, 2017 was 3.89% (December 31, 2016 – 3.88%).

13. Deferred revenue

(in thousands of dollars)	Third Party Contributions	Deferred Revenue for Salvage	Total
As at January 1, 2016	$ 729,820	$ 148,534	$ 878,354
Transferred from third party deposits [note 9]	38,705	—	38,705
Received through transmission tariff [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
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 [note 17]	**—**	**52,525**	**52,525**
Recognized as revenue [notes 18 and 19]	**(21,517)**	**(32,332)**	**(53,849)**
As at December 31, 2017	**$ 806,263**	**$ 188,509**	**$ 994,772**

	As at December 31, 2017	December 31, 2016
(in thousands of dollars)		
Current portion	**$ 65,447**	$ 79,339
Long-term portion	**929,325**	844,968
	$ 994,772	**$ 924,307**

14. Other non-current liabilities

	As at December 31, 2017	December 31, 2016
(in thousands of dollars)		
Accrued employment benefit liabilities	**$ 8,380**	$ 7,355
Other liabilities	**3,717**	2,724
Non-current financial liabilities related to regulated activities	**11,814**	2,016
	$ 23,911	$ 12,095

Non-current 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 and what has been received in tariff revenue. The difference is expected to be refunded to the AESO through the regulatory process beyond the next 12 months.

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 2017, the defined contribution pension plan employer contribution expense is $7.3 million (2016 - $8.3 million). The decrease is primarily driven by a lower number of enrolled employees.

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% (2016 – 8%). For 2017, the supplemental pension plan employer contribution expense is $0.2 million (2016 – $0.3 million) and the liability is $1.3 million (2016 – $1.3 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 55 or older. Benefits are provided to these employees until the age of 65. For 2017, the current service cost and interest cost on the benefit obligation are $1.0 million (2016 - $1.5 million). The accrued benefit obligation is $7.1 million in 2017 (2016 – $6.0 million). In 2017, an actuarial loss was recognized in other comprehensive income of $0.2 million (2016 – actuarial gain of $1.4 million). The Partnership expects to contribute $1.1 million to its post-employment benefits plan in 2018.

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, 2017	December 31, 2016
(in thousands of dollars)		
AltaLink Management Ltd.		
Employee compensation and benefits	**$ 119,562**	$ 133,739
Cost recovery for non-regulated activities	**$ 1,266**	$ 1,297

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.

The Partnership has an accrued balance for employee compensation and benefits of $22.9 million as at December 31, 2017 (December 31, 2016 - $34.9 million).

Remuneration of senior management

	Year ended December 31, 2017	December 31, 2016
(in thousands of dollars)		
Salary and other short-term benefits	**$ 3,825**	$ 3,418
Post-employment benefits	**314**	264
Other long-term benefits	**640**	2,722
Total for all senior management	**$ 4,779**	$ 6,404

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 and Communications, Senior Vice President Law, Regulatory and General Counsel, Senior Vice President Corporate Services, 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, 2017	December 31, 2016
(in thousands of dollars)		
Total fees earned by Directors	**$ 501**	$ 558

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 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. AltaLink applied for a final 2017 tariff on November 1, 2017, which was approved as filed on November 22, 2017. AltaLink has calculated its revenue to reflect the final approved revenue requirement for 2017, adjusted for deferral accounts and other items. On November 22, 2017, the AUC also 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.

On December 22, 2017, the AUC approved AltaLink’s 2015-2016 GTA compliance filing.

The AUC issued Decision 20622-D01-2016 in October 2016. In its decision, the AUC set the generic rate of return on common equity at 8.3% for 2016 and 8.5% for 2017, and increased the Partnership’s common equity ratio from 36% to 37% for 2016 and 2017.

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

	Year ended December 31, 2017	December 31, 2016
(in thousands of dollars)		
Return on rate base	**$ 423,870**	$ 388,733
Recovery of forecast expenses	**455,166**	453,467
Revenue requirement	**$ 879,036**	$ 842,200
AFUDC net of capitalized borrowing costs	**7,094**	6,918
Receivable directly assigned capital projects related revenue	**17,496**	24,564
Repayable property taxes and other	**(6,730)**	(320)
Revenue related IFRS adjustments[1]	**76,210**	67,887
Revenue from operations	**$ 973,106**	$ 941,249

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.

	Year ended December 31, 2017	December 31, 2016
(in thousands of dollars)		
Revenue related to salvage costs [note 13]	**$ 32,332**	$ 40,309
Recovery of loss on disposal of assets other than land	**17,059**	13,559
Salvage funds transferred to deferred revenue [note 13]	**(52,525)**	(60,091)
Revenue for the recovery of future income taxes	**89,907**	79,080
Collection of receivables related to the above IFRS adjustments	**(10,563)**	(4,970)
Revenue related IFRS adjustments	**$ 76,210**	$ 67,887

For the year ended December 31, 2017, approximately 96% of the Partnership's revenue is attributable to the AESO (December 31, 2016 – approximately 96%).

18. Other revenue

The Partnership provides services to third parties including 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, 2017	December 31, 2016
(in thousands of dollars)		
Third party contributions revenue [note 13]	**$ 21,517**	$ 12,534
Construction costs recovered from third parties	**2,111**	16,213
Service costs recovered from third parties	**4,817**	4,902
Tower, land and other lease revenue	**4,465**	934
Related party and other revenue	**3,286**	2,055
	$ 36,196	$ 36,638

19. Expenses

Operating expenses

	Year ended December 31, 2017	December 31, 2016
(in thousands of dollars)		
Employee salaries and benefits	**$ 45,048**	$ 50,212
Contracted labour	**23,398**	40,206
Other operating expenses	**27,282**	24,742
	$ 95,728	$ 115,160

Property taxes, salvage and other expenses

	Year ended December 31, 2017	December 31, 2016
(in thousands of dollars)		
Property and business tax	**$ 48,388**	$ 42,530
Salvage expenses	**32,332**	40,309
Annual structure payments	**14,914**	14,415
Hearing expenses and other	**2,120**	3,194
	$ 97,754	$ 100,448

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 17 - *Revenue from operations*).

20. Partners' Capital

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, 2017, the Partners invested additional equity of $77.5 million (December 31, 2016- $101.1 million). No partnership units were issued during the year ended December 31, 2017 (December 31, 2016 – nil).

21. Other cash flow information

	Year ended December 31, 2017	December 31, 2016
(in thousands of dollars)		
Change in other items		
Employee benefits and other liabilities	**$ 1,855**	$ 1,186
Amortization of financing fees and capitalized borrowing costs	**(2,173)**	(3,276)
Deferred revenue for salvage	**20,193**	19,782
Financial liabilities related to regulated activities, non-current	**9,797**	794
	$ 29,672	$ 18,486
Change in non-cash working capital		
Trade and other receivables	**$ (171,922)**	$ 12,278
Trade and other payables	**(6,061)**	(137,124)
	$ (177,983)	$ (124,846)
Related to operating activities	**$ (166,471)**	$ (23,885)
Related to investing activities	**(11,512)**	(100,961)
	$ (177,983)	$ (124,846)
Change in other financing activities		
Deferred financing fees	**$ (587)**	$ (4,675)
Third party deposits	**(5,592)**	(3,574)
Third party deposits liability	**5,592**	3,574
	$ (587)	$ (4,675)

22. Commitments

The contractual commitments of the Partnership associated with the construction of new facilities as at December 31, 2017 are $155.0 million (December 31, 2016 - $505.2 million).

The Partnership is committed to operating leases that have lease terms which expire between 2018 and 2030. Of the total expected minimum lease payments, approximately 82% relates to the Partnership's head office leases.

Expected minimum lease payments in future years are as follows:

	As at December 31, 2017
(in thousands of dollars)	
Operating lease obligations payable on non-cancellable leases are as follows:	
No later than 1 year	**$ 4,469**
Later than 1 year and no later than 5 years	**13,879**
Later than 5 years	**10,385**
	$ 28,733

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 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. 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.

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