AltaLink, L.P.

Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

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Independent Auditor's Report

To the Partners of AltaLink, L.P.

Opinion

We have audited the consolidated financial statements of AltaLink, L.P. (the "Partnership"), which comprise the consolidated statement of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in partners' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Partnerhip's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Partnership or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Partnership's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Partnership to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and

other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mandeep Singh.

/s/ Deloitte LLP

Chartered Professional Accountants
Calgary, Alberta
February 27, 2020

Statement of Financial Position

	Notes	As at December 31, 2019	December 31 2018
(in thousands of dollars)			
ASSETS			
Current			
Cash		**$ 1,313**	$ 4,929
Trade and other receivables	6	**159,086**	286,811
		160,399	291,740
Non-current			
Goodwill		**202,066**	202,066
Intangible assets	7	**291,468**	290,862
Property, plant and equipment	8	**8,131,718**	8,039,365
Third party deposits	9	**62,606**	67,004
Other non-current assets	10	**717,921**	742,364
		$ 9,566,178	$ 9,633,401
LIABILITIES AND PARTNERS' EQUITY			
Current			
Trade and other payables	11	**$ 136,373**	$ 126,596
Commercial paper and bank credit facilities	12	**249,361**	384,020
Long-term debt maturing in less than one year	12	**125,000**	—
Current portion of deferred revenue	13	**61,402**	56,579
		572,136	567,195
Non-current			
Long-term debt	12	**4,497,604**	4,621,192
Deferred revenue	13	**995,995**	963,745
Third party deposits liability	9	**62,606**	67,004
Lease liabilities	14	**51,449**	—
Other non-current liabilities	15	**35,476**	30,501
		6,215,266	6,249,637
Commitments and contingencies	25, 26		
Partners' Equity			
AltaLink, L.P. equity	21	**3,340,978**	3,383,764
Non-controlling interest	22	**9,934**	—
		3,350,912	3,383,764
		$ 9,566,178	$ 9,633,401

See accompanying notes to the consolidated financial statements.

ALTALINK
A BERKSHIRE HATHAWAY ENERGY COMPANY

Statement of Comprehensive Income

	Notes		Year ended December 31, 2019	December 31, 2018
(in thousands of dollars)				
Revenue				
Operations	18	$	**947,614**	$ 968,814
Re-measurement of future income tax recovery	18		**(57,969)**	—
Other	19		**42,529**	33,278
			932,174	1,002,092
Expenses				
Operating	20		**(109,060)**	(98,272)
Property taxes, salvage and other	20		**(101,200)**	(105,101)
Depreciation and amortization			**(270,688)**	(277,970)
Disallowed capital costs	8		**—**	(29,725)
			(480,948)	(511,068)
			451,226	491,024
Finance costs	12		**(191,116)**	(193,924)
Loss on disposal of assets			**(5,247)**	(4,954)
Income before non-controlling interest		$	**254,863**	$ 292,146
Non-controlling interest			**(571)**	—
Net income			**254,292**	292,146
Other comprehensive income				
Actuarial gain	16		**3,355**	334
Comprehensive income		$	**257,647**	$ 292,480

See accompanying notes to the consolidated financial statements.

ALTALINK
A BERKSHIRE HATHAWAY ENERGY COMPANY

Statement of Changes in Partners' Equity

(in thousands)	Units	Allocation to Limited Partner	Allocation to General Partner	Total Retained Earnings	Partners' Capital [note 21]	Non-Controlling Interest	Total Equity
As at January 1, 2018	331,904	$ 1,173,731	$ 117	$ 1,173,848	$ 2,136,436	$ —	$ 3,310,284
Total comprehensive income	—	292,451	29	292,480	—	—	292,480
Distributions paid	—	(218,978)	(22)	(219,000)	—	—	(219,000)
Balance at December 31, 2018	331,904	$ 1,247,204	$ 124	$ 1,247,328	$ 2,136,436	$ —	$ 3,383,764
Total comprehensive income	—	257,621	26	257,647	—	571	258,218
Equity investment received	—	—	—	—	—	9,982	9,982
Distributions paid	—	(290,471)	(29)	(290,500)	—	(619)	(291,119)
Equity reclassified to financial (redemption) liability [note 15]	—	—	—	—	(9,933)	—	(9,933)
Balance at December 31, 2019	**331,904**	**$ 1,214,354**	**$ 121**	**$ 1,214,475**	**$ 2,126,503**	**$ 9,934**	**$ 3,350,912**

See accompanying notes to the consolidated financial statements.

Statement of Cash Flows

	Notes	Year ended December 31, 2019	December 31, 2018
(in thousands of dollars)			
Cash flows from operating activities			
Net income including non-controlling interest		**$ 254,863**	$ 292,146
Adjustments for			
Depreciation and amortization		**270,688**	277,970
Third party contributions revenue	13	**(23,684)**	(21,931)
Loss on disposal of assets		**5,247**	4,954
Disallowed capital costs	8	**—**	29,725
Re-measurement of future income tax recovery		**57,969**	—
Change in other items	24	**(698)**	(84,105)
Change in non-cash working capital	24	**136,708**	(5,136)
Net cash provided by operating activities		**701,093**	493,623
Cash flows from investing activities			
Capital expenditures		**(318,671)**	(340,799)
Use of third party contributions	13	**27,342**	31,934
Proceeds from disposal of assets		**11**	25
Net cash used in investing activities		**(291,318)**	(308,840)
Cash flows from financing activities			
Senior debt repaid		**—**	(200,000)
Net movement in commercial paper and bank credit facilities		**(134,659)**	233,223
Distributions paid		**(290,500)**	(219,000)
Distributions paid to non-controlling interest		**(619)**	—
Equity received from non-controlling interest		**9,982**	—
Principal repayments of lease liabilities		**(1,689)**	—
Lease incentive received		**4,000**	—
Change in other financing activities	24	**94**	(6)
Net cash used in financing activities		**(413,391)**	(185,783)
Net change in cash		**(3,616)**	(1,000)
Cash, beginning of year		**4,929**	5,929
Cash, end of year		**$ 1,313**	$ 4,929
Supplementary cash flow information			
Interest paid		**$ (194,520)**	$ (212,410)

See accompanying notes to the consolidated 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.

These consolidated financial statements include the accounts of AltaLink, L.P. and PiikaniLink, L.P. (PLP). For purposes of consolidation, intercompany accounts and transactions have been eliminated.

During the years ended December 31, 2019 and 2018, the Partnership operated solely in one reportable geographical and business segment.

2. Basis of preparation

Statement of compliance

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

The principal accounting policies adopted to prepare these consolidated financial statements are set out below. The consolidated financial statements reflect the financial position and financial performance of AltaLink and PLP and do not include all of the assets, liabilities, revenues and expenses of the partners.

These consolidated financial statements were approved for issue by the Board of Directors on February 27, 2020.

Basis of measurement

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

Functional and presentation currency

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

Use of estimates and judgement

The preparation of the consolidated 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 consolidated financial statements and estimates with a significant risk of material adjustment in the next year are disclosed, where applicable, in the relevant notes to the 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;
- Control over subsidiaries where the Partnership has less than 50% of ownership interest;
- Judgment in identifying whether a contract is or contains a lease;
- The recoverability of tangible and intangible assets, including estimates of future costs to retire physical assets or the recoverability of costs associated with direct assigned projects that have been cancelled or delayed in the regulatory process;
- The recoverability of intangible assets with indefinite lives, such as goodwill; and
- The accruals for capital projects.

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

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

3. Summary of significant accounting policies

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. The Partnership's transmission tariff is not dependent on the price or volume of electricity transported through its transmission system. Once approved, the transmission tariff is not adjusted if actual costs-of-service differ from forecast, except for certain prescribed costs for which deferral and reserve accounts are established within the transmission tariff. The transmission tariff is received from the AESO in equal monthly installments, and is included in accounts receivable as it falls due.

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

Revenue recognition

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

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

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

Other revenue represents revenue received from third parties and includes, but is not limited to, cost recoveries for services provided to other utilities. Third party contributions are recorded as deferred revenue when capital funds are expended and recognized into other revenue over the useful lives of the associated asset. Other revenue is recognized on an accrual basis as the costs are incurred. Rental income from third parties is recognized on a straight-line basis over the contract term.

Financial assets and liabilities related to regulated activities

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

Financial assets are reviewed for impairment every reporting period. The carrying amounts of financial assets in the statement of financial position are net of impairment loss allowances recognized for any identified lifetime expected credit losses. Expected credit losses are a probability-weighted estimate of the present value of expected cash shortfalls over the expected life of the financial asset, determined based on the Partnership's historical experience and forward-looking information. No provision for impairment was required as a result of the adoption of IFRS 9.

The regulatory and legal rights and obligations under which the Partnership operates also require the Partnership to refund to the AESO certain amounts that have been received in AltaLink's tariff that are greater than its actual expenses. Such financial liabilities related to regulated activities due to the AESO within 12 months are not discounted.

Non-controlling interest

On June 1, 2019, the transmission assets located on the Piikani Reserve lands were transferred from AltaLink to PLP pursuant to AUC Decision 22612-D01-2018 issued on November 13, 2018. Non-controlling interest represents the 51% limited partner ownership interest attributable to Piikani Transmission Holding Limited Partnership in PLP. The portion of the equity not owned by AltaLink is reflected as non-controlling interest within the equity section of the consolidated statement of financial position. The portion of the net income attributable to AltaLink and the non-controlling interest is reported on the consolidated statement of comprehensive income.

Property, plant and equipment

Property, plant and equipment (PP&E) are carried at cost less accumulated depreciation and disallowed capital costs. The initial cost of an asset consists of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and for qualifying assets, borrowing costs that are eligible to be recovered over the estimated useful life of the asset. The Partnership capitalizes major replacements and upgrades if these costs extend the life of the asset and the Partnership expects

to use these items during more than one 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.

The Partnership's business represents one single cash generating unit. Goodwill is assessed for impairment annually and more frequently if there is any indication of 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 2019 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 deemed 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

The Partnership as lessee

The Partnership assesses whether a contract is or contains a lease, at inception of the contract. The Partnership recognizes a leased asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Partnership recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate. The lease liability is presented as a separate line in the consolidated statement of financial position. The Partnership re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever the lease terms change, or the lease payments change, or a lease contract is modified and the lease modification is not accounted for as a separate lease.

The leased assets comprise the initial measurement of the corresponding lease liability, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The leased assets are presented together with property, plant and equipment in the consolidated statement of financial position.

The Partnership applies IAS 36 to determine whether a leased asset is impaired and accounts for any identified impairment loss as described in the Property, plant and equipment policy.

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 January 1, 2019

Adoption of IFRS 16 - Leases

The Partnership has adopted IFRS 16 – *Leases* as at January 1, 2019. IFRS 16 introduces significant changes to lease accounting by eliminating the classification of leases from the lessee perspective, requiring all leases to be capitalized by recognizing the present value of lease payments and presenting them as either right-of-use assets or together with property, plant and equipment and lease liabilities in the statement of financial position. The key changes to the Partnership's accounting policies resulting from its adoption of IFRS 16 are summarized below.

Changes in accounting policies resulting from the adoption of IFRS 16 have been applied using the modified retrospective approach prescribed by the standard, as detailed below:

- Comparative information has not been restated;
- There was no cumulative effect of initially applying the standard to be recognized as an adjustment to partner's equity at the date of initial application, January 1, 2019;
- The following optional practical expedients were applied by the Partnership on transition to IFRS 16:
    - The Partnership's previous assessments of which contracts are, or contain, leases were grandfathered;
    - Lease assets were recognized for previously classified IAS 17 operating leases at the date of initial application at an amount equal to the lease liability, adjusted by the amount of any prepaid/accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application; and
    - Short-term leases (defined as a lease with a term of 12 months or less) were not recorded as leased assets and lease liabilities on the statement of financial position at the date of initial application.

The following table summarizes the impact of transition to IFRS 16 at January 1, 2019:

(in millions of dollars)	As reported December 31, 2018	IFRS 16 adjustments	As adjusted January 1, 2019
Property, plant and equipment	$ 8,039	$ 22	$ 8,061
Trade and other payables	127	2	129
Other non-current liabilities	30	—	30
Lease liabilities	—	20	20

5. Risk management and financial instruments

Fair value of financial instruments

Financial Instrument	Designated Category	Measurement Basis	Associated Risks	Fair Value at December 31, 2019
Cash	Fair value through profit or loss	Fair value	· Market · Credit	Carrying value is fair value due to short-term nature.
Trade and other receivables [note 6]	Amortized cost	Initially at fair value and subsequently at amortized cost	· Credit · Liquidity	Carrying value approximates fair value due to nature of the asset.
Other non-current assets [note 10]	Amortized cost	Initially at fair value and subsequently at amortized cost	· Credit · Liquidity	Amortized cost or carrying value approximates fair value due to nature of the asset.
Trade and other payables [note 11]	Amortized cost	Initially at fair value and subsequently at amortized cost	· Liquidity	Carrying value approximates fair value due to nature of the liability.
Other non-current liabilities [note 15]	Amortized cost	Initially at fair value and subsequently at amortized cost	· Liquidity	Amortized cost or carrying value approximates fair value due to nature of the liability.
Commercial paper and bank credit facilities and Long-term debt [note 12]	Amortized cost	Initially at fair value and subsequently at amortized cost	· Market · Liquidity	$5,726.8 million. Due to the short-term nature of commercial paper and bank credit facilities, carrying value approximates fair value. Long term debt fair values are determined using quoted market prices (which are classified as level 1 inputs).
Lease liabilities [note 14]	Amortized cost	Initially at fair value and subsequently at amortized cost	· Liquidity · Market	Amortized cost approximates fair value due to nature of the liability.
Third party deposits [note 9]	Amortized cost	Initially at fair value and subsequently at amortized cost	· Market · Credit · Liquidity	Carrying value approximates fair value as cash received is held in short-term investments.
Third party deposits liability [note 9]	Amortized cost	Initially at fair value and subsequently at amortized cost	· Liquidity	Carrying value approximates fair value due to the nature of the liability.

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

Credit risk

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

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

The Partnership has a concentration of credit risk as approximately 97% of its trade receivable balance is due from the AESO (December 31, 2018 – approximately 95%). The credit risk is mitigated by the fact that the AESO is an “AA-“ rated entity by Standard & Poor’s, and it has been established under the EUA, while the remaining trade receivables are mostly due from investment grade utilities, comprised mainly of amounts due for construction services and tower and land rents.

More than 99% of the trade receivables balance at December 31, 2019 is with third parties that AltaLink has been transacting with for over five years (December 31, 2018 – more than 99%). None of these balances are considered credit-impaired at the reporting date.

The Partnership's maximum exposure to credit risk, without taking into account collateral held, equals the current carrying values of cash, trade and other receivables, other non-current assets due from the AESO and third party deposits as disclosed in these 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 long-term debt issues. Volume risk on new long-term debt issuance is managed through the direct assign capital deferral account. For short-term debt, the Partnership is at risk for increases in interest rates above the rate approved by the 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, 2019			December 31, 2018		
		(millions)	**%**		(millions)	%
Commercial paper and bank credit facilities	**$**	**249.4**	**3.0**	$	384.0	4.6
Long-term debt maturing in less than one year		**125.0**	**1.5**		—	—
Long-term debt (before netting deferred financing fees)		**4,519.7**	**54.9**		4,644.6	55.2
AltaLink, L.P. capital		**2,126.5**	**25.8**		2,136.4	25.4
Retained earnings		**1,214.5**	**14.8**		1,247.3	14.8
	$	**8,235.1**	**100.0**	$	8,412.3	100.0

The Partnership is subject to externally imposed capitalization requirements under the Master Trust Indenture and the bank credit facilities. These agreements limit the amount of debt that can be incurred to 75% of total capitalization. The Partnership was in compliance with these requirements as at December 31, 2019 and 2018.

6. Trade and other receivables

	As at			
	December 31, 2019		**December 31, 2018**	
(in thousands of dollars)				
Trade receivables	**$**	**85,549**	$	159,283
Current net lease incentive [note 14]		**1,351**		—
Prepaid expenses and deposits		**12,118**		12,792
Cancelled projects		**26,300**		54,771
Current financial assets related to regulated activities		**33,768**		59,965
	$	**159,086**	$	286,811

Trade receivables as at December 31, 2019 include $82.7 million due from the AESO for the December portion of the transmission tariff and for the difference between recognized revenue and approved tariff revenues received (December 31, 2018 – $148.0 million for the November and December portion of the transmission tariff).

Financial assets related to regulated activities and cancelled projects include the recovery of certain costs incurred by the Partnership relating to its primary activities with the AESO that are greater than what has been received to date in its tariff. The Partnership has recognized as receivables the costs to be recovered through the regulatory process. At December 31, 2019, current financial assets related to regulated activities include 2016-2018 deferral accounts which have been filed with the AUC (December 31, 2018 – 2014-2015 deferral accounts).

7. Intangible assets

(in thousands of dollars)	Land rights	Computer software	Intangibles in CWIP	Total
Cost				
As at January 1, 2018	$ 242,182	$ 120,963	$ 5,538	$ 368,683
Additions to CWIP	—	—	22,958	22,958
Transfers	7,052	15,730	(22,782)	—
Retirements	(4)	(11,479)	—	(11,483)
As at December 31, 2018	249,230	125,214	5,714	380,158
Additions to CWIP	**—**	**—**	**25,036**	**25,036**
Transfers	**4,835**	**10,599**	**(15,434)**	**—**
Retirements	**—**	**(28,882)**	**—**	**(28,882)**
As at December 31, 2019	**$ 254,065**	**$ 106,931**	**$ 15,316**	**$ 376,312**
Accumulated amortization				
As at January 1, 2018	$ (18,582)	$ (53,580)	$ —	$ (72,162)
Amortization	(4,690)	(23,923)	—	(28,613)
Retirements	—	11,479	—	11,479
As at December 31, 2018	(23,272)	(66,024)	—	(89,296)
Amortization	**(4,648)**	**(19,782)**	**—**	**(24,430)**
Retirements	**—**	**28,882**	**—**	**28,882**
As at December 31, 2019	**$ (27,920)**	**$ (56,924)**	**$ —**	**$ (84,844)**
Net book value				
As at December 31, 2018	$ 225,958	$ 59,190	$ 5,714	$ 290,862
As at December 31, 2019	**$ 226,145**	**$ 50,007**	**$ 15,316**	**$ 291,468**

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

	2019	2018
Land rights	**2.08%**	2.00%
Computer software	**10.05%-50.60%**	10.13%-50.46%
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, 2018	$ 4,912,360	$ 3,904,165	$ 202,264	$ 192,404	$ 9,211,193
Additions to CWIP	—	—	—	267,915	267,915
Transfers	81,235	118,424	24,079	(223,738)	—
Cancelled project transfers	—	—	—	(1,269)	(1,269)
Disallowed capital costs[5]	(25,131)	(2,442)	—	(2,152)	(29,725)
Retirements	(3,369)	(5,135)	(27,622)	(65)	(36,191)
As at December 31, 2018	4,965,095	4,015,012	198,721	233,095	9,411,923
Lease balances as at Jan 1, 2019			**21,719**		**21,719**
Additions to CWIP	**—**	**—**	**—**	**326,869**	**326,869**
Transfers	**123,595**	**160,887**	**76,432**	**(360,914)**	**—**
Cancelled project transfers	**—**	**—**	**—**	**(2,711)**	**(2,711)**
Retirements	**(2,784)**	**(10,506)**	**(15,327)**	**(1)**	**(28,618)**
As at December 31, 2019	**$ 5,085,906**	**$ 4,165,393**	**$ 281,545**	**$ 196,338**	**$ 9,729,182**
Accumulated Depreciation					
As at January 1, 2018	$ (455,743)	$ (620,888)	$ (80,537)	$ —	$ (1,157,168)
Depreciation expense	(104,588)	(127,009)	(17,760)	—	(249,357)
Retirements and other	3,324	3,468	27,175	—	33,967
As at December 31, 2018	(557,007)	(744,429)	(71,122)	—	(1,372,558)
Depreciation expense	**(77,839)**	**(152,029)**	**(18,398)**	**—**	**(248,266)**
Retirements and other	**187**	**6,020**	**17,153**	**—**	**23,360**
As at December 31, 2019	**$ (634,659)**	**$ (890,438)**	**$ (72,367)**	**$ —**	**$ (1,597,464)**
Net book value					
As at December 31, 2018	$ 4,408,088	$ 3,270,583	$ 127,599	$ 233,095	$ 8,039,365
As at December 31, 2019	**$ 4,451,247**	**$ 3,274,955**	**$ 209,178**	**$ 196,338**	**$ 8,131,718**

1. Lines – transmission lines and related equipment.
2. Substations – substation and telecontrol equipment.
3. Buildings & equipment – office buildings, leasehold improvements, leased assets, vehicles, tools and instruments, office furniture, telephone and related equipment, computer hardware and emergency capital spare parts. Leased assets relate to five building leases with an average remaining lease term of 18 years; $25.5 million was added to the cost of the leased assets in 2019; and net book value of $44.8 million as at December 31, 2019.
4. Land & CWIP – land, capitalized inventory and CWIP. CWIP is reclassified to the appropriate asset classes when the assets are available for use.
5. On December 30, 2018, the AUC issued its decision with respect to AltaLink's 2014-2015 DACDA filing which disallowed capital costs of $29.7 million. The AUC approved $3,833 million of the total $4,017 million of capital project additions in the application. Project costs of $155 million were deferred to a future hearing.

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

	2019	2018
Lines	**1.89%-4.98%**	1.74%-4.48%
Substations	**2.47%-6.56%**	2.41%-6.23%
Buildings & equipment	**2.52%-19.99%**	2.36%-19.99%
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, 2018	$ 34,840	$ 6,390	$ 41,230
Receipts net of refunds and interest	57,820	75	57,895
Transfers to deferred revenue [note 13]	(31,934)	—	(31,934)
Recognized other revenue	—	(187)	(187)
As at December 31, 2018	60,726	6,278	67,004
Receipts net of refunds and interest	**23,006**	**133**	**23,139**
Transfers to deferred revenue [note 13]	**(27,342)**	**—**	**(27,342)**
Recognized other revenue	**—**	**(195)**	**(195)**
As at December 31, 2019	**$ 56,390**	**$ 6,216**	**$ 62,606**

Third party deposits are held in short-term investments, which are reinvested as needed. These investments earned an annual effective interest rate of 2.15% as at December 31, 2019 (December 31, 2018 – 2.15%). 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, 2019**	**December 31, 2018**
CWIP-in-rate base and related income tax	**$ 255,605**	$ 270,660
Recovery of deemed future income taxes	**278,626**	256,486
Cancelled projects	**2,711**	26,296
Non-current financial assets related to regulated activities	**180,979**	188,922
	$ 717,921	$ 742,364

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

11. Trade and other payables

	As at	
(in thousands of dollars)	**December 31, 2019**	December 31, 2018
Trade and accrued payables	**$ 92,719**	$ 77,549
Accrued interest on debt	**27,108**	27,937
Other current liabilities	**9,759**	4,847
Current financial liabilities related to regulated activities	**6,787**	16,263
	$ 136,373	$ 126,596

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 with the AESO and what has been received in its tariff.

12. Debt

Commercial paper and bank credit facilities

As at December 31, 2019	Committed	Drawdowns	Commercial paper outstanding	Letters of credit outstanding	Availability	Maturity date of facility
(in thousands of dollars)						
Revolving credit facility	**$ 500,000**	**$ —**	**$ 249,361**	**$ —**	**$ 250,639**	**December 14, 2023[1]**
Revolving credit facility	**75,000**	**—**	**—**	**3,448**	**71,552**	**December 14, 2023[1]**
Total bank credit facilities	**$ 575,000**	**$ —**	**$ 249,361**	**$ 3,448**	**$ 322,191**	

1. On January 24, 2020, both facilities were extended an additional year to December 14, 2024.

As at December 31, 2018	Committed	Drawdowns	Commercial paper outstanding	Letters of credit outstanding	Availability	Maturity date of facility
(in thousands of dollars)						
Revolving credit facility	$ 500,000	$ —	$ 384,020	$ —	$ 115,980	December 14, 2023
Revolving credit facility	75,000	—	—	6,113	68,887	December 14, 2023
Total bank credit facilities	$ 575,000	$ —	$ 384,020	$ 6,113	$ 184,867	

The $500.0 million revolving credit facility provides support for the borrowing under the unsecured commercial paper program and may also be used for operating expenses, capital expenditures, working capital needs, and for general corporate purposes including the payment of distributions. Drawdowns under this facility may be in the form of Canadian prime rate loans or bankers' acceptances. On an annual basis, with the consent of the lenders, the Partnership can request that the maturity date of the credit facility be extended for a further 364 days.

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

Long-term debt

			As at	
	Effective interest rate	**Maturing**	**December 31, 2019**	December 31, 2018
(in thousands of dollars)				
Senior Debt obligations (Medium-Term Notes)				
Series 2013-2, 3.621%	3.705%	2020	**$ 125,000**	$ 125,000
Series 2012-2, 2.978%	3.041%	2022	**275,000**	275,000
Series 2013-4, 3.668%	3.733%	2023	**500,000**	500,000
Series 2014-1, 3.399%	3.463%	2024	**350,000**	350,000
Series 2016-1, 2.747%	2.813%	2026	**350,000**	350,000
Series 2006-1, 5.249%	5.299%	2036	**150,000**	150,000
Series 2010-1, 5.381%	5.432%	2040	**125,000**	125,000

Series 2010-2, 4.872%	4.928%	2040	**150,000**	150,000
Series 2011-1, 4.462%	4.503%	2041	**275,000**	275,000
Series 2012-1, 3.990%	4.029%	2042	**525,000**	525,000
Series 2013-3, 4.922%	4.963%	2043	**350,000**	350,000
Series 2014-3, 4.054%	4.091%	2044	**295,000**	295,000
Series 2015-1, 4.090%	4.127%	2045	**350,000**	350,000
Series 2016-2, 3.717%	3.753%	2046	**450,000**	450,000
Series 2013-1, 4.446%	4.484%	2053	**250,000**	250,000
Series 2014-2, 4.274%	4.305%	2064	**130,000**	130,000
			4,650,000	4,650,000
Long-term debt maturing in less than one year			**(125,000)**	—
			4,525,000	4,650,000
Debt discounts and premiums			**(5,278)**	(5,417)
Less: deferred financing fees			**(22,118)**	(23,391)
Long-term debt			**$ 4,497,604**	$ 4,621,192

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

The Medium-Term Notes are secured obligations and rank pari passu with all existing and future senior indebtedness, and ahead of all subordinated indebtedness of the Partnership. Collateral for the senior debt obligations consists of a first floating charge security interest on the Partnership's present and future assets. The bank credit facilities rank equally with Senior Debt and all future senior secured indebtedness that is issued by the Partnership.

Senior Debt is redeemable by the Partnership at the greater of (i) the prevailing Government of Canada bond yield plus a pre-determined premium, and (ii) the face amount of the debt to be redeemed plus, in each case, accrued and unpaid interest to the date of redemption. The Partnership has no current plans to redeem any of its long-term debt prior to maturity. Certain of the AltaLink debt instruments have a provision which allows for redemption at the face amount, either three or six months before 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	
Third quarter 2020	$ 125,000
2021	—
2022	275,000
2023	500,000
2024	350,000
2025 and thereafter	3,400,000

Finance costs

	Year ended	
(in thousands of dollars)	**December 31, 2019**	December 31, 2018
Interest expense	**$ 192,041**	$ 194,561
Amortization of deferred financing fees	**1,318**	1,356
Capitalized borrowing costs[1]	**(3,083)**	(1,993)
Interest expense on lease liabilities	**840**	—
	$ 191,116	$ 193,924

1. The average capitalization rate for the period ended December 31, 2019 was 3.93% (December 31, 2018 – 3.97%).

13. Deferred revenue

(in thousands of dollars)	Third Party Contributions	Deferred Revenue for Salvage	Total
As at January 1, 2018	$ 806,263	$ 188,509	$ 994,772
Transferred from third party deposits [note 9]	31,934	—	31,934
Change in third party contributions receivable	(3,697)	—	(3,697)
Received through transmission tariff [note 18]	—	56,884	56,884
Recognized as revenue [notes 19 and 18]	(21,931)	(37,638)	(59,569)
As at December 31, 2018	812,569	207,755	1,020,324
Transferred from third party deposits [note 9]	**27,342**	**—**	**27,342**
Received through transmission tariff [note 18]	**—**	**61,800**	**61,800**
Transferred from customers	**—**	**3,916**	**3,916**
Recognized as revenue [notes 19 and 18]	**(23,684)**	**(32,301)**	**(55,985)**
As at December 31, 2019	**$ 816,227**	**$ 241,170**	**$ 1,057,397**

	As at	
	December 31, 2019	December 31, 2018
(in thousands of dollars)		
Current portion	**$ 61,402**	$ 56,579
Long-term portion	**995,995**	963,745
	$ 1,057,397	$ 1,020,324

14. Leases

Right-of-use assets net book value of $44.8 million are presented together with property, plant and equipment (note 8 - Property, plant and equipment).

Lease liabilities

	As at December 31, 2019
(in thousands of dollars)	
Current net lease incentive [note 6]	$ (1,351)
Long-term portion	51,449
	$ 50,098

Lease payments

	2020	2021	2022	2023	2024	2025 and thereafter	**Total as at December 31, 2019**
(in thousands of dollars)							
Net lease payments	$ 629	$ 630	$ 3,973	$ 4,041	$ 3,931	$ 60,403	**$ 73,607**
Present value discount							**(23,509)**
							$ 50,098

As at December 31, 2019 the weighted average lessee incremental borrowing rate applied to the lease liabilities is 3.84% (January 1, 2019 – 3.84%).

Amounts recognized in statement of comprehensive income

	Year ended December 31, 2019
(in thousands of dollars)	
Gross depreciation expense of leased assets	$ 2,463
Capitalized depreciation expense of leased assets	(2,008)
Net depreciation expense of leased assets	$ 455
Interest expense on lease liabilities	840
Expense relating to short-term leases not included in the measurement of the lease liability	467
Expense relating to variable lease payments not included in the measurement of the lease liability	3,921
	$ 5,683

For the year ended December 31, 2018, total expenses related to leases, recorded as operating expenses, were $7.0 million.

The total cash outflows for lease principal and interest were $3.3 million and the cash inflow for lease incentive was $4.0 million for the year ended December 31, 2019.

15. Other non-current liabilities

	As at	
	December 31, 2019	December 31, 2018
(in thousands of dollars)		
Accrued employment benefit liabilities	**$ 8,891**	$ 9,928
Other long-term liabilities	**9,224**	4,034
Non-current financial liabilities related to regulated activities	**7,428**	16,539
Financial (redemption) liability	**9,933**	—
	$ 35,476	$ 30,501

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.

Financial (redemption) liability

Piikani Transmission Holding Limited Partnership has a put option to sell all their units in PLP back to AltaLink at any time, subject to regulatory approvals from the AUC. To reflect the put option of Piikani Transmission Holding Limited Partnership, the Partnership recognizes a financial (redemption) liability and reduces partners' capital in the consolidated financial statements. The valuation of the purchase price on the put option is defined in the partnership agreement and is calculated as the net regulatory book value of long-term assets less the book value of long-term debt on the put option exercise date.

16. Post-employment benefits obligations

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 2019, the defined contribution pension plan employer contribution expense is $7.9 million (2018 - $7.6 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% (2018 – 8%). For 2019, the supplemental pension plan employer contribution expense is $0.2 million (2018 – $0.2 million) and the liability is $1.6 million (2018 – $1.5 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 2019, the current service cost and interest cost on the benefit obligation are $1.1 million (2018 - $1.1 million). The accrued benefit obligation is $5.3 million in 2019 (2018 – $7.7 million). In 2019, an actuarial gain was recognized in other comprehensive income of $3.4 million (2018 – actuarial gain of $0.3 million). The Partnership expects to contribute $0.6 million to its post-employment benefits plan in 2020.

17. 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, 2019	December 31, 2018
(in thousands of dollars)		
AltaLink Management Ltd.		
Employee compensation and benefits	**$ 122,826**	$ 118,622
Cost recovery for non-regulated activities	**$ 1,440**	$ 1,179

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 $27.1 million as at December 31, 2019 (December 31, 2018 – $26.1 million).

Cost recovery for non-regulated activities includes services provided to AltaLink Investments, L.P., AltaLink Investment Management Ltd., AltaLink Holdings, L.P., BHE Canada, L.P., BHE Canada Ltd., BHE Canada Holdings Corporation, Berkshire Hathaway Energy Company and BHE Canada Rattlesnake L.P.

Remuneration of senior management

	Year ended	
	December 31, 2019	December 31, 2018
(in thousands of dollars)		
Salary and other short-term benefits	**$ 3,633**	$ 3,562
Post-employment benefits	**282**	274
Other long-term benefits	**1,347**	765
Total for all senior management	**$ 5,262**	$ 4,601

Senior management included 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 External Engagement, Senior Vice President Human Resources, Senior Vice President Law, Regulatory and General Counsel, and Senior Vice President Corporate Services.

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, 2019		December 31, 2018	
(in thousands of dollars)				
Total fees earned by Directors	**$**	**630**	$	530

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 and additional retainers for serving on Board committees.

18. Revenue from operations

On November 12, 2018, the AUC approved an interim tariff for 2019 of $74.0 million per month.

AltaLink filed its 2019-2021 GTA on August 23, 2018 and an amended application in April 2019. On July 10, 2019, AltaLink filed with the AUC a partial negotiated settlement application for its 2019-2021 GTA. An oral hearing on matters excluded from the partial negotiated settlement application was held in November 2019 which will be followed by an AUC decision. AltaLink calculates its revenue by using the approved interim transmission tariff and then adjusts for deferral accounts, other items that it expects the AUC to incorporate into AltaLink's final 2019 approved revenue requirement, and revenue for the recovery of future income taxes.

On February 8, 2017, AltaLink filed with the AUC a negotiated settlement application for its 2017-2018 GTA. On August 30, 2017, the AUC issued a final decision on AltaLink's 2017-2018 GTA, with no material change to the financial statements. On November 22, 2017, the AUC approved an interim tariff for 2018 of $74.0 million per month, which is net of $1.3 million related to the approved refund of accumulated depreciation surplus to customers in 2018.

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

The AUC issued Decision 22570-D01-2018 in relation to the 2018 Generic Cost of Capital Proceeding in August 2018. In its decision, the AUC set the generic rate of return on common equity (ROE) at 8.5% for 2018, 2019 and 2020, and the Partnership's common equity ratio at 37% for 2018, 2019 and 2020. The following table summarizes the timing differences between the revenue requirement and revenue from operations earned during the period.

	Year ended			
	December 31, 2019		December 31, 2018	
(in thousands of dollars)				
Return on rate base	**$**	**434,673**	$	434,673
Recovery of forecast expenses		**453,169**		468,869
Approved interim transmission tariff	**$**	**887,842**	$	903,542
AFUDC		**8,402**		4,922
Receivable directly assigned capital projects		**17,632**		1,923
Repayable property taxes and other		**(717)**		(5,554)
Revenue related IFRS adjustments[1]		**34,455**		63,981
Revenue from operations	**$**	**947,614**	$	968,814

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.

(in thousands of dollars)	Year ended December 31, 2019	Year ended December 31, 2018
Revenue related to salvage costs [note 13]	**$ 32,301**	$ 37,638
Salvage funds transferred to deferred revenue [note 13]	**(61,800)**	(56,884)
Revenue for the recovery of future income taxes	**71,555**	87,188
Recovery of loss on disposal of assets other than land	**5,257**	4,913
Capitalized borrowing costs	**(3,083)**	(1,993)
Collection of receivables related to the above IFRS adjustments	**(9,775)**	(6,881)
Revenue related IFRS adjustments	**$ 34,455**	$ 63,981

The impact of the Alberta corporate income tax rate change on previous years' revenue is shown below. The re-measurement of future income tax recovery is a result of the Alberta government reducing the corporate income tax rate in 1% increments from 12% for the first half of 2019 to 8% in 2022. The reduction of AltaLink's recovery of future income taxes of $58.0 million will benefit customers and is offset by a corresponding decrease in income tax expense of AltaLink's corporate owners.

(in thousands of dollars)	Year ended December 31, 2019	Year ended December 31, 2018
Re-measurement of future income tax recovery	**$ (57,969)**	$ —

For the year ended December 31, 2019, approximately 95% of the Partnership's revenue is attributable to the AESO (December 31, 2018 – approximately 97%).

19. 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 depreciation and operating expenses:

(in thousands of dollars)	Year ended December 31, 2019	Year ended December 31, 2018
Third party contributions revenue [note 13]	**$ 23,684**	$ 21,931
Construction costs recovered from third parties	**11,461**	3,718
Service costs recovered from third parties	**4,535**	4,491
Tower and land revenue	**1,102**	1,074
Related party and other revenue	**1,747**	2,064
	$ 42,529	$ 33,278

20. Expenses

Operating expenses

	Year ended	
	December 31, 2019	December 31, 2018
(in thousands of dollars)		
Employee salaries and benefits	**$ 52,128**	$ 47,363
Contracted labour	**30,632**	24,442
Other operating expenses	**26,300**	26,467
	$ 109,060	$ 98,272

Property taxes, salvage and other expenses

	Year ended	
	December 31, 2019	December 31, 2018
(in thousands of dollars)		
Property and business tax	**$ 51,670**	$ 49,646
Salvage expenses	**32,301**	37,638
Annual structure payments	**15,447**	15,486
Hearing expenses and other	**1,782**	2,331
	$ 101,200	$ 105,101

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 18 - Revenue from operations).

21. 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, 2019, the Partners did not invest additional equity (December 31, 2018 - $nil). No partnership units were issued during the years ended December 31, 2019 and 2018.

22. Non-controlling interest

The General Partner, AltaLink and Piikani Transmission Holding Limited Partnership formed PLP to own the Southwest 240 kV transmission line and associated substation and telecommunication equipment located on the Piikani Reserve lands. These assets were originally placed into service in October 2010. On June 1, 2019, the assets were transferred from AltaLink to PLP for $52.6 million measured at net book value pursuant to AUC Decision 22612-D01-2018 issued on November 13, 2018. The assets and transmission business carried on by PLP through the General Partner remains subject to regulation by the AUC.

Piikani Transmission Holding Limited Partnership holds 51% of the limited partner interest in PLP and its ownership interest is represented as a non-controlling interest within the equity section of the consolidated statement of financial position. Under the PLP partnership agreement, the General Partner has the power and authority for PLP's relevant operating activities and AltaLink holds 49% of the limited partner interest in PLP.

23. Subsidiary financial information

Summarized financial information before intercompany eliminations for PLP

(in thousands of dollars)	Year ended December 31, 2019
PLP	
Assets	$ **56,357**
Liabilities	**(36,879)**
Equity	**(19,478)**
Revenue	**3,170**
Profit for the year	**1,119**

24. Other cash flow information

(in thousands of dollars)	Year ended December 31, 2019	Year ended December 31, 2018
Change in other items		
Deferred revenue for salvage	$ **33,415**	$ 19,246
Non-current financial assets related to regulated activities, excluding FIT re-measurement and other non-cash items	**(30,786)**	(109,638)
Non-current financial liabilities related to regulated activities	**(9,111)**	4,726
Accrued employee benefit liabilities, excluding actuarial gain	**2,318**	1,882
Amortization of financing fees and capitalized borrowing costs	**(1,765)**	(638)
Other long-term liabilities	**5,190**	317
Other	**41**	—
	$ **(698)**	$ (84,105)
Change in non-cash working capital		
Trade and other receivables	$ **127,725**	$ 9,571
Trade and other payables	**9,777**	(62,904)
	$ **137,502**	$ (53,333)
Related to operating activities	$ **136,708**	$ (5,136)
Related to investing activities	**2,440**	(48,197)
Related to financing activities	**(1,646)**	—
	$ **137,502**	$ (53,333)

Change in other financing activities				
Deferred financing fees	**$**	**94**	$	(6)
Third party deposits		**(4,398)**		25,774
Third party deposits liability		**4,398**		(25,774)
	$	**94**	$	(6)

25. Commitments

The contractual commitments of the Partnership associated with the construction of new facilities as at December 31, 2019 are $94.1 million (December 31, 2018 – $131.2 million).

26. Contingencies

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

- 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 Partnership has found instances of equipment, engineering or construction deficiencies following acceptance and energization of some assets. Claims processes are in place to seek recovery for such deficiencies. In one instance, the Partnership is in litigation and has claimed that specific equipment has inherent design, manufacturing and other defects that create a risk of personal injury and property damage. The Partnership has claimed $56 million for the cost of replacing specific equipment and the additional inspections required for the equipment.

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

27. Subsequent events

Transmission assets related to the Southwest 240 kilovolt project located on the Blood Reserve lands were transferred from AltaLink to KainaiLink, L.P. (KLP) in January 2020. These assets were originally placed into service in October 2010. Effective January 1, 2020, the assets were transferred from AltaLink to KLP for $34.7 million measured at net book value pursuant to AUC Decision 22612-D01-2018. KLP used a $5.0 million equity contribution from the Blood First Nation, a $4.8 million equity contribution from AltaLink, a $3.0 million preferred equity contribution from AltaLink, and an intercompany loan of $21.9 million from AltaLink to KLP to finance the asset purchase.