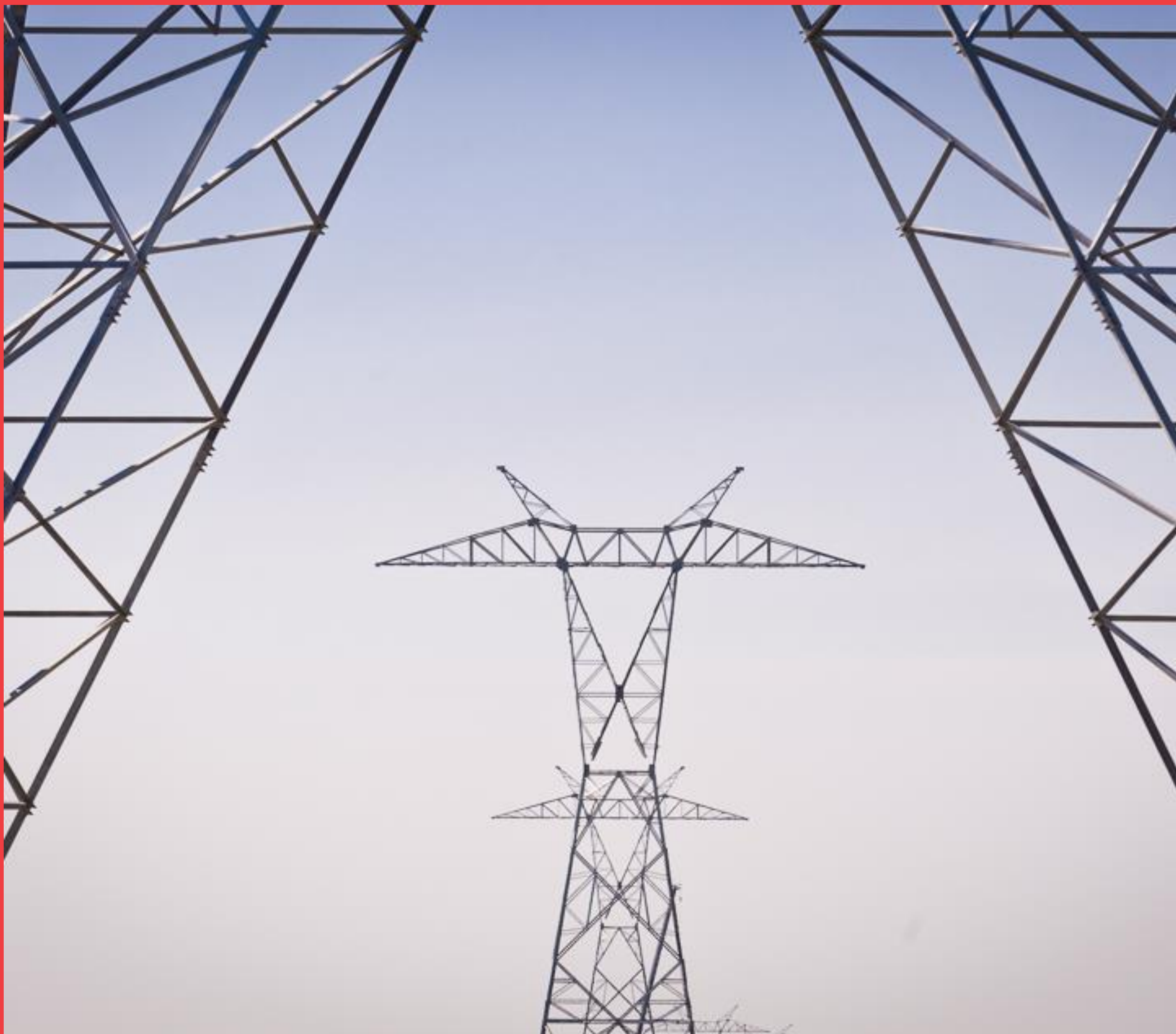

AltaLink, L.P.

Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

ALTALINK
A BERKSHIRE HATHAWAY ENERGY COMPANY

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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, 2020 and 2019, 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, 2020 and 2019, 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 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 Partnership'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 25, 2021

Statement of Financial Position

		As at	
	Notes	**December 31, 2020**	December 31, 2019
(in thousands of dollars)			
ASSETS			
Current			
Cash		**$ 4,229**	$ 1,313
Trade and other receivables	5	**105,117**	159,086
		109,346	160,399
Non-current			
Goodwill		**202,066**	202,066
Intangible assets	6	**293,154**	291,468
Property, plant and equipment	7	**8,138,737**	8,131,718
Third party deposits	8	**74,790**	62,606
Other non-current assets	9	**803,729**	717,921
		$ 9,621,822	$ 9,566,178
LIABILITIES AND PARTNERS' EQUITY			
Current			
Trade and other payables	10	**$ 104,109**	$ 136,373
Commercial paper and bank credit facilities	11	**143,500**	249,361
Long-term debt maturing in less than one year	11	**—**	125,000
Current portion of deferred revenue	12	**57,185**	61,402
		304,794	572,136
Non-current			
Long-term debt	11	**4,722,483**	4,497,604
Deferred revenue	12	**1,017,630**	995,995
Third party deposits liability	8	**74,790**	62,606
Lease liabilities	13	**52,830**	51,449
Other non-current liabilities	14	**43,021**	35,476
		6,215,548	6,215,266
Commitments and contingencies	24, 25		
Partners' equity			
AltaLink, L.P. equity	20	**3,389,739**	3,340,978
Non-controlling interests	21	**16,535**	9,934
		3,406,274	3,350,912
		$ 9,621,822	$ 9,566,178

See accompanying notes to the consolidated financial statements.

Statement of Comprehensive Income

	Notes	Year ended December 31, 2020	December 31, 2019
(in thousands of dollars)			
Revenue			
Operations	17	**$ 953,899**	$ 947,614
Re-measurement of future income tax recovery	17	**—**	(57,969)
Other	18	**39,318**	42,529
		993,217	932,174
Expenses			
Operating	19	**(107,298)**	(109,060)
Property taxes, salvage and other	19	**(102,489)**	(101,200)
Depreciation and amortization		**(279,444)**	(270,688)
		(489,231)	(480,948)
		503,986	451,226
Finance costs	11	**(187,608)**	(191,116)
Loss on disposal of assets		**(4,101)**	(5,247)
Income before non-controlling interests		**$ 312,277**	$ 254,863
Non-controlling interests		**(1,598)**	(571)
Net income		**$ 310,679**	$ 254,292
Other comprehensive income			
Actuarial (loss) gain	15	**(316)**	3,355
Comprehensive income		**$ 310,363**	$ 257,647

See accompanying notes to the consolidated financial statements.

Statement of Changes in Partners' Equity

(in thousands of dollars)	Units	Allocation to Limited Partner	Allocation to General Partner	Total Retained Earnings	Partners' Capital [note 20]	Non-Controlling Interests [note 21]	Total Equity
As at January 1, 2019	331,904	$ 1,247,204	$ 124	$ 1,247,328	$ 2,136,436	$ —	$ 3,383,764
Total comprehensive income including non-controlling interest	—	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 14]	—	—	—	—	(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
Total comprehensive income including non-controlling interests	**—**	**310,332**	**31**	**310,363**	**—**	**1,598**	**311,961**
Equity investment received	**—**	**—**	**—**	**—**	**—**	**6,585**	**6,585**
Distributions paid	**—**	**(254,975)**	**(25)**	**(255,000)**	**—**	**(1,582)**	**(256,582)**
Equity reclassified to financial (redemption) liability [note 14]	**—**	**—**	**—**	**—**	**(6,602)**	**—**	**(6,602)**
Balance at December 31, 2020	**331,904**	**$ 1,269,711**	**$ 127**	**$ 1,269,838**	**$ 2,119,901**	**$ 16,535**	**$ 3,406,274**

See accompanying notes to the consolidated financial statements.

Statement of Cash Flows

(in thousands of dollars)	Notes	Year ended December 31, 2020	December 31, 2019
Cash flows from operating activities			
Net income including non-controlling interests		**$ 312,277**	$ 254,863
Adjustments for			
Depreciation and amortization		**279,444**	270,688
Third party contributions revenue	12	**(24,790)**	(23,684)
Loss on disposal of assets		**4,101**	5,247
Disallowed net capital costs	7	**4,959**	—
Re-measurement of future income tax recovery		**—**	57,969
Change in other items	23	**(111,108)**	(698)
Change in non-cash working capital	23	**34,668**	136,708
Net cash provided by operating activities		**499,551**	701,093
Cash flows from investing activities			
Capital expenditures		**(307,824)**	(318,671)
Use of third party contributions	12	**66,851**	27,342
Proceeds from disposal of assets		**347**	11
Net cash used in investing activities		**(240,626)**	(291,318)
Cash flows from financing activities			
Senior debt repaid		**(125,000)**	—
Senior debt issued		**225,000**	—
Net movement in commercial paper and bank credit facilities		**(105,861)**	(134,659)
Distributions paid		**(255,000)**	(290,500)
Distributions paid to non-controlling interests		**(1,582)**	(619)
Equity received from non-controlling interests		**6,585**	9,982
Principal repayments of lease liabilities		**(1,644)**	(1,689)
Lease incentive received		**3,000**	4,000
Change in other financing activities	23	**(1,507)**	94
Net cash used in financing activities		**(256,009)**	(413,391)
Net change in cash		**2,916**	(3,616)
Cash, beginning of year		**1,313**	4,929
Cash, end of year		**$ 4,229**	$ 1,313
Supplementary cash flow information			
Interest paid		**$ (190,590)**	$ (194,520)

See accompanying notes to the consolidated financial statements.

ALTALINK
A BERKSHIRE HATHAWAY ENERGY COMPANY

1. General information

AltaLink, L.P. (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. AltaLink's head office is located at 2611 - 3rd Avenue SE, Calgary, Alberta, T2A 7W7. AltaLink has one limited partner, AltaLink Investments, L.P., and is managed by AltaLink Management Ltd. (the General Partner). While the General Partner may hold legal title to the assets, AltaLink is the beneficial owner and assumes all risks and rewards of the assets.

On December 1, 2014, BHE Canada Holdings Corporation became the sole owner of AltaLink by indirectly acquiring 100 percent of AltaLink.

These consolidated financial statements include the accounts of AltaLink and its subsidiary entities, PiikaniLink, L.P. (PLP) and KainaiLink, L.P. (KLP) (collectively, the Partnership). For the purposes of consolidation, intercompany accounts and transactions have been eliminated.

The Partnership is regulated by the Alberta Utilities Commission (AUC), pursuant to the Electric Utilities Act (Alberta) (EUA), the Public Utilities Act (Alberta), the Alberta Utilities Commission 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, 2020 and 2019, the Partnership operated solely in one reportable geographical and business segment.

2. Basis of preparation

Statement of compliance

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

The significant 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 the Partnership and do not include all of the assets, liabilities, revenues and expenses of AltaLink Investments, L.P. or AltaLink Management Ltd.

These consolidated financial statements were approved for issue by the Board of Directors on February 25, 2021.

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 consolidated 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 a 50% 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.

3. Summary of significant accounting policies

Regulation of transmission tariffs

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 transmission tariffs based on forecasted costs-of-service. The Partnership's transmission tariffs are not dependent on the price or volume of electricity transported through its transmission system. Once approved, the transmission tariffs are 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 tariffs. The annual 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 change. Operations revenue is recognized on an 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 consolidated financial statements.

Revenue for the recovery of deemed future income taxes is accrued based on the underlying right for the Partnership 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, amortization of third party contributions, cost recoveries for services provided to other utilities, and rental income. 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. Cost recovery 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 during the year ended December 31, 2020.

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 the Partnership's tariffs 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 interests

Portions of the equity not owned by AltaLink are reflected as non-controlling interests within the equity section of the statement of financial position. Portions of the net income attributable to AltaLink and the non-controlling interests are reported on the statement of comprehensive income.

Property, plant and equipment

Property, plant and equipment 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 year. 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 in the period the changes were identified.

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 or repayable to the AESO through future transmission tariffs. The Partnership recognizes the related amounts in revenue and records the amount as financial assets or liabilities related to regulated activities. Capital inventory and land are capitalized but not depreciated. CWIP is capitalized but not depreciated until the assets are available for use and the costs have been transferred to lines, substations, and buildings and equipment.

Reviews of property, plant and equipment 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 December 2020 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 in the period the changes were identified.

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 in the period the changes were identified.

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

The Partnership 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 consolidated 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 Partnership's incremental borrowing rate. The lease liability is presented as a separate line in the 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. Risk management and financial instruments

Fair value of financial instruments

Financial Instrument	Designated Category	Measurement Basis	Associated Risks	Fair Value at December 31, 2020
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 5]	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 9]	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 10]	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 14]	Amortized cost	Initially at fair value and subsequently at amortized cost	· Liquidity	Amortized cost or carrying value approximates fair value due to nature of the liability.
Commercial paper and bank credit facilities and long-term debt [note 11]	Amortized cost	Initially at fair value and subsequently at amortized cost	· Market · Liquidity	$6,019.3 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 13]	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 8]	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 8]	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 90% of its trade receivable balance at December 31, 2020 is due from the AESO (December 31, 2019 – approximately 97%). 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, 2020 is with third parties that the Partnership has been transacting with for over five years (December 31, 2019 – 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 consolidated 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 11 - Debt for a maturity analysis.

Capital risk management

In managing its capital structure, the Partnership includes partners' capital, retained earnings and short-term and long-term debt in the definition of capital.

The Partnership manages its capital structure in order to reduce the cost of debt capital for customers and to safeguard its ability to continue as a going concern. In order to maintain or adjust the capital structure, the Partnership may adjust the amount of distributions paid to partners, return capital to partners or request additional contributions from partners. The Partnership reduces refinancing risk by diversifying the maturity dates of its debt obligations.

Summary of capital structure

	As at					
	December 31, 2020			December 31, 2019		
		(millions)	%		(millions)	%
Commercial paper and bank credit facilities	**$**	**143.5**	**1.7**	$	249.4	3.0
Long-term debt maturing in less than one year		**—**	**—**		125.0	1.5
Long-term debt (before netting deferred financing fees)		**4,744.9**	**57.3**		4,519.7	54.9
AltaLink, L.P. capital		**2,119.9**	**25.6**		2,126.5	25.8
Retained earnings		**1,269.8**	**15.4**		1,214.5	14.8
	$	**8,278.1**	**100.0**	$	8,235.1	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, 2020 and 2019.

5. Trade and other receivables

	As at			
	December 31, 2020		December 31, 2019	
(in thousands of dollars)				
Trade receivables	**$**	**23,195**	$	85,549
Current lease incentive net of current lease liabilities [note 13]		**1,407**		1,351
Prepaid expenses and deposits		**18,239**		12,118
Cancelled projects		**26,300**		26,300
Current financial assets related to regulated activities		**35,976**		33,768
	$	**105,117**	$	159,086

Trade receivables as at December 31, 2020 include $20.9 million due from the AESO (note 17 - Revenue from operations) for the December portion of the transmission tariffs (December 31, 2019 – $82.7 million).

Current 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 tariffs. The Partnership has recognized as receivables the costs to be recovered through the regulatory process. As at December 31, 2020, current financial assets related to regulated activities include 2016-2019 deferral accounts which have been filed with the AUC (December 31, 2019 – 2016-2018 deferral accounts).

6. Intangible assets

(in thousands of dollars)	Land rights	Computer software	Intangibles in CWIP	Total
Cost				
As at January 1, 2019	$ 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
Additions to CWIP	**—**	**—**	**24,331**	**24,331**
Transfers	**1,090**	**22,694**	**(23,784)**	**—**
Retirements	**—**	**(16,798)**	**—**	**(16,798)**
As at December 31, 2020	**$ 255,155**	**$ 112,827**	**$ 15,863**	**$ 383,845**
Accumulated amortization				
As at January 1, 2019	$ (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)
Amortization	**(5,395)**	**(17,250)**	**—**	**(22,645)**
Retirements	**—**	**16,798**	**—**	**16,798**
As at December 31, 2020	**$ (33,315)**	**$ (57,376)**	**$ —**	**$ (90,691)**
Net book value				
As at December 31, 2019	$ 226,145	$ 50,007	$ 15,316	$ 291,468
As at December 31, 2020	**$ 221,840**	**$ 55,451**	**$ 15,863**	**$ 293,154**

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

	2020	2019
Land rights	**2.08%**	2.08%
Computer software	**10.05%-50.53%**	10.05%-50.60%
Intangibles in CWIP	**Not subject to amortization**	Not subject to amortization

7. Property, plant and equipment

(in thousands of dollars)	Lines[1]	Substations[2]	Buildings & equipment[3]	Land & CWIP[4]	Total
Cost					
As at January 1, 2019	$ 4,965,095	$ 4,015,012	$ 220,440	$ 233,095	$ 9,433,642
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
Additions to CWIP	**—**	**—**	**—**	**275,427**	**275,427**
Transfers	**105,643**	**93,483**	**19,240**	**(218,366)**	**—**
Disallowed capital costs[5]	**(4,221)**	**(1,463)**	**—**	**—**	**(5,684)**
Retirements and other	**(1,203)**	**(7,309)**	**(14,536)**	**—**	**(23,048)**
As at December 31, 2020	**$ 5,186,125**	**$ 4,250,104**	**$ 286,249**	**$ 253,399**	**$ 9,975,877**
Accumulated depreciation					
As at January 1, 2019	$ (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)
Depreciation expense	**(125,817)**	**(115,331)**	**(17,853)**	**—**	**(259,001)**
Disallowed capital depreciation[5]	**503**	**222**	**—**	**—**	**725**
Retirements and other	**441**	**3,726**	**14,433**	**—**	**18,600**
As at December 31, 2020	**$ (759,532)**	**$ (1,001,821)**	**$ (75,787)**	**$ —**	**$ (1,837,140)**
Net book value					
As at December 31, 2019	$ 4,451,247	$ 3,274,955	$ 209,178	$ 196,338	$ 8,131,718
As at December 31, 2020	**$ 4,426,593**	**$ 3,248,283**	**$ 210,462**	**$ 253,399**	**$ 8,138,737**

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 17 years and net book value of $42.1 million as at December 31, 2020 (December 31, 2019 – $44.8 million); there were no additions to the cost of the leased assets during the year ended December 31, 2020 (December 31, 2019 – $25.5 million).
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 11, 2020, the AUC issued its decision on AltaLink's 2016-2018 Deferral Accounts Reconciliation Application. The AUC approved $941.0 million of the total $946.7 million of capital project additions, disallowing $5.7 million of capital costs. The net book value of the disallowed capital costs was $5.0 million and AltaLink will repay $0.7 million of accumulated depreciation which it had recovered.

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

	2020	2019
Lines	**1.89%-4.98%**	1.89%-4.98%
Substations	**2.48%-6.51%**	2.47%-6.56%
Buildings & equipment	**2.53%-20.09%**	2.52%-19.99%
Land and construction work in progress	**Not subject to depreciation**	Not subject to depreciation

8. Third party deposits

(in thousands of dollars)	Contributions in Advance of Construction	Operating and Maintenance Charges in Advance	Total
As at January 1, 2019	$ 60,726	$ 6,278	$ 67,004
Receipts and interest net of refunds	23,006	133	23,139
Transfers to deferred revenue [note 12]	(27,342)	—	(27,342)
Recognized other revenue	—	(195)	(195)
As at December 31, 2019	56,390	6,216	62,606
Receipts and interest net of refunds	**79,178**	**57**	**79,235**
Transfers to deferred revenue [note 12]	**(66,851)**	**—**	**(66,851)**
Recognized other revenue	**—**	**(200)**	**(200)**
As at December 31, 2020	**$ 68,717**	**$ 6,073**	**$ 74,790**

Third party deposits are held in short-term investments, which are reinvested as needed. These investments earned an annual effective interest rate of 0.49% as at December 31, 2020 (December 31, 2019 – 2.15%). For contributions in advance of construction, all interest is credited to the specific customer.

9. Other non-current assets

	As at	
(in thousands of dollars)	**December 31, 2020**	December 31, 2019
CWIP-in-rate base and related income tax	**$ 249,237**	$ 255,605
Recovery of deemed future income taxes	**350,127**	278,626
Cancelled projects	**—**	2,711
Non-current financial assets related to regulated activities	**204,365**	180,979
	$ 803,729	$ 717,921

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 (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 the Partnership's tariffs beyond 12 months, as approved by the AUC.

10. Trade and other payables

	As at	
(in thousands of dollars)	**December 31, 2020**	December 31, 2019
Trade and accrued payables	**$ 65,309**	$ 92,719
Accrued interest on debt	**26,777**	27,108
Other current liabilities	**4,694**	9,759
Current financial liabilities related to regulated activities	**7,329**	6,787
	$ 104,109	$ 136,373

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 tariffs.

11. Debt

Commercial paper and bank credit facilities

As at December 31, 2020		**Committed**		**Drawdowns**		**Commercial paper outstanding**		**Letters of credit outstanding**		**Availability**	**Maturity date of facility**
(in thousands of dollars)											
Revolving credit facility	**$**	**500,000**	**$**	**—**	**$**	**143,500**	**$**	**—**	**$**	**356,500**	**December 14, 2024**
Revolving credit facility		**75,000**		**—**		**—**		**2,195**		**72,805**	**December 14, 2024**
Revolving credit facility		**100,000**		**—**		**—**		**—**		**100,000**	**April 27, 2021**
	$	**675,000**	**$**	**—**	**$**	**143,500**	**$**	**2,195**	**$**	**529,305**	

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
Revolving credit facility		75,000		—		—		3,448		71,552	December 14, 2023
	$	575,000	$	—	$	249,361	$	3,448	$	322,191	

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 365 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 365 days.

The $100.0 million revolving credit facility may be used for working capital needs and for general corporate purposes. 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 365 days. AltaLink entered into this credit facility in order to provide additional liquidity during the COVID-19 pandemic and to provide support for certain regulatory decisions.

Long-term debt

	Effective Interest Rate	Maturing	As at December 31, 2020	December 31, 2019
(in thousands of dollars)				
Senior Debt obligations				
Series 2013-2, 3.621%	3.705%	2020	$ —	$ 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 2020-1, 1.509%	1.594%	2030	**225,000**	—
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
			4,750,000	4,650,000
Long-term debt maturing in less than one year			**—**	(125,000)
			4,750,000	4,525,000
Debt discounts and premiums			**(5,133)**	(5,278)
Less: deferred financing fees			**(22,384)**	(22,118)
Long-term debt			**$ 4,722,483**	$ 4,497,604

The Partnership uses the proceeds from the issuance of Senior Debt obligations to repay commercial paper and indebtedness outstanding under the Partnership's credit facilities and maturing Senior Debt obligations, to finance the capital construction program, and for general corporate purposes.

In September 2020, AltaLink issued $225.0 million of 1.509% 10-year Series 2020-1 Senior Secured Notes due September 11, 2030 and repaid $125.0 million of maturing 3.621% 7-year Series 2013-2 Medium-Term Notes due September 17, 2020.

The Senior Debt obligations 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 AltaLink, 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	
2021	$ —
2022	275,000
2023	500,000
2024	350,000
2025	—
2026 and thereafter	3,625,000

Finance costs

	Year ended	
	December 31, 2020	December 31, 2019
(in thousands of dollars)		
Interest expense	**$ 187,906**	$ 192,041
Amortization of deferred financing fees	**1,386**	1,318
Capitalized borrowing costs[1]	**(2,671)**	(3,083)
Interest expense on lease liabilities	**987**	840
	$ 187,608	$ 191,116

1. The average capitalization rate during the year ended December 31, 2020 was 3.87% (December 31, 2019 – 3.93%).

12. Deferred revenue

(in thousands of dollars)	Third Party Contributions	Deferred Revenue for Salvage	Total
As at January 1, 2019	$ 812,569	$ 207,755	$ 1,020,324
Transferred from third party deposits [note 8]	27,342	—	27,342
Received through transmission tariffs [note 17]	—	61,800	61,800
Transferred from third parties	—	3,916	3,916
Recognized as revenue [notes 18 and 17]	(23,684)	(32,301)	(55,985)
As at December 31, 2019	816,227	241,170	1,057,397
Transferred from third party deposits [note 8]	**66,851**	**—**	**66,851**
Received through transmission tariffs [note 17]	**—**	**8,871**	**8,871**
Transferred from third parties	**—**	**1,938**	**1,938**
Recognized as revenue [notes 18 and 17]	**(24,790)**	**(35,452)**	**(60,242)**
As at December 31, 2020	**$ 858,288**	**$ 216,527**	**$ 1,074,815**

	As at	
(in thousands of dollars)	**December 31, 2020**	December 31, 2019
Current portion	**$ 57,185**	$ 61,402
Long-term portion	**1,017,630**	995,995
	$ 1,074,815	$ 1,057,397

13. Lease liabilities

Leased assets are presented together with property, plant and equipment (note 7 – Property, plant and equipment).

Lease liabilities

	As at	
(in thousands of dollars)	**December 31, 2020**	December 31, 2019
Current lease incentive net of current lease liabilities [note 5]	**$ (1,407)**	$ (1,351)
Long-term portion	**52,830**	51,449
	$ 51,423	$ 50,098

Lease payments

(in thousands of dollars)	2021	2022	2023	2024	2025	2026 and thereafter	**Total as at December 31, 2020**
Net lease payments	$ 624	$ 3,967	$ 4,035	$ 3,924	$ 4,228	$ 56,172	**$ 72,950**
Amounts representing implicit interest							**(21,527)**
Lease liabilities							**$ 51,423**

As at December 31, 2020 the weighted average lessee incremental borrowing rate applied to the lease liabilities is 3.84% (December 31, 2019 – 3.84%).

Amounts recognized in statement of comprehensive income

(in thousands of dollars)	**Year ended December 31, 2020**	Year ended December 31, 2019
Gross depreciation expense of leased assets	**$ 2,609**	$ 2,463
Capitalized depreciation expense of leased assets	**(2,202)**	(2,008)
Net depreciation expense of leased assets	**$ 407**	$ 455
Net interest expense on lease liabilities	**987**	840
Expense relating to short-term leases not included in the measurement of the lease liability	**201**	467
Expense relating to variable lease payments not included in the measurement of the lease liability	**3,345**	3,921
	$ 4,940	$ 5,683

The total cash outflows for lease principal and interest were $3.6 million during the year ended December 31, 2020 (December 31, 2019 – $3.3 million). The cash inflow for lease incentive was $3.0 million during the year ended December 31, 2020 (December 31, 2019 – $4.0 million).

14. Other non-current liabilities

(in thousands of dollars)	**As at December 31, 2020**	As at December 31, 2019
Accrued employment benefit liabilities	**$ 11,340**	$ 10,704
Other long-term liabilities	**5,182**	7,411
Non-current financial liabilities related to regulated activities	**9,964**	7,428
Financial (redemption) liability	**16,535**	9,933
	$ 43,021	$ 35,476

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 tariffs. 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 and 1759511 Alberta Ltd. (the nominee of the Blood Tribe) have put options to sell all their units in PLP and KLP, respectively, to AltaLink at any time, subject to regulatory approvals from the AUC. To reflect the put options of Piikani Transmission Holding Limited Partnership and 1759511 Alberta Ltd., the Partnership recognizes a financial (redemption) liability and reduces AltaLink partners' capital in the consolidated financial statements. The valuation of the purchase price on the put options are defined in the partnership agreements and are 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.

15. 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 the year ended December 31, 2020, the defined contribution pension plan employer contribution expense was $7.9 million (December 31, 2019 – $7.9 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 was 8% in 2020 (2019 – 8%). For the year ended December 31, 2020, the supplemental pension plan employer contribution expense was $0.2 million (December 31, 2019 – $0.2 million) and as at December 31, 2020, the supplemental pension plan liability was $1.8 million (December 31, 2019 – $1.6 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 the year ended December 31, 2020, the current service cost and interest cost on the benefit obligation were $0.6 million (December 31, 2019 – $1.1 million). As at December 31, 2020, the accrued benefit obligation was $6.2 million (December 31, 2019 – $5.3 million). For the year ended December 31, 2020, an actuarial loss of $0.3 million was recognized in other comprehensive income (December 31, 2019 – actuarial gain of $3.4 million).

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, 2020	December 31, 2019
(in thousands of dollars)		
AltaLink Management Ltd.		
Employee compensation and benefits	**$ 127,334**	$ 122,826
Cost recovery for non-regulated activities	**$ 2,145**	$ 1,440

AltaLink Management Ltd. employs all staff who provide administrative and operational services to the Partnership 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 $29.1 million as at December 31, 2020 (December 31, 2019 – $27.1 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, and Berkshire Hathaway Energy Company.

Remuneration of senior management

		Year ended		
		December 31, 2020		December 31, 2019
(in thousands of dollars)				
Salary and other short-term benefits	**$**	**3,785**	$	3,633
Post-employment benefits		**315**		282
Other long-term benefits		**2,256**		1,347
	$	**6,356**	$	5,262

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, 2020		December 31, 2019
(in thousands of dollars)				
Total fees earned by Directors	**$**	**632**	$	630

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.

17. Revenue from operations

On July 30, 2020, AltaLink filed an application with the AUC for the review and variance of Decision 23848-D01-2020 with respect to its 2019-2021 General Tariff Application. In that decision, the AUC deferred its decision on AltaLink's proposed salvage proposal pending a generic proceeding to consider the broader implications. The AUC closed the generic proceeding on July 8, 2020. AltaLink requested the AUC to review and vary its decision and approve AltaLink's proposed new salvage methodology. On November 19, 2020, the AUC issued Decision 25870-D01-2020 on AltaLink's review and variance application with respect to its new salvage proposal. The AUC decided to vary the original decision and approve AltaLink's proposed net salvage methodology and the revised monthly tariff of $20.9 million for December 2020, and monthly tariffs of $71.4 million for 2021, which both include monthly tariffs for PLP and KLP.

AltaLink filed its 2019-2021 General Tariff Application on August 23, 2018 and amended application in April 2019. On July 10, 2019, AltaLink filed with the AUC a partial negotiated settlement application for its 2019-2021 General Tariff Application. An oral hearing on matters excluded from the partial negotiated settlement application was held in November 2019. On April 16, 2020, the AUC issued Decision 23848-D01-2020 with respect to AltaLink's 2019-2021 General Tariff Application. AltaLink's compliance filing in response to this decision was filed and on July 21, 2020, the AUC approved AltaLink's 2019-2021 General Tariff Application amended compliance filing and revised monthly tariffs of $71.2 million for September to December 2020, and monthly tariffs of $74.0 million for 2021, which both include monthly tariffs for PLP and KLP.

On October 15, 2019, AltaLink filed a letter with the AUC to request the continuation of the monthly interim refundable transmission tariff effective January 1, 2020, until a final tariff is approved. On October 18, 2019, the AUC confirmed the interim refundable transmission tariff for 2020 at $74.0 million per month.

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

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 at 8.5% for 2018, 2019 and 2020, and the Partnership's common equity ratio at 37% for 2018, 2019 and 2020. On October 13, 2020, the AUC issued Decision 24110-D01-2020 with respect to the setting of return on equity and deemed equity ratios for certain Alberta utilities including AltaLink. The AUC set the final approved return on equity and deemed equity ratio for AltaLink by extending the current approved 8.5% and 37% respectively, for the duration of 2021.

For the year ended December 31, 2020, approximately 96% of the Partnership's revenue is attributable to the AESO (December 31, 2019 – approximately 95%).

The following table summarizes the timing differences between the revenue requirement approved on November 19, 2020, and revenue from operations earned during the period.

	Year ended	
	December 31, 2020	December 31, 2019
(in thousands of dollars)		
Return on rate base	**$ 423,585**	$ 434,673
Recovery of forecast expenses	**443,935**	453,169
2020 revenue requirement / 2019 interim tariff	**$ 867,520**	$ 887,842
AFUDC	**6,769**	8,402
Receivable directly assigned capital projects	**6,511**	17,632
Receivable (repayable) property taxes and other	**2,172**	(717)
Prior year tariff adjustment due to new salvage methodology	**(25,189)**	—
Revenue related IFRS adjustments[1]	**96,116**	34,455
Revenue from operations	**$ 953,899**	$ 947,614

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, 2020		Year ended December 31, 2019	
Revenue related to salvage costs [note 12]	**$**	**35,452**	$	32,301
Salvage funds transferred to deferred revenue [note 12]		**(8,871)**		(61,800)
Revenue for the recovery of future income taxes		**71,492**		71,555
Recovery of loss on disposal of assets other than land		**4,448**		5,257
Capitalized borrowing costs		**(2,671)**		(3,083)
Collection of receivables related to the above IFRS adjustments		**(3,734)**		(9,775)
Revenue related IFRS adjustments	**$**	**96,116**	$	34,455

The impact of the June 2019 Alberta corporate income tax rate change on previous years' revenue is shown below. The re-measurement of future income tax recovery was 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% for 2022.

On June 29, 2020, the Alberta government announced it would accelerate the provincial corporate tax rate reduction to 8% effective July 1, 2020, to help revive the Alberta economy. This acceleration does not impact the current year financial statements, as AltaLink has been recognizing revenue related to the recovery of future income taxes based on the 8% Alberta corporate income tax rate and the 15% Federal corporate income tax rate since June 2019.

(in thousands of dollars)	Year ended December 31, 2020		Year ended December 31, 2019	
Re-measurement of future income tax recovery	**$**	**—**	$	(57,969)

18. Other revenue

(in thousands of dollars)	Year ended December 31, 2020		Year ended December 31, 2019	
Third party contributions revenue [note 12]	**$**	**24,790**	$	23,684
Construction costs recovered from third parties		**6,571**		11,461
Service costs recovered from third parties		**4,506**		4,535
Tower and land revenue		**1,132**		1,102
Related party and other revenue		**2,319**		1,747
	$	**39,318**	$	42,529

The Partnership provides services to third parties including other utilities on a cost recovery basis. Related costs are included in operating expenses (note 19 - Expenses); therefore, there is no net income impact.

19. Expenses

Operating expenses

(in thousands of dollars)	Year ended December 31, 2020	Year ended December 31, 2019
Employee salaries and benefits	**$ 51,799**	$ 52,128
Contracted labour	**24,156**	30,632
Other operating expenses	**25,659**	26,300
Disallowed capital costs [note 7]	**5,684**	—
	$ 107,298	$ 109,060

Property taxes, salvage and other expenses

(in thousands of dollars)	Year ended December 31, 2020	Year ended December 31, 2019
Property and business tax	**$ 50,350**	$ 51,670
Salvage expenses	**35,452**	32,301
Annual structure payments	**15,187**	15,447
Hearing expenses and other	**1,500**	1,782
	$ 102,489	$ 101,200

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

AltaLink is authorized to issue an unlimited number of units. The units are voting and participate equally in profits, losses and capital distributions of AltaLink. AltaLink 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 AltaLink as a limited partnership, holders of each preferred unit are entitled to participate preferentially in any distribution. AltaLink has not issued any preferred units.

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

During the year ended December 31, 2020 AltaLink's partners did not invest additional equity (December 31, 2019 – $nil). No partnership units were issued during the years ended December 31, 2020 and 2019.

21. Non-controlling interests

As at December 31, 2020, AltaLink holds partial interests in two non-wholly-owned subsidiaries, KLP and PLP, which are also transmission facility owners operated by the General Partner. These subsidiaries were formed to jointly hold the Southwest 240 kilovolt regulated transmission assets located on First Nations Reserve lands with local First Nation partners.

On January 1, 2020, KLP used a $5.0 million equity contribution from 1759511 Alberta Ltd. (the nominee of the Blood Tribe), 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 purchase the Southwest 240 kilovolt regulated transmission assets located on the Blood Tribe Reserve lands. The purchase was measured at net book value pursuant to AUC Decision 22612-D01-2018. On June 19, 2020, AltaLink's $3.0 million preferred equity contribution was replaced with a $1.5 million equity contribution from 1759511 Alberta Ltd. and a $1.5 million equity contribution from AltaLink.

As at December 31, 2020, 1759511 Alberta Ltd.'s $6.6 million limited partner interest, or 51% of KLP, is represented as a non-controlling interest within the equity section of the statement of financial position (December 31, 2019 – $nil).

As at December 31, 2020, Piikani Transmission Holding Limited Partnership's (the nominee of the Piikani First Nation) $9.9 million limited partner interest, or 51% of PLP, is represented as a non-controlling interest within the equity section of the statement of financial position (December 31, 2019 – $9.9 million).

22. Subsidiary financial information

Summarized financial information in respect of each subsidiary that has non-controlling interests is set out below. Summarized financial information represents amounts before intercompany eliminations.

	KLP As at		PLP As at	
	December 31, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019
(in thousands of dollars)				
Assets	**$ 37,497**	$ —	**$ 55,633**	$ 56,357
Liabilities	**(24,569)**	—	**(36,149)**	(36,879)
Equity	**(12,928)**	—	**(19,484)**	(19,478)
Revenue	**3,393**	—	**5,332**	3,170
Profit	**1,244**	—	**2,013**	1,119

23. Other cash flow information

	Year ended			
	December 31, 2020		December 31, 2019	
(in thousands of dollars)				
Change in other items				
Deferred revenue for salvage	**$**	**(24,643)**	$	33,415
Non-current financial assets related to regulated activities, excluding FIT re-measurement and other non-cash items		**(85,808)**		(30,786)
Non-current financial liabilities related to regulated activities		**2,536**		(9,111)
Accrued employee benefit liabilities, excluding actuarial (loss) gain		**320**		2,318
Amortization of financing fees and capitalized borrowing costs		**(1,285)**		(1,765)
Other long-term liabilities		**(2,228)**		5,190
Other		**—**		41
	$	**(111,108)**	$	(698)
Change in non-cash working capital				
Trade and other receivables	**$**	**53,969**	$	127,725
Trade and other payables		**(32,264)**		9,777
	$	**21,705**	$	137,502
Related to operating activities	**$**	**34,668**	$	136,708
Related to investing activities		**(12,907)**		2,440
Related to financing activities		**(56)**		(1,646)
	$	**21,705**	$	137,502
Change in other financing activities				
Deferred financing fees	**$**	**(1,507)**	$	94
Third party deposits		**(12,184)**		(4,398)
Third party deposits liability		**12,184**		4,398
	$	**(1,507)**	$	94

24. Commitments

The contractual commitments of the Partnership associated with the construction of new facilities as at December 31, 2020 are $102.7 million (December 31, 2019 – $94.1 million).

25. Contingencies

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.