AltaLink, L.P.

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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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, 2022 and 2021, 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, 2022 and 2021, 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.

Key Audit Matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Regulatory Assets and Liabilities – Impact of Rate Regulation – Refer to Note 3 to the consolidated financial statements

Key Audit Matter Description

The Partnership is regulated by the Alberta Utilities Commission ("AUC"), which has jurisdiction with respect to setting rates for electric transmission companies in Alberta. The AUC regulates matters such as tariffs, constructions, operations and financing. Rates and resultant net income of the Partnership's regulated utility are determined under cost-of-service regulation in accordance with the Energy Utilities Act. The regulation of rates is premised on a reasonable opportunity to earn a fair return on equity and recovery of forecast costs, including operating expenses, depreciation, borrowing costs and deemed income taxes associated with the regulated transmission business. Accounting for the economics of rate regulation impacts multiple financial statement line items and disclosures.

We identified the impact of rate regulation as a key audit matter due to the significant judgements made by management to support its assertions about impacted account balances and disclosures and the high degree of subjectivity involved in assessing the impact of future regulatory decisions on the financial statements. Management judgements include assessing the likelihood of recovery of costs incurred or refunded through the rate-setting process related to regulated activities. While the Partnership's regulated utility has indicated that it expects to recover costs through regulated rates, there is a risk that the regulatory authority will not approve full recovery of the costs incurred. Auditing these matters required especially subjective judgements and specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the likelihood of recovery of costs incurred or refunded through the rate-setting process related to regulated activities, included the following among others:

- Assessed relevant regulatory orders, regulatory statutes and interpretations as well as procedural memorandums, utility and intervener filings, and other publicly available information to evaluate the likelihood of recovery in future rates or of a future reduction in rates and the ability to earn a fair return on equity.
- For regulatory matters in process, inspected the Partnership's filings with the AUC for any evidence that might contradict management's assessment of the recovery of costs incurred.
- Evaluated the Partnership's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.

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 judgement 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 23, 2023

Statement of Financial Position

	Notes	As at December 31, 2022	December 31, 2021
(in thousands of dollars)			
ASSETS			
Current			
Cash		**$ 62**	$ 6,611
Trade and other receivables	5	**115,863**	82,256
		115,925	88,867
Non-current			
Goodwill		**202,066**	202,066
Intangible assets	6	**279,287**	289,727
Property, plant and equipment	7	**8,042,951**	8,089,736
Third party deposits	8	**60,365**	64,296
Other non-current assets	9	**1,197,158**	1,120,080
		$ 9,897,752	$ 9,854,772
LIABILITIES AND PARTNERS' EQUITY			
Current			
Trade and other payables	10	**$ 101,058**	$ 92,975
Commercial paper and bank credit facilities	11	**122,665**	136,500
Long-term debt maturing in less than one year	11	**500,000**	275,000
Current portion of deferred revenue	12	**56,068**	57,898
		779,791	562,373
Non-current			
Long-term debt	11	**4,224,376**	4,449,103
Deferred revenue	12	**1,051,599**	1,046,618
Third party deposits liability	8	**60,365**	64,296
Lease liabilities	13	**48,714**	50,847
Other non-current liabilities	14	**36,031**	50,858
		6,200,876	6,224,095
Commitments and contingencies	24, 25		
Partners' equity			
AltaLink, L.P. equity	20	**3,680,355**	3,614,074
Non-controlling interests	21	**16,521**	16,603
		3,696,876	3,630,677
		$ 9,897,752	$ 9,854,772

See accompanying notes to the consolidated financial statements.

Statement of Comprehensive Income

	Notes	Year ended December 31, 2022	December 31, 2021
(in thousands of dollars)			
Revenue			
Operations	17	**$ 952,778**	$ 950,781
Other	18	**36,255**	39,013
		989,033	989,794
Expenses			
Operating	19	**(100,617)**	(103,047)
Property taxes, salvage and other	19	**(98,446)**	(100,330)
Depreciation and amortization		**(286,966)**	(283,979)
		(486,029)	(487,356)
Operating income		**503,004**	502,438
Finance costs	11	**(188,907)**	(185,700)
Loss on disposal of assets		**(3,232)**	(8,411)
Income before non-controlling interests		**$ 310,865**	$ 308,327
Non-controlling interests		**(1,690)**	(1,896)
Net income		**$ 309,175**	$ 306,431
Other comprehensive income			
Actuarial gain	15	**2,074**	872
Comprehensive income		**$ 311,249**	$ 307,303

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, 2021	331,904	$ 1,269,711	$ 127	$ 1,269,838	$ 2,119,901	$ 16,535	$ 3,406,274
Total comprehensive income including non-controlling interests	—	307,272	31	307,303	—	1,896	309,199
Equity investment received	—	—	—	—	10,600	—	10,600
Distributions paid	—	(93,491)	(9)	(93,500)	—	(1,828)	(95,328)
Equity reclassified to financial (redemption) liability [note 14]	—	—	—	—	(68)	—	(68)
Balance at December 31, 2021	331,904	$ 1,483,492	$ 149	$ 1,483,641	$ 2,130,433	$ 16,603	$ 3,630,677
Total comprehensive income including non-controlling interests	**—**	**311,218**	**31**	**311,249**	**—**	**1,690**	**312,939**
Distributions paid	**—**	**(245,025)**	**(25)**	**(245,050)**	**—**	**(1,772)**	**(246,822)**
Equity reclassified to financial (redemption) liability [note 14]	**—**	**—**	**—**	**—**	**82**	**—**	**82**
Balance at December 31, 2022	**331,904**	**$ 1,549,685**	**$ 155**	**$ 1,549,840**	**$ 2,130,515**	**$ 16,521**	**$ 3,696,876**

See accompanying notes to the consolidated financial statements.

ALTALINK
A BERKSHIRE HATHAWAY ENERGY COMPANY

Statement of Cash Flows

	Notes	Year ended December 31, 2022	December 31, 2021
(in thousands of dollars)			
Cash flows from operating activities			
Net income before non-controlling interests		**$ 310,865**	$ 308,327
Adjustments for			
Depreciation and amortization		**286,966**	283,979
Third party contributions revenue	12	**(25,320)**	(25,488)
Loss on disposal of assets		**3,232**	8,411
Disallowed net capital costs	7	**1,529**	638
Customer tariff refund		**—**	(230,000)
Change in other items	23	**(82,452)**	(85,266)
Change in non-cash working capital	23	**(34,533)**	16,389
Net cash provided by operating activities		**460,287**	276,990
Cash flows from investing activities			
Capital expenditures		**(229,973)**	(256,666)
Use of third party contributions		**52,547**	69,411
Refund of third party contributions		**(26,105)**	(2,384)
Proceeds from disposal of assets		**572**	5,195
Net cash used in investing activities		**(202,959)**	(184,444)
Cash flows from financing activities			
Senior debt repaid	11	**(275,000)**	—
Senior debt issued	11	**275,000**	—
Net movement in commercial paper and bank credit facilities		**(13,835)**	(7,000)
Distributions paid		**(245,050)**	(93,500)
Distributions paid to non-controlling interests		**(1,772)**	(1,828)
Equity investment received	20	**—**	10,600
Principal repayments of lease liabilities		**(1,984)**	(1,593)
Lease incentive received	13	**—**	3,000
Change in other financing activities	23	**(1,236)**	157
Net cash used in financing activities		**(263,877)**	(90,164)
Net change in cash		**(6,549)**	2,382
Cash, beginning of year		**6,611**	4,229
Cash, end of year		**$ 62**	$ 6,611
Supplementary cash flow information			
Interest paid		**$ (189,731)**	$ (187,104)

See accompanying notes to the consolidated financial statements.

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 (the 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 and financing. 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, 2022 and 2021, 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 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 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 23, 2023.

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 these consolidated financial statements require management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues 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 of capital additions by the AUC;
- Key economic assumptions used in cash flow projections to assess goodwill for impairment;
- The estimated useful lives of assets;
- The recoverability of tangible and intangible assets, including estimates of future costs to retire physical assets or the recoverability of costs associated with direct assigned projects that have been cancelled or delayed in the regulatory process; 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 based on 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 assets. 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, 2022.

The regulatory and legal rights and obligations under which the Partnership operates also require the Partnership to refund to the AESO certain amounts that were 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 cost impairments. 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. An impairment loss recognized for goodwill cannot be reversed in a subsequent period.

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.

Management performed an annual goodwill impairment test in December 2022 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 amortized on a straight-line basis at rates based on the estimated useful lives of tangible assets located on these lands.

Computer software

Computer software includes application software and enterprise resource planning software. Amortization is calculated on a straight-line basis at rates based on the estimated useful lives of assets.

Intangible assets are reported at cost less accumulated amortization and impairments, if any. 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. 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.

Provisions

Provisions are recognized when the Partnership has a present obligation (legal or constructive) because 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 the related expenses and 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 because 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 corporate partners on a pro-rata basis in proportion to their interest in the Partnership. Accordingly, no income tax expense is recognized in these 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 corporate 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, using the Partnership's incremental borrowing rate. 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.

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, 2022
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	$4,542.7 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 97% of its trade receivable balance at December 31, 2022 is due from the AESO (December 31, 2021 – approximately 96%). 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, 2022 is with third parties that the Partnership has been transacting with for over five years (December 31, 2021 – 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 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 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 AUC 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 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 pay distributions 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, 2022			December 31, 2021		
		(millions)	**%**		(millions)	%
Commercial paper and bank credit facilities	**$**	**122.7**	**1.4**	$	136.5	1.6
Long-term debt maturing in less than one year		**500.0**	**5.8**		275.0	3.2
Long-term debt (before netting deferred financing fees)		**4,245.2**	**49.6**		4,470.0	52.5
AltaLink, L.P. capital		**2,130.5**	**24.9**		2,130.4	25.1
Non-controlling interests		**16.5**	**0.2**		16.6	0.2
Retained earnings		**1,549.9**	**18.1**		1,483.7	17.4
	$	**8,564.8**	**100.0**	$	8,512.2	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, 2022 and 2021.

5. Trade and other receivables

	As at			
	December 31, 2022		December 31, 2021	
(in thousands of dollars)				
Trade receivables	**$**	**86,314**	$	48,784
Prepaid expenses and deposits		**15,870**		17,871
Current financial assets related to regulated activities		**13,679**		15,601
	$	**115,863**	$	82,256

Trade receivables as at December 31, 2022 include $83.7 million due from the AESO for the December portion of the transmission tariffs (December 31, 2021 – $46.7 million).

6. Intangible assets

(in thousands of dollars)	Land rights	Computer software	Intangibles in CWIP	Total
Cost				
As at January 1, 2021	$ 255,155	$ 112,827	$ 15,863	$ 383,845
Additions to CWIP	—	—	20,495	20,495
Transfers	2,189	21,649	(23,838)	—
Retirements	(178)	(11,594)	—	(11,772)
As at December 31, 2021	257,166	122,882	12,520	392,568
Additions to CWIP	**—**	**—**	**18,220**	**18,220**
Transfers	**1,156**	**15,058**	**(16,214)**	**—**
Disposals and retirements	**—**	**(21,768)**	**(4,855)**	**(26,623)**
As at December 31, 2022	**$ 258,322**	**$ 116,172**	**$ 9,671**	**$ 384,165**
Accumulated amortization				
As at January 1, 2021	$ (33,315)	$ (57,376)	$ —	$ (90,691)
Amortization	(5,189)	(18,570)	—	(23,759)
Retirements	15	11,594	—	11,609
As at December 31, 2021	(38,489)	(64,352)	—	(102,841)
Amortization	**(5,138)**	**(18,667)**	**—**	**(23,805)**
Retirements	**—**	**21,768**	**—**	**21,768**
As at December 31, 2022	**$ (43,627)**	**$ (61,251)**	**$ —**	**$ (104,878)**
Net book value				
As at December 31, 2021	$ 218,677	$ 58,530	$ 12,520	$ 289,727
As at December 31, 2022	**$ 214,695**	**$ 54,921**	**$ 9,671**	**$ 279,287**

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

	2022	2021
Land rights	**2.07%**	2.08%
Computer software	**10.06%-49.97%**	10.06%-50.37%

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, 2021	$ 5,186,125	$ 4,250,104	$ 286,249	$ 253,399	$ 9,975,877
Additions to CWIP	—	—	—	237,499	237,499
Transfers	95,138	131,945	12,763	(239,846)	—
Cancelled project transfers	—	—	—	(10,036)	(10,036)
Disallowed capital costs[5]	(297)	(365)	—	—	(662)
Retirements and other	(1,012)	(14,900)	(14,827)	(957)	(31,696)
As at December 31, 2021	5,279,954	4,366,784	284,185	240,059	10,170,982
Additions to CWIP	**—**	**—**	**—**	**233,875**	**233,875**
Transfers	**89,526**	**135,082**	**20,563**	**(245,171)**	**—**
Cancelled project transfers	**—**	**—**	**—**	**(9,789)**	**(9,789)**
Disallowed capital costs[6]	**(1,547)**	**—**	**—**	**—**	**(1,547)**
Retirements and other	**(1,313)**	**(7,123)**	**(10,767)**	**—**	**(19,203)**
As at December 31, 2022	**$ 5,366,620**	**$ 4,494,743**	**$ 293,981**	**$ 218,974**	**$ 10,374,318**
Accumulated depreciation					
As at January 1, 2021	$ (759,532)	$ (1,001,821)	$ (75,787)	$ —	$ (1,837,140)
Depreciation expense	(104,512)	(139,650)	(18,221)	—	(262,383)
Disallowed capital depreciation[5]	10	14	—	—	24
Retirements and other	501	7,950	9,802	—	18,253
As at December 31, 2021	(863,533)	(1,133,507)	(84,206)	—	(2,081,246)
Depreciation expense	**(109,748)**	**(136,460)**	**(19,329)**	**—**	**(265,537)**
Disallowed capital depreciation[6]	**18**	**—**	**—**	**—**	**18**
Retirements and other	**756**	**4,068**	**10,574**	**—**	**15,398**
As at December 31, 2022	**$ (972,507)**	**$ (1,265,899)**	**$ (92,961)**	**$ —**	**$ (2,331,367)**
Net book value					
As at December 31, 2021	$ 4,416,421	$ 3,233,277	$ 199,979	$ 240,059	$ 8,089,736
As at December 31, 2022	**$ 4,394,113**	**$ 3,228,844**	**$ 201,020**	**$ 218,974**	**$ 8,042,951**

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 15.7 years and net book value of $36.9 million as at December 31, 2022 (December 31, 2021 – $39.5 million); there were no additions to the cost of the leased assets during the year ended December 31, 2022 (December 31, 2021 – $nil).
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 March 19, 2021, the AUC issued its decision on AltaLink's 2019 Deferral Accounts Reconciliation Application. The AUC approved $128.0 million of the total $128.5 million of capital project additions. On April 27, 2021, the AUC issued its decision on AltaLink's 2016-2018 Deferral Accounts Reconciliation Compliance Filing, disallowing $0.2 million of internal labour costs to prepare and support the application. The net book value of the disallowed capital costs was $0.64 million and AltaLink repaid $0.02 million of accumulated depreciation which it had recovered.
6. On January 19, 2022, the AUC issued its decision on AltaLink's 2022-2023 General Tariff Application, disallowing $1.55 million of capital replacement and upgrade project additions related to AltaLink's Wildfire Mitigation Plan. The net book value of the disallowed capital costs was $1.54 million and AltaLink repaid $0.01 million of accumulated depreciation which it had recovered.

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

	2022	2021
Lines	**1.90%-4.76%**	1.88%-4.96%
Substations	**2.37%-6.10%**	2.48%-6.42%
Buildings & equipment	**2.33%-20.09%**	2.52%-20.09%

8. Third party deposits

(in thousands of dollars)	**Contributions in Advance of Construction**	**Operating and Maintenance Charges in Advance**	**Total**
As at January 1, 2021	$ 68,717	$ 6,073	$ 74,790
Receipts and interest net of refunds	56,693	38	56,731
Transfers to deferred revenue [note 12]	(67,027)	—	(67,027)
Recognized other revenue	—	(198)	(198)
As at December 31, 2021	58,383	5,913	64,296
Receipts and interest net of refunds	**57,111**	**136**	**57,247**
Transfers to deferred revenue	**(60,996)**	**—**	**(60,996)**
Recognized other revenue	**—**	**(182)**	**(182)**
As at December 31, 2022	**$ 54,498**	**$ 5,867**	**$ 60,365**

Third party deposits are held in short-term investments, which are reinvested as needed. These investments earned a weighted average annual effective interest rate of 4.29% as at December 31, 2022 (December 31, 2021 – 0.23%). 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, 2022**	December 31, 2021
CWIP-in-rate base and related income tax receivable	**$ 237,463**	$ 243,247
Recovery of deemed future income taxes	**644,159**	572,311
Cancelled projects	**1,340**	—
Other non-current financial assets related to regulated activities	**314,196**	304,522
	$ 1,197,158	$ 1,120,080

Other non-current assets are comprised of financial assets related to regulated activities. Financial assets related to regulated activities include amounts that have been added to rate base for regulatory purposes, which will be recovered or repaid in tariff revenue over a time period, as approved by the AUC. Financial assets related to regulated activities also include the accrued recovery of deemed future income taxes which is based on the underlying right of the Partnership to earn an after-tax rate of return.

10. Trade and other payables

	As at			
	December 31, 2022		December 31, 2021	
(in thousands of dollars)				
Trade and accrued payables	**$**	**63,374**	$	56,095
Accrued interest on debt		**27,213**		26,775
Other current liabilities		**7,303**		7,172
Current financial liabilities related to regulated activities		**3,168**		2,933
	$	**101,058**	$	92,975

11. Debt

Commercial paper and bank credit facilities

As at December 31, 2022	**Committed**	**Drawdowns**	**Commercial paper outstanding**	**Letters of credit outstanding**	**Availability**	**Maturity date of facility**
(in thousands of dollars)						
Revolving credit facility	**$ 500,000**	**$ —**	**$ 121,500**	**$ —**	**$ 378,500**	**December 15, 2027[1]**
Revolving credit facility	**75,000**	**—**	**—**	**1,694**	**73,306**	**December 15, 2027[1]**
	$ 575,000	**$ —**	**$ 121,500**	**$ 1,694**	**$ 451,806**	

1. On December 15, 2022, both facilities were extended an additional year to December 15, 2027.

In addition, the Partnership has outstanding cheques net of cash in the amount of $1.2 million as at December 31, 2022 (December 31, 2021 – $nil).

As at December 31, 2021	Committed	Drawdowns	Commercial paper outstanding	Letters of credit outstanding	Availability	Maturity date of facility
(in thousands of dollars)						
Revolving credit facility	$ 500,000	$ —	$ 136,500	$ —	$ 363,500	December 15, 2026
Revolving credit facility	75,000	—	—	1,605	73,395	December 15, 2026
	$ 575,000	$ —	$ 136,500	$ 1,605	$ 436,895	

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.

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, bankers' acceptances, U.S. base rate loans or drawn letters of credit.

On an annual basis, the Partnership can request the lenders’ consent that the maturity date of the credit facilities be extended for a further 365 days.

Long-term debt

	Effective Interest Rate	Maturing	As at December 31, 2022	December 31, 2021
(in thousands of dollars)				
Senior Debt obligations				
Series 2012-2, 2.978%	3.041%	2022	**$ —**	$ 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%	1.588%	2030	**225,000**	225,000
Series 2022-1, 4.692%	4.756%	2032	**275,000**	—
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	4,750,000
Debt discounts and premiums			**(4,824)**	(4,981)
Less: deferred financing fees			**(20,800)**	(20,916)
Long-term debt maturing in less than one year			**(500,000)**	(275,000)
Long-term debt			**$ 4,224,376**	$ 4,449,103

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 November 2022, AltaLink issued $275.0 million of 4.692% 10-year Series 2022-1 Senior Secured Notes due November 28, 2032 and repaid $275.0 million of maturing 2.978% 10-year Series 2012-2 Medium-Term Notes due November 28, 2022.

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 more than 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	
Fourth quarter 2023	$ 500,000
Second quarter 2024	350,000
2025	—
2026	350,000
2027	—
2028 and thereafter	3,550,000

Finance costs

	Year ended	
	December 31, 2022	December 31, 2021
(in thousands of dollars)		
Interest expense	**$ 188,186**	$ 185,070
Amortization of deferred financing fees	**1,509**	1,464
Capitalized borrowing costs[1] [note 17]	**(2,771)**	(2,865)
Interest expense on lease liabilities	**1,983**	2,031
	$ 188,907	$ 185,700

1. The average capitalization rate during the year ended December 31, 2022 was 3.84% (December 31, 2021 – 3.83%).

12. Deferred revenue

(in thousands of dollars)	Deferred Revenue for Salvage	Third Party Contributions	Total
As at January 1, 2021	$ 216,527	$ 858,288	$ 1,074,815
Transferred from third party deposits [note 8]	—	67,027	67,027
Cancelled project transfers	—	(10,036)	(10,036)
Received through transmission tariffs [note 17]	29,770	—	29,770
Transferred from third parties	137	—	137
Recognized as revenue [notes 17 and 18]	(31,709)	(25,488)	(57,197)
As at December 31, 2021	214,725	889,791	1,104,516
Transferred from third party deposits net of refunds	**—**	**34,891**	**34,891**
Cancelled project transfers	**—**	**(8,449)**	**(8,449)**
Received through transmission tariffs [note 17]	**30,600**	**—**	**30,600**
Transferred from third parties	**26**	**—**	**26**
Recognized as revenue [notes 17 and 18]	**(28,597)**	**(25,320)**	**(53,917)**
As at December 31, 2022	**$ 216,754**	**$ 890,913**	**$ 1,107,667**

(in thousands of dollars)	As at December 31, 2022	December 31, 2021
Current portion	**$ 56,068**	$ 57,898
Long-term portion	**1,051,599**	1,046,618
	$ 1,107,667	$ 1,104,516

13. Lease liabilities

Lease liabilities

(in thousands of dollars)	As at December 31, 2022	December 31, 2021
Current lease liabilities	**$ 2,133**	$ 1,984
Long-term portion	**48,714**	50,847
	$ 50,847	$ 52,831

Lease payments

(in thousands of dollars)	2023	2024	2025	2026	2027	2028 and thereafter	Total as at December 31, 2022
Lease payments	$ 4,035	$ 3,924	$ 4,228	$ 4,299	$ 4,300	$ 47,573	**$ 68,359**
Amounts representing implicit interest							**(17,512)**
Lease liabilities							**$ 50,847**

As at December 31, 2022 the weighted average lessee incremental borrowing rate applied to the lease liabilities is 3.84% (December 31, 2021 – 3.84%).

Amounts related to leases recognized in statement of comprehensive income

	Year ended December 31, 2022		2021
(in thousands of dollars)			
Gross depreciation	**2,608**	$	2,608
Capitalized depreciation	**(2,376)**		(2,163)
Net depreciation expense	**232**	$	445
Interest expense	**1,983**		2,031
Expense related to short-term and variable lease payments not included in the measurement of the lease liability	**3,006**		3,751
	5,221	$	6,227

The total cash outflows for lease principal and interest were $4.0 million in 2022 (2021 – $3.6 million). The cash inflow for lease incentive was $nil in 2022 (2021 – $3.0 million).

14. Other non-current liabilities

		As at December 31, 2022		December 31, 2021
(in thousands of dollars)				
Accrued employment benefit liabilities	**$**	**8,382**	$	10,976
Other long-term liabilities		**4,802**		10,106
Non-current financial liabilities related to regulated activities		**6,326**		13,173
Financial (redemption) liabilities		**16,521**		16,603
	$	**36,031**	$	50,858

Non-current financial liabilities related to regulated activities include accruals for the repayment of deferral account balances which are certain costs that were incurred by the Partnership relating to its primary activities with the AESO that are less than what was received in tariffs. The difference is expected to be refunded to the AESO through the regulatory process beyond the next 12 months.

Piikani Transmission Holding Limited Partnership (the nominee of the Piikani First Nation) 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 these 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, 2022, the defined contribution pension plan employer contribution expense was $7.5 million (December 31, 2021 – $7.8 million).

The General Partner has an unfunded, non-registered supplemental pension plan, which is provided to all employees who exceed the income tax limits on maximum pension contributions in a year. The employer contribution expense rate was 8% in 2022 (2021 – 8%). For the year ended December 31, 2022, the supplemental pension plan employer contribution expense was $0.3 million (December 31, 2021 – $0.3 million) and as at December 31, 2022, the supplemental pension plan liability was $1.8 million (December 31, 2021 – $2.1 million).

AltaLink's post-employment benefits plan is unfunded and provides 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, 2022, the current service cost and interest cost on the benefit obligation were $0.6 million (December 31, 2021 – $0.7 million). As at December 31, 2022, the accrued benefit obligation was $4.1 million (December 31, 2021 – $5.8 million). For the year ended December 31, 2022, an actuarial gain of $2.1 million was recognized in other comprehensive income (December 31, 2021 – actuarial gain of $0.9 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, 2022	December 31, 2021
(in thousands of dollars)		
AltaLink Management Ltd.		
Employee compensation and benefits	**$ 120,042**	$ 126,871
Cost recovery for non-regulated activities	**$ 2,753**	$ 3,081

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 $22.9 million as at December 31, 2022 (December 31, 2021 – $29.5 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 Limited, BHE Canada Holdings Corporation, Berkshire Hathaway Energy Company and MATL Canada L.P.

Remuneration of senior management

	Year ended	
	December 31, 2022	December 31, 2021
(in thousands of dollars)		
Salary and other short-term benefits	**$ 3,318**	$ 4,553
Post-employment benefits	**414**	354
Other long-term benefits	**1,525**	2,595
	$ 5,257	$ 7,502

As at December 31, 2022, senior management included the President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Executive Vice President Customer and Corporate Services, Senior Vice President Law, Regulatory and General Counsel and Senior Vice President Human Resources.

Salary and other short-term benefits represent actual salary received during the year, annual short-term incentives based on the achievement of specific predetermined performance goals, perquisites and other bonuses. 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 senior management includes $0.9 million in salaries, short-term and long-term incentives paid to two senior managers who left AltaLink in 2022 (2021 – $nil).

Remuneration of Board of Directors of the General Partner

	Year ended	
	December 31, 2022	December 31, 2021
(in thousands of dollars)		
Total fees earned by Directors	**$ 564**	$ 638

As at December 31, 2022, the Board of Directors includes the Chairman of the Board, and eight other directors. The members of the Board who are not management or representatives of the owners are paid an annual fee, additional retainers for serving on Board committees and a periodic technology allowance.

17. Revenue from operations

On August 17, 2022, the AUC approved revised final transmission tariffs for AltaLink, including monthly tariffs for PLP and KLP, of $83.7 million per month effective September 1, 2022, for the remainder of 2022, and $73.6 million per month for 2023. The AUC approved AltaLink's 2022 revenue requirement at $870.8 million, with total approved 2022 revenue requirement, including PLP and KLP, of $878.9 million.

On May 17, 2022, the AUC approved final transmission tariffs for AltaLink, including monthly tariffs for PLP and KLP, of $83.6 million per month effective June 1, 2022.

On November 23, 2021, the AUC approved an interim tariff of $57.4 million per month starting at January 1, 2022, which includes monthly tariffs for PLP and KLP.

On March 15, 2021, the AUC approved a revised revenue requirement of $873.3 million for 2021 and a final cash transmission tariff of $46.5 million per month starting April 2021, which included amounts for PLP and KLP. On November 19, 2020, the AUC approved 2021 monthly cash tariffs of $71.4 million starting January 2021, which included monthly tariffs for PLP and KLP.

On October 13, 2020, the AUC issued Decision 24110-D01-2020 to set the 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. On March 4, 2021, the AUC issued Decision 26212-D01-2021 approving an equity return of 8.5% and an equity ratio of 37% for 2022.

For the year ended December 31, 2022, approximately 96% of the Partnership's revenue is attributable to the AESO (December 31, 2021 – approximately 96%).

The following table summarizes the timing differences between the revenue requirement approved on August 17, 2022 for 2022 and on March 15, 2021 for 2021, and revenue from operations earned during the periods.

	Year ended			
		December 31, 2022		December 31, 2021
(in thousands of dollars)				
Debt and equity return on rate base	**$**	**420,897**	$	428,939
Recovery of forecast expenses		**458,046**		444,334
Revenue requirement	**$**	**878,943**	$	873,273
AFUDC		**7,658**		7,473
Repayable direct assigned capital projects		**(723)**		(4,319)
Receivable property taxes and other		**2,576**		1,971
Revenue related IFRS adjustments[1]		**64,324**		72,383
Revenue from operations	**$**	**952,778**	$	950,781

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

	Year ended			
		December 31, 2022		December 31, 2021
(in thousands of dollars)				
Revenue related to salvage costs [note 12]	**$**	**28,597**	$	31,709
Salvage funds transferred to deferred revenue [note 12]		**(30,600)**		(29,770)
Revenue for the recovery of future income taxes		**71,848**		72,185
Recovery of loss on disposal of assets other than land		**3,804**		7,533
Capitalized borrowing costs [note 11]		**(2,771)**		(2,865)
Collection of receivables related to IFRS adjustments		**(6,554)**		(6,409)
Revenue related IFRS adjustments	**$**	**64,324**	$	72,383

18. Other revenue

	Year ended			
		December 31, 2022		December 31, 2021
(in thousands of dollars)				
Third party contributions revenue [note 12]	**$**	**25,320**	$	25,488
Construction and service costs recovered from third parties		**6,844**		9,297
Tower and land rent		**1,023**		982
Related party and other revenue		**3,068**		3,246
	$	**36,255**	$	39,013

Other revenue includes revenue for services provided to third parties including other utilities on a cost recovery basis and amortization of third party contributions. Related costs are included in operating expenses (note 19 - Expenses) and depreciation and amortization; therefore, there is no net income impact.

19. Expenses

Operating expenses

	Year ended	
	December 31, 2022	December 31, 2021
(in thousands of dollars)		
Employee salaries and benefits	**$ 50,720**	$ 53,377
Contracted labour	**21,630**	22,821
Other operating expenses	**26,720**	26,187
Disallowed capital costs [note 7]	**1,547**	662
	$ 100,617	$ 103,047

Property taxes, salvage and other expenses

	Year ended	
	December 31, 2022	December 31, 2021
(in thousands of dollars)		
Property and business tax	**$ 53,059**	$ 52,024
Salvage expenses	**28,597**	31,709
Annual structure payments	**15,680**	15,484
Hearing expenses and other	**1,110**	1,113
	$ 98,446	$ 100,330

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 would be 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, 2022, AltaLink's partners did not invest additional equity (December 31, 2021 – $10.6 million). No partnership units were issued during the years ended December 31, 2022 and 2021.

21. Non-controlling interests

AltaLink holds 49% 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.

As at December 31, 2022, the non-controlling interests within the equity section of the statement of financial position are comprised of 1759511 Alberta Ltd.'s (the nominee of the Blood Tribe) $6.6 million limited partner interest (December 31, 2021 – $6.6 million) or 51% of KLP, and Piikani Transmission Holding Limited Partnership's (the nominee of the Piikani First Nation) $9.9 million limited partner interest (December 31, 2021 – $10.0 million) or 51% of PLP.

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, 2022	December 31, 2021	**December 31, 2022**	December 31, 2021
(in thousands of dollars)				
Assets	**$ 36,664**	$ 37,185	**$ 54,117**	$ 55,013
Liabilities	**(23,684)**	(24,192)	**(34,701)**	(35,449)
Equity	**(12,980)**	(12,993)	**(19,416)**	(19,564)
Revenue	**3,333**	3,523	**5,255**	5,476
Profit	**1,337**	1,524	**1,977**	2,200

23. Other cash flow information

	Year ended	
	December 31, 2022	**December 31, 2021**
(in thousands of dollars)		
Change in other items		
Deferred revenue for salvage	**$ 2,029**	$ (1,803)
Non-current financial assets related to regulated activities, excluding customer tariff refund and cancelled projects	**(74,900)**	(86,351)
Non-current financial liabilities related to regulated activities	**(6,847)**	3,209
Accrued employee benefit liabilities, excluding actuarial gain	**(520)**	508
Amortization of financing fees and capitalized borrowing costs	**(1,262)**	(1,401)
Other long-term liabilities, excluding other non-cash items	**(952)**	572
	$ (82,452)	$ (85,266)
Change in non-cash working capital		
Trade and other receivables	**$ (33,607)**	$ 22,861
Trade and other payables	**8,083**	(11,134)
	$ (25,524)	$ 11,727
Related to operating activities	**$ (34,533)**	$ 16,389
Related to investing activities	**8,860**	(8,053)
Related to financing activities	**149**	3,391
	$ (25,524)	$ 11,727

Change in other financing activities		
Deferred financing fees	**$ (1,236)**	$ 157
Third party deposits	**3,931**	10,494
Third party deposits liability	**(3,931)**	(10,494)
	$ (1,236)	$ 157

24. Commitments

The contractual commitments of the Partnership associated with the construction of new facilities as at December 31, 2022 are $90.8 million (December 31, 2021 – $101.8 million).

25. Contingencies

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

- AltaLink has been sued by third parties who seek compensation for damages in respect of certain operating, capital or other activities performed by AltaLink or its contractors.
- 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 contingencies are dependent on future legal proceeding results and the likely outcomes are not determinable.