

# FORTISALBERTA INC.

**Financial Statements**  
**For the years ended December 31, 2016 and 2015**

## MANAGEMENT'S REPORT

The accompanying annual financial statements of FortisAlberta Inc. (the "Corporation") have been prepared by management, who are responsible for the integrity of the information presented. These annual financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States ("US GAAP"). The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

In meeting its responsibility for the reliability and integrity of the annual financial statements, management has developed and maintains a system of accounting and reporting that provides for the necessary internal controls to provide reasonable assurance that transactions are properly authorized and recorded, assets are safeguarded and liabilities are recognized. The systems of the Corporation focus on the need for training of qualified and professional staff and the effective communication of management guidelines and policies. The internal control system also includes an internal audit function and an established code of business conduct. The effectiveness of the internal controls of the Corporation is evaluated on an ongoing basis.

The Board of Directors oversees management's responsibilities for financial reporting through an Audit, Risk and Environment Committee (the "Audit Committee"), which is composed of five members, four of which are independent. The Audit Committee oversees the external audit of the Corporation's annual financial statements and the accounting, financial reporting and disclosure processes and policies of the Corporation. The Audit Committee meets with management, the shareholder's auditors and the internal auditor to discuss the results of the external audit, the adequacy of the internal accounting controls, and the quality and integrity of financial reporting. The Corporation's annual financial statements are reviewed by the Audit Committee with each of management and the shareholder's auditors before the statements are recommended to the Board of Directors for approval. The shareholder's auditors have full and free access to the Audit Committee.

The Audit Committee has the duty to review the adoption of, and changes in, accounting principles and practices, which have a material effect on the Corporation's annual financial statements, and to review and report to the Board of Directors on policies relating to the accounting, financial reporting and disclosure processes. The Audit Committee has the duty to review financial reports requiring the approval of the Board of Directors prior to submission to the securities commissions or other regulatory authorities, to assess and review management judgments material to reported financial information, and to review the shareholder's auditors' independence and auditors' fees.

The 2016 annual financial statements were reviewed by the Audit Committee and, on their recommendation, were approved by the Board of Directors of FortisAlberta Inc. Ernst & Young LLP, independent auditors appointed by the shareholder of FortisAlberta Inc. upon recommendation of the Audit Committee, have performed an audit of the 2016 annual financial statements and their report follows.

(signed)  
Phonse Delaney  
President and Chief Executive Officer

(signed)  
Janine Sullivan  
Vice President, Finance and Chief Financial Officer

February 8, 2017  
Calgary, Canada

# INDEPENDENT AUDITORS' REPORT

To the Shareholder of FortisAlberta Inc.,

We have audited the accompanying financial statements of FortisAlberta Inc., which comprise the balance sheets as at December 31, 2016 and 2015, and the statements of income and comprehensive income, changes in shareholder's equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States, 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.

## AUDITORS' RESPONSIBILITY

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

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

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

## OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of FortisAlberta Inc. as at December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

The logo for Ernst & Young LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants

February 8, 2017  
Calgary, Canada

# FORTISALBERTA INC.

## BALANCE SHEETS

As at December 31 (all amounts in thousands of Canadian dollars)	2016	2015
<b>Assets</b>		
Current assets		
Cash	\$ -	\$ 4,742
Restricted cash (note 2d)	3,933	-
Accounts receivable (note 3)	107,028	119,421
Prepays and deposits	3,486	3,444
Income tax receivable	-	3,692
Regulatory assets (note 4)	854	9,502
	115,301	140,801
Regulatory assets (note 4)	339,745	280,620
Property, plant and equipment (note 5)	3,310,897	3,115,663
Intangible assets (note 6)	64,201	56,816
Other assets (note 7)	1,799	1,738
Goodwill	226,968	226,968
	\$ 4,058,911	\$ 3,822,606
<b>Liabilities and Shareholder's Equity</b>		
Current liabilities		
Short-term borrowings (note 10)	\$ 92,610	\$ 88,000
Accounts payable and other current liabilities (note 8)	158,742	157,824
Income tax payable	1,927	-
Regulatory liabilities (note 4)	26,136	15,004
	279,415	260,828
Other liabilities (note 9)	16,390	17,948
Regulatory liabilities (note 4)	412,033	380,939
Deferred income tax (note 16)	244,927	201,349
Long-term debt (notes 10 and 18)	1,819,478	1,670,545
	2,772,243	2,531,609
<b>Shareholder's Equity</b>		
Share capital, no par value, unlimited authorized shares, 63 shares issued and outstanding (2015 - 63) (note 12)	173,848	173,848
Additional paid-in capital (note 13)	699,896	689,896
Accumulated other comprehensive gain (loss) (note 14)	1,329	(2,398)
Retained earnings	411,595	429,651
	1,286,668	1,290,997
	\$ 4,058,911	\$ 3,822,606

*Commitments and contingencies (note 17)*

*Approved on behalf of the Board:*

*(signed)*  
Roger Thomas  
Director

*(signed)*  
Tracey Ball  
Director

The accompanying notes are an integral part of these annual financial statements.

# FORTISALBERTA INC.

## STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Years ended December 31 (all amounts in thousands of Canadian dollars)	2016	2015
<b>Revenues</b>		
Electric rate revenue	\$ 556,688	\$ 547,322
Other revenue	15,551	15,749
	572,239	563,071
<b>Expenses</b>		
Cost of sales (exclusive of items shown separately below)	189,351	182,875
Depreciation	169,693	158,051
Amortization	9,867	9,755
	368,911	350,681
Other income	2,459	2,982
Income before interest expense and income tax	205,787	215,372
Interest expense (note 11)	84,956	78,705
Income before income tax	120,831	136,667
Income tax expense (recovery) (note 16)	137	(849)
<b>Net Income</b>	\$ 120,694	\$ 137,516
Other comprehensive income		
Reclassification of other post-employment benefit items (note 14)	3,727	659
<b>Comprehensive Income</b>	\$ 124,421	\$ 138,175

The accompanying notes are an integral part of these annual financial statements.

# FORTISALBERTA INC.

## STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

Years ended December 31 (all amounts in thousands of Canadian dollars)	2016	2015
<b>Share Capital</b> (note 12)		
Balance, beginning of year	\$ 173,848	\$ 173,848
Share capital issued	-	-
Balance, end of year	\$ 173,848	\$ 173,848
<b>Additional Paid-in Capital</b> (note 13)		
Balance, beginning of year	\$ 689,896	\$ 679,896
Equity contributions	10,000	10,000
Balance, end of year	\$ 699,896	\$ 689,896
<b>Accumulated Other Comprehensive Gain (Loss)</b> (note 14)		
Balance, beginning of year	\$ (2,398)	\$ (3,057)
Reclassification of other post-employment benefit items	3,727	659
Balance, end of year	\$ 1,329	\$ (2,398)
<b>Retained Earnings</b>		
Balance, beginning of year	\$ 429,651	\$ 352,135
Net income	120,694	137,516
Dividends (note 12)	(138,750)	(60,000)
Balance, end of year	\$ 411,595	\$ 429,651
<b>Total Shareholder's Equity</b>	\$ 1,286,668	\$ 1,290,997

The accompanying notes are an integral part of these annual financial statements.

# FORTISALBERTA INC.

## STATEMENTS OF CASH FLOWS

Years ended December 31 (all amounts in thousands of Canadian dollars)	2016	2015
<b>Operating Activities</b>		
Net income	\$ 120,694	\$ 137,516
Adjustments for non-cash items included in net income:		
Depreciation	169,693	158,051
Amortization	14,096	10,853
Deferred income tax	(2,081)	4,665
Equity component of allowance for funds used during construction	(2,459)	(2,982)
Change in long-term regulatory assets and liabilities	(739)	2,996
Change in other non-current operating assets and liabilities	(1,597)	(3,718)
Change in non-cash operating working capital (note 20)	30,038	(50,390)
Cash from operating activities	327,645	256,991
<b>Investing Activities</b>		
Property, plant and equipment	(357,358)	(426,119)
Customer contributions for property, plant and equipment	18,392	33,995
Intangible assets	(17,467)	(26,317)
Proceeds from the sale of property, plant and equipment	3,801	3,164
Deposit for the purchase of electric distribution system (note 2d)	(3,746)	-
Net change in employee loans	(301)	(137)
Cash used in investing activities	(356,679)	(415,414)
<b>Financing Activities</b>		
Change in short-term borrowings	(32,390)	34,602
Proceeds from long-term debt, net of issuance costs	148,633	148,729
Net borrowings under committed credit facility	36,799	29,834
Dividends paid (note 12)	(138,750)	(60,000)
Equity contributions (note 13)	10,000	10,000
Cash from financing activities	24,292	163,165
Change in cash and cash equivalents	(4,742)	4,742
Cash and cash equivalents, beginning of year	4,742	-
Cash and cash equivalents, end of year	\$ -	\$ 4,742

Supplemental cash flow information (note 20)

The accompanying notes are an integral part of these annual financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ENTITY DEFINITION AND NATURE OF OPERATIONS

FortisAlberta Inc. (the “Corporation” or “FortisAlberta”) is a regulated electricity distribution utility in the Province of Alberta. Its business is the ownership and operation of electricity facilities that distribute electricity generated by other market participants from high-voltage transmission substations to end-use customers. The Corporation does not own or operate generation or transmission assets and is not involved in the direct sale of electricity. It is intended that the Corporation remain a regulated electricity utility for the foreseeable future, focusing on the delivery of safe, reliable and cost-effective electricity services to its customers in Alberta.

The Corporation is regulated by the Alberta Utilities Commission (the “AUC”) pursuant to the *Alberta Utilities Commission Act* (the “AUC Act”). The AUC’s jurisdiction, pursuant to the *Electric Utilities Act* (the “EUA”), the *Public Utilities Act*, the *Hydro and Electric Energy Act* and the *AUC Act*, includes the approval of distribution tariffs for regulated distribution utilities, such as the Corporation, including the rates and terms and conditions on which service is to be provided by those utilities.

The Corporation is an indirect, wholly-owned subsidiary of Fortis Inc. (“Fortis”). Fortis is a leader in the North American electric and gas utility business, serving customers across Canada and in the United States and the Caribbean.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Presentation

These financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States (“US GAAP”) as codified in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). The preparation of financial statements in accordance with US GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Certain estimates are necessary since the regulatory environment in which the Corporation operates often requires amounts to be recorded at estimated values until finalization and adjustments, if any, are determined pursuant to subsequent regulatory decisions or other regulatory proceedings. Significant accounting estimates made by management include income tax, contingent liabilities due to general litigation, depreciation, amortization, employee future benefits, goodwill impairment, accrued revenue, expense accruals and other items impacted by regulation. Due to the inherent uncertainty in making such estimates, actual results reported in future periods could differ materially from those estimated.

#### (b) Regulation

The Corporation is regulated by the AUC, pursuant to the *EUA*, the *Public Utilities Act*, the *Hydro and Electric Energy Act* and the *AUC Act*. The AUC administers these acts and regulations covering such matters as revenue requirements, customer rates, construction of assets, operations and financing. The timing of recognition of certain assets, liabilities, revenues and expenses as a result of regulation may differ from that otherwise expected using US GAAP for entities not subject to rate regulation.

Effective January 1, 2013, the AUC prescribed that distribution utilities in Alberta, including the Corporation, move to a form of rate regulation referred to as performance-based regulation (“PBR”) for a five-year term. Under PBR, a formula that estimates inflation annually and assumes productivity improvements is used to determine distribution rates on an annual basis. Each year this formula is applied to the preceding year’s distribution rates. The 2012 distribution rates are the base rates upon which the formula was first applied and they were set using a traditional cost-of-service model whereby the AUC established the Corporation’s revenue requirements, being those revenues corresponding to the costs associated with the distribution business, and provided a rate of return on a deemed equity component of capital structure (“ROE”) applied to rate base assets. The Corporation’s ROE for ratemaking purposes was 8.75% for 2012 with a deemed equity ratio of 41%. For 2013, 2014 and 2015, the Corporation’s ROE was set at 8.30% with a deemed equity ratio of 40%. For 2016 and 2017, the Corporation’s ROE has been set at 8.30% and 8.50%, respectively, with a deemed equity ratio of 37%. The impact of changes to ROE and capital structure during the PBR term apply only to the portion of rate base that is funded by revenue provided by mechanisms separate from the formula.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (b) Regulation (cont'd)

The PBR plan includes mechanisms for the recovery or settlement of items determined to flow through directly to customers ("Y factor") and the recovery of costs related to capital expenditures that are not being recovered through the formula ("K factor" or "capital tracker"). The AUC also approved a Z factor, a PBR re-opener and an ROE efficiency carry-over mechanism. The Z factor permits an application for recovery of costs related to significant unforeseen events. The PBR re-opener permits an application to re-open and review the PBR plan to address specific problems with the design or operation of the PBR plan. The use of the Z factor and PBR re-opener mechanisms is associated with certain thresholds. The ROE efficiency carry-over mechanism provides an efficiency incentive by permitting a utility to continue to benefit from any efficiency gains achieved during the PBR term for two years following the end of that term.

#### **Capital Tracker Applications**

In February 2016, the AUC issued Decision 20497-D01-2016 (the "2016 Capital Tracker Decision") related to the Corporation's 2014 True-Up and 2016-2017 Capital Tracker Application. In that Application, the Corporation had sought: (i) capital tracker revenue for 2016 and 2017 of \$71.5 million and \$89.9 million, respectively; (ii) an update to the 2014 capital tracker revenue to reflect actual capital tracker expenditures; and (iii) approval of additional revenue related to capital tracker amounts for 2013, 2014 and 2015 that had not been fully approved in the 2015 Capital Tracker Decision received in March 2015. The 2016 Capital Tracker Decision also addressed depreciation-related matters.

With respect to the depreciation-related matters, the AUC directed that the impact of a 2015 depreciation technical update not be included in the determination of the K factor amounts for 2015, 2016 and 2017. Actual depreciation expense, as reflected in the financial results of the Corporation, continues to be determined in accordance with the depreciation rates established by the 2015 depreciation technical update.

The effects of the 2016 Capital Tracker Decision reduced the applied for capital tracker revenue for 2016 and 2017 by \$0.6 million and \$0.4 million, respectively, and these reductions were reflected in the Corporation's required Compliance Filing. In September 2016, the AUC approved the Corporation's Compliance Filing in Decision 21520-D01-2016, including capital tracker revenue for 2016 and 2017 of \$70.9 million and \$89.5 million, respectively.

In June 2016, the Corporation filed a 2015 True-Up Application to update 2015 capital tracker revenue for actual capital tracker expenditures and the effects of the 2016 Capital Tracker Decision. The AUC issued its decision on the 2015 True-Up Application in January 2017, approving the 2015 capital tracker amount as filed, pending the Corporation submitting a Compliance Filing in February 2017.

For the year ended December 31, 2016, capital tracker revenue related to prior years was reduced by \$0.7 million to update the 2014 and 2015 capital tracker revenues for actual capital tracker expenditures for those years and reflect additional capital tracker amounts for 2013, 2014, and 2015 not previously approved. Capital tracker revenue related to 2016 has been updated to \$58.8 million, \$12.1 million lower than the \$70.9 million per the Compliance Filing, to reflect actual capital expenditures, associated carrying costs, and the impact of the 2016 Generic Cost of Capital Decision, discussed below.

#### **Generic Cost of Capital**

In October 2016, the AUC issued Decision 20622-D01-2016 (the "2016 GCOC Decision") related to the 2016 and 2017 Generic Cost of Capital proceeding. In this decision, the AUC maintained an 8.30% allowed ROE for 2016 and increased the allowed ROE to 8.50% for 2017. The decision also set the equity portion of capital structure at 37% for most utilities, which is a decrease from 40% for the Corporation.

For Alberta utilities under PBR, including the Corporation, the impact of the changes to the allowed ROE and capital structure resulting from the 2016 GCOC Decision applies to the portion of rate base that is funded by capital tracker revenue only.

#### **Electric Distribution System Purchases**

If the Corporation and a municipality or a Rural Electrification Association ("REA") come to an agreement to transfer electric distribution system assets to the Corporation, the transfer and purchase is subject to regulatory oversight. The municipality or REA is required to apply to the AUC to cease and discontinue its operations. Concurrently, the Corporation is required to apply to the AUC to alter its electric service area to include the electric service area of the municipality or REA, and obtain approval of the purchase price for the distribution system assets and the related rate treatment.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (b) Regulation (cont'd)

#### **Electric Distribution System Purchases (cont'd)**

In 2015, the Corporation was granted AUC approval to, and did acquire, the electric distribution systems of the Kingman REA Ltd. and the VNM REA Ltd. for \$5.1 million and \$16.0 million, respectively. Subsequently, in 2016, upon request by the Office of the Utilities Consumer Advocate, the AUC initiated a review of its decisions regarding these acquisitions to confirm that the purchase prices paid by the Corporation were properly determined. While the scope of the proceeding, as established by the AUC, will not permit the withdrawal of the approval for the transfer of assets involved in the acquisitions, this proceeding may result in amounts other than the purchase prices paid being approved for recovery in the Corporation's rates. A decision on this matter is expected in the second quarter of 2017.

In July 2016, the Corporation and the Municipality of Crowsnest Pass ("CNP") agreed to the acquisition by the Corporation of CNP's electric distribution system for a proposed purchase price of \$3.7 million, and filed the related Applications with the AUC. In December 2016, as a result of the AUC decision to review the purchase prices of the Kingman and VNM REA acquisitions, the AUC suspended its consideration of the acquisition of CNP until it issues a decision on the purchase prices of the Kingman and VNM REAs. In the interim, the Corporation has an operating agreement with CNP to oversee and maintain its electric distribution system and has placed the proposed purchase price of \$3.7 million, plus GST, in trust, as disclosed in Note 2(d) below. A decision on this matter is expected in the second half of 2017.

### (c) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments with original maturities of three months or less.

### (d) Restricted cash

Restricted cash is comprised of cash held in trust that is restricted in use until finalization of the proposed purchase of the distribution system assets of CNP, as discussed above in Note 2(b).

### (e) Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are measured at fair value and reported at the gross outstanding amount adjusted for an allowance for doubtful accounts if necessary. Accounts receivable are subsequently measured at amortized cost, using the effective interest method. Accounts receivable are written off in the period in which the receivable is determined to be uncollectible. If required, the Corporation maintains an accumulated provision for uncollectible customer accounts receivable that is estimated based on known accounts, historical experience and other currently available information. Interest is charged on overdue accounts receivable balances.

### (f) Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. The cost of constructed assets includes direct labour, materials, allocated overhead, and a portion of the depreciation of assets, such as tools and vehicles, used in the construction of other assets. Costs also include Alberta Electric System Operator ("AESO") contributions which are investments that the Corporation is required to make as a transmission customer to partially fund the construction of transmission facilities. Certain of the Corporation's assets may be acquired or constructed with financial assistance in the form of contributions from customers. These contributions are recorded as a reduction of property, plant and equipment and are depreciated over the life of the related assets. Materials and supplies are included within property, plant and equipment and are recorded at moving average cost.

Depreciation estimates are based primarily on depreciation parameters, including the service life of assets and expected net salvage percentages, which are periodically calculated in a depreciation study and approved by the AUC. The depreciation rates are subject to change when a new depreciation study is completed by the Corporation and approved by the AUC or when a technical update to the depreciation study is completed. A technical update develops depreciation rates for the current capital asset balances based on the approved depreciation parameters. Changes to depreciation rates are accounted for on a prospective basis.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (f) Property, Plant and Equipment (cont'd)

Depreciation is provided on a straight-line basis at various rates ranging from 1.72% to 34.57% in 2016 (2015 - 1.72% to 34.57%), based on a technical update as at December 2014, which updated the last approved depreciation study as at December 2010.

Depreciation rates include an amount allowed for regulatory purposes for non-asset retirement obligation ("non-ARO") removal costs. The amount provided for in depreciation expense is recorded as a long-term regulatory liability. Actual non-ARO removal costs are recorded against the regulatory liability when incurred.

Generally, when a regulated asset is retired or disposed of, there is no gain or loss recorded in net income. Any difference between the cost and accumulated depreciation of the asset, net of salvage proceeds, is charged to accumulated depreciation. It is expected that any gain or loss that is charged to accumulated depreciation will be reflected in future depreciation expense.

The Corporation capitalizes and includes in property, plant and equipment an allowance for funds used during construction ("AFUDC"), which represents an amount allowed for regulatory purposes for financing costs during construction. AFUDC is recovered in customer rates over the life of the assets through depreciation expense.

### (g) Intangible Assets

Intangible assets subject to amortization are recorded at cost, which includes direct labour and allocated overhead, less accumulated amortization. Intangible assets not subject to amortization are recorded at cost. Costs incurred to renew or extend the term of intangible assets are capitalized and amortized over the useful life of the asset. Amortization estimates are based primarily on depreciation parameters, including the service life of assets and expected net salvage percentages, which are periodically calculated in a depreciation study and approved by the AUC. The amortization rates are subject to change when a new depreciation study is completed by the Corporation and approved by the AUC or when a technical update to the depreciation study is completed. A technical update develops amortization rates for the current intangible asset balances based on the approved depreciation parameters. Changes to amortization rates are accounted for on a prospective basis.

Amortization is provided on a straight-line basis at various rates ranging from 0.00% (fully amortized) to 15.99% in 2016 (2015 - 0.00% to 15.99%), based on a technical update as at December 2014, which updated the last-approved depreciation study as at December 2010.

Generally, when a regulated asset is retired or disposed of there is no gain or loss recorded in net income. Any difference between the cost and accumulated amortization of the asset, net of salvage proceeds, is charged to accumulated amortization. It is expected that any gain or loss that is charged to accumulated amortization will be reflected in future amortization expense.

The Corporation capitalizes and includes in intangible assets an AFUDC, which represents an amount allowed for regulatory purposes for financing costs during construction. AFUDC is recovered in customer rates over the life of the assets through amortization expense.

### (h) Impairment of Long-Lived Assets

The Corporation reviews the valuation of long-lived assets subject to depreciation or amortization when events or changes in circumstances may indicate or cause its carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. An impairment loss, if any, would be recorded as the excess of the carrying value of the asset over its fair value.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (i) Asset Retirement Obligations

Asset retirement obligations ("AROs") related to the Corporation's distribution assets are recorded at fair value in the period in which they are incurred, unless the fair value cannot be reasonably determined. If a liability is recognized, a corresponding asset retirement cost is added to the carrying amount of the related long-lived asset, and is depreciated over the estimated useful life of the related asset. Accretion of the liability due to the passage of time is an operating expense, and is recorded over the estimated time period until settlement of the legal obligation. The Corporation has AROs associated with the removal of certain distribution system assets from rights-of-way at the end of the life of the assets. As it is expected that these assets will be in service indefinitely, an estimate of the fair value of asset removal costs cannot be reasonably determined at this time.

### (j) Goodwill

Goodwill represents the excess, at the date of acquisition, of the purchase price over the fair value of the net amounts assigned to individual assets acquired and liabilities assumed relating to the business acquisition. Goodwill is recorded at initial cost less any previous amortization and any write-down for impairment. The goodwill recognized in the financial statements results from push-down accounting applied when the Corporation was acquired by Fortis in 2004.

The Corporation is required to perform an annual impairment test and any impairment provision is charged to net income. In conducting the annual impairment test the Corporation has the option of performing a qualitative assessment before calculating fair value. If the qualitative factors indicate that fair value is 50% or more likely to exceed the carrying value, a calculation of fair value is not required. In addition to the annual impairment test, the Corporation also performs an impairment test if any event occurs or if circumstances change that would indicate that the fair value of the goodwill was below its carrying value. No such event or changes in circumstances occurred during 2016 or 2015 and no impairment provisions were required in either year.

As at October 1, 2016 the Corporation performed a qualitative assessment for goodwill and concluded that fair value was 50% or more likely to exceed the carrying value. It was concluded that goodwill was not impaired.

### (k) Employee Future Benefits

All accrued obligations for defined benefit pension and other post-employment benefit ("OPEB") plans are determined using the projected benefits method prorated on services. Future salary levels affect the amount of employee future benefits for the defined benefit pension plans. In valuing the OPEB and defined benefit pension costs, the Corporation uses management's best estimate assumptions. For the liability discount rate, the Corporation uses the long-term market rate of high quality debt instruments at the measurement date. The Corporation uses third party quoted values to value plan assets. Unrecognized actuarial gains and losses in excess of 10% of the greater of the benefit obligation and the market-related value of plan assets are amortized into net income over the expected average remaining service period of the active employees receiving benefits under the plan. Unamortized past service costs are amortized into net income over the expected average remaining service period of the active employees receiving benefits as at the date of amendment.

The funded status of defined benefit pension and OPEB plans are recognized on the balance sheet. The funded status is measured as the difference between the fair value of the plan assets and the benefit obligation. With respect to the defined benefit plans, any unrecognized actuarial gains and losses and past service costs and credits that arise during the period are subject to deferral treatment. In the case of the OPEB plan, unrecognized actuarial gains and losses and past service costs and credits are not subject to deferral treatment and are recognized as a component of other comprehensive income.

The Corporation recovers in customer rates employee future benefit costs based on estimated cash payments. Any difference between the expense recognized under US GAAP for defined benefit pension plans and that recovered in current rates, which is expected to be recovered or refunded in future rates, is subject to deferral treatment. Any difference between the expense recognized under US GAAP for the OPEB plan and that recovered in current rates is not subject to deferral treatment.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (l) Revenue Recognition

Revenues are recognized in the period services are provided, at AUC-approved rates where applicable, and when collectability is reasonably assured.

According to the *EUA*, the Corporation is required to arrange and pay for transmission service with the AESO and collect transmission revenue from its customers, which is done by invoicing the customers' retailers through the Corporation's transmission component of its AUC-approved rates. As the Corporation is solely a distribution utility, and as such does not own or operate any transmission facilities, it is largely a conduit for the flow through of transmission costs to end-use customers as the transmission facility owner does not have a direct relationship with the customers. As a result, the Corporation reports revenues and expenses related to transmission services on a net basis in other revenue.

### (m) Goods and Services Tax

In the course of its operations, the Corporation collects goods and services tax ("GST") from its customers. When customers are billed, a current liability for GST is recognized that corresponds to the revenue derived from the services provided by the Corporation. When expenses are incurred by the Corporation, a current asset for GST is recorded that corresponds to the expenditures derived from the goods or services received by the Corporation. The Corporation's revenues and expenses exclude GST. This net asset or liability is settled with the appropriate government authority.

### (n) Leases

Leases that transfer to the Corporation substantially all of the risks and benefits incidental to ownership of the leased item are capitalized at an amount equal to the present value of the minimum lease payments. Capital leases are amortized over the term of the lease. Operating lease payments are recognized as an expense in net income over the term of the lease.

### (o) Financial Instruments

Financial instruments are contracts that give rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial instruments are recorded initially at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Subsequent measurement depends on how the financial instrument has been classified. The Corporation's financial instruments, which include accounts receivable, accounts payable, accrued liabilities, short-term borrowings, dividends payable, other long-term liabilities and long-term debt are measured at amortized cost, using the effective interest method.

### (p) Debt Issuance Costs

The Corporation incurs debt issuance costs when entering into or renewing debt agreements. Debt issuance costs are deferred on the balance sheet when incurred and amortized to interest expense using the effective interest method over the life of the associated debt.

### (q) Income Tax

The Corporation follows the asset and liability method of accounting for income tax in accordance with ASC 740, *Income Taxes*. Income tax expense is recovered through customer rates based on income tax that is currently payable for regulatory purposes. Therefore, current customer rates do not include the recovery of deferred income tax related to temporary differences between the tax basis of assets and liabilities and their carrying amounts for regulatory purposes, as this tax is expected to be collected in rates when payable. The Corporation recognizes an offsetting regulatory asset for the amount of income tax that is expected to be collected in rates once payable.

Income tax interest and penalties are expensed as incurred and included in interest expense. Investment tax credits are deducted from the related assets and are recognized as tax receivable, to be recovered when the Corporation becomes taxable for regulatory purposes.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (q) Income Tax (cont'd)

Tax benefits associated with income tax positions taken, or expected to be taken, in a tax return are recognized only when the more likely than not recognition threshold is met. The tax benefits are measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The difference between a tax position taken, or expected to be taken, and the benefit recognized and measured pursuant to this guidance represents an unrecognized tax benefit.

### (r) Disclosure of Uncertainties of the Entity's Ability to Continue as a Going Concern

Effective January 1, 2016, the Corporation adopted Accounting Standard Update ("ASU") 2014-15, which provides guidance on management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and provide related disclosures. The adoption of this update did not impact the Corporation's financial statements and related disclosures in 2016.

### (s) Future Accounting Pronouncements

The Corporation considers the applicability and impact of all ASUs issued by FASB. The following updates have been issued by FASB, but have not been adopted by the Corporation. Any ASUs not included in the below were assessed and determined to be either not applicable to the Corporation or are not expected to have a material impact on the financial statements.

#### **Revenue from Contracts with Customers**

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The amendments in this update create ASC Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the codification. This standard clarifies the principles for recognizing revenue and can be applied consistently across various transactions, industries and capital markets. In 2016, a number of additional ASUs were issued that clarify implementation guidance in ASC Topic 606. This standard, and all related ASUs, is effective for annual and interim periods beginning after December 15, 2017. Early adoption is permitted for annual and interim periods beginning after December 15, 2016. The Corporation does not expect to early adopt.

The new guidance permits two methods of adoption: (i) the full retrospective method, under which comparative periods would be restated, and the cumulative impact of applying the standard would be recognized as at January 1, 2017, the earliest period presented; and (ii) the modified retrospective method, under which comparative periods would not be restated and the cumulative impact of applying the standard would be recognized at the date of initial adoption, January 1, 2018. The Corporation expects to use the modified retrospective approach, however, it continues to monitor industry developments. Any significant industry developments could change the Corporation's expected method of adoption.

The majority of the Corporation's revenue is generated from the distribution of electricity to end-use customers based on published tariff rates, as approved by the regulator, and is considered to be in the scope of ASU 2014-09. The Corporation does not expect that the adoption of this standard, and all related ASUs, will have a material impact on the recognition of revenue generated from the distribution of electricity to end-use customers; however, the Corporation does expect it will impact its related disclosures. Certain industry specific interpretive issues, including contributions in aid of construction, remain outstanding and the conclusions reached, if different than currently anticipated, could have a material impact on the Corporation's financial statements and related disclosures. The Corporation continues to closely monitor industry developments related to the new standard.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (s) Future Accounting Pronouncements (cont'd)

#### Leases

In February 2016, FASB issued ASU 2016-02, *Leases*. The amendments to this update create ASC Topic 842, *Leases*, and supersedes lease requirements in ASC Topic 840, *Leases*. The main provision of Topic 842 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. For operating leases, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; (ii) recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis; and (iii) classify all cash payments within operating activities in the statement of cash flows. These amendments also require qualitative disclosures along with specific quantitative disclosures. This update is effective for annual and interim periods beginning after December 15, 2018 and is to be applied using a modified retrospective approach with practical expedient options. Early adoption is permitted. The Corporation is assessing the impact that the adoption of this update will have on its financial statements and related disclosures.

#### Measurement of Credit Losses on Financial Instruments

In June 2016, FASB issued ASU 2016-09, *Measurement of Credit Losses on Financial Instruments*. The amendments in this update require entities to use an expected credit loss methodology and to consider a broad range of reasonable and supportable information to inform credit loss estimates. This update is effective for annual and interim periods beginning after December 15, 2019 and is to be applied on a modified retroactive basis. Early adoption is permitted for annual and interim periods beginning after December 15, 2018. The Corporation is assessing the impact that the adoption of this update will have on its financial statements and related disclosures.

#### Simplifying the Test for Goodwill Impairment

In January 2017, FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*. The amendments in this update simplify the subsequent measurement of goodwill by eliminating step two in the current two-step goodwill impairment test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. This update is effective for annual and interim periods beginning after December 15, 2019 and is to be applied on a prospective basis. Early adoption is permitted for interim and annual goodwill impairment tests performed on testing dates after January 1, 2017. The Corporation expects to early adopt this standard in 2017; however, does not expect that early adoption will have a material impact on its financial statements and related disclosures.

## 3. ACCOUNTS RECEIVABLE

	2016	2015
Trade accounts receivable	\$ 105,966	\$ 118,417
Employee receivables	1,035	757
Related parties (note 15)	27	133
Other receivables	-	114
	<b>\$ 107,028</b>	<b>\$ 119,421</b>

#### 4. REGULATORY ASSETS AND LIABILITIES

Based on previous, existing or expected AUC decisions, the Corporation has recorded the following amounts that are expected to be recovered from, or refunded to, customers in future periods. The remaining recovery and settlement periods are those expected and the actual recovery or settlement periods could differ based on future AUC decisions.

	2016	2015	Remaining Recovery Period (Years)
<b>Regulatory assets</b>			
Deferred income tax <sup>(i)</sup>	\$ 257,165	\$ 211,506	Life of related assets
Deferred overhead <sup>(ii)</sup>	78,348	66,310	Life of related assets
Regulatory defined benefit pension deferrals <sup>(iii)</sup>	4,084	2,940	Benefit payment period
A1 rider deferral <sup>(iv)</sup>	696	-	2
K factor deferrals <sup>(v)</sup>	306	9,292	1-2
Y factor deferrals <sup>(vi)</sup>	-	74	1-2
<b>Total regulatory assets</b>	<b>340,599</b>	<b>290,122</b>	
<b>Less: current portion</b>	<b>854</b>	<b>9,502</b>	
<b>Long-term regulatory assets</b>	<b>\$ 339,745</b>	<b>\$ 280,620</b>	

	2016	2015	Remaining Settlement Period (Years)
<b>Regulatory liabilities</b>			
Non-ARO removal cost provision <sup>(vii)</sup>	\$ 372,168	\$ 353,801	Life of related assets
AESO charges deferral <sup>(viii)</sup>	36,956	25,354	1-4
K factor deferrals <sup>(v)</sup>	26,193	11,894	1-2
A1 rider deferral <sup>(iv)</sup>	1,671	3,548	1
Y factor deferrals <sup>(vi)</sup>	1,181	1,346	1-2
<b>Total regulatory liabilities</b>	<b>438,169</b>	<b>395,943</b>	
<b>Less: current portion</b>	<b>26,136</b>	<b>15,004</b>	
<b>Long-term regulatory liabilities</b>	<b>\$ 412,033</b>	<b>\$ 380,939</b>	

##### (i) Deferred income tax

This balance represents the amount of deferred income tax expected to be recovered from, or refunded to, customers in future rates when the income tax becomes receivable or payable. This balance is not subject to a regulatory return, and the related deferred income tax liability and asset balances are not subject to a regulatory return.

##### (ii) Deferred overhead

This balance represents deferred overhead costs that are expected to be collected from customers over the life of the related property, plant and equipment and intangible assets.

##### (iii) Regulatory defined benefit pension deferrals

This balance represents the deferred portion of the expense related to the defined benefit pension plan and the supplemental employee retirement plan that is expected to be recovered from customers in future rates. Once recovered in rates, these deferred expenses will be recognized in net income. As prescribed by the AUC, expenses are recovered in rates and recognized in net income based on the cash payments. This balance is not subject to a regulatory return, and the related defined benefit liability is not subject to a regulatory return.

##### (iv) A1 rider deferral

This balance represents the difference between the A1 rider revenue, which is the collection of linear taxes from customers in current rates based on municipality, and the actual linear tax incurred that is expected to be collected from customers in future rates. To the extent that the amount of revenue collected in rates for these items does not exceed actual costs incurred, the difference is deferred as a regulatory asset to be collected from customers in future rates. To the extent that the amount of revenue collected in rates for these items exceeds actual costs incurred, the excess is deferred as a regulatory liability to be refunded to customers in future rates. This balance is not subject to a regulatory return.



#### 4. REGULATORY ASSETS AND LIABILITIES (cont'd)

**(v) K factor deferrals**

These balances represent the deferral of capital tracker revenue that is expected to be collected from, or refunded to, customers in future periods.

**(vi) Y factor deferrals**

These balances relate to the future recovery or settlement of items determined to flow through directly to customers.

**(vii) Non-ARO removal cost provision**

This balance represents the difference between actual non-ARO removal costs incurred and those collected in customer rates. Depreciation expense includes an allowed provision for the collection of non-ARO removal costs from customers. The amount collected from customers is credited to this deferral account, while actual removal costs incurred are charged to this deferral account.

**(viii) AESO charges deferral**

This balance represents revenue collected in excess of expenses incurred for various items, such as transmission costs incurred and flowed through to customers, that are expected to be refunded in future customer rates. To the extent that the amount of actual costs incurred exceeds revenue collected in rates for these items, the excess is deferred as a regulatory asset to be collected in future rates. As at December 31, 2016, the regulatory liability primarily represented the over collection of the AESO charges deferral account for 2016.

#### 5. PROPERTY, PLANT AND EQUIPMENT

The cost and accumulated depreciation amounts are as follows:

<b>2016</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Distribution system	\$ 4,321,058	\$ (1,240,826)	\$ 3,080,232
AESO contributions	478,385	(70,137)	408,248
Buildings and furniture	154,752	(54,095)	100,657
Vehicles	84,435	(26,659)	57,776
Materials and supplies	29,191	-	29,191
Computer hardware	26,383	(11,360)	15,023
Tools and instruments	22,470	(10,403)	12,067
Land	17,532	-	17,532
Construction in progress	49,240	-	49,240
Customer contributions	(842,764)	383,695	(459,069)
	<b>\$ 4,340,682</b>	<b>\$ (1,029,785)</b>	<b>\$ 3,310,897</b>

<b>2015</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Distribution system	\$ 4,065,953	\$ (1,169,942)	\$ 2,896,011
AESO contributions	440,402	(54,502)	385,900
Buildings and furniture	152,161	(55,046)	97,115
Vehicles	81,592	(27,956)	53,636
Materials and supplies	31,869	-	31,869
Computer hardware	27,063	(13,001)	14,062
Tools and instruments	21,184	(10,539)	10,645
Land	14,364	-	14,364
Construction in progress	72,648	-	72,648
Customer contributions	(832,196)	371,609	(460,587)
	<b>\$ 4,075,040</b>	<b>\$ (959,377)</b>	<b>\$ 3,115,663</b>

## 5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Depreciation rates are a composite rate based upon the weighted average of the individual rates for each class of asset within the group and were as follows:

(%)	2016	2015
Distribution system	3.86	3.85
AESO contributions	3.40	3.40
Buildings and furniture	3.32	3.53
Vehicles	9.40	9.30
Computer hardware	19.91	20.90
Tools and instruments	9.60	9.86
Customer contributions	2.57	2.56

Distribution system assets are those used to distribute electricity at lower voltages (generally below 25 kilovolts). These assets include poles, towers and fixtures, low-voltage wires, transformers, underground conductors, street lighting, meters, metering equipment and other related equipment.

## 6. INTANGIBLE ASSETS

The cost and accumulated amortization amounts are as follows:

2016	Cost	Accumulated Amortization	Net Book Value
Computer software	\$ 104,478	\$ (61,309)	\$ 43,169
Land rights	28,757	(8,034)	20,723
Intangibles construction in progress	309	-	309
	\$ 133,544	\$ (69,343)	\$ 64,201

  

2015	Cost	Accumulated Amortization	Net Book Value
Computer software	\$ 117,260	\$ (80,908)	\$ 36,352
Land rights	27,689	(7,225)	20,464
	\$ 144,949	\$ (88,133)	\$ 56,816

Amortization of intangible assets was \$9.9 million for 2016 (2015 - \$9.8 million). Amortization is expected to average approximately \$11.4 million for each of the next five years.

Computer software is amortized using a composite rate based upon the weighted average of the individual rates for each class of asset within the group. Land rights are amortized on a straight-line basis over the term of the contract. The amortization rates of intangible assets were as follows:

(%)	2016	2015
Computer software	8.42	8.58
Land rights	2.87	2.40

## 6. INTANGIBLE ASSETS (cont'd)

The service life ranges of intangible assets and the weighted average remaining service lives of intangible assets during the years ended were as follows:

(Years)	2016		2015	
	Service Life Ranges	Weighted Average Remaining Service Life	Service Life Ranges	Weighted Average Remaining Service Life
Computer software	5-10	2.7	5-10	3.5
Land rights	36	27.4	36	28.1
Total	5-36	3.8	5-36	5.4

## 7. OTHER ASSETS

	2016	2015
Income tax receivable	\$ 1,751	\$ 1,712
Employee receivables	48	26
	\$ 1,799	\$ 1,738

## 8. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	2016	2015
Trade accounts payable	\$ 115,464	\$ 117,570
Employee compensation and benefits payables	22,418	20,573
Interest payable	19,209	17,819
Other	1,651	1,862
	\$ 158,742	\$ 157,824

## 9. OTHER LIABILITIES

	2016	2015
OPEBs (note 14)	\$ 7,979	\$ 10,698
Deferred lease revenue <sup>(1)</sup>	3,810	4,051
Defined benefit liability (note 14)	3,884	2,740
Other	717	459
	\$ 16,390	\$ 17,948

<sup>(1)</sup> *Deferred lease revenue is the upfront lease payments received from a third party pursuant to a 20-year lease agreement that permits the third party to use a portion of one of the Corporation's facilities. The deferred lease revenue is being recognized as other revenue on a straight-line basis over the term of the lease.*

## 10. DEBT

	Coupon Rate (%)	Maturity Date (Year)	2016 Effective Rate (%)	2016	2015
<b>Senior unsecured debentures</b>					
Series 04-2	6.22	2034	6.31	\$ 200,000	\$ 200,000
Series 06-1	5.40	2036	5.48	100,000	100,000
Series 07-1	4.99	2047	5.04	109,898	109,898
Series 08-1	5.85	2038	5.94	99,543	99,532
Series 09-1	7.06	2039	7.15	99,988	99,988
Series 09-2	5.37	2039	5.42	124,952	124,951
Series 10-1	4.80	2050	4.85	124,917	124,916
Series 11-1	4.54	2041	4.59	124,982	124,981
Series 12-1	3.98	2052	4.02	124,928	124,928
Series 13-1	4.85	2043	4.90	149,844	149,841
Series 14-1	4.11	2044	4.15	124,980	124,979
Series 14-2	3.30	2024	3.37	149,989	149,988
Series 15-1	4.27	2045	4.32	149,827	149,823
Series 16-1	3.34	2046	3.39	149,746	-
Drawings under the long-term credit facility	Variable	2021		-	53,000
Drawings under the bilateral credit facility	Variable	2017		90,000	-
Fortis demand note	Variable	2016		-	35,000
Cash balances in overdraft position	N/A	N/A		2,610	-
<b>Total debt</b>				<b>1,926,204</b>	<b>1,771,825</b>
Short-term borrowings				(92,610)	(88,000)
Debt issuance costs				(14,116)	(13,280)
<b>Long-term debt</b>				<b>\$ 1,819,478</b>	<b>\$ 1,670,545</b>

Under the Terms and Conditions of the Trust Indenture, the Corporation has the option to call the outstanding debentures in whole, or in part, for early redemption for the principal amount redeemed plus a redemption premium if applicable. The debentures have semi-annual interest payments.

In July 2016, the Corporation renegotiated and amended its syndicated credit facility, extending the maturity date of the facility to August 2021 from August 2020. The amended agreement contains substantially similar terms and conditions as the previous agreement.

In September 2016, the Corporation entered into an agreement with a syndicate of agents, pursuant to which the Corporation sold \$150.0 million of senior unsecured debentures. The debentures bear interest at a rate of 3.34%, to be paid semi-annually, and mature in 2046. Proceeds of the issue were used to repay existing indebtedness incurred under the committed credit facility to finance capital expenditures and for general corporate purposes.

In November 2016, the Corporation negotiated a one-year bilateral credit facility to finance \$90.0 million of the dividends paid to Fortis.

## 10. DEBT (cont'd)

As at December 31, 2016, the Corporation had unsecured committed credit facilities with an available amount of \$340.0 million, consisting of a long-term credit facility of \$250.0 million maturing in August 2021 and a bilateral credit facility of \$90.0 million maturing in November 2017. Drawings under the credit facilities are available by way of prime loans, bankers' acceptances and letters of credit. Prime loans bear an interest rate of prime and bankers' acceptances are issued at the applicable bankers' acceptance discount rate plus a stamping fee of 1.0%. The weighted average effective interest rate for the year ended December 31, 2016 on the credit facilities was 2.1% (2015 - 2.4%). As at December 31, 2016, there were no drawings under the long-term credit facility (December 31, 2015 - \$53.0 million) and \$90.0 million in drawings under the bilateral credit facility (December 31, 2015 - \$nil).

The Corporation has externally imposed capital requirements by virtue of the Trust Indenture and the committed credit facility that limit the amount of debt that can be incurred relative to equity. The Corporation was in compliance with these externally imposed capital requirements for the year ended December 31, 2016.

There are no scheduled principal repayments over the next five years.

## 11. INTEREST EXPENSE

	2016	2015
Interest – long-term debt	\$ 86,639	\$ 80,963
Interest – other	709	450
Less: AFUDC	(2,392)	(2,708)
	<b>\$ 84,956</b>	<b>\$ 78,705</b>

Debt issuance costs are amortized using the effective interest method over the life of the associated debt. Interest expense on long-term debt included \$477 related to amortization of debt issuance costs in 2016 (2015 - \$420).

## 12. SHARE CAPITAL

Authorized – unlimited number of:

- Common shares
- Class A common shares
- First Preferred non-voting shares, redeemable, cumulative dividend at 10% of the redemption price. Subject to applicable law, the Corporation shall have the right to redeem, at any time, all or any part of the then outstanding first preferred shares for \$348.9 million together with any accrued and unpaid dividends up to the redemption date.

Issued:

- 63 Class A common shares, with no par value

In 2016, the Corporation declared and paid dividends totaling \$138.8 million (2015 - \$60.0 million) to Fortis Alberta Holdings Inc., the Corporation's parent and an indirectly wholly owned subsidiary of Fortis.

The Corporation must comply with the *Alberta Business Corporations Act* (the "ABCA") legislation and the terms and conditions of the committed credit facility and Trust Indenture in order to declare and pay dividends. In order to be compliant, the Corporation must be solvent as defined by the ABCA and cannot be in default of the committed credit facility or Trust Indenture as defined by their respective agreements. As at December 31, 2016 the Corporation was in full compliance with the solvency requirements of the ABCA and the terms and conditions set out in the committed credit facility and Trust Indenture agreements and was not subject to dividend declaration or payment restrictions.

### 13. ADDITIONAL PAID-IN CAPITAL

Additional paid-in capital relates to the pushdown of the excess purchase price paid over the carrying value paid by the Corporation's parent on acquisition of the Corporation and equity contributions from Fortis Alberta Holdings Inc. for which no additional shares were issued. In 2016, the Corporation received \$10.0 million in equity contributions from Fortis Alberta Holdings Inc. (2015 - \$10.0 million).

### 14. EMPLOYEE FUTURE BENEFITS

#### Description

The Corporation sponsors a pension plan with a defined contribution and a defined benefit component. The defined contribution component is applicable to the majority of the Corporation's employees and is available to all new employees. The defined benefit component includes a funded defined benefit plan that is applicable to certain long-service employees and is closed to new employees, and an unfunded supplementary employee retirement plan that is applicable to certain current and new employees. The defined contribution component is based on a percentage of pensionable earnings, which includes base pay and eligible bonuses, while the defined benefit component is based on final average pensionable earnings. The Corporation also provides an unfunded OPEB plan that includes certain health and dental coverage provided to retired employees.

The most recent actuarial valuation of the defined benefit pension plan for funding purposes was completed as at December 31, 2015. Information from the funding valuation was used in the actuarial valuation completed for expense calculation purposes. The next actuarial valuation for funding purposes is required to be completed as of a date no later than December 31, 2018.

#### Plan Asset Information

The Corporation's objectives are to minimize the volatility of the value of plan assets relative to the pension plan liabilities and to ensure that the assets are sufficient to pay plan benefits. The Corporation's target asset allocations are 100% debt instruments. This allocation has been made to ensure the objectives are met, while minimizing risk.

Significant concentrations of risk in the plan assets relate to interest rates on the instruments held. Rate increases generally result in a decline in fixed income assets while reducing the present value of the liabilities. Conversely, rate decreases increase fixed income assets, partially offsetting the related increase in the liabilities.

The long-term rate of return on plan assets assumed for 2016 was 3.15% (2015 – 3.40%). This assumption considers inflation, bond yields, historical returns and other variables.

The fair value of plan assets as at December 31, 2016 and 2015 were as follows:

	2016	2015
Government bonds	\$ 30,043	\$ 29,342
Corporate bonds	8,861	8,491
<b>Total <sup>(1)</sup></b>	<b>\$ 38,904</b>	<b>\$ 37,833</b>

<sup>(1)</sup> The fair value of the plan assets was estimated using level 2 inputs based on third party quoted values.

Included in the corporate bonds class of plan assets as at December 31, 2016 were \$196 (December 31, 2015 - \$182) of FortisAlberta Inc. bonds and \$266 (December 31, 2015 - \$234) of related party bonds.

## 14. EMPLOYEE FUTURE BENEFITS (cont'd)

### Reconciliation of Funded Status

	Defined Benefit Pension Plans		OPEB Plan	
	2016	2015	2016	2015
<b>Change in benefit obligation <sup>(1)</sup></b>				
Balance, beginning of year	\$ 40,773	\$ 40,316	\$ 11,683	\$ 11,506
Current service cost	669	661	646	623
Interest cost	1,644	1,591	391	397
Member contributions	38	40	-	-
Benefits paid	(1,430)	(1,362)	(484)	(437)
Actuarial loss (gain)	1,294	(473)	(3,474)	(406)
Balance, end of year <sup>(2)</sup>	\$ 42,988	\$ 40,773	\$ 8,762	\$ 11,683
<b>Change in fair value of plan assets</b>				
Balance, beginning of year	\$ 37,833	\$ 35,589	\$ -	\$ -
Employer contributions	1,786	2,341	484	437
Member contributions	38	40	-	-
Benefits paid	(1,430)	(1,362)	(484)	(437)
Actuarial return on plan assets	677	1,225	-	-
Balance, end of year	\$ 38,904	\$ 37,833	\$ -	\$ -
<b>Funded status</b>	\$ (4,084)	\$ (2,940)	\$ (8,762)	\$ (11,683)

<sup>(1)</sup> Amounts reflect projected benefit obligation for defined benefit pension plans and accumulated benefit obligation for the OPEB plan.

<sup>(2)</sup> The accumulated benefit obligation for defined benefit pension plans, which includes no assumption about future salary levels, was \$42.7 million as at December 31, 2016 (December 31, 2015 - \$40.5 million).

### Amounts Recognized on the Balance Sheet

	Defined Benefit Pension Plans		OPEB Plan	
	2016	2015	2016	2015
Accounts payable and other current liabilities	\$ (200)	\$ (200)	\$ (783)	\$ (985)
Other liabilities (note 9)	(3,884)	(2,740)	(7,979)	(10,698)
<b>Net liabilities</b>	\$ (4,084)	\$ (2,940)	\$ (8,762)	\$ (11,683)

### Expected Benefits Payments

The following table provides the estimated expected benefits to be paid over the next ten years.

	Defined Benefit Pension Benefits	OPEB Benefits
2017	\$ 2,047	\$ 783
2018	2,215	933
2019	2,248	969
2020	2,279	913
2021	2,435	859
2022-2026	12,497	3,420

### Pension Plan Contributions

The Corporation made total contributions to the defined benefit retirement plan of \$1.7 million for the year ended December 31, 2016. Minimum funding contributions of approximately \$1.8 million will be made towards the defined benefit pension plan and contributions of \$0.8 million toward the OPEB plan in 2017.

## 14. EMPLOYEE FUTURE BENEFITS (cont'd)

### Costs Recognized

For defined benefit pension plans, the difference between the expense recognized under US GAAP and that recovered in current rates is subject to deferral treatment and is expected to be recovered or refunded in future rates. For the OPEB plan, the difference between the expense recognized under US GAAP and that recovered in current rates is not subject to deferral treatment.

### Components of Net Periodic Costs

	Defined Benefit Pension Plans		OPEB Plan	
	2016	2015	2016	2015
Service cost	\$ 669	\$ 661	\$ 646	\$ 623
Interest cost	1,644	1,591	391	397
Expected return on plan assets	(1,192)	(910)	-	-
Amortizations:				
Past service cost	-	-	253	253
Actuarial loss	238	709	-	-
Net benefit cost recognized	1,359	2,051	1,290	1,273
Regulatory adjustments	427	291	-	-
Net benefit cost recognized in financial statements	1,786	2,342	1,290	1,273
Defined contribution cost	9,227	9,147	-	-
<b>Total employee future benefit cost</b>	<b>\$ 11,013</b>	<b>\$ 11,489</b>	<b>\$ 1,290</b>	<b>\$ 1,273</b>

### Accumulated Other Comprehensive Loss

The following table provides the components of accumulated other comprehensive gain (loss) that have not been recognized as components of net benefit cost.

	Defined Benefit Pension Plans		OPEB Plan	
	2016	2015	2016	2015
Actuarial (loss) gain	\$ (5,992)	\$ (4,421)	\$ 3,061	\$ (413)
Past service cost	-	-	(1,732)	(1,985)
Accumulated other comprehensive (loss) gain	(5,992)	(4,421)	1,329	(2,398)
Regulatory adjustment	5,992	4,421	-	-
<b>Accumulated other comprehensive gain (loss)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,329</b>	<b>\$ (2,398)</b>

Actuarial losses of \$1,174 and past service costs of \$nil related to the defined benefit pension plans are expected to be amortized from accumulated other comprehensive income into net benefit cost in 2017.

Actuarial gains of \$156 and past service costs of \$253 related to the OPEB plan are expected to be amortized from accumulated other comprehensive income into net benefit cost in 2017.

### Other Comprehensive Income

The following table provides the components recognized in other comprehensive income.

	Defined Benefit Pension Plans		OPEB Plan	
	2016	2015	2016	2015
Net actuarial (loss) gain arising during the year	\$ (1,809)	\$ 788	\$ 3,474	\$ 406
Amortizations:				
Past service cost	-	-	253	253
Actuarial loss	238	709	-	-
Other comprehensive (loss) income	(1,571)	1,497	3,727	659
Regulatory adjustment	1,571	(1,497)	-	-
<b>Total other comprehensive income</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,727</b>	<b>\$ 659</b>



## 14. EMPLOYEE FUTURE BENEFITS (cont'd)

### Weighted Average Assumptions

	Defined Benefit Pension Plans		OPEB Plan	
	2016	2015	2016	2015
Discount rate during the year	4.10%	4.00%	3.30%	3.40%
Discount rate as at December 31	3.80%	4.10%	3.40%	3.30%
Expected long-term rate of return on plan assets	3.15%	3.40%	-	-
Rate of compensation increase	3.50%	3.25%	-	-
Initial weighted average health care trend rate during the year	-	-	6.10%	6.20%
Initial weighted average health care trend rate at December 31	-	-	6.00%	6.10%
Ultimate weighted average health care trend rate	-	-	5.00%	5.00%
Year ultimate rate reached	-	-	2027	2027

### 2016 Effects of Changing the Health Care Trend Rate by 1%

	1% Increase in Rate	1% Decrease in Rate
Increase (decrease) in projected benefit obligation	158	(153)
Increase (decrease) in interest and current service costs	49	(45)

## 15. RELATED PARTY TRANSACTIONS

In the normal course of business, the Corporation transacts with Fortis and other subsidiaries of Fortis. Amounts due from or to related parties were measured at the exchange amount and were as follows:

	2016	2015
<b>Accounts receivable</b>		
Loans <sup>(1)</sup>	\$ 17	\$ 16
Related parties	10	117
	\$ 27	\$ 133
<b>Short-term borrowings</b>		
Related party <sup>(2)</sup>	\$ -	\$ 35,000

<sup>(1)</sup> These loans are to officers of the Corporation and may include stock option loans, employee share purchase plan loans and employee personal computer purchase program loans.

<sup>(2)</sup> Demand note from Fortis that was borrowed in October 2015 and repaid in the second quarter of 2016

The Corporation bills related parties on terms and conditions consistent with billings to third parties, which require amounts to be paid on a net 30 day basis with interest on overdue amounts. Terms and conditions on amounts billed to the Corporation by related parties are net 30 days with interest being charged on any overdue amounts.

Related party transactions included in other revenue, cost of sales and interest expense were measured at the exchange amount and were as follows:

	2016	2015
Included in other revenue <sup>(1)</sup>	\$ 125	\$ 477
Included in cost of sales <sup>(2)</sup>	4,790	3,549
Included in interest expense <sup>(3)</sup>	138	42

<sup>(1)</sup> Includes services provided to Fortis and subsidiaries of Fortis related to metering, information technology, material sales and intercompany employee services

<sup>(2)</sup> Includes charges from Fortis and subsidiaries of Fortis related to corporate governance expenses, stock-based compensation costs, consulting services, travel and accommodation expenses, and pension costs

<sup>(3)</sup> Reflects interest expense paid on a demand note from Fortis that was borrowed in October 2015 and repaid in the second quarter of 2016

## 15. RELATED PARTY TRANSACTIONS (cont'd)

All services provided to or received from related parties were billed on a cost-recovery basis.

## 16. INCOME TAX

Deferred income tax arises as a result of temporary differences between the tax basis of assets and liabilities and their carrying amount for regulatory purposes. Deferred income tax assets and liabilities were comprised of:

	2016	2015
Deferred income tax assets (liabilities):		
Net regulatory assets and liabilities	\$ 20,528	\$ 8,906
OPEBs	3,241	4,321
Intangible assets	(3,024)	10,846
Property, plant and equipment	(262,146)	(220,952)
Debt issuance costs	(4,174)	(3,837)
Income tax credits	648	(633)
<b>Net deferred income tax liability</b>	<b>\$ (244,927)</b>	<b>\$ (201,349)</b>

Components of the income tax expense (recovery) were as follows:

	2016	2015
Current income tax expense (recovery)	\$ 2,218	\$ (5,514)
Deferred income tax expense before adjustment	40,994	70,784
Regulatory adjustment for the recovery of deferred income tax in future customer rates	(43,075)	(66,119)
Deferred income tax (recovery) expense	(2,081)	4,665
<b>Total income tax expense (recovery)</b>	<b>\$ 137</b>	<b>\$ (849)</b>

Income tax differs from the amount that would be expected if determined by applying the enacted Canadian federal and provincial statutory income tax rates to income before income tax. The following is a reconciliation of the combined statutory income tax rate to the Corporation's effective income tax rate.

	2016	2015
Income before income tax per financial statements	\$ 120,831	\$ 136,667
Statutory income tax rate	27.0%	26.0%
Income tax, at statutory income tax rate	\$ 32,624	\$ 35,533
Difference between capital cost allowance and amounts claimed for accounting purposes	(22,696)	(14,850)
Items capitalized for accounting purposes but expensed for income tax purposes	(15,893)	(20,934)
Difference between regulatory accounting items and amounts claimed for tax purposes	6,072	(305)
Other	284	274
Change in statutory income tax rate	(254)	(567)
<b>Income tax expense (recovery)</b>	<b>\$ 137</b>	<b>\$ (849)</b>
Effective income tax rate	0.1%	(0.6%)

As at December 31, 2016, the Corporation had no non-capital loss carry forwards (December 31, 2015 - nil).

As at December 31, 2016, total investment tax credits receivable related to the employment of eligible apprentices and acquisition of eligible assets were \$1.8 million (December 31, 2015 - \$1.7 million). These credits are subject to carry forward and expire between 2026 and 2036.

For regulatory reporting purposes, the tax value of certain property, plant and equipment of the Corporation is higher than for legal entity corporate income tax filing purposes. In a future reporting period, the difference may result in higher corporate income tax expense than that recognized for regulatory purposes and collected in customer rates.

## 16. INCOME TAX (cont'd)

Taxation years 2010 and prior, with the exception of 2008, are no longer subject to examination in Canada. An examination of the open tax years by the Canada Revenue Agency could result in a change in the liability for unrecognized tax benefits. The Corporation does not believe that any open tax years could result in any adjustments that would be significant to the financial statements. The Corporation does not have any unrecognized tax benefits as at December 31, 2016 and, as such, has not accrued any associated interest or penalties.

## 17. COMMITMENTS AND CONTINGENCIES

As at December 31, 2016, the Corporation's commitments in each of the next five years and thereafter are as follows:

	<b>Total</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>&gt; 2021</b>
Principal payments on long-term debt <sup>(1)</sup>	\$1,835,000	-	-	-	-	-	1,835,000
Interest payments on long-term debt	2,176,542	88,379	88,379	88,379	88,379	88,379	1,734,647
Operating leases and other obligations	62,038	6,134	6,396	4,723	3,608	2,860	38,317
<b>Total</b>	<b>\$4,073,580</b>	<b>94,513</b>	<b>94,775</b>	<b>93,102</b>	<b>91,987</b>	<b>91,239</b>	<b>3,607,964</b>

<sup>(1)</sup> Payments are shown exclusive of discounts.

### Operating Leases and Other Contractual Obligations

The Corporation has operating leases for facilities and office premises. Rental expense was \$1,066 in 2016 (2015 - \$1,065).

The Corporation and an Alberta transmission service provider have entered into an agreement in consideration for joint attachments of distribution facilities to the transmission system. The expiry terms of this agreement state that the agreement remains in effect until the Corporation no longer has attachments to the transmission system. Due to the unlimited term of this contract, the calculation of future payments after 2021 includes payments to the end of 20 years. However, the payments under this agreement may continue for an indefinite period of time. In addition, the Corporation and an Alberta transmission service provider have entered into a number of service agreements to ensure operational efficiencies are maintained through coordinated operations. These service agreements have minimum expiry terms of five years from September 1, 2015, and are subject to extension based on mutually agreeable terms.

### Legal Proceedings

The Corporation is subject to various legal proceedings and claims that arise in the ordinary course of business. The Corporation believes that the amount of liability, if any, from these actions would not have a material effect on the Corporation's financial position or results of operations.

### Capital Expenditures

As an electric utility, the Corporation is obligated to provide service to customers within its service territory. As such, the Corporation may be required to incur capital expenditures in excess of that which has been forecast in its regulatory applications.

## 18. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement is required to reflect the assumptions that market participants would use in pricing a financial asset or financial liability based on the best available information. These assumptions include the risks inherent in a particular valuation technique, such as a pricing model, and the risks inherent in the inputs to the model. A fair value hierarchy exists which prioritizes the inputs used to measure fair value.

The three levels of the fair value hierarchy are defined as follows:

- Level 1: Fair value determined using unadjusted quoted prices in active markets;
- Level 2: Fair value determined using pricing inputs that are observable; and
- Level 3: Fair value determined using unobservable inputs only when relevant observable inputs are not available.

## 18. FAIR VALUE MEASUREMENTS (cont'd)

The fair values of the Corporation's financial instruments reflect a point-in-time estimate based on current and relevant market information about the instruments as at the balance sheet dates. The estimates cannot be determined with precision as they involve uncertainties and matters of judgment; therefore, they may not be relevant in predicting the Corporation's future earnings or cash flows.

The following table represents the fair value measurements of the Corporation's financial instruments:

Long-term debt	2016	2015
Fair value <sup>(1)</sup>	\$ 2,117,122	\$ 1,938,533
Carrying value <sup>(2)</sup>	1,833,594	1,683,825

<sup>(1)</sup> The fair value of the long-term debt was estimated using level 2 inputs based on the indicative prices for the same or similarly rated issues for debt of the same remaining maturities.

<sup>(2)</sup> Carrying value is presented gross of debt issuance costs of \$14,116 (December 31, 2015 – \$13,280).

The carrying value of financial instruments included in current assets, long-term other assets, short-term borrowings and current liabilities on the balance sheet approximate their fair value, which reflects the short-term maturity, normal trade credit terms and/or nature of these financial instruments.

### Derivatives

The Corporation currently does not have any stand-alone derivative instruments as defined under ASC 815, *Derivatives and Hedging*.

The Corporation conducted a review of contractual agreements for embedded derivatives. A derivative must meet three specific criteria to be accounted for under ASC 815. For contracts entered into by the Corporation, all potential embedded derivatives reviewed by the Corporation were closely related with the economic characteristics and risks of the underlying contract, had no notional amount that could be used to measure the instrument, or had no value.

The Corporation currently does not enter into derivative financial instruments to reduce exposure to any of the risks impacting operations. The Corporation enters into financial instruments to finance operations in the normal course of business.

## 19. FINANCIAL RISK MANAGEMENT

Exposure to credit risk, interest rate risk and liquidity risk arises in the normal course of the Corporation's business.

### Credit Risk

The Corporation has a concentration of credit risk as a result of its distribution service billings being to a relatively small group of retailers, or counterparties. Counterparty credit risk is the financial risk associated with the non-performance of contractual obligations by counterparties. The Corporation extends credit to select counterparties in the normal course of business.

The Corporation monitors its credit exposure in accordance with the Terms and Conditions of Distribution Access Service as approved by the AUC. The following table provides information on the counterparties that the Corporation extends credit to with respect to its distribution tariff billings as at December 31, 2016.

Credit Rating	Number of Counterparties	Gross Exposure	Net Exposure
AAA to AA (low)	2	\$ 1,328	\$ -
A (high) to A (low)	8	37,094	-
BBB (high) to BBB (low)	9	12,055	-
Not rated	35	72,694	1,306
<b>Total</b>	54	\$ 123,171	\$ 1,306

## 19. FINANCIAL RISK MANAGEMENT (cont'd)

### Credit Risk (cont'd)

Gross exposure represents the projected value of retailer billings over a 37-day period. The Corporation is required to minimize its net exposure to retailer billings by obtaining an acceptable form of prudential, which includes a cash deposit, bond, letter of credit, an investment grade credit rating from a major rating agency, or a financial guarantee from an entity with an investment grade credit rating.

Retailers with investment grade credit ratings have the net exposure shown as nil since the credit rating serves to reduce the amount of prudential. For retailers that do not have an investment grade credit rating, the net exposure is calculated as the projected value of billings over a 37-day period less the prudential held by the Corporation. The Corporation assesses non-retailer billings on an individual basis for collectability and these billings are not subject to obtaining prudential.

### Interest Rate Risk

Interest rate risk is the financial risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation's debentures bear fixed interest expense that is recovered in current distribution rates, thereby minimizing cash flow variability due to interest rate exposures. Any new issues of fixed rate debentures by the Corporation within the five-year PBR term would be exposed to cash flow variability to the extent that the inflation and productivity factor of the PBR formula may not fully provide for the interest expense. The fair value of the Corporation's fixed rate debentures fluctuates as market interest rates change; however, the Corporation plans to hold these debentures until maturity thereby mitigating the risk of these fluctuations. The drawings under the Corporation's committed credit facilities are at current market short-term interest rates, exposing the Corporation to some cash flow risk but minimal fluctuations in fair value.

The Corporation's committed credit facilities have interest rate and fee components that are sensitive to the Corporation's credit ratings. The Corporation is rated by DBRS and Standard and Poor's ("S&P") and a change in rating by either of these rating agencies could potentially increase or decrease the interest expense of the Corporation. As at December 31, 2016, the Corporation's debentures were rated by DBRS at A (low) and by S&P at A-. In December 2016, DBRS confirmed the Corporation's credit rating of A (low) with an outlook of Stable. In October 2016, S&P returned the Corporation's outlook to Stable from Negative as a result of the closing of Fortis' acquisition of ITC Holdings Corp.

### Liquidity Risk

Liquidity risk is the financial risk that the Corporation will encounter challenges in meeting obligations associated with financial liabilities. The Corporation anticipates it will be able to meet interest payments on outstanding indebtedness from internally generated funds but expects to rely upon the proceeds of new indebtedness to meet the principal obligations when due. The number of years to maturity of the principal outstanding and interest payments on the Corporation's long-term debt as at December 31, 2016 are summarized in Note 17.

The Corporation's financial position could be adversely affected if it fails to arrange sufficient and cost-effective financing to fund, among other things, capital expenditures and the repayment of maturing debt. The ability to arrange sufficient and cost-effective financing is subject to numerous factors, including the results of operations and financial position of the Corporation, conditions in the capital and bank credit markets, ratings assigned by rating agencies, and general economic conditions. To mitigate this risk, the Corporation has unsecured committed credit facilities to support short-term financing of capital expenditures and seasonal working capital requirements. For further information on the committed credit facilities, refer to Note 10.

## 20. SUPPLEMENTAL CASH FLOW INFORMATION

### Cash Paid For:

	2016	2015
Interest	\$ 86,017	\$ 83,451
Income tax	729	-

## 20. SUPPLEMENTAL CASH FLOW INFORMATION (cont'd)

### Change in Non-Cash Operating Working Capital:

	2016	2015
Accounts receivable	\$ 14,257	\$ (17,521)
Prepays and deposits	(42)	(371)
Income tax receivable and payable	5,619	7,287
Regulatory assets	8,648	(8,625)
Accounts payable and other current liabilities	(9,576)	(4,758)
Regulatory liabilities	11,132	(26,402)
	<b>\$ 30,038</b>	<b>\$ (50,390)</b>

### Non-Cash Investing Activities:

	2016	2015
Additions to property, plant and equipment and intangible assets included in current liabilities	\$ (66,830)	\$ (56,524)
Customer contributions for property, plant and equipment included in current assets	4,418	2,833

## 21. SUBSEQUENT EVENTS

These financial statements and notes reflect the Corporation's evaluation of events occurring subsequent to the balance sheet date through February 8, 2017, the date the financial statements were available for issuance.