FORTISALBERTA INC.

Audited Financial Statements
For the years ended December 31, 2017 and 2016

MANAGEMENT'S REPORT

The accompanying 2017 Financial Statements of FortisAlberta Inc. (the "Corporation") have been prepared by management, who are responsible for the integrity of the information presented. These Financial Statements have been prepared by management in accordance with accounting principles generally accepted in the United States of America ("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 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 effectiveness of the internal controls of the Corporation is evaluated on an ongoing basis.

The Board of Directors oversees management's responsibility 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 Financial Statements, and to review and report to the Board of Directors on policies relating to 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's judgments that are material to reported financial information, and to review the shareholder's auditors' independence and auditors' fees.

The 2017 Financial Statements were reviewed by the Audit Committee and, on their recommendation, were approved by the Board of Directors of FortisAlberta Inc. Deloitte LLP, independent auditors appointed by the shareholder of FortisAlberta Inc. upon recommendation of the Audit Committee, have performed an audit of the 2017 Financial Statements and their report follows.

(signed)
Karl Bomhof
President and Chief Executive Officer

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

February 14, 2018
Calgary, Canada

Deloitte LLP
700, 850 2 Street SW
Calgary, AB T2P 0R8
Canada

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Independent Auditors' Report
To the Shareholder of
FortisAlberta Inc.:

We have audited the accompanying financial statements of FortisAlberta Inc., which comprise the balance sheet as at December 31, 2017, and the statements of income and comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and the related notes, including 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 of America, 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained in our audit 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, 2017, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
The financial statements of FortisAlberta Inc. for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on February 8, 2017, except for Note 22 which is as of February 14, 2018.

/s/ Deloitte LLP

Chartered Professional Accountants
February 14, 2018
Calgary, Alberta

INDEPENDENT AUDITORS' REPORT

To the Shareholder of FortisAlberta Inc.,

We have audited the accompanying financial statements of FortisAlberta Inc., which comprise the balance sheet as at December 31, 2016, and the statements of income and comprehensive income, changes in shareholder's equity and cash flows for the year 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

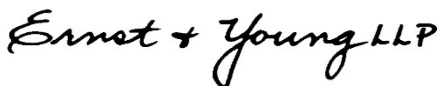
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 audit 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 the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.



Chartered Professional Accountants

February 8, 2017except as to Note 22, which is as of February 14, 2018
Calgary, Canada

FORTISALBERTA INC.

BALANCE SHEETS

As at December 31 (all amounts in thousands of Canadian dollars)	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 78,802	$ -
Restricted cash (note 2d)	3,933	3,933
Accounts receivable (note 3)	137,608	107,028
Prepaids and deposits	3,974	3,486
Regulatory assets (note 4)	1,054	854
Total current assets	225,371	115,301
Regulatory assets (note 4)	391,393	339,745
Property, plant and equipment, net (note 5)	3,535,021	3,310,897
Intangible assets, net (note 6)	68,711	64,201
Other assets (note 7)	1,767	1,799
Goodwill	226,968	226,968
Total Assets	$ 4,449,231	$ 4,058,911
Liabilities and Shareholder's Equity		
Current liabilities		
Short-term borrowings (note 10)	$ 50,000	$ 92,610
Accounts payable and other current liabilities (note 8)	272,954	158,742
Income tax payable	241	1,927
Regulatory liabilities (note 4)	47,871	26,136
Total current liabilities	371,066	279,415
Other liabilities (note 9)	18,080	16,390
Regulatory liabilities (note 4)	398,113	412,033
Deferred income tax (note 17)	283,648	244,927
Long-term debt (notes 10 and 19)	2,018,363	1,819,478
Total Liabilities	3,089,270	2,772,243
Commitments and contingencies (note 18)		
Shareholder's Equity		
Share capital, no par value, unlimited authorized shares, 63 shares issued and outstanding (2016 - 63) (note 13)	173,848	173,848
Additional paid-in capital (note 14)	719,896	699,896
Accumulated other comprehensive income (loss) (note 15)	(190)	1,329
Retained earnings	466,407	411,595
Total Shareholder's Equity	1,359,961	1,286,668
Total Liabilities and Shareholder's Equity	$ 4,449,231	$ 4,058,911

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)	2017	2016
Revenues		
Electric rate revenue	$ 582,801	$ 556,688
Other revenue (note 11)	17,149	15,551
Total Revenues	599,950	572,239
Expenses		
Cost of sales	198,621	189,351
Depreciation	180,065	169,693
Amortization	9,507	9,867
Total Expenses	388,193	368,911
Other income	1,970	2,459
Income before interest expense and income tax	213,727	205,787
Interest expense (note 12)	93,310	84,956
Income before income tax	120,417	120,831
Income tax expense (note 17)	605	137
Net Income	$ 119,812	$ 120,694
Other comprehensive income (loss)		
Reclassification of other post-employment benefit items (note 15)	(1,519)	3,727
Comprehensive Income	$ 118,293	$ 124,421

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)	2017	2016
Share Capital (note 13)		
Balance, beginning of year	$ 173,848	$ 173,848
Share capital issued	-	-
Balance, end of year	$ 173,848	$ 173,848
Additional Paid-in Capital (note 14)		
Balance, beginning of year	$ 699,896	$ 689,896
Equity contributions	20,000	10,000
Balance, end of year	$ 719,896	$ 699,896
Accumulated Other Comprehensive Income (Loss) (note 15)		
Balance, beginning of year	$ 1,329	$ (2,398)
Reclassification of other post-employment benefit items	(1,519)	3,727
Balance, end of year	$ (190)	$ 1,329
Retained Earnings		
Balance, beginning of year	$ 411,595	$ 429,651
Net income	119,812	120,694
Dividends (note 13)	(65,000)	(138,750)
Balance, end of year	$ 466,407	$ 411,595
Total Shareholder's Equity	$ 1,359,961	$ 1,286,668

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)	2017	2016
Operating Activities		
Net income	$ 119,812	$ 120,694
Adjustments for non-cash items included in net income:		
Depreciation	180,065	169,693
Amortization	8,604	14,096
Deferred income tax	(411)	(2,081)
Equity component of allowance for funds used during construction	(1,507)	(2,459)
Gain on sale of property, plant and equipment	(463)	-
Change in long-term regulatory assets and liabilities	(43,500)	(739)
Change in other non-current operating assets and liabilities	1,686	(1,597)
Change in non-cash operating working capital (note 21)	84,333	30,038
Cash from operating activities	348,619	327,645
Investing Activities		
Additions to property, plant and equipment	(401,340)	(357,358)
Customer contributions for property, plant and equipment	29,901	18,392
Additions to intangible assets	(12,833)	(17,467)
Proceeds from the sale of property, plant and equipment	3,737	3,801
Deposit for the purchase of electric distribution system (note 2d)	-	(3,746)
Net change in employee loans	26	(301)
Cash used in investing activities	(380,509)	(356,679)
Financing Activities		
Change in short-term borrowings	(2,610)	(32,390)
Proceeds from long-term debt, net of issuance costs	198,492	148,633
Borrowings under committed credit facility – prime loans (note 22)	273,000	160,000
Repayments under committed credit facility – prime loans (note 22)	(273,000)	(188,000)
Net borrowings (repayments) under committed credit facility (note 22)	(40,190)	64,799
Dividends paid (note 13)	(65,000)	(138,750)
Equity contributions (note 14)	20,000	10,000
Cash from financing activities	110,692	24,292
Change in cash and cash equivalents	78,802	(4,742)
Cash and cash equivalents, beginning of year	-	4,742
Cash and cash equivalents, end of year	$ 78,802	$ -

Supplemental cash flow information (note 21)

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

NOTES TO THE AUDITED 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* ("*HEEA*") 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 regulated electric and gas utility business serving utility customers in five Canadian provinces, nine U.S. states and three Caribbean countries.

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"). In December 2017, the Ontario Securities Commission approved the extension of the Corporation's exemptive relief to continue reporting under US GAAP rather than International Financial Reporting Standards ("IFRS") until the earlier of January 1, 2024 and the effective date prescribed by the International Accounting Standards Board for the mandatory application of a standard within IFRS specific to entities with activities subject to rate regulation. 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. Critical 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 regulatory assets and liabilities. Due to the inherent uncertainty in making such estimates, actual results reported in future periods could differ materially from those estimated. There were no material changes to the Corporation's critical accounting estimates for the year ended December 31, 2017 as compared to December 31, 2016.

(b) Regulation

The Corporation is regulated by the AUC, pursuant to the *EUA*, the *Public Utilities Act*, the *HEEA* 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

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

(b) Regulation (cont'd)

estimates inflation annually and assumes productivity improvements ("I-X") 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 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.

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) approval of capital tracker revenue associated with 2016 and 2017; (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.

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. In May 2017, the AUC issued Decision 22442-D01-2017 approving the Corporation's 2015 Capital Tracker True-Up Compliance Filing.

In June 2017, the Corporation filed a 2016 Capital Tracker True-Up Application to update 2016 capital tracker revenue for actual 2016 capital tracker expenditures. Capital tracker revenue was reduced by $0.3 million in 2017 to reflect the applied for true-up to actual 2016 capital expenditures. In addition, capital tracker revenue was reduced by $2.6 million during 2017 to reflect actual 2017 capital expenditures and associated financing costs.

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 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 revenue provided by mechanisms separate from the formula.

In July 2017, the AUC established a proceeding to determine the ROE and capital structure for 2018, 2019 and 2020. The proceeding commenced in October 2017, with an oral hearing scheduled for March 2018. The ROE and capital structure approved in the 2016 GCOC Decision remain in effect on an interim basis pending finalization of the 2018 Generic Cost of Capital proceeding. A decision is expected in the third quarter of 2018.

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

(b) Regulation (cont'd)

2017 Annual Rates Application

In September 2016, the Corporation filed its 2017 Annual Rates Application. The rates and riders, proposed to be effective on an interim basis for January 1, 2017, included a decrease of approximately 2.4% to the distribution component of customer rates. However, the overall distribution tariff impact, which included the impact of transmission and generation, was an increase of 4.6%.

The decrease in the distribution component of rates reflected: (i) a combined inflation and productivity factor (I-X) of negative 1.9%; (ii) a K factor placeholder of $89.5 million that was 100% of the depreciation and return associated with the 2017 forecast capital tracker expenditures; (iii) a refund of $13.1 million that was the difference between the 2013-2016 K factor amounts applied for or approved and the previous placeholder amounts; (iv) a refund of $0.5 million of K factor carrying costs; and (v) a net collection of Y factor amounts of $0.5 million. The refund of $13.1 million was primarily due to the over collection of 2015 capital tracker revenue, as accounted for in the K factor deferrals on the balance sheets as at December 31, 2016.

In December 2016, the AUC issued a decision approving the 2017 rates, options and riders schedules, on an interim basis, effective January 1, 2017, with a rate mitigation measure for residential customers only. The AUC imposed this rate mitigation measure until April 1, 2017 in order to partially offset the impact of the transmission and generation-related increase. The Corporation filed an application in February 2017 for revised residential distribution rates effective April 1, 2017, to give effect to the approved annual rate increases over the remaining nine months for 2017.

In March 2017, the AUC issued Decision 22415-D01-2017 approving the Corporation's 2017 PBR rates as filed on an interim basis until any required true-up amounts or placeholders are finalized by the AUC. These rates incorporated the collection of the rate mitigation deferral at March 31, 2017.

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.

In 2015, the Corporation was granted AUC approval to, and did acquire, the electric distribution systems of Kingman REA Ltd. and VNM REA Ltd. for $5.1 million and $16.0 million, respectively. Subsequently, in 2016, in response to a 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. The scope of the proceeding, as established by the AUC, would not permit the withdrawal of the approval for the transfer of assets involved in the acquisitions.

On October 3, 2017, the AUC issued Decision 21768-D01-2017 in this proceeding, which determined: (i) the Corporation's method to determine the purchase price of both Kingman REA Ltd. and VNM REA Ltd. to be reasonable; (ii) brushing costs associated with facilities' easements for both Kingman REA Ltd. and VNM REA Ltd. be removed from the purchase price; and (iii) the Corporation should apply amortization assumptions that reflect the remaining value of land rights on acquisition in the related compliance filing. Pursuant to this decision, the Corporation decreased net intangible assets and increased cost of sales by $0.5 million in the fourth quarter of 2017 for brushing costs associated with facilities' easements. The Corporation filed a corresponding compliance filing on January 15, 2018, for which a decision is expected in the second quarter of 2018.

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

(b) Regulation (cont'd)

Electric Distribution System Purchases (cont'd)

In July 2016, the Municipality of Crowsnest Pass ("CNP") decided to cease operation and to transfer CNP's electric distribution system to the Corporation for a proposed purchase price of $3.7 million, plus GST, and the related applications were filed with the AUC. In December 2016, as a result of the AUC decision to review the purchase prices of the Kingman REA Ltd. and VNM REA Ltd. acquisitions, the AUC suspended its consideration of the acquisition of CNP until a decision was issued on the purchase prices of those acquisitions. On October 27, 2017, subsequent to the issuance of Decision 21768-D01-2017, the AUC re-commenced the proceeding regarding the proposed sale and transfer of CNP's electric distribution system to the Corporation. A decision on this matter is expected in the first half of 2018. 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.

(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. 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.

Depreciation is provided on a straight-line basis at various rates ranging from 1.72% to 34.57% in 2017 (2016 - 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.

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

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

Depreciation rates include an allowed provision 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 2017 (2016 - 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 amount for AFUDC, which represents the 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.

(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.

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

(j) Goodwill

Goodwill represents the excess of the purchase price over the fair value of net identifiable assets on acquisition of a business. The goodwill recognized in the financial statements results from push-down accounting applied when the Corporation was acquired by Fortis in 2004. Goodwill, which is not amortized, is recorded at initial cost less any write-down for impairment.

The carrying value of goodwill is assessed for impairment annually, or more frequently if events or changes in circumstances arise that suggest the carrying value of goodwill may be impaired. No such event or change in circumstances occurred during 2017 or 2016.

The Corporation performs an annual quantitative assessment and the estimated fair value of the Corporation is compared to its carrying value. If the fair value of the Corporation is less than the carrying value, the excess is recognized as a goodwill impairment.

The Corporation's assessment of impairment of goodwill is performed annually in October and indicated that no impairment was required for the years ended 2017 and 2016.

(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 defined benefit pension and OPEB 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.

(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 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.

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

(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

Any costs, debt discounts and premiums related to the issuance of long-term debt are recognized against long-term debt and are amortized over the life of the related long-term 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 income tax basis of assets and liabilities and their carrying amounts for regulatory purposes, as this income 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 income tax receivable, to be recovered when the Corporation becomes taxable for regulatory purposes.

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

(r) Simplifying the Test for Goodwill Impairment

Effective January 1, 2017, the Corporation adopted Accounting Standard Update ("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 two-step 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. The adoption of this update did not impact the Corporation's financial statements in 2017.

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

(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 yet been adopted by the Corporation. Any ASUs not included 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

ASU No. 2014-09 was issued in May 2014 and the amendments in this update, along with additional ASUs issued in 2016 and 2017 to clarify implementation guidance, 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 enables users of financial statements to better understand and consistently analyze an entity's revenues across industries and transactions. The new guidance permits two methods of adoption: (i) the full retrospective method; 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 supplemented by additional disclosures. This standard is effective for annual and interim periods beginning after December 15, 2017. The Corporation adopted this ASU on January 1, 2018 using the modified retrospective approach and there have been no material adjustments identified to the opening retained earnings on the balance sheet.

The Corporation will apply, as a practical expedient, the guidance to a portfolio of contracts as the Corporation expects that the effects on the financial statements of applying the guidance to the portfolio would not differ materially from applying the guidance to the individual contracts within the portfolio.

The majority of the Corporation's revenue is generated from the distribution of electricity to end-user customers based on published tariff rates, as approved by the AUC. The Corporation has assessed tariff revenue and concludes that the adoption of this standard will not change the Corporation's accounting policy for recognizing tariff revenue and, therefore, will not have an impact on earnings. The Corporation has assessed that while this standard will have no material financial impact on its revenue streams, it will impact the presentation and disclosure of revenue.

Alternative revenue programs of rate regulated utilities are outside the scope of this standard as they are not considered contracts with customers. Revenues arising from alternative revenue programs will be presented separately from revenues, which is in line with the existing guidance under ASC Topic 980, *Regulated Operations*, Subtopic 605, *Revenue Recognition*.

The Corporation will add additional disclosures in 2018 to address the requirements of ASC Topic 606, *Revenue from Contracts with Customers*, to provide more information regarding the nature, amount, timing and collectability of revenue and cash flows. The Corporation is in the process of preparing these required disclosures.

As part of its effort to adopt the new revenue recognition standard, the Corporation is monitoring its adoption process under its existing internal controls over financial reporting ("ICFR"), including accounting processes and the gathering and evaluation of information used in assessing the required disclosures. As the implementation process continues, the Corporation will assess any necessary changes to ICFR.

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

(s) Future Accounting Pronouncements (cont'd)

Leases

ASU No. 2016-02 was issued in February 2016 and the amendments in this update create ASC Topic 842, *Leases,* and supersede lease requirements in ASC Topic 840, *Leases.* The main provision of ASC 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

ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, was issued in June 2016 and the amendments in this update require entities to use an expected credit loss methodology and to consider a broader 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 retrospective 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.

Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, was issued in March 2017 and the amendments in this update require that an employer disaggregate the current service costs component of net benefit cost and present it in the same statement of earnings line item(s) as other employee compensation costs arising from services rendered. The other components of net benefit cost are required to be presented separately from the service cost component and outside of operating income. In addition, the amendments allow only the service cost component to be eligible for capitalization when applicable. This update is effective for annual and interim periods beginning after December 15, 2017. Early adoption is permitted. The amendments in this update should be applied retrospectively for the presentation of the net periodic benefit costs and prospectively, on and after the effective date, for the capitalization in assets of only the service cost component of net periodic benefit costs.

The Corporation has assessed the impact that the adoption of this update will have on its financial statements and related disclosures. Effective January 1, 2018, upon adoption of ASU 2017-07, the Corporation will disaggregate, and present separately, the service cost component from the other components of net periodic benefit cost. The components of net periodic benefit cost other than service cost will be included in other income in the Statements of Income and Comprehensive Income. The impact to cost of sales and other income on the Statements of Income and Comprehensive Income is $0.7 million for 2017. There is no impact to net income and cash flows.

3. ACCOUNTS RECEIVABLE

	2017	2016
Trade accounts receivable	$ 135,262	$ 105,966
Other receivables	1,330	27
Employee receivables	1,016	1,035
	$ 137,608	$ 107,028

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.

	2017	2016	Remaining Recovery Period (Years)
Regulatory assets			
Deferred income tax (i)	$ 296,297	$ 257,165	Life of related assets
Deferred overhead (ii)	90,662	78,348	Life of related assets
Regulatory defined benefit pension deferrals (iii)	4,154	4,084	Benefit payment period
A1 rider deferral (iv)	940	696	2
Y factor deferrals (v)	394	-	1-2
K factor deferrals (vi)	-	306	1-2
Total regulatory assets	392,447	340,599	
Less: current portion	1,054	854	
Long-term regulatory assets	$ 391,393	$ 339,745	

	2017	2016	Remaining Settlement Period (Years)
Regulatory liabilities			
Non-ARO provision (vii)	$ 389,233	$ 372,168	Life of related assets
AESO charges deferral (viii)	39,566	36,956	1-4
K factor deferrals (vi)	15,658	26,193	1-2
Y factor deferrals (v)	1,154	1,181	1-2
A1 rider deferral (iv)	373	1,671	1
Total regulatory liabilities	445,984	438,169	
Less: current portion	47,871	26,136	
Long-term regulatory liabilities	$ 398,113	$ 412,033	

(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.

4. REGULATORY ASSETS AND LIABILITIES (cont'd)

(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. 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.

(v) Y factor deferrals

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

(vi) 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.

(vii) Non-ARO provision

This balance represents the difference between the actual non-ARO provision for removal costs incurred and those collected in customer rates. Depreciation expense includes a provision for non-ARO removal costs approved for collection 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 the difference in revenue collected and expenses incurred for various items, such as transmission costs incurred and flowed through to customers, that are expected to be collected or refunded in future customer rates. To the extent that the amount of actual costs incurred is different from revenue collected in rates for these items, the difference is deferred as a regulatory asset to be collected or a regulatory liability to be refunded in future rates. As at December 31, 2017, the regulatory liability primarily represented the over collection of the AESO charges deferral account for 2016 and 2017.

5. PROPERTY, PLANT AND EQUIPMENT

The cost and accumulated depreciation amounts are as follows:

2017	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Distribution system	$ 4,593,422	$ (1,299,087)	$ 3,294,335
AESO contributions	493,387	(86,891)	406,496
Buildings and furniture	174,311	(57,108)	117,203
Vehicles	84,234	(21,993)	62,241
Materials and supplies	29,086	-	29,086
Computer hardware	29,026	(13,089)	15,937
Tools and instruments	24,224	(9,815)	14,409
Land	17,667	-	17,667
Construction in progress	44,782	-	44,782
Customer contributions	(860,798)	393,663	(467,135)
	$ 4,629,341	$ (1,094,320)	$ 3,535,021

2016	**Cost**	**Accumulated Depreciation**	**Net Book Value**
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)
	$ 4,340,682	$ (1,029,785)	$ 3,310,897

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:

(%)	**2017**	**2016**
Distribution system	3.83	3.86
AESO contributions	3.45	3.40
Buildings and furniture	3.22	3.32
Vehicles	9.25	9.40
Computer hardware	20.29	19.91
Tools and instruments	10.20	9.60
Customer contributions	2.57	2.57

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:

2017	Cost	Accumulated Amortization	Net Book Value
Computer software	$ 103,805	$ (62,181)	$ 41,624
Land rights	29,650	(8,847)	20,803
Intangibles construction in progress	6,284	-	6,284
	$ 139,739	$ (71,028)	$ 68,711

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

Amortization of intangible assets was $9.5 million for 2017 (2016 - $9.9 million). Amortization is expected to average approximately $11.2 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:

(%)	2017	2016
Computer software	8.35	8.42
Land rights	2.78	2.87

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

(Years)	2017		2016	
	Service Life Ranges	Weighted Average Remaining Service Life	Service Life Ranges	Weighted Average Remaining Service Life
Computer software	5-10	2.1	5-10	2.7
Land rights	36	26.6	36	27.4
Total	5-36	3.0	5-36	3.8

7. OTHER ASSETS

	2017	2016
Income tax receivable	$ 1,755	$ 1,751
Employee receivables	12	48
	$ 1,767	$ 1,799

8. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	2017	2016
Trade accounts payable	$ 227,663	$ 115,464
Employee compensation and benefits payable	21,739	22,418
Interest payable	21,486	19,209
Other	2,066	1,651
	$ 272,954	$ 158,742

9. OTHER LIABILITIES

	2017	2016
OPEB plan liability (note 15)	$ 9,698	$ 7,979
Deferred lease revenue [(1)]	3,568	3,810
Defined benefit liability (note 15)	3,954	3,884
Other	860	717
	$ 18,080	$ 16,390

(1) *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)	2017 Effective Rate (%)	2017	2016
Senior unsecured debentures					
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	109,900	109,898
Series 08-1	5.85	2038	5.94	99,555	99,543
Series 09-1	7.06	2039	7.15	99,989	99,988
Series 09-2	5.37	2039	5.42	124,953	124,952
Series 10-1	4.80	2050	4.85	124,918	124,917
Series 11-1	4.54	2041	4.59	124,982	124,982
Series 12-1	3.98	2052	4.02	124,928	124,928
Series 13-1	4.85	2043	4.90	149,847	149,844
Series 14-1	4.11	2044	4.15	124,980	124,980
Series 14-2	3.30	2024	3.37	149,990	149,989
Series 15-1	4.27	2045	4.32	149,830	149,827
Series 16-1	3.34	2046	3.39	149,752	149,746
Series 17-1	3.67	2047	3.71	200,000	-
Drawings under the committed credit facility	Variable	2022		50,000	-
Drawings under the bilateral credit facility	Variable	2017		-	90,000
Cash balances in overdraft position	N/A	N/A		-	2,610
Total debt				2,083,624	1,926,204
Short-term borrowings				(50,000)	(92,610)
Debt issuance costs				(15,261)	(14,116)
Long-term debt				$ 2,018,363	$ 1,819,478

10. DEBT (cont'd)

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 2017, the Corporation renegotiated and amended its committed credit facility, extending the maturity date of the facility from August 2021 to August 2022. The amended agreement contains similar terms and conditions as the previous agreement.

In September 2017, the Corporation entered into an agreement with a syndicate of agents, pursuant to which the Corporation sold $200.0 million of senior unsecured debentures. The debentures bear interest at a rate of 3.67%, to be paid semi-annually, and mature in 2047. Proceeds of the issue were used to repay the bilateral credit facility of $90.0 million and existing indebtedness incurred under the committed credit facility to finance capital expenditures and for general corporate purposes. The bilateral credit facility was terminated upon repayment.

As at December 31, 2017, the Corporation had unsecured committed credit facilities with an available amount of $250.0 million maturing in August 2022. 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, 2017 on the committed credit facility was 2.2% (2016 - 2.1%). As at December 31, 2017, the Corporation had $50.0 million drawings on this facility (December 31, 2016 - $nil).

The Corporation has externally imposed capital requirements by virtue of the Trust Indenture and the committed credit facility such that debt cannot exceed 75% of the Corporation's equity. The Corporation was in compliance with these externally imposed capital requirements for the year ended December 31, 2017.

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

11. OTHER REVENUE

	2017	2016
Third party services	$ 6,349	$ 5,745
REA services	3,751	4,629
Joint use revenue	2,039	2,130
Related party revenue	2,562	125
Other revenue	2,448	2,922
	$ 17,149	$ 15,551

12. INTEREST EXPENSE

	2017	2016
Interest – long-term debt	$ 93,118	$ 86,639
Interest – other	1,598	709
Less: Debt component of AFUDC	(1,406)	(2,392)
	$ 93,310	$ 84,956

Debt issuance costs are amortized using the effective interest method over the life of the associated debt. Interest expense on long-term debt included $586 related to amortization of debt issuance costs in 2017 (2016 - $477).

13. 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

Issued:

- 63 Class A common shares, with no par value

In 2017, the Corporation declared and paid dividends totaling $65.0 million (2016 - $138.8 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, 2017 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.

14. 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 2017, the Corporation received $20.0 million in equity contributions from Fortis Alberta Holdings Inc. (2016 - $10.0 million).

15. EMPLOYEE FUTURE BENEFITS

Description

The Corporation sponsors a pension plan with defined contribution and defined benefit components. 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 for 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.

15. EMPLOYEE FUTURE BENEFITS (cont'd)

Plan Asset Information (cont'd)

The long-term rate of return on plan assets assumed for 2017 was 3.00% (2016 – 3.15%). This assumption considers inflation, bond yields, historical returns and other variables.

The fair value of plan assets as at December 31, 2017 and 2016 were as follows:

	2017	2016
Government bonds	$ 32,069	$ 30,043
Corporate bonds	9,626	8,861
Total [(1)]	$ 41,695	$ 38,904

[(1)] 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, 2017 were $214 (December 31, 2016 - $196) of FortisAlberta Inc. bonds and $283 (December 31, 2016 - $266) of related party bonds.

Reconciliation of Funded Status

	Defined Benefit Pension Plans		OPEB Plan	
	2017	2016	2017	2016
Change in benefit obligation [(1)]				
Balance, beginning of year	$ 42,988	$ 40,773	$ 8,762	$ 11,683
Current service cost	645	669	381	646
Interest cost	1,612	1,644	298	391
Member contributions	35	38	-	-
Plan amendments	-	-	1,773	-
Benefits paid	(1,500)	(1,430)	(462)	(484)
Actuarial loss (gain)	2,069	1,294	(157)	(3,474)
Balance, end of year [(2)]	$ 45,849	$ 42,988	$ 10,595	$ 8,762
Change in fair value of plan assets				
Balance, beginning of year	$ 38,904	$ 37,833	$ -	$ -
Employer contributions	1,737	1,786	462	484
Member contributions	35	38	-	-
Benefits paid	(1,500)	(1,430)	(462)	(484)
Actual return on plan assets	2,519	677	-	-
Balance, end of year	$ 41,695	$ 38,904	$ -	$ -
Funded status	$ (4,154)	$ (4,084)	$ (10,595)	$ (8,762)

[(1)] Amounts reflect projected benefit obligation for defined benefit pension plans and accumulated benefit obligation for the OPEB plan.

[(2)] The accumulated benefit obligation for defined benefit pension plans, which includes no assumption about future salary levels, was $45.5 million as at December 31, 2017 (December 31, 2016 - $42.7 million).

15. EMPLOYEE FUTURE BENEFITS (cont'd)

Amounts Recognized on the Balance Sheet

	Defined Benefit Pension Plans		OPEB Plan	
	2017	**2016**	**2017**	**2016**
Accounts payable and other current liabilities	$ (200)	$ (200)	$ (897)	$ (783)
Other liabilities (note 9)	(3,954)	(3,884)	(9,698)	(7,979)
Net liabilities	$ (4,154)	$ (4,084)	$ (10,595)	$ (8,762)

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
2018	$ 2,165	$ 897
2019	2,198	992
2020	2,229	1,049
2021	2,385	1,066
2022	2,349	1,045
2023-2027	12,108	4,109

Pension Plan Contributions

The Corporation made total contributions to the defined benefit retirement plan of $1.7 million for the year ended December 31, 2017. Minimum funding contributions of approximately $1.8 million will be made towards the defined benefit pension plan and contributions of $0.9 million toward the OPEB plan in 2018.

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	
	2017	**2016**	**2017**	**2016**
Service cost	$ 645	$ 669	$ 381	$ 646
Interest cost	1,612	1,644	298	391
Expected return on plan assets	(862)	(1,192)	-	-
Amortizations:				
Past service cost	-	-	253	253
Actuarial loss (gain)	1,174	238	(156)	-
Net benefit cost recognized	2,569	1,359	776	1,290
Regulatory adjustments	(832)	427	-	-
Net benefit cost recognized in financial statements	1,737	1,786	776	1,290
Defined contribution cost	9,619	9,227	-	-
Total employee future benefit cost	$ 11,356	$ 11,013	$ 776	$ 1,290

15. EMPLOYEE FUTURE BENEFITS (cont'd)

Accumulated Other Comprehensive Income (Loss)

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

	Defined Benefit Pension Plans		OPEB Plan	
	2017	**2016**	**2017**	**2016**
Actuarial (loss) gain	$ (5,230)	$ (5,992)	$ 3,062	$ 3,061
Past service cost	-	-	(3,252)	(1,732)
Accumulated other comprehensive income (loss)	(5,230)	(5,992)	(190)	1,329
Regulatory adjustment	5,230	5,992	-	-
Accumulated other comprehensive income (loss)	$ -	$ -	$ (190)	$ 1,329

Actuarial losses of $588 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 2018.

Actuarial gains of $143 and past service costs of $380 related to the OPEB plan are expected to be amortized from accumulated other comprehensive income into net benefit cost in 2018.

Other Comprehensive Income (Loss)

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

	Defined Benefit Pension Plans		OPEB Plan	
	2017	**2016**	**2017**	**2016**
Net actuarial (loss) gain arising during the year	$ (412)	$ (1,809)	$ 157	$ 3,474
New prior service cost	-	-	(1,773)	-
Amortizations:				
Past service cost	-	-	253	253
Actuarial loss (gain)	1,174	238	(156)	-
Other comprehensive income (loss)	762	(1,571)	(1,519)	3,727
Regulatory adjustment	(762)	1,571	-	-
Total other comprehensive income (loss)	$ -	$ -	$ (1,519)	$ 3,727

Weighted Average Assumptions

	Defined Benefit Pension Plans		OPEB Plan	
	2017	**2016**	**2017**	**2016**
Discount rate during the year	3.80%	4.10%	3.40%	3.30%
Discount rate as at December 31	3.40%	3.80%	3.20%	3.40%
Expected long-term rate of return on plan assets	3.00%	3.15%	-	-
Rate of compensation increase	2.50%	2.50%	-	-
Initial weighted average health care trend rate during the year	-	-	6.00%	6.10%
Initial weighted average health care trend rate at December 31	-	-	5.81%	6.00%
Ultimate weighted average health care trend rate	-	-	5.00%	5.00%
Year ultimate rate reached	-	-	2027	2027

2017 Effects of Changing the Health Care Trend Rate by 1%

	1% Increase in Rate	1% Decrease in Rate
Increase (decrease) in projected benefit obligation	228	(218)
Increase (decrease) in interest and current service costs	7	(9)

16. RELATED PARTY TRANSACTIONS

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

($ thousands)	2017	2016
Accounts receivable		
Loans [(1)]	47	17
Related parties	233	10
	280	27

[(1)] *These loans are to officers of the Corporation and includes items such as stock option loans and employee share purchase plan loans.*

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:

	2017	**2016**
Included in other revenue [(1)]	$ 2,495	$ 125
Included in cost of sales [(2)]	4,407	4,790
Included in interest expense [(3)]	-	138

[(1)] *Includes services provided to Fortis and subsidiaries of Fortis related to metering, information technology, material sales and intercompany employee services.*
[(2)] *Includes charges from related parties, including Fortis and subsidiaries of Fortis related to corporate governance expenses, consulting services, travel and accommodation expenses, charitable donations and professional development costs.*
[(3)] *Reflects interest expense paid on a demand note from Fortis that was borrowed in October 2015 and repaid in the second quarter of 2016.*

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

17. INCOME TAX

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

	2017	**2016**
Deferred income tax assets (liabilities):		
Net regulatory assets and liabilities	$ 17,000	$ 20,528
OPEB	3,919	3,241
Intangible assets	(7,506)	(3,024)
Property, plant and equipment	(294,948)	(262,146)
Debt issuance costs	(4,518)	(4,174)
Income tax credits	2,405	648
Net deferred income tax liability	$ (283,648)	$ (244,927)

17. INCOME TAX (cont'd)

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

	2017	2016
Current income tax expense	$ 1,016	$ 2,218
Deferred income tax expense before adjustment	40,977	40,994
Regulatory adjustment for the recovery of deferred income tax in future customer rates	(41,388)	(43,075)
Deferred income tax recovery	(411)	(2,081)
Total income tax expense	$ 605	$ 137

Income tax expense 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.

	2017	2016
Income before income tax per financial statements	$ 120,417	$ 120,831
Statutory income tax rate	27.0%	27.0%
Income tax, at statutory income tax rate	$ 32,513	$ 32,624
Difference between capital cost allowance and amounts claimed for accounting purposes	(18,686)	(22,696)
Items capitalized for accounting purposes but expensed for income tax purposes	(9,714)	(15,893)
Difference between regulatory accounting items and amounts claimed for income tax purposes	(2,875)	6,072
Other	(633)	284
Change in statutory income tax rate	-	(254)
Income tax expense	$ 605	$ 137
Effective income tax rate	0.5%	0.1%

As at December 31, 2017, the Corporation had no non-capital loss carry forwards (December 31, 2016 - $nil).

As at December 31, 2017, total investment tax credits receivable related to the employment of eligible apprentices and acquisition of eligible assets were $1.8 million (December 31, 2016 - $1.8 million). These credits are subject to carry forward and expire between 2026 and 2037.

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.

Taxation years 2011 and prior, with the exception of 2008 due to the application of loss carrybacks, 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, 2017 and, as such, has not accrued any associated interest or penalties.

18. COMMITMENTS AND CONTINGENCIES

As at December 31, 2017, the Corporation's commitments in each of the next five years and thereafter are as follows:

	Total	2018	2019	2020	2021	2022	> 2022
Principal payments on long-term debt [1]	$ 2,035,000	-	-	-	-	-	2,035,000
Interest payments on long-term debt	2,308,523	95,763	95,723	95,723	95,723	95,723	1,829,868
Operating leases and other obligations	58,203	6,504	4,718	4,177	2,833	2,621	37,350
Total	$ 4,401,726	102,267	100,441	99,900	98,556	98,344	3,902,218

(1) *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 $1.0 million in 2017 (2016 - $1.1 million).

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 2022 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 operations. It is management's judgment that the amount of liability, if any, from these actions would not have a material effect on the Corporation's financial statements.

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.

19. 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.

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.

19. FAIR VALUE MEASUREMENTS (cont'd)

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

Long-term debt	2017	2016
Fair value [(1)]	$ 2,428,501	$ 2,117,122
Carrying value [(2)]	2,033,624	1,833,594

[(1)] *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.*

[(2)] *Carrying value is presented gross of debt issuance costs of $15,261 (December 31, 2016 – $14,116).*

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 Topic 815, *Derivatives and Hedging*.

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.

20. 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.

For accounts receivable, the Corporation's gross credit risk exposure is equal to the carrying value on the balance sheet. The Corporation monitors its credit exposure in accordance with the Terms and Conditions of Distribution Access Service as approved by the AUC. 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. As at December 31, 2017, the Corporation has reduced its exposure to $0.8 million.

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. While the fair value of the Corporation's fixed rate debentures fluctuates as market interest rates change, 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, 2017, the Corporation's debentures were rated by DBRS at A (low) and by S&P at A-.

20. FINANCIAL RISK MANAGEMENT (cont'd)

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, 2017 are summarized in Note 18.

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.

21. SUPPLEMENTAL CASH FLOW INFORMATION

Cash Paid For:

	2017	2016
Interest paid	$ 88,160	$ 86,017
Income tax paid	2,702	729

Change in Non-Cash Operating Working Capital:

	2017	2016
Accounts receivable	$ (30,525)	$ 14,257
Prepaids and deposits	(488)	(42)
Regulatory assets	(200)	8,648
Accounts payable and other current liabilities	95,498	(9,576)
Income tax payable	(1,686)	5,619
Regulatory liabilities	21,734	11,132
	$ 84,333	$ 30,038

Non-Cash Investing Activities:

	2017	2016
Additions to property, plant and equipment and intangible assets included in current liabilities	$ 85,514	$ 66,830
Customer contributions for property, plant and equipment included in current assets	4,463	4,418

22. STATEMENTS OF CASH FLOWS COMPARATIVE FIGURES

During the year ended December 31, 2017, the Corporation discovered an immaterial presentation error in prior periods with respect to credit facility borrowings within the financing section of its Statements of Cash Flows. The Corporation evaluated the presentation error and determined that while the impact was not material to its results of operations, financial position or cash flows in previously issued financial statements, the Statements of Cash Flows at December 31, 2016 should be retrospectively corrected in accordance with ASC Topic 230, *Statement of Cash Flows*.

For the year ended December 31, 2016, the Statements of Cash Flows included a net $28.0 million of prime loan drawings and repayments reported as Net borrowings under committed credit facility. These prime loans should have been reported on a gross basis, with $160.0 million reported as Borrowings under committed credit facility – prime loans and $188.0 million being reported as Repayments under committed credit facility – prime loans.

23. SUBSEQUENT EVENTS

These financial statements and notes reflect the Corporation's evaluation of events occurring subsequent to the balance sheet date through February 14, 2018, the date the financial statements were available for issuance.