Condensed Interim Financial Statements

(unaudited)

AltaLink, L.P.

Three and nine months ended September 30, 2011 and 2010

ALTALINK

Statement of Financial Position

(unaudited)

	Notes	As at September 30, 2011	As at December 31, 2010
(in thousands of dollars)			
ASSETS			
Current			
Trade and other receivables	5	**$ 50,880**	$ 44,504
Cash and cash equivalents		**542**	12,783
		51,422	57,287
Non-current			
Goodwill		**202,066**	202,066
Intangible assets	6	**99,730**	84,965
Property, plant and equipment	7	**2,413,886**	2,072,816
Third party deposits	8	**60,687**	48,965
Other non-current assets	9	**31,741**	20,134
		$ 2,859,532	$ 2,486,233
LIABILITIES AND PARTNERS' EQUITY			
Current			
Trade and other payables	10	**$ 201,681**	$ 138,961
Short-term debt	11	**171,471**	—
Current portion of deferred revenue	12	**9,815**	8,870
		382,967	147,831
Non-current			
Long-term debt	11	**1,031,189**	1,030,211
Deferred revenue	12	**451,436**	422,884
Third party deposits liability	8	**60,687**	48,965
Other non-current liabilities	13	**17,113**	27,002
		1,943,392	1,676,893
Commitments and contingencies	21,22		
Partners' equity	18	**916,140**	809,340
		$ 2,859,532	$ 2,486,233

See accompanying notes to the condensed interim financial statements, including note 23 – Explanation of transition from Canadian GAAP to IFRS

Statement of Comprehensive Income

(unaudited)

(in thousands of dollars)	Notes	**Three months ended September 30, 2011**	Three months ended September 30, 2010	**Nine months ended September 30, 2011**	Nine months ended September 30, 2010
Revenue					
Operations	15	**$ 75,563**	$ 76,789	**$ 226,684**	$ 209,539
Other	16	**6,495**	4,580	**16,328**	19,722
		82,058	81,369	**243,012**	229,261
Expenses					
Operating	17	**(18,224)**	(17,828)	**(54,023)**	(55,832)
Depreciation and amortization		**(20,904)**	(21,384)	**(61,820)**	(60,815)
Property taxes and other	17	**(10,157)**	(17,392)	**(33,065)**	(29,982)
		(49,285)	(56,604)	**(148,908)**	(146,629)
		32,773	24,765	**94,104**	82,632
Finance costs	11(d)	**(12,428)**	(11,210)	**(38,426)**	(31,867)
Gain (loss) on disposals of assets		**262**	(111)	**(628)**	24
Net and comprehensive income		**$ 20,607**	$ 13,444	**$ 55,050**	$ 50,789

See accompanying notes to the condensed interim financial statements, including note 23 – Explanation of transition from Canadian GAAP to IFRS

ALTALINK

Statement of Changes in Partners' Equity

(unaudited)

(in thousands)	Notes	Units	Allocation to Limited Partner	Allocation to General Partner	Total Retained Earnings (note 19)	Partners' Capital	Total
As at January 1, 2010		331,904	$ 132,570	$ 48	$ 132,618	$ 549,036	$ 681,654
Net and comprehensive income		—	50,784	5	50,789	—	50,789
Equity investment received		—	—	—	—	29,300	29,300
Distributions paid		—	(20,998)	(2)	(21,000)	—	(21,000)
Balance at September 30, 2010		**331,904**	**$ 162,356**	**$ 51**	**$ 162,407**	**$578,336**	**$740,743**
As at January 1, 2011		331,904	$ 170,852	$ 52	$ 170,904	$ 638,436	$ 809,340
Net and comprehensive income		—	55,044	6	55,050	—	55,050
Equity investment received	18	—	—	—	—	75,000	75,000
Distributions paid		—	(23,248)	(2)	(23,250)	—	(23,250)
Balance at September 30, 2011		**331,904**	**$ 202,648**	**$ 56**	**$ 202,704**	**$ 713,436**	**$ 916,140**

See accompanying notes to the condensed interim financial statements, including note 23 – Explanation of transition from Canadian GAAP to IFRS

ALTALINK

Statement of Cash Flows

(unaudited)

(in thousands of dollars)	Notes	**Three months ended September 30, 2011**	Three months ended September 30, 2010	**Nine months ended September 30, 2011**	Nine months ended September 30, 2010
Cash flows from operating activities					
Net income		**$ 20,607**	$ 13,444	**$ 55,050**	$ 50,789
Adjustments for:					
Depreciation and amortization		**20,904**	21,384	**61,820**	60,815
Third party contributions revenue		**(2,377)**	(4,157)	**(6,792)**	(7,261)
(Gain) loss on disposals of assets		**(262)**	111	**628**	(24)
Finance costs		**12,428**	11,210	**38,426**	31,867
Change in other items	20	**(1,159)**	14,078	**(23,371)**	12,092
Interest paid		**(9,987)**	(9,887)	**(39,651)**	(32,566)
Funds generated from operations		**40,154**	46,183	**86,110**	115,712
Change in non-cash working capital items	20	**10,908**	(15,537)	**37,569**	(25,307)
Net cash provided by operating activities		**51,062**	30,646	**123,679**	90,405
Cash flows from investing activities					
Capital expenditures		**(177,496)**	(112,308)	**(411,255)**	(335,495)
Change in non-cash working capital items	20	**36,081**	(5,350)	**13,765**	(7,500)
Use of third party contributions		**12,324**	22,194	**37,859**	34,606
Proceeds from retirement of assets		**394**	34	**489**	169
Net cash used in investing activities		**(128,697)**	(95,430)	**(359,142)**	(308,220)
Cash flows from financing activities					
Senior debt issued		**—**	—	**—**	125,004
Commercial paper and bank credit facilities used		**55,945**	42,834	**171,471**	77,561
Distributions paid		**(7,750)**	(7,000)	**(23,250)**	(21,000)
Equity investment received		**30,000**	29,300	**75,000**	29,300
Change in other financing activities	20	**(18)**	(306)	**1**	(1,325)
Net cash provided by financing activities		**78,177**	64,828	**223,222**	209,540
Net increase (decrease) in cash and cash equivalents		**542**	44	**(12,241)**	(8,275)
Cash and cash equivalents, beginning of period		**—**	—	**12,783**	8,319
Cash and cash equivalents, end of period		**$ 542**	$ 44	**$ 542**	$ 44

See accompanying notes to the condensed interim financial statements, including note 23 – Explanation of transition from Canadian GAAP to IFRS

ALTALINK

1. General information

AltaLink, L.P. (the Partnership or AltaLink) was formed under the laws of the Province of Alberta in Canada on July 3, 2001, to own and operate regulated transmission assets in Alberta. The Partnership's registered office is located at 2611-3rd Avenue SE, Calgary, Alberta, T2A 7W7. The Partnership has one limited partner, AltaLink Investments, L.P. (AILP) and is managed by AltaLink Management Ltd. (the General Partner). Although the General Partner holds legal title to the assets, the Partnership is the beneficial owner and assumes all risks and rewards of the assets.

On September 20, 2011, SNC-Lavalin Transmission Ltd. became our sole owner by acquiring Macquarie Transmission Alberta Ltd., which previously held a 23.08% minority interest in AHLP.

The Partnership is regulated by the AUC, pursuant to the Electric Utilities Act (Alberta) (EUA), the Public Utilities Board Act (Alberta), and the Hydro and Electric Energy Act (Alberta). These statutes and their respective regulations cover matters such as tariffs, construction, operations, financing and accounting. The Alberta Electric System Operator (AESO) administers the transmission of all electrical energy through the Alberta Interconnected Electric System in the Province of Alberta.

During the three and nine months ended September 30, 2011 and 2010, AltaLink operated solely in one reportable geographical and business segment.

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements have been prepared on a going concern basis in accordance with IAS 34 *Interim Financial Reporting*. These are the Partnership's third condensed interim financial statements prepared under International Financial Reporting Standards (IFRS). The Partnership has applied IFRS 1 *First time Adoption of International Financial Reporting Standards* to prepare the opening Statement of Financial Position as at January 1, 2010, the transition date.

The Partnership has applied the IFRS standards and IFRS Interpretation Committee (IFRIC) interpretations that are currently applicable.

Until December 31, 2010, management prepared the Partnership's financial statements in accordance with Canadian generally accepted accounting principles (C-GAAP), which differ in some areas from IFRS. In preparing these condensed interim financial statements, AltaLink has adjusted certain amounts reported previously in the financial statements to effect the transition to IFRS.

The Partnership has consistently applied the same accounting policies in its opening IFRS Statement of Financial Position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect except for certain transition elections disclosed in note 23 – *Explanation of transition from Canadian GAAP to IFRS*, which explains the impacts of adopting IFRS on the previously reported financial position, financial performance and cash flows of the Partnership.

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

2. Basis of preparation (cont'd)

These condensed interim financial statements were approved for issue by the Board of Directors on October 28, 2011.

(b) Basis of measurement

These condensed interim financial statements have been prepared on the historical cost basis except for the accrued benefit pension asset, provisions, accrued employment benefits liabilities and certain financial assets and liabilities related to regulated activities, which are measured initially at fair value. Financial assets and liabilities related to regulated activities are subsequently measured at amortized cost.

(c) Functional and presentation currency

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

(d) Use of estimates and judgement

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Judgements made by management in the application of IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the condensed interim financial statements.

Accounting policies are selected and applied in a manner which ensures the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring the substance of the underlying transactions or other events is reported.

As a regulated utility, the Partnership records certain amounts at estimated values until these amounts are finalized. The Partnership bases its estimates and judgements on historical experience, including experience with regulatory processes, current conditions and various other assumptions that are believed to be reasonable under the circumstances. These factors form the basis for making judgements about the carrying values of assets and liabilities. They are also the basis for identifying and assessing the Partnership's accounting treatment with respect to commitments and contingencies. Examples of significant estimates include:

- Expected regulatory decisions on matters that may impact revenue, such as the 2011-13 General Tariff Application and 2011 Generic Cost of Capital proceeding (see note 15);
- The recovery and settlement of financial assets and liabilities related to regulated activities;
- Key economic assumptions used in cash flow projections;
- The estimated useful lives of assets;
- The recoverability of tangible and intangible assets, including estimates of future costs to retire physical assets or the recoverability of costs associated with direct assigned projects that have been delayed in the regulatory process;
- The recoverability of intangible assets with indefinite lives, such as goodwill; and
- The accruals for capital projects, payroll and other employee-related liabilities.

3. Summary of significant accounting policies

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

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

(a) Regulation of transmission tariff

The Partnership operates under cost of service regulation in accordance with the EUA. The AUC must provide the Partnership with a reasonable opportunity to recover its prudently incurred and forecasted costs, including operating expenses, depreciation, cost of debt, capital and taxes associated with investment, and a fair return-on-investment. Fair return is determined on the basis of return on rate base and allowance for funds used during construction (AFUDC) on construction work in progress (CWIP). The Partnership applies for transmission tariff based on forecasted costs of service. Once approved, the transmission tariff is not adjusted if actual costs of service differ from forecast, except certain prescribed costs for which deferral and reserve accounts are established within the transmission tariff. Transmission tariff is received from the AESO in equal monthly installments. All tariff adjustments arising from deferral or reserve accounts relate to services provided to the AESO during the test years, and settlement of these accounts with the AESO is not contingent on providing future services.

If, in management's judgement, a reasonable estimate can be made regarding the impact future regulatory decisions may have on the current period's financial statements, such an estimate will be recorded in the current period. When the AUC issues a decision affecting the financial statements of a prior period, the effects of the decision are recorded in the period in which the decision is issued.

(b) Revenue recognition

Revenues from regulated activities represent the inflow of economic benefits earned during the period arising in the ordinary course of the Partnership's operating activities. Such revenues are recognized on the accrual basis in accordance with tariffs approved by the AUC, and estimates of services provided but not yet billed to the AESO. The Partnership does not recognize revenue for any portion of tariffs received but not earned. Unearned tariffs are classified as financial liabilities related to regulated activities or deferred revenue in the financial statements.

Other revenue represents revenue received from third parties and includes, but is not limited to, services provided on a cost recovery basis to other utilities. Other revenue is recognized on the accrual basis as the costs are incurred. Rental income from third parties is recognized on a straight-line basis over the lease term.

(c) Financial assets and liabilities related to regulated activities

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

The regulatory and legal rights and obligations under which the Partnership operates also require the Partnership to refund to the AESO certain amounts that have been received in tariff revenue that are greater than its actual expenses. Such financial liabilities related to regulated activities due to the AESO within 12 months are not discounted. Amounts due to the AESO beyond the next 12 months are discounted at a market rate of interest.

3. Summary of significant accounting policies (cont'd)

(d) Property, plant and equipment

Property, plant and equipment (PP&E) are carried at deemed cost less accumulated depreciation. The initial cost of an asset consists of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and for qualifying assets, borrowing costs. The Partnership capitalizes major replacements and upgrades if these costs extend the life of the asset and the Partnership expects to use these items during more than one period. Maintenance and repair costs are recognized as expenses in the period in which they are incurred.

Depreciation is calculated over the estimated useful lives of assets on a straight-line basis based on depreciation studies prepared by an independent expert. The expected useful lives of the assets are reviewed annually, and if necessary, changes in useful lives are accounted for prospectively.

When an asset is retired or disposed of in the normal course of business, the gain or loss is recognized immediately in the Statement of Comprehensive Income.

Generally, losses or gains are recoverable from/repayable to the AESO through future transmission tariffs. AltaLink recognizes the related amounts in revenue and records the amount as financial assets or liabilities related to regulated activities. Construction work in progress, capital inventory and land are capitalized but not depreciated. These assets are valued at the lower of cost or net realizable value.

Reviews of PP&E to establish whether there has been any impairment are carried out when a change in circumstance is identified that indicates an asset might be impaired.

(e) Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets of operations acquired. Goodwill is carried at initial cost less any write-down for impairment. Goodwill is assessed for impairment annually, and more frequently if there is any indication of impairment.

The Partnership's business represents one single cash generating unit. Goodwill is first assessed for impairment and fully written down before any other assets are assessed for impairment.

If goodwill has been fully written down, the Partnership would test other assets for impairment by assessing the value in use in the business as a whole. The estimated future cash flows for the business would be discounted to their present value using a pre-tax discount rate that reflects the risks specific to the business and relevant market assessments of the time value of money. If the carrying amounts of the assets exceeded the recoverable amount of the business, the assets comprising the business as a whole would be considered to be impaired. If impaired, the assets would be written down proportionately to ensure their carrying amounts reflect the recoverable amount and the impairment loss would be recognized immediately in the Statement of Comprehensive Income.

If an impairment loss subsequently reverses, the carrying amounts of assets other than goodwill would be increased to reflect the lesser of the recoverable amount and the carrying amount that would have been determined, had no impairment loss been recognized in prior periods. A reversal of an impairment loss would be recognized immediately in the Statement of Comprehensive Income.

3. Summary of significant accounting policies (cont'd)

(f) Intangible assets

The Partnership's intangible assets are non-monetary assets without physical substance that can be individually identified and consist of the following:

i. Land rights

The Partnership pays fees to third parties to access, survey, build and maintain transmission facilities on third party land. Land rights are reported at cost less accumulated amortization and any impairments. Land rights are amortized on a straight-line basis at rates based on the estimated useful lives of tangible assets located on these lands. Changes to amortization rates are accounted for on a prospective basis.

ii. Computer software

Computer software includes application software and enterprise resource planning software. Computer software is reported at cost less accumulated amortization. Amortization is calculated on a straight-line basis at rates based on the estimated useful lives of assets. Changes to amortization rates are accounted for on a prospective basis.

(g) Third party deposits

i. Contributions in advance of construction

For certain projects, the AESO requires third parties wishing to interconnect to the Partnership's transmission facilities to contribute their share of capital project costs in advance of construction. The Partnership uses these cash contributions to fund capital expenditures as construction progresses. Third party contributions are recorded as deferred revenue when capital funds are expended and recognized into other revenue over the useful lives of the associated assets.

ii. Operating and maintenance (O&M) charges in advance of construction

Certain third parties are required to provide advance funding for future operating and maintenance costs of assets constructed with third party-contributed funds. After these assets are put into service, these contributions are recorded as deferred revenue and recognized into other revenue as operating costs are incurred over the useful lives of the associated assets.

(h) Cash and cash equivalents

Cash equivalents include investments that are readily convertible into a known amount of cash and have an original maturity of three months or less.

(i) Provisions

Provisions are recognized when the Partnership has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to fulfill the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

3. Summary of significant accounting policies (cont'd)

(j) Employee benefit obligations

The General Partner employs staff and provides administrative and operational services to the Partnership on a cost-reimbursement basis. The Partnership bears all of the related expenses and also bears the risk and reward of any pension plans or other staff-related programs which the General Partner establishes. The Partnership has indemnified the General Partner for all costs and liabilities associated with its employment of staff, including any pension liabilities. As such, the employee future benefit plans of the General Partner are reported as if they were provided by the Partnership even though the legal sponsor of the plans and employer of the staff is the General Partner. Current service costs are expensed in the period in which they are incurred.

i. Defined contribution plan

AltaLink's defined contribution plan is a post-employment plan under which the Partnership and employees pay fixed contributions into the plan and the Partnership has no legal or constructive obligation to pay further amounts. Obligations for contributions to the plan are recognized as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

ii. Defined benefit plans

The cost of the Partnership's defined benefit pension and post-retirement benefits plans is actuarially determined, by plan, using the projected benefit method pro-rated on service and management's assumptions to estimate the expected long-term rate of return on plan assets, discount rates, salary escalation and expected growth rate of health care costs. The liability discount rate is determined based on a portfolio of high-quality corporate bonds with cash flows that match the expected benefit payments under the plan. Market values are used to value benefit plan assets.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to other comprehensive income in the Statement of Comprehensive Income in the period in which they arise.

Past service costs are recognized immediately in income, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

The defined benefit obligation asset or liability is the difference between the present value of the defined benefit obligation, and the fair value of plan assets out of which the obligation is settled.

iii. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in the Statement of Comprehensive Income as the related service is provided.

A liability is recognized for the amount expected to be paid under the short-term incentive plan if the Partnership has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

iv. Long-term employee benefits

Long-term employee benefit obligations are measured on a discounted basis and expensed in the Statement of Comprehensive income as the related service is provided.

(k) Short-term and long-term debt

Short-term and long-term debt are measured at amortized cost. Costs incurred to arrange long-term debt financing are offset against the debt amount and amortized using the effective interest rate method. The amortization of these charges is included in finance costs.

3. Summary of significant accounting policies (cont'd)

(l) Income taxes

As a limited partnership, AltaLink does not pay income taxes. Instead, the tax consequences of its operations are borne by its partners on a pro rata basis in proportion to their interest in the Partnership. Accordingly, no income tax expense is recognized in the financial statements. Any reference to income tax in these statements relates to the recovery of tax expense borne by the partners in the transmission tariff revenue.

(m) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the Statement of Financial Position date. Non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction date. Revenues and expenses are translated at the exchange rate prevailing on the date of the transaction except for depreciation and amortization, which are translated at the exchange rate prevailing when the related assets were acquired. Gains and losses on translation are reflected in income when incurred.

(n) Deferred lease inducements

Deferred lease inducements represent leasehold improvements paid for by the lessors. Deferred lease inducements are amortized on a straight-line basis over the initial terms of the leases, and the amortization is recorded as a reduction of lease expense. The unamortized balance in deferred lease inducements is included in other liabilities.

(o) Leases

All of the Partnership's leases are classified as operating leases. Payments made under operating leases are recognized in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

(p) Capitalized borrowing costs

Borrowing costs are capitalized if they are incurred in connection with the acquisition or production of a "qualified asset" for which a considerable period of time is required to prepare the asset for its intended use.

The Partnership borrows funds to provide financing for its capital construction program. Borrowing costs eligible for capitalization are applied to capital expenditures. The capitalization rate is based on actual costs of debt used to finance the acquisition or construction of qualifying assets.

(q) Adoption of new and revised accounting standards

Effective for the year ended December 31, 2012

IFRS 7 - *Disclosures – Transfers of financial assets* (IFRS 7) has been amended and is effective for financial periods beginning on or after July 1, 2011. The amendments increase the disclosure requirements for transactions involving transfers of financial assets, for example using receivables, investments or equity to settle transactions. These amendments are intended to provide greater transparency around risk exposures of transactions when a financial asset is transferred and the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

These amendments to IFRS 7 will not have an effect on the Partnership's disclosures as it is the Partnership's practice to settle transactions in cash. However, if the Partnership enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

IAS 12 - *Income taxes* (IAS 12) has been amended and will be effective for financial periods beginning on or after January 1, 2012. The amendments to IAS 12 are not expected to affect the Partnership's Financial Statements.

3. Summary of significant accounting policies (cont'd)

Effective for the year ended December 31, 2013

Amendments to IAS 1 – *Presentation of Financial Statements* were issued in September 2011. The amendments relate to the disclosure of other comprehensive income as well as the tax impacts of other comprehensive income. This is not expected to affect the Partnership's Financial Statements. The amendments are effective for periods beginning on or after July 1, 2012.

IFRS 10 – *Consolidated Financial Statements*, IFRS 11 – *Joint Arrangements*, IFRS 12 – *Disclosure of Interests in Other Entities* & IFRS 13 – *Fair Value Measurement* were issued by the IASB in May 2011. They replace parts of IAS 27 – *Separate Financial Statements* & IAS 28 – *Investments in Associates and Joint Ventures* and relate to the accounting and disclosure for interests in other companies. IFRS 13 gives guidance on how to measure assets and liabilities at fair value as well as the disclosure required to explain management's assumptions to the reader. Mandatory application is for periods beginning on or after January 1, 2013. The Partnership is currently assessing the impact on the financial reporting for AltaLink. The standards can be adopted early only as a group, with the exception of IFRS 13, which can be adopted early on its own.

Amendments to IAS 19 – *Employee Benefits* were issued by the IASB in June 2011. The amendments are expected to increase disclosure and presentation in the Partnership's Financial Statements. The Partnership is currently assessing the impact on financial reporting for AltaLink. The amendments are effective for financial periods beginning on or after January 1, 2013.

IFRS 9 - *Financial Instruments* (IFRS 9) was issued by the International Accounting Standards Board (IASB) on November 12, 2009 and will replace IAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9 is effective for annual periods beginning on or after January 1, 2013; however, the mandatory effective date is under deliberation and is expected to become January 1, 2015. The partnership is currently evaluating the impact of IFRS 9. It is not expected to have a material effect on the financial statements of the Partnership.

4. Risk management and financial instruments

(a) Fair value of financial instruments

Financial Instrument	Designated Category	Measurement Basis	Associated Risks	Fair Value at September 30, 2011
Cash and cash equivalents	Held for trading	Fair value	• Market • Credit • Liquidity	Measured at fair value. Cash and cash equivalents earn interest at floating rates based on daily bank deposit rates.
Trade and other receivables *[note 5]*	Loans and receivables	Initially at fair value and subsequently at amortized cost	• Credit • Liquidity	Carrying value approximates fair value due to short-term nature.
Other non-current assets *[note 9]*	Loans and receivables	Initially at fair value and subsequently at amortized cost	• Credit • Liquidity	Amortized cost or carrying value approximates fair value due to nature of asset.
Trade and other payables *[note 10]*	Other liabilities	Initially at fair value and subsequently at amortized cost	• Liquidity	Carrying value approximates fair value due to short-term nature.
Other non-current liabilities *[note 13]*	Other liabilities	Initially at fair value and subsequently at amortized cost	• Liquidity	Amortized cost or carrying value approximates fair value due to nature of liability.
Short-term and long-term debt *[note 11]*	Other liabilities	Initially at fair value and subsequently at amortized cost	• Market • Liquidity	$1,317 million. Fair values are determined using quoted market prices (which are classified as level 1 inputs) for the same or similar issues. Where market prices are not available, fair values are estimated using discounted cash flow analysis based on the Partnership's current borrowing rate for similar borrowing arrangements.
Third party deposits *[note 8]*	Held for trading	Fair value	• Market • Credit • Liquidity	Measured at fair value. The cash received is held in short-term investments.
Third party deposits liability *[note 8]*	Other liabilities	Initially at fair value and subsequently at amortized cost	• Liquidity	Carrying value approximates fair value due to the nature of the liability.

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

(b) Credit risk

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

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

The Partnership has a concentration of credit risk as approximately 86% of its trade receivable balance is due from the AESO (December 31, 2010 – 73%). The remainder is comprised mainly of accounts receivable due from other utilities for tower and land leases and other services. The credit risk is mitigated by the fact that the AESO has been established under the Electric Utilities Act (Alberta), while the remaining receivables are mostly due from investment grade utilities.

The Partnership's maximum exposure to credit risk, without taking into account collateral held, equals the current carrying values of cash and cash equivalents, trade and other receivables, financial assets due from the AESO and third party deposits as disclosed in these financial statements.

4. Risk management and financial instruments (cont'd)

(c) Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. Components of market risk to which the Partnership is exposed are discussed below:

i. Interest rate risk

Long-term debt has been secured at fixed interest rates to protect the Partnership from fluctuations in market rates. The Partnership may be exposed to interest rate price risk upon the rollover of debt or the issuance of new debt.

The Partnership's short-term debt, including commercial paper, bankers' acceptances and bank loans have variable interest rates and, accordingly, expose the Partnership to interest rate cash flow risk through fluctuations in the variable interest rates.

To manage interest rate risk, the Partnership controls the proportion of fixed and variable rate debt instruments and maintains access to diverse sources of funding.

ii. Foreign exchange risk

The Partnership does not have a significant exposure to foreign exchange risk.

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of the Partnership's operational liquidity requirements:

- It may not have sufficient funds to settle a transaction on the due date;
- It may be forced to sell financial assets below their fair market value; and,
- It may be unable to settle or recover a financial asset at all.

To manage this risk, the Partnership has readily accessible standby credit facilities and other funding arrangements in place; generally uses financial instruments that are tradable in highly liquid markets; and, has a liquidity portfolio structure wherein surplus funds are invested in highly liquid financial instruments. See note 11 – *Debt* for a maturity analysis.

(e) Capital risk management

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

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

Summary of capital structure

	As at			
	September 30, 2011		December 31, 2010	
	(millions)	**%**	(millions)	%
Short-term and long-term debt, excluding deferred financing fees	**$ 1,209.1**	**56.9**	$ 1,037.7	56.2
Partners' capital	**713.4**	**33.6**	638.4	34.5
Retained earnings	**202.7**	**9.5**	170.9	9.3
	$ 2,125.2	**100.0**	$ 1,847.0	100.0

As at September 30, 2011, the Partnership was subject to externally imposed capital requirements under the Master Trust Indenture and the bank credit facilities described in note 11 – *Debt*. These agreements limit the amount of debt that can be incurred relative to partners' equity. The Partnership was in compliance with these capital requirements as at September 30, 2011.

5. Trade and other receivables

	As at	
(in thousands of dollars)	**September 30, 2011**	December 31, 2010
Trade receivables	**$ 32,880**	$ 31,677
Prepaid expenses and deposits	**10,871**	6,234
Current portion of financial assets related to regulated activities	**7,129**	6,593
	$ 50,880	$ 44,504

Financial assets related to regulated activities include the recovery of certain costs incurred by the Partnership relating to its primary activities that are greater than what has been received to date in tariff revenue. The Partnership has recognized as receivables the expenditures to be recovered through the regulatory process. The current portion of such assets reflects the amounts to be recovered within the next 12 months.

Financial assets related to regulated activities consist of amounts that have been included in rate base (AFUDC equity, AFUDC debt, and losses on disposals of PP&E) for regulatory purposes, which will be recovered or repaid in tariff revenue over a period of time, which has been approved by the AUC.

6. Intangible assets

(in thousands of dollars)	Land rights	Computer software	Intangibles in CWIP	Total
Cost				
As at January 1, 2010	$ 15,244	$ 26,841	$ —	$ 42,085
Additions to CWIP	—	—	50,384	50,384
Transfers	36,357	10,962	(47,319)	—
Retirements	—	(129)	—	(129)
As at December 31, 2010	51,601	37,674	3,065	92,340
Additions to CWIP	—	—	21,681	21,681
Transfers	2,343	2,492	(4,835)	—
Retirements	(2)	(36)	—	(38)
As at September 30, 2011	**$ 53,942**	**$ 40,130**	**$ 19,911**	**$ 113,983**
Accumulated amortization				
As at January 1, 2010	$ —	$ —	$ —	$ —
Amortization	(1,079)	(6,425)	—	(7,504)
Retirements	—	129	—	129
As at December 31, 2010	(1,079)	(6,296)	—	(7,375)
Amortization	(1,088)	(5,826)	—	(6,914)
Retirements	—	36	—	36
As at September 30, 2011	**$ (2,167)**	**$ (12,086)**	**$ —**	**$ (14,253)**
Net book value				
As at January 1, 2010	$ 15,244	$ 26,841	$ —	$ 42,085
As at December 31, 2010	$ 50,522	$ 31,378	$ 3,065	$ 84,965
As at September 30, 2011	**$ 51,775**	**$ 28,044**	**$ 19,911**	**$ 99,730**

Intangible assets in CWIP are not amortized until they are available for use, when they are reclassified to the related asset class.

The Partnership has used the following amortization rates during the period:

Asset class description	Amortization rates
Land rights	1.73% - 2.00%
Computer software	10.00% - 50.00%
Intangibles in CWIP	Not subject to amortization

7. Property, plant and equipment

	Lines[1]	Substations[2]	Buildings & Equipment[3]	Land & CWIP[4]	Total
(in thousands of dollars)					
Cost:					
As at January 1, 2010	$ 527,301	$ 771,919	$ 72,290	$ 353,693	$ 1,725,203
Additions to CWIP	—	—	—	431,618	431,618
Transfers	213,285	257,319	11,903	(482,507)	—
Retirements	(4,740)	(2,390)	(403)	(3)	(7,536)
As at December 31, 2010	735,846	1,026,848	83,790	302,801	2,149,285
Additions to CWIP	—	—	—	401,478	401,478
Transfers	34,665	81,875	7,858	(124,398)	—
Retirements	(899)	(2,422)	(366)	(7)	(3,694)
As at September 30, 2011	**$ 769,612**	**$ 1,106,301**	**$ 91,282**	**$ 579,874**	**$ 2,547,069**
Accumulated Depreciation:					
As at January 1, 2010	$ —	$ —	$ —	$ —	$ —
Depreciation expense	(23,949)	(47,910)	(7,517)	—	(79,376)
Retirements	1,191	1,458	258	—	2,907
As at December 31, 2010	(22,758)	(46,452)	(7,259)	—	(76,469)
Depreciation expense	(9,404)	(39,235)	(6,267)	—	(54,906)
Retirements	(915)	(1,212)	319	—	(1,808)
As at September 30, 2011	**$ (33,077)**	**$ (86,899)**	**$ (13,207)**	**$ —**	**$ (133,183)**
Net book value:					
As at January 1, 2010	$ 527,301	$ 771,919	$ 72,290	$ 353,693	$ 1,725,203
As at December 31, 2010	$ 713,088	$ 980,396	$ 76,531	$ 302,801	$ 2,072,816
As at September 30, 2011	**$ 736,535**	**$ 1,019,402**	**$ 78,075**	**$ 579,874**	**$ 2,413,886**

1. Lines – transmission lines and related equipment.
2. Substations – substation and telecontrol equipment.
3. Buildings & Equipment – Office buildings, vehicles, tools and instruments, office furniture, telephone and related equipment and computer hardware.
4. Land & CWIP – Land, capitalized inventory and emergency capital spare parts, and construction work in progress (CWIP). CWIP is reclassified to the appropriate asset classes when the assets are available for use.

For 2010, $7.0 million was incurred to replace assets that had been damaged in a storm. These assets have been fully written down as the cost is expected to be recovered through the Partnership's self-insurance reserve and do not provide the Partnership with incremental cash flows. The impairment expense is included in property taxes and other expenses in the Statement of Comprehensive Income and has no net income impact as the offsetting insurance proceeds are recognized in revenue from operations.

The Partnership capitalized borrowing costs of $7.5 million for the nine months ended September 30, 2011 ($7.1 million for the nine months ended September 30, 2010) at a capitalization rate of 5.36% (5.60% for the nine months ended September 30, 2010).

The Partnership has used the following depreciation rates during the period:

Asset class description	Depreciation rates
Lines	2.98% - 5.03%
Substations	1.85% - 6.78%
Buildings & equipment	2.71% - 14.43%
Land and construction work in progress	Not subject to depreciation

8. Third party deposits

(in thousands of dollars)	As at September 30, 2011	December 31, 2010
Contributions in advance of construction	**$ 49,034**	$ 37,476
Operating and maintenance charges in advance	**11,653**	11,489
	$ 60,687	$ 48,965

Third party deposits are recognized as non-current assets with corresponding non-current liabilities. These deposits have certain restrictions attached and can be used only for their intended purposes (see note 3 (g)).

Third party deposits are held in short-term investments, which are reinvested as needed. These investments earned an effective interest rate of 1.02% at September 30, 2011 (December 31, 2010 – 1.03%). For contributions in advance of construction, all interest received is paid annually to the AESO.

9. Other non-current assets

(in thousands of dollars)	As at September 30, 2011	December 31, 2010
Non-current portion of financial assets related to regulated activities *[note 5]*	**$ 31,741**	$ 20,134

Financial assets related to regulated activities include the recovery of certain costs incurred by the Partnership relating to its primary activities that are greater than what has been received to date in tariff revenue. The Partnership has recognized as receivables the expenditures to be recovered through the regulatory process. The non-current portion of such assets reflects the amounts to be recovered beyond the next 12 months.

Financial assets related to regulated activities consist of amounts that have been included in rate base (AFUDC equity, AFUDC debt, and losses on disposals of PP&E) for regulatory purposes, which will be recovered or repaid in tariff revenue over a period of time, which has been approved by the AUC.

10. Trade and other payables

(in thousands of dollars)	As at September 30, 2011	December 31, 2010
Trade payables	**$ 160,317**	$ 123,885
Accrued interest on long-term debt	**13,336**	8,325
Other current liabilities	**2,371**	2,409
Current portion of financial liabilities related to regulated activities	**25,657**	4,342
	$ 201,681	$ 138,961

Financial liabilities related to regulated activities include accruals for the repayment of the difference between certain costs that have been incurred by the Partnership relating to its primary activities and what has been received in tariff revenue. The difference will be refunded to the AESO through the regulatory process. The current portion of such liabilities reflects the amounts to be refunded within the next 12 months.

Financial liabilities related to regulated activities consist of amounts for annual tower payments, property taxes, debt and capital costs which have been received in tariff revenue, but for various reasons the capital projects have not progressed as scheduled.

Other current liabilities include accruals for employee benefits and deferred lease inducements.

11. Debt

(a) Long-term debt

	Effective interest rate	Maturing	As at September 30, 2011	As at December 31, 2010
(in thousands of dollars)				
Senior debt				
Series 03-2, 5.430%	5.811%	2013	**$ 325,409**	$ 325,409
Series 2006-1, 5.249%	5.299%	2036	**150,000**	150,000
Series 2008-1, 5.243%	5.354%	2018	**202,245**	202,246
Series 2010-1, 5.381%	5.432%	2040	**125,000**	125,000
Series 2010-2, 4.872%	4.923%	2040	**150,000**	150,000
			952,654	952,655
Series 3, subordinated 8.000% *[note 14]*	8.020%	2012	**85,000**	85,000
			1,037,654	1,037,655
Less: deferred financing fees			**(6,465)**	(7,444)
Total long-term debt			**$ 1,031,189**	$ 1,030,211

(b) Short-term debt

As at September 30, 2011	Committed	Drawdowns	Commercial paper outstanding	Availability	Maturity date of facility
(in thousands of dollars)					
Commercial paper back-up facility	**$ 850,000**	**$ —**	**$ 171,471**	**$ 678,529**	**June 30, 2013**
Operating line of credit	**50,000**	**—**	**—**	**50,000**	**Dec 16, 2012**
	$ 900,000	**$ —**	**$ 171,471**	**$ 728,529**	

As at December 31, 2010	Committed	Drawdowns	Commercial paper outstanding	Availability	Maturity date of facility
(in thousands of dollars)					
Commercial paper back-up facility	$ 550,000	$ —	$ —	$ 550,000	Dec 16, 2012
Operating line of credit	50,000	—	—	50,000	Dec 16, 2012
	$ 600,000	$ —	$ —	$ 600,000	

The $850.0 million commercial paper back-up facility provides support for the borrowing under the unsecured commercial paper program and can also be used for general corporate purposes. Drawdowns under either the commercial paper back-up facility or operating line of credit may be in the form of Canadian prime rate loans or bankers' acceptances. At the renewal date, the Partnership has the option to convert both facilities to one-year term facilities.

As at September 30, 2011, the Partnership had used its credit facilities to issue secured letters of credit outstanding totaling $0.4 million (December 31, 2010 - $0.2 million).

11. Debt (cont'd)

(c) Scheduled principal repayments

(in thousands of dollars)	
Maturing	
2011	**$ 171,471**
2012	**85,000**
2013	**325,409**
2014	**—**
2015	**—**
2016 and thereafter	**627,245**
	$ 1,209,125

(d) Finance costs

	For the three months ended		For the nine months ended	
(in thousands of dollars)	**September 30, 2011**	September 30, 2010	**September 30, 2011**	September 30, 2010
Interest expense	**$ 15,261**	$ 13,352	**$ 44,662**	$ 37,681
Amortization of deferred financing fees	**393**	431	**1,281**	1,274
Capitalized borrowing costs	**(3,226)**	(2,573)	**(7,517)**	(7,088)
	$ 12,428	$ 11,210	**$ 38,426**	$ 31,867

12. Deferred revenue

(in thousands of dollars)	Third Party Contributions	Deferred Revenue for Salvage	Total
As at January 1, 2010	$ 200,676	$ 173,283	$ 373,959
Transferred from third party deposits	64,023	—	64,023
Received through transmission tariff	—	10,303	10,303
Recognized as revenue	(7,905)	(8,626)	(16,531)
As at December 31, 2010	256,794	174,960	431,754
Transferred from third party deposits	37,859	—	37,859
Received through transmission tariff (note 15)	—	9,064	9,064
Recognized as revenue	(6,792)	(10,634)	(17,426)
As at September 30, 2011	**$ 287,861**	**$ 173,390**	**$ 461,251**

Current portion	$ 8,870
Long-term portion	422,884
As at December 31, 2010	**$ 431,754**
Current portion	**$ 9,815**
Long-term portion	**451,436**
As at September 30, 2011	**$ 461,251**

Deposits received from third parties used to finance certain capital construction costs are recognized as deferred revenue and released into revenue over the lives of the related assets. Deferred revenue also includes O&M charges received in advance and funds provided by the regulator to pay for salvage costs, which are released into revenue when the associated costs are incurred.

13. Other non-current liabilities

	As at	
	September 30, 2011	December 31, 2010
(in thousands of dollars)		
Accrued employment benefit liabilities	**$ 4,060**	$ 3,622
Other liabilities	**1,622**	2,521
Non-current portion of financial liabilities related to regulated activities *[note 10]*	**11,431**	20,859
	$ 17,113	$ 27,002

Financial liabilities related to regulated activities include accruals for the repayment of the difference between certain costs that have been incurred by the Partnership relating to its primary activities and what has been received in tariff revenue. The difference will be refunded to the AESO through the regulatory process. The non-current portion of such liabilities reflects the amounts to be refunded beyond the next 12 months.

Financial liabilities related to regulated activities consist of amounts for annual tower payments, property taxes, debt and capital costs which have been received in tariff revenue, but for various reasons the capital projects have not progressed as scheduled.

The accrued employment benefits liability includes the post retirement benefits plan and the supplemental pension plan.

14. Related party transactions

As described in note 1 – *General information*, ALP is indirectly owned by SNC. Up until September 20, 2011, Macquarie shared ownership with SNC-Lavalin Group Inc. (SNC). ALP's direct parent company is AltaLink Investments, L.P.

In 2002, the Partnership executed a ten-year contract for engineering, procurement and construction management services. These services are provided to the Partnership by SNC-Lavalin ATP Inc., a wholly owned subsidiary of SNC. The terms and conditions of this contract have been approved by the AUC and are subject to ongoing regulatory oversight.

In the normal course of business, the Partnership transacts with its partners and other related parties. The following transactions were measured at the exchange amount:

	For the three months ended		For the nine months ended	
	September 30, 2011	September 30, 2010	**September 30, 2011**	September 30, 2010
(in thousands of dollars)				
Interest				
AltaLink Investments, L.P.	**$ 1,714**	$ 1,714	**$ 5,086**	$ 5,086
Employee compensation and benefits				
AltaLink Management Ltd.	**20,262**	20,022	**63,856**	54,469
Construction related services				
SNC – Lavalin ATP Inc.	**101,449**	57,909	**213,551**	190,058

For the three and nine months ended September 30, 2011 and 2010, there were no other material transactions with related parties.

14. Related party transactions (cont'd)

Amounts included in trade and other payables are:

	As at	
	September 30, 2011	December 31, 2010
(in thousands of dollars)		
AltaLink Management Ltd.	**$ 12,576**	$ 12,986
SNC-Lavalin ATP Inc.	**97,905**	88,573
AltaLink Investments, L.P.	**1,070**	1,103

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are due on a 30 day term and are usually settled in cash.

There were no significant related party transactions, other than those disclosed above, for the three and nine months ended September 30, 2011.

15. Revenue from operations

The table below summarizes the timing differences between the approved transmission tariff and revenue from operations earned during the period.

	For the three months ended		For the nine months ended	
	September 30, 2011	September 30, 2010	**September 30, 2011**	September 30, 2010
(in thousands of dollars)				
Return on rate base	**$ 28,000**	$ 23,200	**$ 84,000**	$ 69,800
Recovery of forecast expenses	**51,700**	41,700	**155,100**	131,800
Deemed income taxes	**4,350**	2,700	**13,050**	9,800
Approved transmission tariff	**84,050**	67,600	**252,150**	211,400
Less: Receivable/(repayable) directly assigned capital projects related revenue	**(12,836)**	1,255	**(38,153)**	(14,267)
Salvage costs transferred to deferred revenue(note 12)	**(3,063)**	(2,611)	**(9,064)**	(7,570)
Add: AFUDC net of capitalized borrowing costs	**5,075**	4,329	**10,583**	12,065
Receivable/(repayable) property taxes and other	**(138)**	3,702	**142**	3,588
Reclassification of loss on disposal of PP&E to financial assets related to regulated activities less amounts already received through tariff, and transfer from deferred revenue for salvage costs incurred	**2,475**	2,514	**11,026**	4,323
Revenue from operations	**$ 75,563**	$ 76,789	**$ 226,684**	$ 209,539

In May 2011, the AUC completed its oral hearing regarding the Partnership's General Tariff Application for 2011 to 2013. In addition, an oral hearing regarding the AUC's proceeding to review generic cost of capital issues ended on July 4, 2011. The Partnership expects to receive the AUC's decisions regarding both proceedings in late 2011. In the interim, The Partnership's revenue from operations includes its best estimates as to the outcome of the GTA proceeding as well as the 2009-2010 GCOC decision, which awarded a 9.0% return on equity and 36% equity ratio.

The AESO is the Partnership's only customer related to regulated activities. The Partnership receives all of its revenue from operations from the AESO, including settlements of all assets and liabilities related to regulatory activities.

For the nine months ended September 30, 2011, approximately 93% of the Partnership's revenue is attributable to the AESO (September 30, 2010 – 91%).

In Decision 2011-082, issued on March 4, 2011, the AUC approved an interim refundable tariff of $336.2 million for 2011, pending the issuance of a final decision with respect to the 2011-2013 General Tariff Application.

16. Other revenue

	For the three months ended		For the nine months ended	
	September 30, 2011	September 30, 2010	**September 30, 2011**	September 30, 2010
(in thousands of dollars)				
Third party contributions revenue *[note 12]*	**$ 2,377**	$ 2,044	**$ 6,792**	$ 5,148
Costs recovered from third parties	**2,409**	919	**4,199**	9,063
Services provided to third parties	**1,154**	1,163	**3,597**	3,610
Tower, land and other lease revenue	**312**	259	**998**	1,181
Related party and other revenue	**243**	195	**742**	720
	$ 6,495	$ 4,580	**$ 16,328**	$ 19,722

The Partnership occasionally provides transmission construction services to third parties (primarily other utilities) on a cost recovery basis; therefore, there is no net income impact. Related costs are included in operating expenses.

17. Expenses

(a) Operating expenses

	For the three months ended		For the nine months ended	
	September 30, 2011	September 30, 2010	**September 30, 2011**	September 30, 2010
(in thousands of dollars)				
Employee salaries and benefits	**$ 6,323**	$ 8,359	**$ 23,100**	$ 24,470
Contracted labour	**6,979**	6,501	**16,200**	19,639
Other operating expenses	**4,922**	2,968	**14,723**	11,723
	$ 18,224	$ 17,828	**$ 54,023**	$ 55,832

(b) Property taxes and other expenses

Property taxes and other expenses include property taxes, salvage expenses, annual structure payments, hearing and credit facility costs. They do not have an impact on net income because they are fully recovered in tariff revenue [note 15 – *Revenue from operations*].

18. Partners' equity

The Partnership is authorized to issue an unlimited number of units. The units are voting and participate equally in profits, losses and capital distributions of the Partnership. The Partnership is also authorized to issue preferred partnership units which have the same rights, privileges, restrictions and conditions attached to all other units except that in the event of the liquidation, dissolution or winding-up of the Partnership, holders of each preferred unit are entitled to participate preferentially in any distribution. The Partnership has not issued any preferred units.

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

During the nine months ended September 30, 2011, the Partners invested additional equity of $75.0 million (September 30, 2010 – $29.3 million). No partnership units were issued during the nine months ended September 30, 2011 (September 30, 2010 – nil).

19. Retained earnings

In accordance with IAS 19 – *Employee benefits*, AltaLink recognizes actuarial gains and losses of plan assets and defined benefit obligations in the period they occur, in other comprehensive income. Actuarial gains and losses are a result of an increase or decrease in the present value of a defined benefit obligation and/or plan assets and are recognized immediately in retained earnings.

20. Other cash flow information

	For the three months ended **September 30, 2011**	For the three months ended September 30, 2010	For the nine months ended **September 30, 2011**	For the nine months ended September 30, 2010
(in thousands of dollars)				
Change in non-cash working capital				
Trade and other receivables	**$ (1,031)**	$ 2,058	**$ (6,376)**	$ (16,177)
Trade and other payables, excluding accrued finance costs	**48,020**	(22,945)	**57,710**	(16,630)
	$ 46,989	$ (20,887)	**$ 51,334**	$ (32,807)
Related to operating activities	**$ 10,908**	$ (15,537)	**$ 37,569**	$ (25,307)
Related to investing activities	**36,081**	(5,350)	**13,765**	(7,500)
	$ 46,989	$ (20,887)	**$ 51,334**	$ (32,807)
Net change in other financing activities				
Deferred financing fees	**$ (18)**	$ (306)	**$ 1**	$ (1,325)
Third party deposits	**(7,690)**	(1,772)	**(11,721)**	(5,540)
Third party deposits liability	**7,690**	1,772	**11,721**	5,540
	$ (18)	$ (306)	**$ 1**	$ (1,325)
Change in other items				
Employee benefits	**$ 116**	$ 176	**$ 346**	$ 399
Deferred revenue for salvage	**188**	502	**(1,570)**	3,359
Financial assets related to regulated activities, non-current	**(4,814)**	(4,640)	**(11,818)**	(10,517)
Financial liabilities related to regulated activities, non-current	**3,351**	18,040	**(10,329)**	18,851
Total	**$ (1,159)**	$ 14,078	**$ (23,371)**	$ 12,092

During 2011, the Partnership reclassified various non-current financial liabilities related to regulated activities into current, based on expected settlement periods.

21. Commitments

The contractual commitments of the Partnership for the purchase of property, plant and equipment as at September 30, 2011 are $705 million.

The Partnership is committed to operating leases for premises that have lease terms which expire between 2011 and 2026. Of the total expected minimum lease payments, 97% relates to the Partnership's head office leases.

Expected minimum lease payments in future years are as follows:

	As at September 30, 2011
(in thousands of dollars)	
Operating lease obligations payable on non-cancellable leases are as follows:	
No later than 1 year	$ 4,368
Later than 1 year and no later than 5 years	17,048
Later than 5 years	20,464
	$ 41,880

22. Contingencies

From time to time, the Partnership is subject to legal proceedings, assessments and claims in the ordinary course of business. The Partnership was served with an action on June 5, 2009 alleging that the Plaintiff and the Partnership had concluded a binding agreement for the sale to the Plaintiff of certain lands. At this time, in the opinion of management, none of these matters is reasonably expected to result in a material adverse effect on the Partnership's financial position or results of operations.

23. Explanation of transition from Canadian GAAP to IFRS

As stated in note 2 – *Basis of preparation*, these are the Partnership's third condensed interim financial statements prepared in accordance with IFRS.

The policies set out in note 3 – *Summary of significant accounting policies* have been applied in preparing these condensed interim financial statements for the three and nine months ended September 30, 2011, the comparative information presented for the year ended December 31, 2010 and the comparative information presented for the three and nine months ended September 30, 2010.

In preparing its opening IFRS Statement of Financial Position, the Partnership has adjusted amounts reported previously in the financial statements prepared in accordance with its previous basis of accounting (Canadian GAAP). An explanation of how the transition from Canadian GAAP to IFRS has affected the financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

(a) Application of IFRS 1

IFRS is applied retrospectively, unless the exemptions in IFRS 1 – *First-time Adoption of International Financial Reporting Standards* are taken. The table below shows the exemptions applied by the Partnership in preparing the opening Statement of Financial Position:

Mandatory exceptions to retrospective application:

The mandatory IFRS 1 exceptions to retrospective applications below were either not applicable or did not have an effect on the Partnership's opening Statement of Financial Position:

i) Derecognition of financial assets and financial liabilities;
ii) Hedge accounting;
iii) Non-controlling interests; and
iv) Classification and measurement of financial assets.

Optional exemptions to retrospective application

The Partnership elected to take the following optional exemptions:

Optional Exemption	Impact
Business Combinations	This exemption allows business combinations that occurred before the date of transition not to be restated. The classification determined in accordance with Canadian GAAP has been maintained. Future business combinations will be accounted for in accordance with IFRS 3 – Business combinations.
Employee Benefits	All cumulative actuarial gains and losses on the Partnership's defined benefit and post retirement benefit plans have been recognized within retained earnings at the date of transition to IFRS.
Use of deemed cost for operations subject to rate-regulation	The carrying amount of items of property, plant and equipment and intangibles that are used in operations subject to rate-regulation include amounts that are permitted to be capitalized under C-GAAP but do not qualify for capitalization under IFRS. The Partnership elected to use the carrying amount of all items of property, plant and equipment and intangible assets under C-GAAP at the date of transition as deemed cost for IFRS.
Transfers of assets from customers	The Partnership elected to apply this exemption and apply the transitional provisions set out in IFRIC 18 – *Transfer of Assets from Third Parties*, with the effective date of April 29, 2002 (date of inception of the Partnership) to recognise the balance of the third party contributions received as deferred revenue and apply this guidance prospectively. The total amount of third party contributions is classified as deferred revenue at the date of transition to IFRS.

23. Explanation of transition from Canadian GAAP to IFRS (cont'd)

(b) Reconciliation between Canadian GAAP and IFRS

The following reconciliations quantify the effect of the transition from C-GAAP to IFRS on the Statement of Financial Position. The differences are mainly reclassifications. The only change which has affected equity is the change in accounting for certain pension costs. The transitional Statement of Financial Position as at January 1, 2010 was reported in the Condensed Interim Financial Statements for the three month period ended March 31, 2011.

STATEMENT OF FINANCIAL POSITION

December 31, 2010	Notes	As originally reported under C-GAAP	Effects of transition to IFRS	**As restated under IFRS**
(in thousands of dollars)				
ASSETS				
Current				
Trade and other receivables	23.1	$ 43,896	$ 608	**$ 44,504**
Cash and cash equivalents		12,783	—	**12,783**
		56,679	608	**57,287**
Non-current				
Goodwill		202,066	—	**202,066**
Intangible assets	23.2	—	84,965	**84,965**
Property, plant and equipment	23.2	2,066,560	6,256	**2,072,816**
Third party deposits		48,965	—	**48,965**
Other non-current assets	23.1	3,023	17,111	**20,134**
		$ 2,377,293	$ 108,940	**$ 2,486,233**
LIABILITIES AND PARTNERS' EQUITY				
Current				
Trade and other payables		$ 138,961	$ —	**$ 138,961**
Short-term debt	23.5	—	—	**—**
Current portion of deferred revenue	23.4	—	8,870	**8,870**
Current portion of long-term debt	23.5	390	(390)	**—**
		139,351	8,480	**147,831**
Non-current				
Long-term debt	23.5	1,029,821	390	**1,030,211**
Deferred revenue	23.4	—	422,884	**422,884**
Third party deposits liability		48,965	—	**48,965**
Other non-current liabilities	23.3	110,655	(83,653)	**27,002**
Asset retirement obligations	23.6	239,343	(239,343)	**—**
		1,568,135	108,758	**1,676,893**
Partners' equity	23.7	809,158	182	**809,340**
		$ 2,377,293	$ 108,940	**$ 2,486,233**

23. Explanation of transition from Canadian GAAP to IFRS (cont'd)

STATEMENT OF FINANCIAL POSITION

September 30, 2010	Notes		As originally reported under C-GAAP		Effects of transition to IFRS		**As restated under IFRS**
(in thousands of dollars)							
ASSETS							
Current							
Trade and other receivables	23.1	$	49,328	$	496	**$**	**49,824**
Cash and cash equivalents			44		—		**44**
			49,372		496		**49,868**
Non-current							
Goodwill			202,066		—		**202,066**
Intangible assets	23.2		—		67,622		**67,622**
Property, plant and equipment	23.2		1,939,064		42,226		**1,981,290**
Third party deposits			68,382		—		**68,382**
Other non-current assets	23.1		2,989		10,041		**13,030**
		$	2,261,873	$	120,385	**$**	**2,382,258**
LIABILITIES AND PARTNERS' EQUITY							
Current							
Trade and other payables		$	121,737	$	—	**$**	**121,737**
Short-term debt	23.5		—		125,543		**125,543**
Current portion of deferred revenue	23.4		—		7,459		**7,459**
Current portion of long-term debt	23.5		380		(380)		**—**
			122,117		132,622		**254,739**
Non-current							
Long-term debt	23.5		1,006,252		(125,163)		**881,089**
Deferred revenue	23.4		—		397,204		**397,204**
Third party deposits liability			68,382		—		**68,382**
Other non-current liabilities	23.3		137,371		(97,271)		**40,100**
Asset retirement obligations	23.6		187,156		(187,156)		**—**
			1,521,278		120,236		**1,641,514**
Partners' equity	23.7		740,595		149		**740,744**
		$	2,261,873	$	120,385	**$**	**2,382,258**

23. Explanation of transition from Canadian GAAP to IFRS (cont'd)

The following notes explain the effects of the transition from C-GAAP to IFRS:

23.1 Trade and other receivables and other non-current assets

In the table below, the Partnership has adjusted the Allowance for Funds Used During Construction (AFUDC) and losses on retirement of assets by reclassifying them from PP&E to receivables. These receivables are disclosed net of capitalized borrowing costs (CBC), calculated in accordance with IFRS, and of any related revenue received in the period. The Partnership has also elected to recognize immediately in retained earnings unamortized balances of actuarial gains and losses and vested past service costs, which previously had been recognized over a number of years.

(in thousands of dollars)	As at December 31, 2010		As at September 30, 2010	
Trade and other receivables:				
Balance under C-GAAP	**$**	**43,896**	**$**	**49,328**
Current portion of AFUDC net of CBC and loss on retirement of PP&E		608		496
Balance under IFRS	**$**	**44,504**	**$**	**49,824**
Other non-current assets:				
Balance under C-GAAP	**$**	**3,023**	**$**	**2,989**
Recognition of cumulative actuarial losses in retained earnings at transition date		(1,527)		(1,527)
Recognition of actuarial losses for the year		(721)		—
Non-current portion of AFUDC net of CBC and loss on retirement of PP&E		18,908		11,568
Employee benefits reclassified to payables *[note 23.3]*		451		—
Net adjustments		17,111		10,041
Balance under IFRS	**$**	**20,134**	**$**	**13,030**

Under IFRS, the Partnership is required to recognize accounts receivable for losses on retirement and AFUDC net of capitalized borrowing costs. The accounts receivable have been split between current and non-current assets.

Under IFRS 1 – *First-time Adoption of IFRS*, the Partnership has taken the IFRS 1 exemption relating to Employee Benefits and has recognized in retained earnings on transition the cumulative actuarial gains/losses on the defined benefit pension plan (DBP).

23.2 Property, plant and equipment

As shown in the table below the Partnership has reclassified certain items from PP&E to intangible assets, deferred revenue and financial assets related to regulated activities:

(in thousands of dollars)	As at December 31, 2010		As at September 30, 2010	
Balance under C-GAAP	**$**	**2,066,560**	**$**	**1,939,064**
Reclassification of land rights and software to intangible assets		(84,965)		(67,622)
Reclassification of third party contributions to deferred revenue *[note 23.4]*		256,792		228,019
Reclassification of AFUDC and gain (loss) on retirement of PP&E to financial assets *[note 23.1 and 23.3]*		(23,129)		(19,045)
Addition of capitalized borrowing costs		6,833		7,088
Derecognition of long-lived assets *[note 23.6]*		(149,275)		(106,214)
Net adjustments		6,256		42,226
Balance under IFRS	**$**	**2,072,816**	**$**	**1,981,290**

23. Explanation of transition from Canadian GAAP to IFRS (cont'd)

IAS 38– *Intangible assets* requires land rights and computer software to be classified as intangible assets.

IAS 16 –*Property, plant and equipment* does not allow AFUDC net of capitalized borrowing costs to be capitalized in property, plant and equipment after the date of transition as it does not meet the qualifying criteria for capitalization. IAS 16 allows capitalization of directly incurred borrowing costs which meet the criteria of IAS 23 – *Borrowing costs*. As the Partnership is entitled to recover these amounts through the regulatory process, AFUDC has been reclassified to financial assets related to regulated activities. Capitalized borrowing costs have been calculated from the date of transition. Any items capitalized prior to transition were included in the PP&E balance recognized at deemed cost in accordance with the IFRS 1 exemption for rate-regulated companies.

23.3 Other non-current liabilities

The adjustments below relate to changes in accounting for employee defined benefit plans, removal of an asset retirement timing difference, and gains on retirement of PP&E:

	As at	
	December 31, 2010	September 30, 2010
(in thousands of dollars)		
Balance under C-GAAP	**$ 110,655**	**$ 137,371**
Recognition of cumulative actuarial gains in retained earnings	(231)	(231)
Recognition of vested past service costs in retained earnings	82	82
Recognition of cumulative actuarial losses to retained earnings *[note 23.1]*	(1,527)	(1,527)
Recognition of actuarial losses for the year	(721)	—
Derecognition of ARO timing difference balance *[note 23.6]*	90,068	80,942
Employee benefits reclassified from receivables *[note 23.1]*	451	—
Reclassification of reserve for salvage to deferred revenue *[note 23.4]*	(171,740)	(176,644)
Decrease in amortization of unvested past service costs for the year	(35)	—
Non-current portion of gain on retirement	—	107
Subtotal	(83,653)	(97,271)
Balance under IFRS	**$ 27,002**	**$ 40,100**

Under IFRS 1 – *First-time adoption of IFRS*, the Partnership has taken the IFRS 1 exemption relating to employee benefits, which allows all cumulative actuarial gains/losses on DBP to be recognized in retained earnings on transition. Subsequently, any gains/losses will be recognized in other comprehensive income. As a result, retained earnings increased by $0.149 million at the transition date.

Under IAS 19 – *Employee Benefits,* all vested past service costs are required to be recognized in retained earnings on transition.

23. Explanation of transition from Canadian GAAP to IFRS (cont'd)

23.4 Deferred revenue

The changes in the table below reflect the transfer of third party contributions from PP&E to deferred revenue, as required by IFRIC 18, *Transfers of assets from customers*, and the reclassification of the salvage funds provided in advance, previously known as site restoration costs, to deferred revenue:

	As at	
(in thousands of dollars)	December 31, 2010	September 30, 2010
Balance under C-GAAP	$ —	$ —
Reclassification of third party contributions from property, plant and equipment to deferred revenue	256,792	228,019
Reclassification of reserve for salvage from non-current liabilities	171,740	176,644
Less: current portion of deferred revenue	(8,870)	(7,459)
Loss on disposal of PP&E offset against deferred revenue for salvage	3,222	—
Balance under IFRS	**$ 422,884**	**$ 397,204**

The Partnership has reclassified third-party contributions towards asset construction expenditures as deferred revenue, which will be included in revenue over the useful lives of the related assets.

23.5 Current portion of long-term debt

Under C-GAAP the Partnership was permitted to recognize deferred financing fees which would be amortized within the following 12 months as current. Also, commercial paper, bankers' acceptances and bank loans were recognized as long-term debt. This is not permitted under IFRS, which requires this type of debt to be recognized as a current liability.

23.6 Asset retirement obligations

As discussed in note 3(i), the Partnership recognizes provisions if they are material.

Obligations have been estimated using independent third party estimates of current costs to dismantle the entire transmission system and restore the land. The Partnership has calculated the present value of the obligations, inflating the estimated current costs and discounting the future values using the risk-free rate to the current date. As a result, the fair value of the obligation is immaterial.

The adjustments below show how the balance of the obligation has been eliminated:

	As at	
(in thousands of dollars)	December 31, 2010	September 30, 2010
Balance under C-GAAP	**$ 239,343**	**$ 187,156**
Remove long-lived assets from property, plant and equipment	(149,275)	(106,214)
Remove ARO timing difference balance from other non-current liabilities	(90,068)	(80,942)
Balance under IFRS	$ —	$ —

23. Explanation of transition from Canadian GAAP to IFRS (cont'd)

23.7 Partners' equity

The changes in accounting for employee defined benefit plans are discussed in note 23.3 – *Other non-current liabilities.* The impact of these changes on retained earnings is shown in the table below:

(in thousands of dollars)	As at December 31, 2010	September 30, 2010
Under C-GAAP	**$ 809,158**	**$ 740,595**
Recognition of cumulative actuarial gains in retained earnings at transition date	231	231
Recognition of vested past service costs in retained earnings at transition date	(82)	(82)
Decrease in amortization in unvested past service costs for the year	6	—
Recognition of actuarial losses on employee benefits	748	—
Regulatory adjustment to offset the actuarial losses on employee benefits	(721)	—
Subtotal	182	149
Under IFRS	**$ 809,340**	**$ 740,744**

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of dollars)	Notes	Three months ended September 30, 2010 As originally reported under C-GAAP	Effects of transition to IFRS	**As restated under IFRS**
Revenue				
Operations	23.8	$ 72,557	$ 4,232	**$ 76,789**
Miscellaneous revenue	23.9	2,536	(2,536)	—
Allowance for equity funds used during construction	23.8	3,295	(3,295)	—
Other revenue	23.9	—	4,580	**4,580**
		78,388	2,981	**81,369**
Expenses				
Operations	23.10	(28,271)	10,443	**(17,828)**
Property taxes and other		(4,547)	(12,845)	**(17,392)**
Depreciation and accretion	23.11	(21,949)	21,949	—
Depreciation and amortization	23.11	—	(21,384)	**(21,384)**
		(54,767)	(1,837)	**(56,604)**
		23,621	1,144	**24,765**
Interest and amortization of deferred financing fees	23.12	(13,783)	13,783	—
Allowance for debt funds used during construction	23.8	3,606	(3,606)	—
Finance costs	23.12	—	(11,210)	**(11,210)**
Loss on retirement of assets	23.13	—	(111)	**(111)**
Net income		$ 13,444	$ —	**$ 13,444**

23. Explanation of transition from Canadian GAAP to IFRS (cont'd)

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Nine months ended September 30, 2010 As originally reported under C-GAAP	Effects of transition to IFRS	**As restated under IFRS**
(in thousands of dollars)				
Revenue				
Operations	23.8	$ 200,721	$ 8,818	**$ 209,539**
Miscellaneous revenue	23.9	14,574	(14,574)	**—**
Allowance for equity funds used during construction	23.8	9,145	(9,145)	**—**
Other	23.9	—	19,722	**19,722**
		224,440	4,821	**229,261**
Expenses				
Operations	23.10	(67,949)	12,117	**(55,832)**
Property taxes and other		(13,654)	(16,328)	**(29,982)**
Depreciation and accretion	23.11	(63,235)	63,235	**—**
Depreciation and amortization	23.11	—	(60,815)	**(60,815)**
		(144,838)	(1,791)	**(146,629)**
		79,602	3,030	**82,632**
Interest and amortization of deferred financing fees	23.12	(38,955)	38,955	**—**
Allowance for debt funds used during construction	23.8	10,007	(10,007)	**—**
Finance costs	23.12	—	(31,867)	**(31,867)**
Gain (loss) on retirement of assets	23.13	135	(111)	**24**
Net income		$ 50,789	$ —	**$ 50,789**

23.8 Revenue from operations

All items arising from the regulatory process have been reflected within revenue from operations. As a result, the Partnership has reclassified AFUDC to transmission tariff revenue. Please see note 15 – *Revenue from operations* for more details.

	Three months ended September 30, 2010	Nine months ended September 30, 2010
(in thousands of dollars)		
Under C-GAAP	**$ 72,557**	**$ 200,721**
Reclassification of allowance for equity funds used during construction	3,295	9,145
Reclassification of allowance for debt funds used during construction	3,606	10,007
Reclassification of loss on disposal of PP&E to financial assets related to regulated activities less amounts already received through transmission tariff, and transfer from deferred revenue for salvage costs incurred	2,513	4,322
Salvage costs transferred to deferred revenue	(2,609)	(7,568)
Capitalized borrowing costs	(2,573)	(7,088)
Subtotal	4,232	8,818
Under IFRS	**$ 76,789**	**$ 209,539**

23. Explanation of transition from Canadian GAAP to IFRS (cont'd)

23.9 Other revenue

Revenue from third parties was previously disclosed as miscellaneous revenue, but is now presented as other revenue. Other revenue also includes the release of deferred revenue from third parties, as disclosed in note 23.4.

(in thousands of dollars)	Three months ended September 30, 2010	Nine months ended September 30, 2010
Under C-GAAP	$ —	$ —
Reclassification from miscellaneous revenue to other revenue	2,536	14,574
Reclassification of deferred revenue released *[note 23.11]*	2,044	5,148
Under IFRS	**$ 4,580**	**$ 19,722**

23.10 Expenses - Operations

As required by IAS 1, the Partnership has made the following changes in presentation of its expenses:

(in thousands of dollars)	Three months ended September 30, 2010	Nine months ended September 30, 2010
Under C-GAAP	**$ (28,271)**	**$ (67,949)**
Reclassification of property taxes and other expenses	10,443	12,117
Under IFRS	**$ (17,828)**	**$ (55,832)**

23.11 Depreciation

(in thousands of dollars)	Three months ended September 30, 2010	Nine months ended September 30, 2010
Under C-GAAP – Depreciation and accretion	**$ (21,949)**	**$ (63,235)**
Reclassification of third party contributions depreciation to other revenue *[note 23.4]*	(2,044)	(5,148)
Revenue deferred relating to salvage	2,609	7,568
Under IFRS – Depreciation and amortization	**$ (21,384)**	**$ (60,815)**

23.12 Finance costs

(in thousands of dollars)	Three months ended September 30, 2010	Nine months ended September 30, 2010
Under C-GAAP	$ —	$ —
Interest and amortization of deferred financing fees	(13,783)	(38,955)
Recognition of capitalized borrowing costs	2,573	7,088
Under IFRS	**$ (11,210)**	**$ (31,867)**

In accordance with IAS 23 – *Borrowing costs*, the Partnership has recognized capitalized borrowing within finance costs.

23. Explanation of transition from Canadian GAAP to IFRS (cont'd)

23.13 Gain/(loss) on retirement of assets

As indicated in Note 23.8 - *Revenue from operations*, the Partnership has reclassified gains/losses on disposals of assets from PP&E on the Statement of Financial Position to the Statement of Comprehensive Income.

(in thousands of dollars)	Three months ended September 30, 2010	Nine months ended September 30, 2010
Under C-GAAP	**$ —**	$ 135
Loss on disposal of PP&E	**(111)**	**(111)**
Under IFRS	**$ (111)**	$ 24

STATEMENT OF CASH FLOWS

The adoption of IFRS has not resulted in any material adjustments to the Statement of Cash Flows.