2008
Financial Report

ALTALINK

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Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

The following Management's Discussion and Analysis (MD&A) reflects events known to us as of February 27, 2009. This MD&A is intended to provide you with an understanding of our business, our strategy and performance, as well as our expectations of the future and how we manage risk and financial resources.

Please read this analysis in conjunction with the audited annual financial statements for the years ended December 31, 2008 and 2007 (the financial statements) and notes to the financial statements. You should also read the Forward-Looking Information legal advisory at the end of this MD&A.

The financial statements have been prepared using Canadian generally accepted accounting principles (GAAP), using the same accounting policies and procedures as those used in preparing the audited annual financial statements for the year ended December 31, 2007. The only exceptions to this are the changes in accounting policies cited in note 3(a) to the financial statements which resulted from our initial adoption of new accounting standards. Unless otherwise noted, our references to a "year" relate to our fiscal year ended December 31, 2008.

In accordance with its terms of reference, the Audit Committee of our Board of Directors reviews the contents of the MD&A and recommends its approval by the Board of Directors. The Board of Directors has approved this MD&A.

Our Business

We are Alberta's largest electricity transmission business, providing transmission services to most of the province's major urban centres and serving more than 85% of Albertans safely, reliably and cost effectively. We own and operate approximately 11,600 kilometres of transmission lines and 260 substations that form the backbone of Alberta's high-voltage electricity transmission system. We also own and operate the facilities that interconnect Alberta's network with the transmission system in British Columbia, allowing electricity to flow into and out of Alberta.

We deliver both transmission services and customer value, while managing our environmental footprint, building relationships in Alberta communities and upholding the highest standards of safety and reliability.

We are a regulated electric utility under the jurisdiction of the Alberta Utilities Commission (AUC), successor to the Alberta Energy and Utilities Board (EUB). Effective January 1, 2008, the AUC assumed responsibility from the EUB for regulating all investor-owned natural gas, electric and water utilities, certain gas pipelines and certain municipally-owned electric utilities. The AUC approves the charges (i.e. tariffs) to be paid to us by our customers. The tariffs we charge are made up of two components, the revenues required to cover the forecasted costs of our transmission business plus an approved return on investment.

Our Ownership

Here is a brief description of our management and ownership structure.

- Our operations are managed by our general partner, AltaLink Management Ltd (AML).
- We have one limited partner, AltaLink Investments, L.P. (AILP).
- AILP has one limited partner, AltaLink Holdings, L.P. (AHLP).

On June 13, 2006, the AUC approved an application to change our ownership structure, and the transaction was completed on June 23, 2006. SNC-Lavalin Group Inc. indirectly owns 76.92% of AHLP through subsidiaries and Macquarie Transmission Alberta Ltd. owns the remaining 23.08%.

Our Vision

We are committed to meeting the needs of our customers by providing a reliable, safe and cost-effective transmission grid. Our objective is to be the leading owner and operator of regulated electricity transmission in Alberta. We believe in preparing for tomorrow while we power the lives of Albertans today. We focus on quality and continuous improvement. We believe in bringing forward the best and most innovative transmission practices, designs and solutions.

One of our core goals is creating customer value. We do that by listening, communicating and working with both customers and stakeholders who rely on us or are affected by our business.

Our employees are the reason for our success and the key to our future. We encourage employee wellness and proactively provide opportunities for employee engagement, growth and development.

In addition, we believe it is important to give back to the communities in which we live and operate through financial support and employee participation.

Our Strategy

We are constantly looking for new ways to meet the electricity needs of Albertans while reducing the impact of our operations on the land, and on customers affected by our facilities. Over the past few years, electricity consumption in this province has been increasing by the equivalent of adding two cities the size of Red Deer every year. Our focus is keeping the lights on in Alberta as the province reinforces its infrastructure following this period of unprecedented growth and prepares its electricity grid to be an enabler of future prosperity.

Our strategy on expansion is not focused on only building new lines and towers. We are always looking for new ways to get more out of the existing grid, by doing things such as re-using already built lines and focusing on new technologies that can minimize the impact on the land and landowners. It's also about partnering with our stakeholders by improving our landowner consultation, using new transmission technology, making more efficient use of the land and reaching innovative agreements with First Nations.

We operate in an environment where there is strong competition for talented people. We are focused on attracting and retaining a high quality workforce to enable us to not only sustain our business, but to remain at the forefront of innovation and continuous improvement. We take great pride in being named as "Calgary's Best Place to Work" in the energy oil and gas sector by *Calgary Inc.* magazine in its July/August 2008 issue.

Our Environmental Stewardship

We are proud of our role in delivering clean energy to Albertans. We are committed to meeting and wherever possible, exceeding all legislative requirements relating to the environment. Here are some of the things we are doing to achieve our environmental goals.

- Advance environmental pre-screenings on all new projects such that early on we can identify potential environmental risks;
- Conducting field wildlife surveys to better understand any potential impacts;
- Proactively engaging environmental agencies to ensure our environmental processes are open and transparent;
- Engaging third party environmental experts to assist our teams to better assess environmental risks;
- Implementing GREENJACKET ™, the first Canadian utility to do so, a special material that covers substation equipment to protect wildlife and prevent outages;
- Implementing an externally certified avian protection plan to reduce power line impacts on birds;
- Designing a tool to identify high risk bird collision areas and using two types of marking devices to reduce bird collisions with overhead transmission lines;
- Continuous improvement upon existing environmental programs such as waste management, pole recycling and SF6 gas containment;
- Our Acheson office, home to approximately 50 employees, was recognized with the Acheson Business Association 2008 Green Award for embracing the three Rs – Reduce, Reuse and Recycle and adopting a mile of the Yellowhead highway to do the roadside clean-up twice a year; and
- Reducing system losses which in turn reduces greenhouse gas emissions.

Health and Safety

The health and safety of our employees and contractors is our top priority which has resulted in a safety record well above industry standards. Here are some of the things we are doing to make sure that record is not only maintained, but also enhanced.

- Continuously improving safety practices to address changing regulations, new hazards in the workplace, changes in work methods, new equipment and tools;

- Annual safety training for all field employees;
- Engaging in a Joint Utility Safety Team public safety awareness campaign called, *"Where's the Line?"*;
- Continuing improvement of our contractor safety management program with a focus on:
    - Ensuring contracting companies are pre-qualified;
    - Setting clear expectations for safety and quality performance standards; and
    - Performing on the job monitoring of safety practices, work methods and safety performance.
- Requiring workers in energized facilities to hold AltaLink safety certification, a four-tier certification rating system.

We recognize that some people are concerned about power line Electric and Magnetic Fields (EMF). We treat those concerns very seriously. In the past 30 years, many agencies have conducted studies and reviews on this issue and they have not concluded that exposure to EMF from power lines causes long-term adverse effects on human, plant or animal health. We recognize that EMF exposure is a very complex issue and we continue to monitor any new developments with regard to EMF.

We continue to:

- Provide information as well as research findings to anyone concerned about EMF;
- Dedicate management responsible for addressing EMF issues to provide information on EMF research to the general public;
- Offer, upon request to take EMF field measurements at customer homes to demonstrate relative strengths from various sources;
- Include a human health assessment and plant and animal assessments in our permit and licence applications to summarize the results of EMF research;
- Retain an internationally-recognized EMF expert to provide on-going support and advice on EMF issues; and
- Share information with key agencies such as the Alberta Electric System Operator (AESO) through workshops and other discussions.

How We Measure Our Performance

We use certain key measures to determine whether we are meeting our goals and the needs of our customers. These key measures include a mix of operational, risk management and financial metrics. The Canadian Electrical Association (CEA) provides benchmarking data for several of our key measures, allowing us to compare our performance against other transmission facility owners in Canada. Since our formation in 2001, we have consistently outperformed the CEA benchmarks for reliability, safety and cost effectiveness.

Reliability

Our transmission system is designed and operated so as to minimize disruption of service to our customers. Nevertheless, severe weather and other unplanned events cause occasional service disruptions to which we respond as quickly as possible. Despite our strong track record, we continually strive to further reduce the incidence and duration of system outages for the benefit of our customers.

	2008	2007	2006	2005
System Availability Interruption Frequency Index				
AltaLink	**1.12**	1.38	1.01	1.07
CEA benchmark	**N/A**	1.61	1.70	1.66
System Availability Interruption Duration Index				
AltaLink	**1.77**	1.35	0.58	4.69
CEA benchmark	**N/A**	1.14	1.52	1.32

System Availability Interruption Frequency Index measures the average number of interruptions per delivery point during a 12-month period. System Availability Interruption Duration Index measures the average number of interruption hours per delivery point during a 12-month period. Benchmark statistics from the CEA are provided on a transmission basis.

Safety

Our highest priority is the safety of our employees, contractors and others. Even though our safety statistics compare favourably with industry benchmarks, we strive for continuous improvement with our ultimate goal being an accident-free workplace.

	2008	2007	2006	2005
All Injury Frequency Rate				
AltaLink	**0.73**	1.02	0.89	1.41
CEA benchmark	**N/A**	2.93	2.92	2.65

All Injury Frequency Rate measures the number of lost time accidents and medical aid incidents per 200,000 man-hours worked by employees and contractors. Benchmark statistics from the CEA are provided on a transmission basis.

Cost Effectiveness

Our goal is to provide Albertans with the most cost-effective transmission system possible, without sacrificing either reliability or safety. We have a solid track record in keeping costs well below industry averages. Between 2002 and 2006 the cost to operate our transmission system was about 30% less than that of the average Canadian utility. Transmission owner costs account for less than 6% of the average electricity bill in Alberta.

Financial and Operational Highlights

Here are some of our financial and operations highlights for 2008:

- We achieved before tax net income of $40.7 million for the year;
- We safely and efficiently carried out our capital construction program with expenditures of $174.4 million for facilities for our customers;
- We participated in support of the AESO's public consultation meetings, particularly with regard to the need to reinforce the transmission system between Edmonton and Calgary;
- We energized the Keephills-Ellerslie-Genesee (KEG) transmission line on April 6, 2008, the first 500 kV line to be activated in Alberta in more than 20 years;
- We refinanced $100.0 million of long-term debt which matured in June 2008;
- We filed our General Tariff Application (GTA) for 2009 and 2010 on September 16, 2008;
- We completed the application hearing process with the AUC for our Southwest Development project and received final permits from Indian and Northern Affairs Canada for access to First Nations' land; and
- We received direction from the AESO to prepare a proposal to provide service for the proposed Southern Alberta transmission development project, which is expected to interconnect up to 2,700 megawatts (MW) of Alberta's vast wind generation potential.

Our People

We have more than 380 skilled and dedicated employees working to keep the lights on in Alberta. Alberta's growth and lack of transmission expansion continues to increase our operational challenges. With the Alberta government's newly released energy strategy we expect to face transmission growth. The competition for our specialized work force will remain strong. As a business, we continue to enhance our strategies to attract and retain qualified employees and to ensure that our people are developed, engaged and aligned with our overall corporate strategies and business plans.

Last September, we conducted our first Employee Engagement Survey to help us ensure that employees continue to be proud to work at AltaLink. Overall, the results of the survey were very positive. Our employees see our strengths as quality and customer focus, workplace safety, job flexibility and perceptions about how the organization as a whole is managed. We will continue to strive to improve our workplace.

In 2008, *Calgary Inc*. magazine named AltaLink as "Calgary's Best Place to Work" in the energy oil and gas sector.

Growth in Rate Base

We measure growth in the rate base of our regulatory assets as a key indicator of future revenue streams. As a regulated utility, the returns to our investors are based on our rate base. The returns are determined by multiplying the mid-year regulatory deemed equity portion of the rate base by the return on equity rate allowed by the regulator. Our revenues also include the recovery of the forecasted costs of operating the transmission system. Our rate base and our revenues have increased as a result of capital investments we have made to reinforce and expand Alberta's transmission grid. The AESO has identified a need for several billion dollars of further capital investment in major transmission projects, including projects proposed within our service area.

($ Millions)		2008		2007		2006		2005
Rate base								
Mid-year	$	1,012.1[1]	$	930.2	$	815.8	$	741.1

By regulation, returns on equity, which are included in transmission tariffs, are calculated using the mid-year rate base. Forecast additions approved in general tariff applications are adjusted to actual additions through deferral accounts approved by the regulator.

1. Estimate

Major Capital Projects

Impact of Current Economic Conditions

The oil and gas sector has delayed or cancelled a number of capital projects due to the current economic conditions. While Alberta is not immune to the economic slowdown, a key component of the Government's energy strategy is the development of much needed transmission infrastructure. We expect infrastructure projects to continue upon direction of the AESO. Our focus will be to secure permits to construct and licences to operate in a timely fashion.

We are currently involved in the following major capital projects.

Southwest Development Project

On August 10, 2007, we applied to the AUC for a permit to build and licence to operate the Southwest development project, between Pincher Creek and Lethbridge. The double circuit 240 kV transmission line is needed to support growing demand and to connect the fast-growing wind generation in the region. The AUC hearing to review our application was held in December 2008. We expect that the AUC will issue its decision in the first quarter of 2009.

The Blood First Nation and the Piikani First Nation have approved transmission permits to cross reserve lands as well as a unique limited partnership opportunity under which the First Nations can invest in the portion of the transmission lines that cross their lands. The transmission permits are now fully executed, including all necessary approvals from Indian and Northern Affairs Canada. The limited partnership arrangements are fully negotiated and the First Nations have the option to invest once the transmission lines are in service. As general partner, we will retain full control over the construction and operation of these transmission lines.

South Alberta Transmission Development (SATD) Project

The SATD is a large-scale project designed to interconnect up to 2,700 MW of wind power into the Alberta transmission system. We have provided the AESO with several transmission options to interconnect the potential wind generation projects.

The AESO has submitted the Needs Identification Document for the project, which is expected to be developed in three separate phases. This will allow for flexibility in the development of the transmission system to match the development of the wind generation industry. The estimated total cost for the project is approximately $1.8 billion before escalation.

Edmonton to Calgary Transmission Development

Construction of new transmission facilities between the Edmonton and Calgary regions is required to reinforce Alberta's transmission system. While we are protected against liability from outages, we are concerned about our ability to provide continuous electricity service to southern Alberta through the 2009-2010 winter peaks. In December 2008, energy demand hit an all-time record high in the province, further straining the capacity of the electrical system. We are working with the AESO to find short-term mitigation measures that will reduce the reliability risk until a long-term solution can be developed.

The AESO hosted a number of open houses across central Alberta in the second and third quarters of 2008 as part of their consultation regarding the need to reinforce the transmission system between Edmonton and Calgary. The AESO hosted another 12 open houses between November 24, 2008 and December 11, 2008 looking at far eastern and western routes. The AESO expanded the study area for the transmission reinforcement because of the feedback it received at the first round of open houses between May and September 2008. To-date, they have spoken with more than 1,000 people who visited the open houses to learn more about the need for new transmission lines. At each of the open houses, we supported the AESO in explaining the role of a transmission company when siting and building lines. We are awaiting further direction from the AESO once it has completed its review of the input received at the open houses.

Heartland Project

The AESO has identified that current and future proposals for oil sands upgraders in the Heartland area northeast of Edmonton will require transmission reinforcement in the Fort Saskatchewan area. This transmission reinforcement project (the Heartland Project) is at an early stage of development. The AESO has determined two concepts that can provide the transmission reinforcement required, both constructed at double circuit 500 kV. The Heartland Project may cross both our service region and EPCOR Utilities' service region. The AESO has directed both EPCOR and AltaLink to proceed with the necessary work required to file a permit and licence application for the Project.

In anticipation that the route(s) chosen for the Heartland Project may be in both our and EPCOR's services areas, we have formed a limited partnership with EPCOR known as Heartland Transmission, L.P. It is proposed that the construction and ownership of the Heartland Project transmission facilities would be transferred to the limited partnership to operate on behalf of both businesses, subject to AUC approval of the need and the facilities applications as well as the proposed limited partnership structure. We expect the Heartland region transmission development to occur over the next five years.

Keephills 3 Generation Interconnection Project

We are working on several transmission projects required to interconnect the expansion of TransAlta/EPCOR 450 MW coal-fired generation facilities at Keephills, west of Edmonton. These projects include upgrades to the existing 240 kV transmission system in the region as well as the facilities required at the Keephills location to interconnect the new generation. The projects are targeted for completion in stages between 2009 and 2010 with an estimated total cost of $220.0 million. The AUC has approved the need for three projects totalling approximately $100.0 million and the remaining projects are awaiting approval of the need. As directed by the AESO, we have begun the work required to receive permit and licence approvals from the AUC in 2009.

KEG Transmission Line Conversion Project

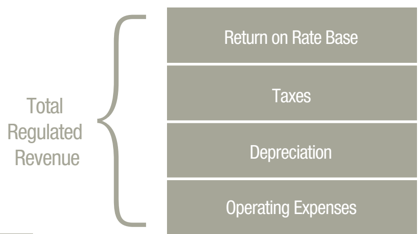
The project included the conversion of the Keephills-Ellerslie-Genesee substations from 240 kV to 500 kV. We own and operate the transmission lines connecting the KEG system, a 500 kV system that had been energized at 240 kV. The system connects generating plants at our Keephills and Ellerslie substations and at EPCOR's Genesee substation.

On April 6, 2008, the KEG transmission line became the first 500 kV line to be energized in Alberta in more than 20 years.

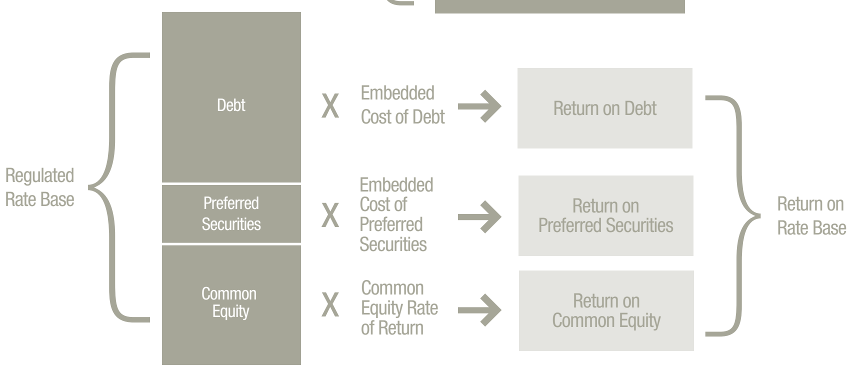
Regulatory Tariffs

We are regulated by the AUC under a cost-of-service methodology under which all prudently incurred costs are recovered in addition to an allowed return on our rate base.

The principal components of our approved transmission tariff are outlined as follows (the diagram does not represent the relative importance of the components in our approved tariff):



- *Return on Rate Base – is the fair return on capital that we have invested in the regulated rate base taking into account a deemed capital structure comprising debt, preferred securities (if any) and common equity, which is used to finance the regulated transmission business or rate base, calculated on the following basis (the diagram does not necessarily represent the components, or the relative sizes of such components, within an approved tariff):*



- *Taxes – is the allowance for the recovery of taxes (including income taxes) paid or deemed to have been paid;*
- *Depreciation – is an allowance for a return of capital and is the depreciation on the regulated asset base, as approved by the AUC, and is net of any contributed capital amortization (assets paid for by third parties but that we own and operate); and*
- *Operating Expenses – are determined to be the prudent operating costs.*

Decision 2008-076 was issued on August 26, 2008 confirming full recovery of the Direct Assign capital deferral account for May 2004 through December 2006 and the disposition of other deferral accounts. On January 30, 2009, we were directed to settle the related regulatory liabilities with the AESO in the amount of $1.4 million, to be paid by February 17, 2009.

In addition to the applications related to major capital projects noted above, the more significant applications that the AUC is expected to consider in 2009 include the following:

- General Tariff Application for the fiscal years ending December 31, 2009 and 2010 (filed on September 16, 2008);
- Generic Cost of Capital proceeding to review potential changes to the generic return on equity formula and the capital structure of utilities;
- A review of rate related implications of utility asset dispositions; and
- Direct Assign capital deferral account for the year 2007 (expected to be filed in the first quarter of 2009).

General Tariff Applications

On February 16, 2007, the AUC issued Decision 2007-012 outlining our revenue requirement and the disposition of our deferral and reserve accounts, as amended, for the period from January 1, 2007 to December 31, 2008. The Decision also outlined the settlement of the self-insurance reserve account for the period from May 1, 2004 to December 31, 2005. On June 19, 2007, the AUC issued Decision 2007-050 that approved our compliance filing with AUC directives from Decision 2007-012 regarding the 2007 and 2008 tariffs. Decision 2007-012 approved a reduction in the deemed common equity ratio from 35% to 33%, and an increase in the allowance for deemed income tax in the revenue requirement from 75% to 100%.

On September 16, 2008, we filed our GTA for the 2009-2010 test years in which we requested increases in transmission tariff revenue, primarily due to growth in our rate base and capital expenditure outlook. These increases are directly related to requests from the AESO and our customers to build new transmission assets for their growing needs and to ensure that we meet their most important concern, which is reliability. The application also requests the recovery of increased costs for operating and maintaining the growing transmission system and continuing to meet compliance requirements. To minimize the impact of financing large transmission projects on future transmission tariffs, we have requested an increase in equity thickness from 33% to 38%, as well as delaying the implementation of the regulator's previous directive to switch from the use of future income taxes to flow-through taxes in determining our revenue requirements. We believe that it is in the best interests of all stakeholders, particularly ratepayers, to increase our revenue requirement in the short term to maintain high credit ratings during the construction of major capital projects so that future tariffs reflect significantly lower interest costs.

On December 9, 2008, we received Decision 2008-129 approving an interim tariff starting January 1, 2009, representing a 3% increase over the 2008 tariff. We expect that the 2009-2010 GTA will be heard by the AUC in the second quarter of 2009 and that the AUC will issue its decision later in the year.

Generic Cost of Capital (GCOC)

The AUC issued Decision 2004-052 on July 2, 2004 in which it approved a 35% deemed common equity ratio for our business and a 9.6% return on equity (ROE) for the period ended December 31, 2004. The decision was the result of the AUC's generic cost of capital hearing for the purpose of considering a standardized approach to determining the rate of return on equity and capital structure for all of the gas and electric utilities under its jurisdiction, including our business.

The rate of return on common equity was adjusted annually for the years 2005 through 2008. The adjustment was calculated as 75% of the change in yield of long-term Government of Canada bonds. If the adjustment exceeded +/-2%, the AUC would have considered undertaking a review of the formula. On November 30, 2006, the AUC issued an amended order setting the 2007 ROE at 8.51%. On November 30, 2007, the AUC issued an amended order setting the 2008 ROE at 8.75%.

The AUC has initiated a GCOC proceeding to review the level of the generic return on equity for 2009, the generic ROE adjustment mechanism, and capital structure of utilities on a utility specific basis. Together with other Alberta utilities, we have submitted evidence in this proceeding and have requested an increase in our equity thickness to 38% and a fair return on equity of 11%. The AUC has set the GCOC hearing to begin in May 2009 and we expect that it will issue its decision later in the year.

Asset Disposition Proceeding

We are participating in an AUC proceeding regarding utility asset dispositions. On April 2, 2008 the AUC released a Notice of Commission Initiated Proceeding to consider the potential rate related implications for Alberta utilities of the Supreme Court of Canada's Calgary Stores Block Decision *(Stores Block Decision: ATCO Gas & Pipelines Ltd. V. Alberta (Energy & Utilities Board), 2006 SCC 4, [2006] 1 S.C.R. 140)*.

The AUC indicated the principal objectives in initiating this proceeding were to provide interested parties with an opportunity to:

- Advance and defend their interpretation of the Stores Block Decision;
- Identify and explore the potential implications of the Stores Block Decision to utility regulation in Alberta; and
- Develop a consistent, principled approach to applying the guidance provided by the Stores Block Decision.

On November 28, 2008, the AUC suspended the proceeding until further notice, acknowledging that additional clarification of the Stores Block Decision by the courts can provide additional direction for the Commission.

2007 Capital Deferral Account Application

We plan to file an application in the first quarter of 2009 for the disposition of the balance in the Direct Assign capital deferral account for 2007. This application will include a request for inclusion in rate base of the $38.7 million in costs associated with the voided Edmonton to Calgary 500 kV Transmission Development Project.

Liquidity and Capital Resources

($ millions)	For the year ended December 31, 2008	For the year ended December 31, 2007
Cash and cash equivalents, beginning of year	**$ –**	$ –
Cash flow from (used in)		
Operating activities	**138.4**	94.0
Investing activities	**(140.5)**	(217.5)
Financing activities	**2.1**	123.5
Cash and cash equivalents, end of year	**$ –**	$ –
Ratios [1]		
Interest coverage:		
EBIT coverage [2, 5]	**1.96X**	1.92X
EBITDA coverage [3, 5]	**3.75X**	3.62X
Cash flow coverage [4, 5]	**2.67X**	2.47X
Cash flow/total debt [4, 6]	**13.74%**	12.58%
Debt/total capitalization [6, 7]	**62.03%**	62.11%

1. *Non-GAAP measures - We use certain financial metrics that are not defined under Canadian generally accepted accounting principles. Such "non-GAAP financial measures" provide our management and our investors with additional insight into our financial performance and financial condition, expanding on the information that we provide in our financial statements. In particular, our investors, lenders and credit rating agencies use certain non-GAAP financial measures to calculate debt covenants and financial ratios.*
2. *EBIT Coverage - Is equal to net income before interest expense and income taxes (EBIT) divided by interest.*
3. *EBITDA Coverage - We use earnings before income taxes, depreciation and amortization (EBITDA) to measure our operating performance, before considering our financing strategy or recognizing costs for the consumption and replacement of our capital assets. We also use EBITDA as a proxy for cash flows from operations, before considering the effects of non-cash working capital. EBIT and EBITDA are non-GAAP Measures. We believe that EBIT and EBITDA are useful supplemental measures to analyze our operating performance and to provide an indication of the results generated by our principal business activities prior to the consideration of other income and expenses. EBIT and EBITDA may not be comparable to similar measures used by other entities.*
4. *Cash flow – Consists of funds generated from operations. Funds generated from operations (FFO) is a non-GAAP measure that represents funds generated from operating activities before changes in non-cash working capital. FFO should not be considered an alternative to, or more meaningful than, "cash provided by operating activities". We believe that FFO is a useful supplemental measure to analyze the Partnership's ability to generate cash flow to fund capital investment and working capital requirements. FFO may not be comparable to similar measures used by other entities.*
5. *Interest expense – Interest expense excluding amortization of deferred financing fees on debt.*
6. *Debt – Consists of short-term and long-term debt, adjusted to remove deferred financing fees due.*
7. *Total Capitalization - Consists of debt and partners' equity.*

Pro Forma Earnings Coverage

	For the year ended December 31, 2008	For the year ended December 31, 2007
Earnings-to-interest coverage on total debt [1]	**1.95X[2]**	1.92X[3]

1. *Earnings-to-interest coverage on total debt is equal to net income before interest expense (excluding amortization of deferred financing fees) on all indebtedness and income taxes divided by annual interest requirements on long-term debt (including capitalized interest). We calculate the foregoing ratios after giving pro forma effect to any long-term debt issues in the period and the use of the proceeds from the long-term debt issues.*
2. *Our required interest payments on all of our debt amounted to approximately $42.7 million for the 12 months ended December 31, 2008. That includes the additional interest payable on our $100.0 million debt issue which was refinanced at 5.243%. Our earnings before interest and income tax for the 12 months ended December 31, 2008 were approximately $83.4 million, which are 1.95 times our interest requirements on all of our debt for this period.*
3. *No adjustment is required for 2007 as the related debt was outstanding throughout the year.*

Credit Ratings

	For the year ended December 31, 2008	For the year ended December 31, 2007
Credit Ratings		
DBRS – Commercial Paper	**R-1 (low)**	R-1 (low)
DBRS – Senior Secured Bonds	**A**	A
S&P – Senior Secured Bonds	**A-**	A-

On May 9, 2008, S&P confirmed the above rating with a stable trend. On September 18, 2008, DBRS confirmed our “A” rating for our Senior Secured Bonds and Medium-Term Notes, and changed the trend to negative from stable. Our commercial paper was confirmed at R-1 (low), with the trend remaining stable.

Operating Activities

For the year ended December 31, 2008, our cash provided by operating activities increased by $44.3 million compared to the same period in 2007, primarily due to changes in our non-cash working capital of $31.7 million. Our accounts receivable decreased by $21.9 million as there was only one monthly tariff revenue payment receivable from the AESO at December 31, 2008 compared with two outstanding payments at December 31, 2007, due to the timing of due dates, which are twenty working days following the prior month end. Our November 2008 billings were settled prior to December 31, 2008 whereas our November 2007 billings were settled in early January 2008. In addition, our net income increased by $3.1 million during the year, even after deducting an additional $6.6 million of depreciation expense, resulting from the growth in our regulatory asset base.

For the fourth quarter ended December 31, 2008, our cash provided by operating activities was $28.9 million, marginally higher than in the fourth quarter of 2007.

Investing Activities

Our investing activities included capital expenditures of $174.4 million for 2008, compared to $230.5 million in 2007. Our lower construction activity in 2008 reflects the timing of regulatory approvals and directions from the AESO for larger transmission projects. During the year, our regulatory rate base grew significantly as we completed and energized capital projects with a total value of $176.6 million, compared to $179.0 million in 2007.

Our capital expenditures are summarized in the following table:

(in thousands of dollars)	For the year ended December 31, 2008	For the year ended December 31, 2007
Capital additions		
Direct assigned	**$ 104,731**	$ 121,002
Capital upgrades & replacement	**58,079**	43,355
Corporate services, IT & other	**13,751**	14,664
Total capital additions	**176,561**	179,021
Change in assets under construction	**(2,789)**	31,718
Less: Allowance for funds used during construction (AFUDC)	**(5,750)**	(7,201)
Salvage and other non-cash working capital items	**6,422**	26,948
Capital expenditures	**$ 174,444**	$ 230,486

The foregoing information regarding our capital expenditures and rate base additions has been adjusted to remove the impact of non-cash items such as AFUDC, salvage costs and non-cash working capital.

During 2008, we significantly increased our spending on capital upgrades and replacements to extend the life and enhance the reliability of our system. Such expenditures totalled $58.1 million during 2008 compared to $43.4 million in 2007. We completed $104.7 million on new facilities for our customers, compared to $121.0 million in 2007, which included $65.0 million of additions for the KEG project. These amounts included work in progress at the beginning of each year. At the end of 2008, our work in progress totalled $113.0 million compared to $115.8 million at the end of 2007. Our investment in work in progress will be included in our regulatory rate base in future years when these projects are energized. Significant projects currently in progress at December 31, 2008 include the Southwest Development from Lethbridge to Pincher Creek, the Waupisoo substation in Northern Alberta and the Enbridge Rosyth Upgrade project.

During the fourth quarter of 2008, cash used in investing activities was $45.0 million compared with $50.0 million in the fourth quarter of 2007.

Financing Activities

During 2008, our cash provided by operating activities was sufficient to fund 83% of our cash requirements for investing activities and to pay distributions of $22.0 million to our limited partner, AILP. During 2008, our financing activities provided net cash of $2.1 million. We increased our long-term debt by $24.5 million during 2008, primarily to fund the remaining 17% of our capital expenditure program.

During 2007, our financing activities provided 57% of the cash we required to fund our capital expenditures and other investing activities. The remaining 43% was generated by our operating activities. Our financing activities for 2007 included an equity injection of $45.0 million from AILP and we increased our long-term debt by $100.7 million to finance our working capital requirements and capital expenditures.

During the fourth quarter of 2008, our financing activities provided 36% of the cash required to fund capital spending and other investing activities. The remaining 64% was generated by our operating activities. The percentages for the fourth quarter of 2007 were similar.

Our Series 03-1 4.450% $100.0 million senior notes matured on June 5, 2008. In May 2008 we refinanced the maturing debt issue under our capital markets platform by issuing $100.0 million of Series 08-1 5.243% medium-term notes, for which the AUC approved our debt application in May 2008. As a result of the refinancing, our interest expense will increase by $0.8 million annually with a corresponding increase in our tariff revenue. We increased our long-term debt during 2008 by issuing commercial paper, bankers' acceptances and bank loans, which we intend to refinance in the future by issuing medium-term notes with a minimum term to maturity of seven years. In November 2008 the AUC approved the issuance of up to $150.0 million of medium-term notes to refinance our money market debt. As at December 31, 2008, we have all of the regulatory approvals necessary to issue medium-term notes when conditions in the corporate debt markets improve.

Liquidity

We generally issue commercial paper to finance day-to-day requirements. Since September 2008, commercial paper markets have been significantly less active due to the global credit crisis. During the fourth quarter of 2008, we occasionally drew down on our $200.0 million commercial paper backstop facility for brief periods of time when commercial paper markets were effectively closed due to the global credit crisis. Between our $200.0 million commercial paper backstop facility and our $85.0 million revolving line of credit, our liquidity was more than sufficient to finance our operations and capital projects. As at December 31, 2008, our commercial paper, bankers' acceptances and bank loans totalled $164.7 million, leaving us with $120.3 million of availability for money market debt. We have all approvals necessary to issue up to $150.0 million of medium-term notes and are well positioned to refinance our commercial paper when credit market conditions improve.

We plan to finance significant capital investments, working capital and any maturities of long-term debt through a prudent combination of cash flow from operating activities, new long-term debt and equity contributions from partners.

Our next long-term debt maturity occurs in 2012, and we expect that our capital expenditure program will increase significantly in 2009 and in future years. As discussed under Major Projects, we expect to receive all required permits and approvals for the Southwest Development and Keephills Interconnection, as well as numerous smaller projects. In our 2009/2010 GTA, we have requested approval to increase our money market debt facilities from $285.0 million to $600.0 million to significantly increase our liquidity in anticipation of increased construction activity and our expectation that the AESO will direct us to proceed with permit and licence applications for larger projects such as Heartland, the Southern Alberta Development and the Edmonton to Calgary line.

During 2007 and 2008, temporary excess cash balances and cash received in advance of construction and operating and maintenance charges were invested in short-term interest-bearing instruments with major Canadian banks. We have strict policies in place with regard to short-term investments and we have never invested any funds in asset-backed commercial paper.

Accounting Policy and Related Disclosures

Changes In Accounting Policies

Changes Impacting the 2008 Financial Statements

Financial Instruments

Effective January 1, 2007, we adopted the following revised accounting standards:

- Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, *Comprehensive Income*;
- Section 3251, *Equity*;
- Section 3855, *Financial Instruments – Recognition and Measurement*;
- Section 3861, *Financial Instruments – Disclosure and Presentation*; and
- Section 3865, *Hedges*.

The adoption of these standards resulted in changes in the accounting for financial instruments as well as the recognition of certain transition adjustments that have been recorded in opening retained earnings for 2007. For further information, please see note 3(a) to the financial statements.

Effective January 1, 2008, we adopted the following revised Handbook Sections:

- Section 3862 – *Financial Instruments – Disclosures*. This section describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This section and Section 3863, *Financial Instruments – Presentation replaced* Section 3861, *Financial Instruments – Disclosure and Presentation*.
- Section 3863 – *Financial Instruments – Presentation*. This section establishes standards for presentation of financial instruments and non-financial derivatives. The adoption of *Financial Instruments – Presentation* does not have any effect on our financial statements.

The recognition, de-recognition and measurement policies followed in the financial statements for periods prior to the adoption of these standards have not been reversed and, therefore, those financial statements are not restated.

Capital Disclosures

As described in note 3 of the financial statements, effective January 1, 2008, we have adopted the new CICA Handbook Section 1535, *Capital Disclosures*. This section requires us to disclose our capital structure, description of and compliance with externally imposed capital requirements and our objectives, policies and processes for managing our capital.

Inventories – Materials and Supplies

As described in note 3 of the financial statements, effective January 1, 2008, we have adopted the new CICA Handbook Section 3031, *Inventories*. This section requires us to expand our disclosure on the measurement and recognition of materials and supplies. The adoption of *Inventories* did not have an effect on our income statement but resulted in a reclassification on the balance sheet.

Contributions and Operating and Maintenance Charges in Advance

Prior to January 1, 2008, contributions in advance of construction included cash received in advance for capital projects as well as cash received in advance for future operating and maintenance costs. As the latter amounts have become more significant, effective January 1, 2008, these amounts have been shown separately on the financial statements. However, there has been no change in the accounting policy.

Changes Impacting Future Financial Statements

Goodwill and Intangible Assets

CICA Handbook Section 3064 – *Goodwill and Intangible Assets* must be adopted for fiscal years beginning on or after October 1, 2008. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to their initial recognition by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062 and as a result, there is no impact on our financial statements. We will adopt this standard on January 1, 2009.

Accounting for Rate-Regulated Operations

Beginning on January 1, 2009, Section 1100 of the CICA Handbook – *Generally Accepted Accounting Principles* has been amended to remove a temporary exemption related to the recognition of assets and liabilities arising from rate-regulation. In addition, effective the same date, section 3465 of the CICA Handbook – *Income Taxes* – has also been amended.

The adoption of the new standards is expected to have an impact on the following:

- Recognition, measurement, disclosure and presentation of asset retirement obligations;
- Reserve and deferral accounts;
- Future income tax liabilities; and
- Allowance for funds used during construction.

For a more detailed description of these expected changes, see note 3(f) to the financial statements.

International Financial Reporting Standards (IFRS)

Impact of IFRS

On February 13, 2008, the CICA Accounting Standards Board confirmed that the conversion to IFRS from Canadian GAAP will be required for publicly accountable profit-oriented enterprises for both interim and annual financial statements beginning on or after January 1, 2011.

In Staff Notice 52-320, *Disclosure of Expected Changes in Accounting Policies relating to Changeover to IFRS*, the Canadian Securities Administrators noted the conversion to IFRS represents a change due to the implementation of new accounting standards. As a result, the transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect our reported financial position and results of operations. The Notice requires us to discuss in our interim and annual MD&A the elements, timing and status of our IFRS conversion plan. This information was detailed in the second quarter MD&A and an update is provided below.

We have established a Steering Committee to review the adoption of IFRS, a project team and working groups to carry out the detailed tasks involved in the conversion project. The project team and working groups provide position papers and regular updates to management, the Steering Committee and the Audit Committee. Employee education sessions are being provided to increase knowledge and awareness of IFRS and its impacts. We have also engaged an external expert advisor.

We are participating in various industry and peer groups, including the CEA. We are also reviewing discussion papers, exposure drafts and standards released by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee. We will continue to assess the impact of the proposed standards on our financial statements and disclosure as additional information becomes available. Financial impacts cannot be reasonably determined at this time.

Our IFRS conversion project consists of four phases:

- Phase 1 – Project initiation and initial assessment
- Phase 2 – Detailed assessment
- Phase 3 – Design
- Phase 4 – Execution

Current status:

- Phase 1 – The initial, high-level assessment of the relevant IFRS standards was completed on schedule by year's end. This includes an assessment of the key areas of impact on financial reporting, the accounting process, accounting policies, information technology and data systems, regulatory reporting and other business activities that may be influenced by GAAP measures such as debt covenants, capital requirements and compensation arrangements.

Based on our initial assessments, we have identified that the following areas have the greatest potential impact on our accounting operations:

  - Property, plant and equipment;
  - Rate-regulated operations; and
  - The initial adoption of IFRS under the provisions of IFRS 1 – *First Time Adoption of International Accounting Standards*.

- Phase 2 – The detailed assessment has been started. A pilot project on the inventories section has been completed. It included an assessment of potential impacts on the following:

- o Accounting;
- o Financial reporting;
- o Treasury;
- o Regulatory systems and processes; and
- o Operations systems and processes.

As part of the project, we also made the required changes to systems and processes.

In addition, the assessment included a detailed analysis of IFRS and Canadian GAAP accounting and disclosure differences that are applicable to our business. We also determined the IFRS 1 requirements and benefits of the optional exemptions that provide relief to the requirement of full retrospective application. We completed the inventory analysis by the end of the year and implemented changes for the December 31, 2008 financial statements.

Transition Matters

IFRS 1, *First Time Adoption of International Accounting Standards*, provides transitional guidance and relief for an entity adopting IFRS for the first time. The International Accounting Standards Board has issued, on September 25, 2008, an exposure draft relating to certain proposed amendments to the IFRS 1 standard to assist Canadian entities adopting IFRS for the first time in carrying out a smoother transition. One such exemption relating to rate-regulated accounting would, if adopted, result in a significant reduction in the time and effort required to transition from the current Canadian accounting model to IFRS. If the proposal in the exposure draft is accepted, it is anticipated an amended IFRS 1 standard will be issued late in 2009. We provided a joint response, together with an industry group, to the IASB by the deadline of January 23, 2009.

On January 14, 2009, the AUC issued a draft IFRS Regulatory Accounting Procedures Handbook which provides guidance on accounting procedures and requirements in order to specify the methodology and the basis of accounting for presenting financial information in a rate application or other reporting to the AUC. We have provided comments to the AUC on this draft handbook.

Critical Accounting Estimates

The preparation of our financial statements requires us to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Certain estimates are necessary since the regulatory environment in which we operate often requires amounts to be recorded at estimated values until these amounts are finalized in regulatory decisions, or other regulatory proceedings. Due to inherent uncertainty involved in making estimates, actual results reported in future periods could differ significantly from those estimates. We base our estimates and judgments on historical experience, including experience with the regulatory process, current conditions and various other assumptions that are believed to be reasonable under the circumstances. These factors form the basis for making judgments about the carrying values of assets and liabilities. They are also the basis for identifying and assessing our accounting treatment with respect to commitments and contingencies. Actual results may differ from these estimates and judgments. Examples of significant estimates include:

- Key economic assumptions used to determine the fair value of residual cash flows;
- The allowance for doubtful accounts;
- The estimated useful lives of assets;
- The recoverability of 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;
- Future income tax liability;
- The accruals for payroll and other employee-related liabilities;
- Certain actuarial and economic assumptions used in determining defined benefit pension costs, accrued pension benefit obligations and pension plan assets; and
- The recovery and settlement of the regulated assets and liabilities.

Goodwill

Goodwill represents the excess of the amount paid over the fair value of the net assets or operations acquired. Goodwill is carried at initial cost less any write-down for impairment. Goodwill impairment occurs when the carrying value of the reporting unit exceeds its fair value.

If that happens, we recognize an impairment loss. In the last quarter of each fiscal year, and as economic events dictate, we review the valuation of the goodwill, taking into consideration any events or circumstances which might have impaired the fair value.

We performed a goodwill impairment test in December 2008. We examined the business and regulatory environment, the ownership structure, the financing activities, credit ratings and interest rates. The current economic conditions were considered while doing this analysis. Although the economic conditions may cause some transmission projects to be delayed somewhat, the infrastructure needs of the province must be addressed to ensure the reliability of the system. We also performed a discounted cash flow and net fair value analysis, which compared favourably to the carrying amount of goodwill. We concluded that the carrying value of the goodwill has not been impaired since the last fair value determination in December 2007.

Edmonton to Calgary 500 kV Transmission Line Project

As of December 31, 2008, approximately $38.7 million in capital expenditures has been incurred related to the Edmonton to Calgary 500 kV transmission line project and was included in property, plant and equipment. We incurred these expenditures pursuant to direction letters issued by the AESO, which is a normal step in the regulatory process. In addition, the AESO has acknowledged that these costs should be recovered and that it is prepared to support us in an application for recovery. It is our opinion that these expenditures will be recovered through the regulatory process. We plan to file the Direct Assign capital deferral account application for 2007 with the AUC during Q1 2009 requesting that an amount of $38.7 million be added to rate base effective December 31, 2007. Should a need for an adjustment arise as a result of the regulatory process, we will reflect the impact in the financial statements related to the period when the regulatory decision is made.

Revenue Recognition

Revenues from rate-regulated operations are recognized on the accrual basis in accordance with rates and policies set by the regulator. They include an estimate of services provided but not yet billed. Any revenue that has been received but not yet earned is classified as other liabilities in the financial statements.

Asset Retirement Obligations

We recognize the fair value of liabilities associated with the retirement of tangible long-lived assets, and record a corresponding increase to the carrying amount of the related assets. This corresponding increase is amortized to earnings in a systematic manner over the useful lives of the assets. We recognize our statutory, contractual and legal obligations for asset retirements. The discounted present value of the liability accretes over time for changes in the present value, with the accretion expense included in depreciation.

Asset retirement obligations are legal obligations that may apply to both the retirement of an entire transmission line, or to parts of the larger system. Interim retirement obligations are recognized in the latter circumstance when a component is retired prior to the retirement of the entire transmission line. Asset retirement obligations are recorded as a liability, with a corresponding increase to property, plant and equipment.

Since we determined that there are no legal obligations associated with the interim retirement of electric substations and telecom sites, interim asset retirement obligations for these sites have not been recognized. While there will be future retirement obligations associated with the final retirement of these assets, we have not recognized any obligation at this time because the date of final removal cannot be reasonably determined.

Employee Future Benefits

All accrued obligations for employee benefit plans and post-retirement benefits are determined using the projected benefit method. In valuing post-retirement benefits as well as cost of pension benefits, we use best estimate assumptions, except for the discount rate, where we use the long-term market rate of high quality debt instruments at the measurement date. Current service costs are expensed in the period. In accordance with GAAP, cumulative net unamortized actuarial gains and losses in excess of 10% of the greater of the benefit obligation, or fair value of plan assets are amortized over the expected average remaining service period of active employees receiving benefits under the plan. For valuing pension assets, we use market values. When the recognition of a transfer of employees and employee related benefits results in both a curtailment and a settlement of obligations the curtailment is accounted for prior to the settlement. Under regulatory accounting principles the expense ultimately recognized in these financial statements is that which is recognized for ratemaking purposes. Although the current market downturn has significantly affected the fair value of the defined benefit plan assets, changes are not material as there are only 11 members in the plan.

Transactions With Related Parties

We enter into various transactions with our general partner, AML, our limited partner, AILP, AILP's general partner, AIML, and with AILP's limited partner, AHLP. These transactions are in the normal course of operations and are recorded at the exchange values based on normal commercial rates. The people who provide administrative and operational services to our business are employed by our general partner, AML. We have indemnified AML for all associated expenses and liabilities.

We recorded interest expense of $6.8 million for the year ended December 31, 2008 on our $85.0 million Series 3 Subordinated Bridge Bond, the same amount that was paid to AILP in 2007. The bond has a repayment date of October 1, 2012, with interest being paid quarterly. As at December 31, 2008, the balance owing on the bond was $85.0 million, together with accrued interest of $1.1 million.

In 2008, our business paid SNC-Lavalin ATP Inc. (ATP), a subsidiary of SNC-Lavalin Inc., $54.4 million for construction related services. That compares to payments of $110.4 million for the year ended December 31, 2007. Payments for the three months ended December 31, 2008 totalled $15.9 million compared to $22.7 million in 2007. All of these payments were capitalized in various projects. On December 31, 2008, our payables included $17.2 million owing to ATP compared to $21.9 million on December 31, 2007. The reduction in the amount payable compared to the previous year-end was due to delays in construction of two major projects as a result of delays in the regulatory approval process. In 2002, we executed a 10-year contract with SNC-Lavalin Inc. for the provision of engineering, procurement and construction management services for directly assigned capital projects that we have undertaken. These services have been provided to AltaLink on behalf of SNC-Lavalin Inc. by its subsidiary ATP. The terms and conditions of this contract were reviewed by the AUC in Decision 2003-061 and subsequent decisions. The terms and conditions continue to be subject to regulatory oversight, including review by the AUC Audit and Compliance Group.

Results of Operations

Selected Financial Information

Selected annual financial information derived from our financial statements for the three most recently completed financial years is detailed below:

	For the year ended December 31, 2008	For the year ended December 31, 2007	For the year ended December 31, 2006
Total revenue ($ millions)	**$ 233.4**	$ 213.4	$ 201.4
Net income ($ millions)	**40.7**	37.6	35.6
Net income per unit ($ per unit)	**0.123**	0.113	0.107
Funds generated from operations ($ millions) [1]	**113.4**	100.7	98.1
Distributions per unit ($ per unit)	**0.066**	0.065	0.060
Total assets ($ millions)	**1,511.0**	1,450.3	1,323.2
Long-term debt, excluding current portion ($ millions) [2]	**825.2**	800.9	700.2

1. See notes 1 and 4 under Liquidity and Capital Resources

2. The long-term debt balance is shown before deducting the deferred financing fees, which have been offset against this amount in the financial statements, in accordance with the requirements of the financial instruments accounting standards.

Revenues

During 2008, our revenue increased by $20.0 million compared to the previous year. Our transmission tariffs increased by $21.4 million while the allowance for funds used during construction (AFUDC) and miscellaneous revenue have decreased marginally. Transmission tariff revenue received from the AESO accounted for 95% of our total revenue in 2008, compared with 94% in 2007. The year over year increase in tariff revenue results primarily from growth in our regulated rate base for transmission assets, recovery of higher operating costs due to system growth, recovery of depreciation charges on new capital additions, and higher allowed returns on capital invested as the allowed rate of return on equity increased from 8.51% in 2007 to 8.75% in 2008.

Miscellaneous revenues include services provided on a cost recovery basis to other utilities. The provision of such services has no significant impact on net income.

Revenues	**2008**	2007	2006
($ millions)	**$ 233.4**	$ 213.4	$ 201.4

Approved Return on Equity	**2008**	2007	2006
(Per cent)	**8.75%**	8.51%	8.93%

Operating Expenses (including Property Taxes)

Operating expenses include salaries and wages net of transfers to capital projects, contracted manpower, general staff related costs, insurance and property taxes. The $8.1 million increase for the year in operating expenses in 2008 compared to 2007 reflects wage increases and general inflation, and additional manpower and related expenses incurred as a result of our continued growth. We recover a portion of the increased operating costs through miscellaneous revenue for services provided to other utilities.

The $3.2 million increase in operating expenses in 2007 compared to 2006 is partially due to increased labour charges incurred as a result of wage increases and our growing operations and maintenance associated with a larger and aging asset base.

Operating Expenses (Including Property Taxes)	**2008**	2007	2006
($ millions)	**$ 78.1**	$ 70.0	$ 66.8

Depreciation Expense

Depreciation is calculated on a straight-line basis with various rates ranging from 1.99% to 33.33% as approved by the AUC. The $6.5 million increase for the year in depreciation and accretion expense in 2008 compared to 2007, is due to the capital projects that were completed and added to property, plant and equipment. The depreciation expense in 2007 is comparable to 2006.

Depreciation Expense	**2008**	2007	2006
($ millions)	**$ 71.5**	$ 64.9	$ 61.8

Interest Expense

Our interest expense increased by $2.1 million in 2008 compared to 2007, primarily due to the refinancing of our maturing long-term debt and additional borrowings of $24.3 million used to fund our ongoing capital expenditure programs. The increase was partially offset by lower interest rates on money market debt.

The $5.4 million increase in interest expense in 2007 compared to 2006 is due to the increase in long-term debt during 2007 compared to 2006. Our long-term debt increased by $100.7 million during 2007 and the average effective interest rates increased from 4.89% to 4.34% from 2006 to 2007.

Interest Expense	**2008**	2007	2006
($ millions)	**$ 42.5**	$ 40.8	$ 35.4

Net Income and Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) [1]

Our net income increased during 2008 primarily due to higher transmission tariff revenue derived from our continuing investment in regulatory transmission assets, which is partially offset by higher operating expenses, depreciation and interest expense attributable to the growth in rate base assets, which are explained further above.

Our net income for 2007 was higher than in 2006 for similar reasons. Our transmission revenue increased by $11.4 million, and was partially offset by higher operating, depreciation and interest expenses. Most of these year over year variances were directly attributable to the continuing growth in our regulatory rate base assets.

During 2008, our EBITDA of $159.4 million surpassed our 2007 EBITDA of $147.6 million, for the same reasons as the increases in our net income for those periods. For the year 2007, EBITDA as a percentage of revenue was 69.2%, which is not significantly different from that of 2006, which was 68.3%.

Net Income	**2008**	2007	2006
($ millions)	**$ 40.7**	$ 37.6	$ 35.6

EBITDA	**2008**	2007	2006
($ millions)	**$ 159.4**	$ 147.6	$ 137.5

1. See notes 1 and 3 under Liquidity and Capital Resources.

Financial Position

The following outlines the significant changes in our balance sheet from December 31, 2007 to December 31, 2008:

	Increase/ (Decrease) ($ millions)	Explanation
Accounts receivable	$ (21.9)	Our accounts receivable from our principal customer, the AESO, decreased from December 31, 2007 due to the timing of due dates.
Property, plant and equipment	72.0	We incurred construction costs for new transmission projects, including the Southwest Development, the Waupisoo substation, and the Enbridge Rosyth Upgrade project and capital maintenance.
Long-term debt	24.5	We increased our borrowings to fund capital projects, net of operating cash flows.
Operating and maintenance charges in advance	5.4	The increase is due to contributions of future operating and maintenance charges related to new construction projects.
Operating and maintenance charges deferred revenue	5.4	The increase is due to contributions of future operating and maintenance charges related to new construction projects.
Long-term regulatory liabilities	5.3	We incurred lower expenses for property tax and direct assigned capital projects than forecasted in our tariffs. As these expenditures are under deferral accounts, we are obliged to refund the unspent portion of the amounts that the AUC had approved in our deferral account applications.
Contributions in advance of construction	1.2	The increase is mainly due to new construction contributions, which are partially offset by refunds, annual interest payments to the AESO and to funds used in construction projects.

Results for the Fourth Quarter 2008

Net Income

Our net income for the three months ended December 31, 2008 was $0.5 million higher than for the same period in 2007, primarily due to the increase in transmission tariff revenue. That increase is partially offset by higher operating expenses, depreciation and interest expense as explained below.

Revenues

Our revenue for the quarter totalled $59.6 million and increased by $7.6 million compared with the same quarter in 2007. Transmission tariffs approved by the AUC increased by $10.7 million which was partially offset by a $1.2 million decrease in miscellaneous revenue. Tariff revenues received from the AESO have increased primarily due to growth in transmission assets and recovery of increased operating costs. Miscellaneous revenues include services provided on a cost recovery basis to other utilities, which fluctuates from quarter to quarter. We provide such miscellaneous services on a cost recovery basis and there is no material impact on net income.

Operating Expenses (including Property Taxes)

Our operating expenses include salaries and wages net of transfers to capital projects, contracted manpower, general staff related costs and insurance. The $2.8 million increase in our operating expenses in Q4 2008 compared to Q4 2007 is mainly attributable to higher property taxes, which have no net income effect as variances from the approved tariff are refundable or recoverable by way of our deferral account, which is included in regulatory assets and liabilities. The quarter over quarter increase in our operating costs also reflects wage increases and general inflation, and additional manpower and related expenses incurred primarily as a result of our continued growth. To the extent that our operating costs relate to miscellaneous services from other utilities, we fully recover those costs in our miscellaneous revenue.

Depreciation and Accretion Expense

We calculate depreciation on a straight-line basis using various rates ranging from 1.99% to 33.33% which are approved by the AUC. The $2.2 million increase in depreciation and accretion expense in Q4 2008 compared to Q4 2007 is due to the capital projects that were completed and added to property, plant and equipment.

Interest Expense

Our interest expense in Q4 2008 was relatively the same as the same period in 2007. Although our debt levels at December 31, 2008 were $24.3 million higher, interest rates on our money market debt dropped considerably as compared with the same period in 2007. Interest costs on our long-term debt were higher than the same period in 2007 due to the refinancing of senior notes that matured in June 2008.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) [1]

For the three months ended December 31, 2008, our EBITDA totalled $40.7 million, $2.7 million higher than the $38.0 million we recorded in the corresponding quarter in 2007. The increase in our EBITDA for the quarter reflects the higher net income and depreciation expenses explained above.

1. EBITDA is equal to net income before financing expenses, taxes, depreciation (including accretion) and amortization.

Summary of Quarterly Financial Information

Quarter Ended	Total Revenue ($ millions)	Net Income ($ millions)	Units Outstanding ($ millions)	Net Income per Unit ($/unit)
December 31, 2008	59.6	8.5	331.9	0.026
September 30, 2008	57.6	11.0	331.9	0.033
June 30, 2008	58.5	9.6	331.9	0.029
March 31, 2008	57.6	11.6	331.9	0.035
December 31, 2007	52.0	8.0	331.9	0.024
September 30, 2007	54.7	10.0	331.9	0.030
June 30, 2007	52.9	8.3	331.9	0.025
March 31, 2007	53.9	11.2	331.9	0.033
December 31, 2006	53.7	11.0	331.9	0.033
September 30, 2006	48.0	6.0	331.9	0.018
June 30, 2006	49.5	7.6	331.9	0.023
March 31, 2006	50.2	11.0	331.9	0.033

Prior to January 1, 2007, AFUDC was recorded in total revenue only in December and January as the related revenues were not material on a quarterly basis. As a result, our net incomes for the first and fourth quarters of each year were higher than for other quarters. Starting in 2007, we record AFUDC in total revenue on a monthly basis.

Off-Balance Sheet Arrangements

As of December 31, 2008, and December 31, 2007, we had no off-balance sheet arrangements except for the contracted commitments which are disclosed in note 14 to the financial statements.

Risks and Uncertainties

Our transmission business is subject to a variety of risks and uncertainties that may have material and adverse effects, financial and otherwise, on the results of our operations. For a more detailed description of the risks we face, please see the section of our (AIF) entitled *Risk Factors*.

We have instituted controls and other mitigating measures to manage these risks. Our risk management program includes an annual risk assessment that identifies and provides an overview of the top risks we face and the strategies we use to manage the risks.

The following are the more significant items that have an impact on our financial condition and the results of our operations. These items have also been identified throughout our MD&A.

Current Economic Conditions

The current crisis in global financial markets and economic conditions in Canada may reduce the urgency of proposed transmission projects. We continue to follow the AESO's direction with respect to the permitting, licencing and construction of transmission projects in accordance with the needs identified by the AESO. These economic circumstances may also adversely affect our ability to issue long-term debt and commercial paper. We manage these risks through our capital markets platform, which incorporates adequate liquidity to finance our operations and capital expenditure programs in the near term.

Regulatory Approvals

We are dependent upon decisions made by the AUC, which approves the revenue requirement or tariff for the transmission business. The revenue tariffs are designed to permit the regulated transmission business a reasonable opportunity to recover costs incurred to provide its services, as well as a fair return on the equity of the owners. If our actual costs exceed approved costs, our financial performance will be adversely affected. We closely monitor our operating costs and strive for continuous improvement in the cost efficiency of our operations.

Actual costs could exceed approved costs in the following circumstances:

- If we incur operational, maintenance or administration costs above those included in our approved revenue requirement;
- If we incur costs due to capital expenditures to upgrade or replace components in the existing system at levels above those provided for in the AUC decisions; or
- If we incur additional financing charges because of increased debt balances or changes in interest rates.

To the extent that any costs are disallowed through rates, it could have a material adverse effect on our financial performance.

Legislative Changes

The Alberta government issued its energy strategy in December 2008. This may lead to changes in current regulatory processes and the legislation and regulations underlying our transmission business. While we anticipate that such changes may be intended to streamline regulatory processes and support our ongoing efforts to permit and execute major transmission infrastructure projects, there is no assurance that any legislation or regulatory changes will not adversely impact us.

Capital Resources

Our financial position and performance could be adversely affected if we fail to arrange sufficient and cost-effective financing to fund, among other things, the repayment of maturing debt. Alberta's transmission regulation requires the AUC to foster stable investment and access to capital for transmission projects and we have applied for transmission tariffs that we believe are sufficient to raise equity and issue debt to fund repayment of all existing debt when due and our anticipated capital expenditures. There is no assurance that the AUC will approve the revenue requirement that we have applied for in our tariff applications or that the approved tariffs will adequately support our current credit ratings and our ability to access long-term debt markets. We rely entirely on AILP to contribute equity as required and we do not presently issue other equity securities as a primary source of capital. Our ability to arrange sufficient and cost-effective debt financing could be affected by numerous factors, including:

- The regulatory environment in Alberta;
- The results of our operations and financial position;
- Conditions in the capital and bank credit markets;
- The ratings assigned to our business and to our business's securities by debt rating agencies; and
- General economic conditions.

There can be no assurance that capital will be available on acceptable terms to us and in sufficient quantities to fund our planned capital expenditures and to repay existing debt maturities when due. None of AILP, AHLP, or any owners of AHLP is obligated to provide further funding to us.

Labour Relations

Approximately 58% of our employees are members of labour unions with collective bargaining agreements. The provisions of such agreements can affect the flexibility and efficiency of the operation of the transmission business. We have agreements with two unions, the International Brotherhood of Electrical Workers (IBEW) and the United Utility Workers Association (UUWA). In 2007, we renewed our collective bargaining agreement with the UUWA on acceptable terms to December 31, 2009. In December 2006, we renewed our collective agreement with the

IBEW on acceptable terms until December 31, 2009. Our relationships with the labour unions are considered to be satisfactory. There can be no assurance that current relations will go unchanged in future negotiations with one or more of the unions, or that the terms under the present collective bargaining agreements will be renewed. The inability to maintain or to renew the agreements on acceptable terms could result in increased labour costs or service interruptions arising from labour disputes. Any such disruption could have an adverse effect on our operational results, cash flow or net income.

Insurance

There can be no assurance that we will be able to obtain or maintain adequate insurance in the future at rates we consider reasonable. Further, there can be no assurance that available insurance will cover all losses or liabilities that might arise. A significant uninsured claim or a claim in excess of the coverage we maintain could have a material adverse effect on our operational results, cash flow or net income if the related amounts are not provided for in approved revenue requirements.

We do not carry insurance for loss of or damage to transmission lines, towers, poles or physical damage to certain owned vehicles. In the event of a large, uninsured loss that is not otherwise recoverable through rates, we would apply to the AUC to recover the loss (or liability) through an increased tariff or increased funding of its customer-funded, self-insurance reserve. However, there can be no assurance that the AUC would approve any such application, in whole or in part. Losses resulting from repair costs, lost revenue or other liability could substantially exceed insurance coverage (if any) and any increased tariff. Any major damage to our facilities could result in repair costs and customer claims that are substantial in amount, any of which might adversely affect our business, results of operations, financial position and prospects.

Damage from Weather or Other Disasters

Our facilities are exposed to the effects of severe weather conditions or other acts of nature. Losses could arise from damage to assets or facilities from sources beyond our control. Such losses could substantially exceed insurance coverage or may not be approved by the AUC for recovery, in whole or in part, through increased funding to our customer funded self-insurance reserve or through any increased tariff. Any major damage to our facilities could result in repair costs that are substantial in amount, any of which might adversely affect the business, results of operations, financial positions and prospects.

Operations and Maintenance

Our transmission system requires ongoing maintenance, improvement and replacement. We could experience service disruptions or increased costs if we are unable to obtain AUC approval for maintenance or operating expenditures, or if we do not carry out required maintenance programs. Such disruptions may have a material adverse effect on our operational results, cash flow or net income.

Environmental and Safety

We are subject to various laws, regulations and guidelines governing safety and the management, transportation and disposal of hazardous substances relating to the protection of the environment. Failure to comply with such laws or regulations could result in civil or criminal penalties. Such costs may be material to us, and may have a material adverse effect on our operational results, cash flow or net income.

Forward-Looking Information

Prospective investors should be aware that this MD&A may contain certain statements or disclosures that constitute forward-looking information under applicable securities laws. All statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that we anticipate or expect may or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward-looking information can be identified by terms such as "forecast", "future", "may", "will", "expect", "anticipate", "believe", "potential", "enable", "plan", "continue", "contemplate" or other comparable terminology. Forward-looking information presented in such statements or disclosures may, without limitation, relate to applications to the AUC for approval of, among other things, our revenue requirements and deferral and reserve accounts, anticipated income taxes and treatment of costs for applicable test periods, operating expenses, maintenance programs, capital costs and direct assigned projects, capital structure and return on equity, return on rate base, financing plans, interest rates, short-term borrowing rates, business strategy, plans and objectives of management for future operations, forecast business results, and anticipated financial performance or condition of AltaLink.

Various factors or assumptions are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking information. These factors and assumptions include, but are not limited to:

- No unforeseen changes in the legislative and operating framework for Alberta's electricity market (refer to *"ALBERTA'S ELECTRICITY MARKET STRUCTURE"* in our AIF, for example)

- Decisions from the AUC concerning outstanding tariff and other applications which are consistent with past regulatory practices and decisions (refer to "*THE TRANSMISSION BUSINESS - Business Strategy*; - *Revenue Tariffs*" and "*ALBERTA'S ELECTRICITY MARKET STRUCTURE*" in our AIF, for example);
- No unforeseen changes in rate-of-return and deemed capital structures for our transmission businesses (refer to "*THE TRANSMISSION BUSINESS - Business Strategy*; - *Revenue Tariffs*" and "*ALBERTA'S ELECTRICITY MARKET STRUCTURE*" in our AIF, for example);
- A stable competitive environment; and
- No significant event occurring outside the ordinary course of business such as a natural disaster or other calamity.

These assumptions and factors are based on information currently available to us including information obtained by our business from third-party industry analysts. In some occurrences, material assumptions and factors are presented or discussed elsewhere in this document in connection with the statements or disclosure containing the forward-looking information. We caution prospective investors that the foregoing list of material factors and assumptions is not exhaustive.

The forward-looking information in statements or disclosures in this MD&A is based in whole or in part on factors which may cause our actual results, performance or achievements to differ materially from those contemplated (whether expressly or by implication) in the forward-looking information. These factors are based on information currently available to us including information obtained by our business from third-party industry analysts. Actual results may differ materially from those predicted by such forward-looking statements. While we do not know what impact any of these differences may have, our business, results of operations, financial condition and our credit stability may be materially adversely affected. Factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking statements include, among other things:

- The risks associated with being subject to extensive regulation including risks associated with AUC action or inaction;
- The potential for service disruptions and increased costs if we fail to maintain and improve our aging asset base;
- The risks to our facilities posed by severe weather, other natural disasters or catastrophic events and our limited insurance coverage for losses resulting from these events;
- The risks associated with forecasting our revenue requirements and the possibility that we could incur operational, maintenance and administrative costs above those included in our approved revenue requirement; and
- The risk that we are not able to arrange sufficient cost effective financing to repay maturing debt and to fund capital expenditures, distributions and other obligations.

Other factors which could cause our actual results, performance or achievements to differ materially from those contemplated (whether expressly or by implication) in the forward-looking statements or other forward-looking information are disclosed in our publicly filed disclosure documents, including those found under "*RISK FACTORS*" in this document and in our AIF. Such risk factors that could lead to such differences include, without limitation:

- Legislative and regulatory developments that could affect costs and revenues;
- The speed and degree of competition entering the market;
- Global capital markets activity;
- Timing and extent of changes in prevailing interest rates;
- Currency exchange rates;
- Inflation levels and general economic conditions in geographic areas where we operate;
- Results of financing efforts;
- Changes in counterparty risk; and
- The impact of accounting standards issued by Canadian standard setters.

All forward-looking information is given as of February 27, 2009. We are not obligated to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws. Because of these risks, uncertainties and assumptions, prospective investors should not place undue reliance on these forward-looking statements. This statement expressly qualifies any forward-looking information contained in this document.

Additional Information

Additional information relating to our business including our AIF is available on SEDAR at www.sedar.com.

Management's Report

The financial statements of AltaLink, L.P. were prepared by management in accordance with Canadian generally accepted accounting principles. The financial and operating information presented in this annual report is consistent with that shown in the financial statements.

Management has designed and maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of financial statements for reporting purposes.

External auditors appointed by the shareholders have conducted an independent examination of the corporate and accounting records in order to express their opinion on the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through its Audit Committee. The Audit Committee, which consists of non-management Directors, has met with the external auditors and management in order to determine that management has fulfilled its responsibilities in the preparation of the financial statements. The Audit Committee has reported its findings to the Board of Directors who have approved the financial statements.

(signed)

"Scott Thon"
President and Chief Executive Officer

(signed)

"Joseph Bronneberg"
Chief Financial Officer

Calgary, Canada
February 2, 2009

Auditors' Report

To the Partners of AltaLink, L.P.

We have audited the balance sheets of AltaLink, L.P. as at December 31, 2008 and 2007 and the statements of income, comprehensive income and retained earnings, changes in partners' equity and cash flows for the years then ended. These financial statements are the responsibility of AltaLink, L.P.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of AltaLink, L.P. as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

February 2, 2009

Calgary, Alberta

Balance Sheets

(in thousands of dollars)

As at	December 31, 2008	December 31, 2007
ASSETS		
Current		
Cash and cash equivalents *[note 8a]*	**$ —**	$ —
Accounts receivable *[notes 8a and 10]*	**20,991**	42,925
Prepaid expenses and deposits	**11,476**	8,147
Regulatory assets *[note 4]*	**516**	13
	32,983	51,085
Property, plant and equipment *[notes 3c and 6]*	**1,223,606**	1,151,618
Contributions in advance of construction *[note 8a]*	**39,751**	38,512
Operating and maintenance charges in advance *[note 8a]*	**7,733**	2,382
Regulatory assets, long-term *[note 4]*	**2,797**	2,306
Accrued benefit pension asset *[note 13]*	**2,079**	2,329
Goodwill	**202,066**	202,066
	$ 1,511,015	$ 1,450,298
LIABILITIES AND PARTNERS' EQUITY		
Current		
Accounts payable and accrued liabilities *[notes 8a and 10]*	**$ 42,965**	$ 42,919
Other liabilities	**1,319**	1,368
Regulatory liabilities *[note 4]*	**6,759**	5,327
Current portion of long-term debt *[note 7]*	**142**	135
	51,185	49,749
Accrued employment benefits liabilities *[note 13]*	**2,442**	1,815
Other liabilities, long-term	**3,242**	2,767
Contributions in advance of construction liability *[note 8a]*	**39,751**	37,737
Operating and maintenance charges deferred revenue *[note 8a]*	**7,733**	2,382
Regulatory liabilities, long-term *[note 4]*	**20,774**	15,464
Asset retirement obligations *[note 5]*	**60,181**	57,954
Long-term debt *[notes 7 and 8]*	**818,388**	793,839
	1,003,696	961,707
Commitments and contingencies *[notes 14 and 16]*		
Partners' equity		
Partners' capital *[note 12]*	**408,536**	408,536
Retained earnings	**98,783**	80,055
	507,319	488,591
	$ 1,511,015	$ 1,450,298

See accompanying notes to the financial statements

Approved on behalf of the Board of Directors

(signed)
"David Tuer"
Director

(signed)
"Patricia Nelson"
Director

Statements of Income, Comprehensive Income and Retained Earnings

(in thousands of dollars)	Year ended December 31, 2008	Year ended December 31, 2007
REVENUE		
Transmission tariff	**$ 222,228**	$ 200,849
Miscellaneous revenue	**8,656**	9,535
Allowance for equity funds used during construction	**2,472**	3,055
	233,356	213,439
EXPENSES		
Operating *[note 10]*	**61,319**	54,761
Property taxes	**16,753**	15,281
Depreciation and accretion	**74,487**	67,944
	152,559	137,986
	80,797	75,453
Interest and amortization of deferred financing fee *[notes 7d and 10]*	**(44,169)**	(42,098)
Allowance for debt funds used during construction	**3,278**	4,146
	39,906	37,501
Gains on disposals of assets	**822**	77
Net and comprehensive income for the year	**$ 40,728**	$ 37,578
Retained earnings, beginning of year	**$ 80,055**	$ 61,224
Transition adjustment on adoption of financial instruments standards *[note 3a]*	**—**	2,853
Distributions	**(22,000)**	(21,600)
Net income for the year	**40,728**	37,578
Retained earnings, end of year	**$ 98,783**	$ 80,055

See accompanying notes to the financial statements

Statements of Changes in Partners' Equity

(in thousands)	Units	Limited Partner	General Partner	Total
Balance at December 31, 2006	**331,904**	**$ 424,720**	**$ 40**	**$ 424,760**
Transition adjustment on adoption of financial instruments standards *[note 3a]*	—	2,853	—	2,853
Net income for the year	—	37,574	4	37,578
Equity investment received	—	45,000	—	45,000
Distributions	—	(21,598)	(2)	(21,600)
Balance at December 31, 2007	**331,904**	**488,549**	**42**	**488,591**
Net income for the year	—	40,724	4	40,728
Distributions	—	(21,998)	(2)	(22,000)
Balance at December 31, 2008	**331,904**	**$ 507,275**	**$ 44**	**$ 507,319**

See accompanying notes to the financial statements

Statements Of Cash Flows

(in thousands of dollars)	Year ended December 31, 2008	Year ended December 31, 2007
OPERATING ACTIVITIES		
Net income for the year	$ 40,728	$ 37,578
Items not involving cash		
Depreciation	71,524	64,875
Amortization of deferred financing fees	1,697	1,321
Accretion expense	2,963	3,069
Allowance for funds used during construction	(5,750)	(7,201)
Gains on disposals of assets	(822)	(77)
Asset retirement obligations settled	(2,651)	(1,560)
Change in regulatory assets and liabilities	4,333	795
Change in other non-cash items	1,352	1,942
Funds generated from operations	113,374	100,742
Change in non-cash working capital items related to operations *[note 15]*	24,984	(6,701)
Cash provided by operating activities	138,358	94,041
INVESTING ACTIVITIES		
Capital expenditures	(174,444)	(230,486)
Use of customer contributions	33,117	12,682
Proceeds from the sale of assets	848	272
Cash used in investing activities	(140,479)	(217,532)
FINANCING ACTIVITIES		
Issuance of senior debt	100,142	135
Repayment of senior debt	(100,135)	(128)
Increase in commercial paper and bank credit	24,322	100,705
Settlement of deferred financing fees	(984)	(50)
Distributions	(22,000)	(21,600)
Equity investment received	—	45,000
(Increase) decrease in contributions in advance of construction	(1,238)	6,320
Increase (decrease) in contributions in advance of construction liability	2,014	(8,269)
Increase in operating and maintenance charges in advance	(5,351)	(2,382)
Increase in operating and maintenance charges deferred revenue	5,351	2,382
Increase in other liabilities	—	1,378
Cash provided by financing activities	2,121	123,491
Net increase in cash and cash equivalents	—	—
Cash and cash equivalents, beginning of year	—	—
Cash and cash equivalents, end of year	$ —	$ —
Cash interest paid during the year	$ 42,594	$ 41,036

See accompanying notes to the financial statements

Notes to Financial Statements

For the years ended December 31, 2008 and 2007

1. Nature of Operations

AltaLink, L.P. (the Partnership or AltaLink) was formed under the laws of the Province of Alberta on July 3, 2001, and is managed by AltaLink Management Ltd. (the General Partner). The Partnership has one limited partner, AltaLink Investments, L.P. (AILP). The Partnership was formed to own and operate regulated transmission assets in Alberta. 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.

The Partnership is a regulated electric utility under the jurisdiction of the Alberta Utilities Commission (AUC). Effective January 1, 2008, the AUC assumed responsibility from the Alberta Energy and Utilities Board (EUB) for regulating all investor-owned natural gas, electric and water utilities, certain gas pipelines and certain municipally-owned electric utilities.

On June 13, 2006, the EUB approved the Partnership's application to change its ownership structure and the transaction was completed on June 23, 2006. Under the new ownership structure, SNC-Lavalin Transmission Ltd. indirectly owns 76.915% of AltaLink, L.P. through subsidiaries, and Macquarie Transmission Alberta Ltd. owns the remaining 23.075% limited partnership interest.

The Partnership is an electricity transmission facility owner, whose business is the ownership and operation of regulated electricity transmission facilities solely in the Province of Alberta. The Partnership also owns and operates Alberta's portion of the interconnection facilities which connect its network with the transmission system in British Columbia, and allow electricity to flow into and out of Alberta.

2. Summary of Significant Accounting Policies

a) Basis of accounting

The Partnership's management has prepared the financial statements of the Partnership in accordance with Canadian generally accepted accounting principles (GAAP) and with the accounting policies described in note 2(b) for the recognition and measurement of assets and liabilities arising from rate regulation. All amounts reported are in Canadian dollars unless otherwise stated.

The financial statements reflect the financial position and results of operations of the Partnership and do not include all the assets, liabilities, revenues and expenses of the partners.

b) Regulation

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 acts and their respective regulations cover matters such as tariffs, rates, construction, operations, financing and accounting. Pursuant to the EUA, the transmission of all electrical energy through the interconnected electric system in the province of Alberta is administered by an independent not-for-profit system operator, the Alberta Electric System Operator (AESO).

The Partnership operates under cost of service regulation as prescribed by the AUC. Forecast earnings are determined on the basis of return on rate base. The Partnership applies for tariff revenue based on forecast costs of service. Once the tariff is approved, it is not adjusted as a result of actual costs of service being different from that which was forecast, other than for certain prescribed costs, as explained further below.

The Partnership accounts for certain transactions in accordance with applicable regulation (regulatory accounting) when three criteria are met: (i) the rates for regulated services or products provided to customers are established by or are subject to approval by an independent, third-party regulator; (ii) the regulated rates are designed to recover the cost of providing the services or products; and (iii) in view of the demand for the regulated services or products and the level of competition, direct and indirect, it is reasonable to assume that rates are set at levels that will recover the cost that can be charged to and collected from customers.

Under regulatory accounting, the Partnership accounts for some transactions or events differently than it would in the absence of rate regulation; namely, the timing of recognition of certain assets, liabilities, revenues or expenses. This results in the creation of regulatory assets or liabilities.

Through the regulatory process, certain expenses and credits are deferred as assets or liabilities on the balance sheet. Regulatory assets represent costs incurred in the current period or in prior periods that are expected to be recovered in future periods. Regulatory liabilities represent amounts collected which are either held as reserves for future use or are to be refunded in future periods. For information regarding the regulatory assets and liabilities recorded by the Partnership, see note 4 - *Regulatory Assets and Liabilities*.

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 received. However, if in management's judgment a reasonable estimate can be made regarding the impact an impending future decision will have on the current year's financial statements, an estimate will be recorded in the current year for the expected impact.

c) Measurement uncertainty

GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Certain estimates are necessary since the regulatory environment the Partnership operates within often requires amounts to be recorded at estimated values until these amounts are finalized pursuant to regulatory decisions, or other regulatory proceedings. Due to inherent uncertainty involved in making estimates, actual results reported in future periods could differ significantly from those estimates.

Significant estimates include: key economic assumptions used to determine the fair value of residual cash flows; the allowance for doubtful accounts; the allowance for obsolescence of materials and supplies; the estimated useful lives of assets; the recovery of intangible assets including estimates of future costs to retire physical assets or the recovery of costs associated with direct assigned projects; the valuation of intangible assets with indefinite lives, such as goodwill; the amount of future income tax liability; the accruals for payroll and other employee-related liabilities; certain actuarial and economic assumptions used in determining defined benefit pension costs, accrued pension benefit obligations and pension plan assets; and, the recovery and settlement of the regulated assets and liabilities.

It is management's opinion that no material uncertainties put into question the Partnership's ability to continue as a going concern.

d) Cash and cash equivalents

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

e) Property, plant and equipment

Property, plant and equipment are carried at cost, which includes direct labour, materials and allocated overheads, less depreciation. The Partnership capitalizes major replacements and upgrades to property, plant and equipment if these costs have been included in capital assets for regulatory purposes and are expected to be recovered within rates. The Partnership capitalizes an allowance for funds used during construction (AFUDC) which represents the cost of debt and equity financing incurred during construction as approved by the AUC. AFUDC is a non-cash item that will be recovered in rates charged to customers over the service life of the assets, commencing with the asset's inclusion in the rate base.

Depreciation is calculated on a straight-line basis with various rates ranging from 1.99% to 33.33% as approved by the AUC, based on depreciation studies prepared by the Partnership. The depreciation rates approved by the AUC are based on the estimated useful lives of assets, and as such are also used by the Partnership in the financial statements. Changes to depreciation rates approved by the AUC are accounted for on a prospective basis. The AUC approved rates are applied to the original historical capital costs, which are used for regulatory rate setting purposes and may be greater than those reflected in these financial statements. The effective depreciation rates under GAAP range from 1.26% to 33.33%. Non-emergency spare parts and long-term capital inventory items are included in the property, plant and equipment balance, but are not depreciated. These assets are valued at the lower of cost or net realizable value. Cost is determined on a moving average cost basis, other than for major equipment which is determined on a specific item basis. For regulatory purposes the net proceeds from the retirement or disposal of an asset in the normal course of business is reflected in accumulated depreciation. When a regulated asset is retired or disposed of in the normal course of business, there is no gain or loss recorded in income, other than for land. Any difference between the cost of the asset and the accumulated depreciation is charged to the accumulated depreciation account for that asset.

f) Contributions and operating and maintenance charges in advance of construction

For certain projects, customers are required to provide cash contributions to the Partnership in advance of construction. As construction expenditures are incurred for those projects, the cash contributions are drawn down to fund the cost of construction. These contributions are recorded as an offset to the cost of property, plant and equipment and are amortized over the useful life of the assets, using the average depreciation rate for the assets included in rate base.

In addition, certain customers are required to provide advance funding related to future operating and maintenance costs of certain assets. When the projects for which advance funding of operating and maintenance expenditures have been provided are put into service, the advance funding will be drawn down over the life of the related assets.

Prior to January 1, 2008, contributions in advance of construction included cash received in advance for capital projects as well as cash received in advance for future operating and maintenance costs. As the latter amounts have become more significant, effective January 1, 2008, these amounts have been presented separately in the financial statements; however, there has been no change in the accounting policy.

g) Deferred financing fees

As outlined in note 3(a), costs incurred to arrange debt financing are capitalized as deferred financing fees and are disclosed as an offset to long-term debt. Deferred financing costs that are not expected to be recovered through rates are amortized using the effective interest rate method over the term of the related debt. Deferred financing fees that are expected to be recovered through transmission tariff rates are amortized using the effective interest rate over the period in which they are expected to be recovered through rates. The amortization of these charges is included as part of interest on debt.

h) 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. In the last quarter of each fiscal year and as economic events dictate, management reviews the valuation of the goodwill, taking into consideration any events or circumstances which might have impaired the fair value.

Management performed a goodwill impairment test in December 2008 by examining the business and regulatory environment, current market conditions, the ownership structure, financing activities, credit ratings, and interest rates. It also performed a discounted cash flow and net fair value analysis, which compared favourably to the carrying amount of goodwill. Management concluded that there have been no significant changes in circumstances since the fair value determination in December 2007 and that the carrying value of the goodwill has not been impaired.

i) Employee future benefit plans

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.

The benefit 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 best estimate assumptions, including assumptions of 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.

Cumulative net unamortized actuarial gains and losses in excess of 10% of the greater of the accrued benefit obligation or fair value of plan assets at the beginning of the fiscal year and unamortized past service costs are amortized over the expected average remaining service lifetime of active employees receiving benefits under the plan.

When the recognition of a transfer of employees and employee related benefits gives rise to a curtailment and a settlement of obligations, the curtailment is accounted for prior to settlement.

Under regulatory accounting principles, the employee future benefit expense ultimately recognized in these financial statements is that which is recognized for rate-making purposes (note 4).

j) 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 tax expense is recognized in these financial statements.

On October 31, 2006, the Minister of Finance (Canada) announced the Specified Investment Flow-Through (SIFT) Rules, which proposed changes to the manner in which certain partnerships are taxed. The SIFT Rules, which received Royal Assent on June 22, 2007, are generally effective as of January 1, 2011, and impose a tax on earnings made by a partnership that meets the test of being a SIFT partnership. The tax is paid at a rate that approximates the combined Federal and Provincial corporate tax rates applicable at the relevant time. It is the opinion of management that the Partnership is not subject to the SIFT Rules, and no provision for such taxes has been made in the financial statements. On December 20, 2007, the Federal Minister of Finance announced proposed technical amendments, that align with the opinion of management, to ensure that only those structures targeted by the SIFT Rules will be subject to the SIFT regime. As at December 31, 2008, the technical amendments were awaiting Parliamentary approval.

k) Foreign currency translation

The Partnership's functional currency is the Canadian dollar. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the balance sheet 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.

l) Revenue recognition

Revenues from rate regulated operations are recognized on the accrual basis in accordance with rates and policies set by the regulator, and include an estimate of services provided but not yet billed. Any revenue that has been received but not yet earned is classified as other liabilities in the financial statements.

m) Deferred lease inducements

Deferred lease inducements represent leasehold improvements paid for by the landlord. Deferred lease inducements are amortized on a straight-line basis over the periods of the leases, and the amortization is recorded as a reduction of rent expense. The unamortized balance in deferred lease inducements is included as part of "Other liabilities".

n) Asset retirement obligations

The fair value of liabilities for asset retirement obligations is recognized in the period they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The amount of the liability is subject to re-measurement at each reporting period and is accreted over the estimated time period until settlement of the obligation.

3. Changes in Significant Accounting Policies

Changes affecting the current year financial statements

a) Financial Instruments

With effect from January 1, 2007, AltaLink adopted the following new accounting standards: Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, *Comprehensive Income*; Section 3251, *Equity*; Section 3855, *Financial Instruments – Recognition and Measurement*; Section 3861, *Financial Instruments – Disclosure and Presentation* and Section 3865, *Hedges*. The adoption of these standards resulted in changes in the accounting for financial instruments as well as the recognition of certain transition adjustments that have been recorded in opening retained earnings for 2007,
as described below.

Prior to the adoption of the standards, AltaLink classified its deferred financing fees as an asset on the balance sheet and amortized such fees using the straight-line method. With the adoption of the standards, deferred financing fees have been reclassified as an offset to long-term debt on the balance sheet. In addition, the effective interest rate method has been used to calculate the amortization of deferred financing fees. The change in the method of amortization has resulted in an adjustment to opening retained earnings as at January 1, 2007, which has been captioned as "Transition adjustment on adoption of financial instruments standards".

Effective January 1, 2008, AltaLink adopted the following Handbook Sections: 3862, *Financial Instruments – Disclosures*, and 3863, *Financial Instruments – Presentation*.

i) As described in note 8, Section 3862, *Financial Instruments – Disclosures* describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This section and Section 3863, *Financial Instruments – Presentation* replaced Section 3861, *Financial Instruments – Disclosure and Presentation*.

ii) Section 3863, *Financial Instruments – Presentation*, establishes standards for presentation of financial instruments and non-financial derivatives. The adoption of *Financial Instruments – Presentation* does not have any effect on the Partnership's financial statements.

The recognition, de-recognition and measurement policies followed in the financial statements for periods prior to the adoption of these standards have not been reversed and, therefore, those financial statements are not restated.

AltaLink currently does not utilize hedges or other derivative financial instruments in its operations, and as a result the adoption of Section 3865 currently has no impact on the financial statements of AltaLink.

b) Capital disclosures

As described in note 9, effective January 1, 2008, the Partnership has adopted the new CICA Handbook Section 1535, *Capital Disclosures*. This section requires the Partnership to disclose AltaLink's capital structure, description of and compliance with externally imposed capital requirements and the Partnership's objectives, policies and processes for managing its capital.

c) Inventories

Effective January 1, 2008, the Partnership adopted the new CICA Handbook Section 3031, *Inventories* for measurement and disclosure of inventories. The standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-downs to net realizable value, and on cost formulas used to assign costs to inventories. The standard also indicated that spare parts may be included in property, plant and equipment if they met certain criteria in line with the provisions of the new standard. As a result of reviewing its inventory, the Partnership reclassified all of its materials and supplies and construction materials and supplies (2008 – $13.2 million; 2007 – $13.4 million) to property, plant and equipment.

d) Accounting changes

CICA Handbook Section 1506, *Accounting Changes* is effective for fiscal years beginning on or after January 1, 2007. The changes covered by this section include changes in accounting policy, changes in accounting estimates and correction of errors. Under Section 1506, voluntary changes in accounting policy are only permitted if they result in financial statements that provide more reliable and relevant information. When a change in accounting policy is made, this change is applied retrospectively unless impractical. Changes in accounting estimates are generally applied prospectively and material prior period errors are corrected retroactively. The only impact in the current year is to provide disclosure of when the Partnership has not applied a new source of Generally Accepted Accounting Principles that has been issued but is not yet effective. This is the case with CICA Handbook Section 3064, *Goodwill and Intangible Assets*, which is required to be adopted for fiscal years ending on or after October 1, 2008 and Section 1100, *Generally Accepted Accounting Principles* discussed in notes 3(e) and 3(f) respectively.

e) Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, *Goodwill and intangible assets*, replacing Section 3062, *Goodwill and other intangible assets* and Section 3450, *Research and development costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Partnership will adopt the new standards for its fiscal year beginning January 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062.

The Partnership is currently evaluating the impact of the adoption of this new section on its financial statements. The Partnership does not expect that the adoption of this new section will have a material impact on its financial statements.

f) Accounting for rate regulated operations

Beginning on January 1, 2009, Section 1100 of the CICA Handbook, *Generally Accepted Accounting Principles* – was amended to remove a temporary exemption pertaining to the recognition of assets and liabilities arising from rate regulation. In addition, effective the same date, Section 3465 of the CICA Handbook, *Income Taxes* – was also amended. These amendments are expected to have the following affect on AltaLink's financial statements.

Regulatory Asset Retirement Obligations – New depreciation rates may have to be established due to the reclassification of the provision for regulatory asset retirement obligations.

Reserve and Deferral Accounts – Existing reserve and deferral amounts will be reclassified to accounts receivable or accounts payable when the regulator has committed to pay these amounts to AltaLink or the Partnership has an obligation to repay certain amounts to the regulator. If the regulator has not made a clear commitment to pay amounts to AltaLink or the Partnership does not have a clear commitment to repay amounts to the regulator, these items will be recorded as period revenues or expenses, except where it is probable that such benefits will be received.

The recognition criteria for the treatment of regulated costs or revenues and associated assets and liabilities that are different from the approved General Tariff Application (GTA) amount is as follows:

a) the item has an appropriate basis of measurement and a reasonable estimate can be made of the amount involved; and

b) for items involving obtaining or giving up of future economic benefits, it is probable that such benefits will be obtained or given up.

Future Income Tax Liability – Regulatory income tax liabilities will be presented separately from other liabilities on the balance sheet.

Allowance for Funds Used During Construction (AFUDC) – There will be no impact on the financial statements for AFUDC debt. Under regulatory accounting AFUDC equity income is capitalized to property, plant and equipment and subsequently received through transmission tariff revenue.

4. Regulatory Assets and Liabilities

The following are the regulatory assets and liabilities:

(in thousands of dollars)	December 31, 2008	Change to regulatory asset/liability balance in 2008	Remaining recovery settlement period (years)	December 31, 2007
Regulatory assets				
Regulated financing fees [A, B]	$ 1,278	$ (486)	3	$ 1,764
Hearing costs reserve [A, B]	516	503	1-2	13
Canada Revenue Agency deferral	542	—	2	542
Non-issued debt deferral	977	977	—	—
Total regulatory assets	3,313			2,319
Less: Current regulatory assets	516			13
Long-term regulatory assets	$ 2,797			$ 2,306
Regulatory liabilities				
Self-insurance reserve [A, B]	$ 1,104	$ 291	2	$ 813
Pension liability account [B]	3,785	(33)	—	3,818
Pension asset offset *[note 13]*	2,079	(250)	—	2,329
Future income tax liability [B]	8,100	—	—	8,100
Property tax deferral account [A]	6,922	3,735	1-2	3,187
Insurance premium deferral account [A, B]	658	447	1-2	211
Debt cost deferral account [A]	123	—	1-2	123
Canada Revenue Agency reserve [B]	404	—	—	404
Annual tower payments account [A]	832	262	1-2	570
Direct Assigned Capital Projects deferral account [A, B]	3,513	2,277	1-2	1,236
Approved hearing costs	13	13	—	—
Total regulatory liabilities	27,533			20,791
Less: Current regulatory liabilities	6,759			5,327
Long-term regulatory liabilities	$ 20,774			$ 15,464

A. *For the identified reserve and deferral accounts, the change in the regulatory asset/liability balance in the current year reflects the regulatory disposition of the opening balance or is equal to the difference between actual and approved forecast expenses, both of which are offset by a corresponding adjustment to revenue. Therefore the net income effect of the change in the reserve and deferral regulatory asset/liability account balances for the twelve months ended December 31, 2008 is nil (December 31, 2007 – nil).*

B. *These identified regulatory asset and liability accounts are included in the rate base and affect the amount of return on investment.*

For some of the regulatory items identified above, the expected recovery or settlement period, or likelihood of recovery or settlement, is affected by risks and uncertainties relating to the ultimate authority of the AUC in determining the item's treatment for regulatory purposes.

The following describes each of the Partnership's circumstances in which rate regulation affects the accounting for a transaction or event:

Reserve accounts

The Partnership's reserve accounts represent amounts that are initially established through AUC approval. Actual costs incurred in relation to the respective reserve are charged against the reserve, thereby decreasing the balance. If the Partnership's actual expenses are lower than the approved forecast, then the reserve will grow and may be released in the next regulatory period. If expenses are higher than forecast, the excess costs are recoverable in the next regulatory period, to the extent that they are considered prudent by the AUC.

The Partnership's revenue requirement is not adjusted for these differences until they are filed as part of the next application. However, as there is reasonable assurance of cost recovery, to match the revenue adjustment to the correct period, the corresponding additional revenue is recognized in the financial statements as the reserve amounts are exceeded. Conversely, to the extent actual costs are less than the approved forecast, the Partnership correspondingly reduces the amount of revenue recognized in the current period.

The Partnership has a number of reserve accounts. The hearing costs reserve account represents a reserve for costs incurred, including those of intervenors, during hearings in which the Partnership is an Applicant. The self-insurance reserve provides coverage for uninsurable or uninsured losses and represents claims costs incurred by the Partnership. The Canada Revenue Agency (CRA) reserve captures the provincial tax effect of claims which have not yet received CRA approval. In the absence of rate regulation, these reserve accounts would not exist on the balance sheet and would be recorded as period expenses or revenue on the income statement.

The pension liability account represents amounts for pension expense which AltaLink collected in revenue but for which no contribution has been made into the plan. It is expected that this liability on the regulatory books will be extinguished through either the future required funding of the plan, while not recognizing any pension expense and resulting revenue, or through a refund to the customers.

Deferral accounts

Deferral accounts are intended to mitigate the impact to customers as a result of variances between forecast and actual costs. To the extent actual costs differ from the approved forecast, the following year's revenue requirement may be adjusted accordingly. The Partnership has a number of deferral accounts. The Partnership's direct assigned capital deferral account captures the difference between the tariff earned on forecasted capital additions and those earned on actual capital additions for projects directly assigned by the AESO. The intent of the insurance premium deferral account is to capture the non-controllable cost variances with respect to commercial insurance premiums. The property tax deferral account is intended to capture the difference between forecast taxes other than income taxes and the actual taxes incurred. The debt cost deferral account records the differences between the forecast and actual cost of a debt issue due to changes in interest rates, a change in term or change in the issue costs. The CRA deferral account records the differences between the forecasted provincial tax effect of expense claims and the actual expense claims which have been filed with the CRA.

The Annual Tower Payments (ATP) account records the difference between the forecasted and actual ATP expenses.

In the absence of rate regulation, these deferral accounts would not exist on the balance sheet and would be recorded as period expenses or revenue on the income statement.

Regulated financing fees

As directed by the AUC, finance fees associated with AltaLink's initial Bridge Bonds were rolled over into replacement debt and they are being recovered in transmission revenue over the respective terms of the new debt issues: five years (2003-2008) for the $100 million debt issue and 10 years (2003-2013) for the $200 million debt issue. The balance represents the unrecovered debt issue costs. In the absence of rate regulation, GAAP would require the write-off of unamortized debt issue costs in the year the debt is retired.

As indicated in notes 2(g) and 3(a), deferred financing fees are being amortized using the effective interest rate method. For the year ended December 31, 2008, amortization of finance fees totalled $1.70 million (December 31, 2007 - $1.32 million), which is $0.49 million (December 31, 2007 - $0.28 million) higher than would have been recorded in the absence of rate regulation.

Pension asset offset

In order to recognize the pension expense or income in these financial statements on the same basis as it is recovered through the rates charged to customers, a regulatory liability has been established which is equal to the pension asset recognized. This liability will be reduced or increased on the same basis as the pension asset is reduced or increased.

In the absence of rate regulation, under GAAP, the amount of pension expense that would have been recorded for the year ended December 31, 2008 is $2.98 million (December 31, 2007 - $2.44 million) versus $2.73 million (December 31, 2007 - $2.30 million) actually recorded as a result of rate regulation. Consequently, net income for the year ended December 31, 2008 is $0.25 million (December 31, 2007 - $0.14 million) higher than would have been recorded in the absence of rate regulation.

Future income tax liability

As prescribed by AUC directive, the Partners' income tax expense is recovered through AltaLink's tariff revenues based on the taxes payable method for provincial tax and on the liability method for federal tax. Therefore, the revenue requirement includes the recovery of future federal income taxes related to temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes.

The Partnership is not subject to income tax. The future income tax liability was acquired from TransAlta on the acquisition of the transmission assets and liabilities. It represents an adjustment to future revenue that would have otherwise been payable to the Partnership as TransAlta collected both current and future taxes in their rate revenues and the Partnership inherited these tax and accounting basis differences. The regulatory liability will be drawn down and included in operating revenue once the tax and temporary accounting differences reverse. Currently, there is no income effect associated with the future income tax liability as tax and temporary accounting differences have not reversed.

Generic cost of capital

The AUC conducted a generic cost of capital hearing for the purpose of considering a standardized approach to determining the rate of return on equity (ROE) and capital structure for all of the gas and electric utilities under its jurisdiction, including the Partnership. The AUC issued Decision 2004-052 on July 2, 2004, in which it approved a 35% deemed common equity ratio for the Partnership and a 9.6% ROE for the period ended December 31, 2004. Decision 2007-012 approved a reduction in the deemed common equity ratio from 35% to 33% and an increase in the allowance of deemed income tax in the revenue requirement from 75% to 100%.

The rate of return on common equity has been adjusted annually for the years 2005 through 2008. The adjustment was calculated as 75% of the change in yield of long-term Government of Canada bonds. It was further provided that if the adjustment exceeded +/- 2%, the AUC would consider undertaking a review of the formula. On November 30, 2006, the AUC issued an order setting the 2007 ROE at 8.51%. On November 30, 2007, the AUC issued an order setting the 2008 ROE at 8.75%.

Other items affected by rate regulation

The AUC permits AFUDC to be included in the rate base, based on the Partnership's weighted average cost of capital. AFUDC is also included in the cost of property, plant and equipment for financial reporting purposes, and is depreciated over future periods as part of the total cost of the related asset, based on the expectation that depreciation expense, including the AFUDC component, will be approved for inclusion in future customer rates. Since AFUDC includes not only an interest component, but also a cost-of-equity component, it exceeds the amount allowed to be capitalized in similar circumstances in the absence of rate regulation.

The regulatory rate base consists of property, plant and equipment less the cost of assets under construction and includes a provision for working capital, site restoration costs, and the regulatory asset and liability accounts identified in the table on page 33.

5. Asset Retirement Obligations

As of December 31, 2008, the estimated total undiscounted amount of asset retirement obligations was approximately $130.7 million (December 31, 2007 - $132.9 million). The obligations will be settled over the useful lives of the assets, with the majority of the retirements estimated to occur between 2009 and 2047. Discount rates ranging from 4.13% to 7.46% were used to calculate the carrying value of the asset retirement obligations.

(in thousands of dollars)	Year ended December 31, 2008	Year ended December 31, 2007
Balance, beginning of year	**$ 57,954**	$ 56,380
Net change in liabilities for the year	**1,915**	65
Liabilities settled in year	**(2,651)**	(1,560)
Accretion expense	**2,963**	3,069
Balance, end of year	**$ 60,181**	$ 57,954

For the year ended December 31, 2008, GAAP required $2.963 million (December 31, 2007 - $3.069 million) to be recorded as accretion expense to the asset retirement obligations and $2.195 million (December 31, 2007 - $5.935 million) to be recorded as depreciation expense for the asset retirement costs that are added to the carrying amounts of property, plant and equipment.

Retirement obligations may apply to both the retirement of an entire facility or to parts of the larger system. Interim retirement obligations are recognized in the latter circumstances, when a component is retired prior to the retirement of the entire facility. Asset retirement obligations are recorded as a liability, with a corresponding increase to capital assets.

The Partnership analyzed the component parts of the system to determine whether it has legal obligations associated with the transmission system. The transmission system includes transmission lines, substations and telecom equipment.

Since the Partnership determined that there were no legal obligations associated with the interim retirement of electric substations and telecom sites, interim asset retirement obligations for these sites were not recognized. While there will be future retirement obligations associated with the final retirement of these assets, no obligation has been recognized at this time because the date of final removal cannot be reasonably determined.

The Partnership has determined that there are legal obligations associated with the interim retirement of the component parts of the transmission lines. The calculation of costs to dismantle and remove the component parts, including poles and towers, was estimated using historical information regarding the replacement and retirement of these types of assets.

No asset retirement obligation has been recognized for the final retirement and removal of the transmission lines as the date of the retirement, and therefore the fair value of the obligation, cannot be determined.

6. Property, Plant And Equipment

	December 31, 2008			December 31, 2007		
(in thousands of dollars)	**Cost**	**Accumulated depreciation**	**Net book value**	Cost	Accumulated depreciation	Net book value
Transmission network	**$ 1,367,392**	**$ (329,836)**	**$ 1,037,556**	$ 1,264,168	$ (264,868)	$ 999,300
500 kV project costs	**38,652**	**(1,343)**	**37,309**	—	—	—
Assets under construction	**112,978**	**—**	**112,978**	115,767	—	115,767
Long-lived asset[1]	**45,185**	**(22,592)**	**22,593**	43,414	(20,311)	23,103
Spare parts	**13,170**	**—**	**3,170**	13,448	—	13,448
	$ 1,577,377	**$ (353,771)**	**$ 1,223,606**	$ 1,436,797	$ (285,179)	$ 1,151,618

1. Long-lived asset is the offset to the Asset Retirement Obligation, which is disclosed in long-term liabilities.

The total amount of AFUDC for the year ended December 31, 2008 was $5.750 million ($7.201 million for the 12 months ended December 31, 2007).

As of December 31, 2008, approximately $38.7 million in capital expenditures has been incurred related to the Edmonton to Calgary 500 kV transmission line project and has been included in property, plant and equipment. AltaLink incurred these expenditures pursuant to direction letters issued by the AESO, which is a normal step in the regulatory process. In addition, the AESO has acknowledged that these costs should be recovered and that it is prepared to support AltaLink in an application for recovery. It is the opinion of management that these expenditures will be recovered through the regulatory process. AltaLink plans to file the Direct Assign capital deferral account application for 2007 with the AUC during Q1 2009 requesting that an amount of $38.7 million be added to rate base effective December 31, 2007. Should a need for an adjustment arise as a result of the regulatory process, management will reflect the impact in the financial statements related to the period when the regulatory decision is made.

7. Debt

(in thousands of dollars)	Effective interest rate	Maturing	December 31, 2008	December 31, 2007
Senior Debt *[note 7c]*				
Series 03-1, 4.450%	5.206%	2008	**$ —**	$ 100,000
Series 03-2, 5.430%	5.804%	2013	**325,701**	325,836
Series 06-1, 5.249%	5.299%	2036	**150,000**	150,000
Series 08-1, 5.243%	5.312%	2018	**100,000**	—
			575,701	575,836
Series 3, subordinated 8.000% *[note 10]*	8.020%	2012	**85,000**	85,000
Commercial paper	2.244%	2011	**26,951**	140,221
Bank credit facilities *[note 7b]*	2.647%	2011	**137,735**	—
			825,387	801,057
Less: Deferred financing fees *[note 3a]*				
Series 3, 8.000%			**55**	56
Series 03-1, 4.450%			**—**	346
Series 03-2, 5.430%			**4,769**	5,586
Series 06-1, 5.249%			**1,086**	1,095
Series 08-1, 5.423%			**891**	—
Financing fees related to debt to be issued in 2009			**56**	—
			6,857	7,083
Total debt, net of deferred financing fees			**818,530**	793,974
Less: current portion of long-term debt			**142**	135
Total long-term debt			**$ 818,388**	$ 793,839

The Partnership intends to hold all of its long-term debt to maturity.

a) Capital markets platform

The Partnership has developed a financing structure referred to as the “Capital Markets Platform” to finance the operation, maintenance and development of its assets. This structure is capable of accommodating a variety of debt instruments and borrowings, including term bank debt, revolving bank lines of credit, publicly-issued and privately-placed term debt securities, bankers’ acceptances, commercial paper and medium-term notes.

The Partnership has entered into a Master Trust Indenture (MTI), dated April 28, 2003 between the Partnership, the General Partner and BNY Trust Company of Canada, as trustee. The MTI establishes a set of common covenants by the Partnership for the benefit of all of its lenders under the Capital Markets Platform. All indebtedness of the Partnership is intended to be governed under the Capital Markets Platform where, among other things, the ranking and security (if any) of the various debt instruments are determined. The Partnership is not permitted to borrow other than under the Capital Markets Platform except in certain limited circumstances and, in any event, not in excess of an aggregate of $20 million. One of the principal covenants is that AltaLink cannot become liable for any indebtedness, unless the aggregate amount of all indebtedness does not exceed 75% of the total capitalization. Indebtedness is calculated as total short-term and long-term debt adjusted for deferred financing fees. Total capital is calculated as equity plus indebtedness.

Under the Indenture, the Partnership may issue two categories of debt, namely (i) senior debt and (ii) subordinated debt. Bonds may be issued either as “Obligation Bonds” (to directly evidence the indebtedness of the Partnership to the holder of such debt) or as “Pledged Bonds” (to be held by the holder as collateral security for the indebtedness specified in the related instrument of pledge). The specific terms and conditions of each series of bonds under the Capital Markets Platform are set forth in the series supplement authorizing the series. It is expected that publicly-issued and privately-placed bonds will be in the form of Obligation Bonds, whereas all other indebtedness of the Partnership under the Capital Markets Platform will be supported by Pledged Bonds.

The Partnership has secured the obligations relating to the Series 03-1 Senior Bonds, Series 03-2 Senior Bonds, Series 3 Subordinated Bonds, Series 06-1 Medium-term Notes, Series 08-1 Medium-term Notes and its credit facilities. Collateral for the secured debt obligations consists of a first floating charge security interest on the Partnership's assets. The Series 03-1 Senior Bonds, Series 03-2 Senior Bonds, Series 06-1 Medium-term Notes, Series 08-1 Medium-term Notes and the credit facilities rank equally with each other and all future senior secured indebtedness that is issued by the Partnership.

b) Bank credit facilities

As at December 31, 2008, the Partnership had $285.0 million (2007 - $285.0 million) of bank credit facilities which mature in 2011.

December 31, 2008	Committed	Drawdowns	Commercial Paper Outstanding	Availability	Maturity Date
Commercial paper back-up facility	$ 200,000	$ 137,735	$ 26,951	$ 35,314	December 10, 2011
Revolving line of credit	85,000	—	—	85,000	May 1, 2011
	$ 285,000	$ 137,735	$ 26,951	$ 120,314	

December 31, 2007	Committed	Drawdowns	Commercial Paper Outstanding	Availability	Maturity Date
Commercial paper back-up facility	$ 200,000	$ —	$ 139,305	$ 60,695	December 10, 2010
Revolving line of credit	85,000	916	—	84,084	May 1, 2010
	$ 285,000	$ 916	$ 139,305	$ 145,899	

The commercial paper back-up facility provides support for the borrowing under the unsecured commercial paper program of $200.0 million. Drawdowns consist of Canadian prime rate loans and bankers' acceptances. As at December 31, 2008, borrowing under this program was $137.7 million (December 31, 2007 – nil). Commercial paper issuance reduces the availability under the $200.0 million line of credit. As at December 31, 2008, commercial paper outstanding was $27.0 million (December 31, 2007 – $139.3 million). The average term to maturity for drawdowns under the commercial paper back-up facility including outstanding commercial paper was 11 days as at December 31, 2008 (December 31, 2007 – 19 days) with a weighted average interest rate of 2.72% (December 31, 2007 – 4.90%).

The $85.0 million credit facility may be used for capital expenditures and general corporate purposes. This $85.0 million facility bears interest at either the lenders' rates for Canadian prime rate loans, U.S. base rate loans, bankers' acceptances or LIBOR loans, plus applicable margins.

c) Letters of credit

As at December 31, 2008, the Partnership had secured letters of credit outstanding totalling $0.109 million (December 31, 2007 – $0.087 million).

d) Debt facilities

Series 3

Interest on the Series 3 Subordinated Bond is payable quarterly on February 1, May 1, August 1 and November 1. The payment of the principal and interest of the Series 3 Subordinated Bond is subordinated to all senior debt. The Series 3 Subordinated Bond is payable to AILP. Series 03-1 debt was replaced by Series 08-1 debt in 2008 and was therefore excluded from the current portion of long-term debt at December 31, 2007.

Series 03-1 and Series 03-2

The Series 03-1 Senior Bonds had no right to early redemption and matured on June 5, 2008. The Series 03-2 Senior Bonds may be redeemed in whole or in part at the option of the Partnership upon not less than 30 days and not more than 60 days notice at a redemption price of the principal amount, any accrued and unpaid interest, and in some circumstances a premium.

Series 06-1 and Series 08-1

The medium-term notes may be redeemed in whole or in part at the option of the Partnership upon not less than 30 days and not more than 60 days notice at a redemption price of the principal amount, any accrued and unpaid interest, and in some circumstances a premium.

Short-form base shelf prospectus

On May 16, 2008, the Partnership filed a short-form base shelf prospectus to facilitate the issuance of medium-term notes. This shelf prospectus has a 25 month life and permits the Partnership to issue up to an aggregate of $800.0 million of secured, medium-term notes. On May 29, 2008, $100.0 million of notes were issued under the shelf prospectus and the proceeds were used to repay $100.0 million of Series 03-1 notes, which matured on June 5, 2008.

e) Interest expense and amortization of deferred financing fees

(in thousands of dollars)	Year ended December 31, 2008	Year ended December 31, 2007
Deferred financing fees amortized	**$ 1,697**	$ 1,321
Interest on debt	**42,472**	40,777
Total interest and amortization of deferred financing fees on debt	**44,169**	42,098
Less: short-term portion of interest on debt	**—**	—
Total long-term portion of interest and amortization of deferred financing fees	**$ 44,169**	$ 42,098

f) Scheduled principal repayments

(in thousands of dollars)

Maturing	
2009	$ 142
2010	—
2011	164,685
2012	85,000
2013	325,560
2014 and thereafter	250,000
	$ 825,387

8. Financial Instruments

a) Fair value financial instruments

Upon adoption of the standards as described in note 3(a) financial instruments, AltaLink has made the following classifications:

Financial Instrument	Designated Category	Measurement Basis	Associated Risks	Fair Value at December 31, 2008
Cash and cash equivalents	Held for trading	Fair value	• Market • Credit • Liquidity	Approximates fair value due to short-term nature
Accounts receivable	Loans and receivables	Initially at fair value and subsequently at amortized cost	• Credit • Liquidity	Approximates fair value due to short-term nature
Accounts payable and accrued liabilities	Other liabilities	Initially at fair value and subsequently at amortized cost	• Liquidity	Approximates fair value due to short-term nature
Long-term debt	Other liabilities	Initially at fair value and subsequently at amortized cost	• Market • Liquidity	$799.4 million [1]
Contributions in advance of construction	Held for trading	Fair value	• Market • Credit • Liquidity	Approximates fair value due to the nature of the asset [2]
Contributions in advance of construction liability	Other liabilities	Initially at fair value and subsequently at amortized cost	• Liquidity	Approximates fair value due to the nature of the liability [2]
Operating and maintenance charges in advance	Held for trading	Fair value	• Market • Credit • Liquidity	Approximates fair value due to the nature of the asset [3]
Operating and maintenance charges in advance liability	Other liabilities	Initially at fair value and subsequently at amortized cost	• Liquidity	Approximates fair value due to the nature of the liability [3]

1. *Fair values are determined using quoted market prices for the same or similar issues. Where market prices are not available, fair values are estimated using discounted cash flow analysis based on AltaLink's current borrowing rate for similar borrowing arrangements.*
2. *Contributions in advance of construction are held in short-term investments, the carrying values of which do not differ materially from the fair values. Contributions in advance of construction earned an effective interest rate of 1.49% at December 31, 2008 (December 31, 2007 - 4.49%). Interest received is accumulated throughout the year and paid annually to the AESO.*
3. *Operating and maintenance charges in advance are held in short-term investments, the carrying values of which do not differ materially from the fair values. Operating and maintenance charges in advance earned an effective interest rate of 1.49% at December 31, 2008 (December 31, 2007 - 4.49%).*

AltaLink currently does not utilize hedges or other derivative financial instruments in its operations, and as a result the adoption of Section 3865 currently has no material impact on the financial statements of AltaLink.

b) Credit risk

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

- There is 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 95% of its accounts receivable balance is due from the AESO (December 31, 2007 – 91%). For the year ended December 31, 2008, transmission tariff revenues accounted for approximately 95% (December 31, 2007 – 94%) of operating revenues. The remainder was comprised mainly of revenue from tower and land leases and the provision of services to other utilities.

The AESO is the Independent System Operator established as a statutory corporation under the Electric Utilities Act of the Province of Alberta, whose board members are appointed by the Alberta Minister of Energy. The remainder of the receivables are mostly from investment grade entities.

To this date, the balance in the Partnership's allowance for doubtful accounts has been zero. As of December 31, 2008, over 99% of receivables have been outstanding for less than 30 days.

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 AltaLink is exposed are discussed below.

i) Interest Rate Risk

All of the long-term debt issues, listed in the table in note 7, have been approved by the AUC before the debt was issued. Approximately 90% of the long-term debt has been approved by the AUC as regulatory debt, and the approved costs are fully recoverable in rates. The Partnership is not exposed to interest rate risk with respect to the cost of the approved component of long-term debt issues during the current GTA period as the cost of the debt is subject to a deferral account whereby deficiencies or surpluses are subject to disposition through the regulatory process.

The non-regulated components of the long-term debt have been issued at fixed rates, maturing in 2012, 2013, 2018 and 2036, and the Partnership may be exposed to interest rate price risk upon renewal.

The Partnership's 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 help manage interest rate risk, AltaLink controls the proportion of fixed and variable rate positions in accordance with target levels; ensures access to diverse sources of funding; and, reduces refinancing risk by establishing and managing in accordance with target maturity profiles, which means managing the maturity dates of its debt obligations so they do not all mature at the same time.

The Partnership's commercial paper, bankers' acceptances and bank loans are not subject to deferral account treatment. AltaLink forecasts the interest rate on its commercial paper, bankers' acceptances and bank loans in the GTA and is subject to interest rate risk. As at December 31, 2008, the Partnership had $166.4 million of commercial paper, bankers' acceptances and bank loans outstanding at an average rate of 2.72%. A 10% increase in short-term interest rates (27 basis points) would produce an increase in interest expense and reduction in net income for the year of $0.1 million.

ii) Foreign Exchange Risk

AltaLink does not have a significant exposure to foreign exchange risk.

d) Liquidity risk

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

- It will not have sufficient funds to settle a transaction on the due date;
- It will be forced to sell financial assets at a value which is less than what they are worth; and
- It may be unable to settle or recover a financial asset at all.

To manage this risk, AltaLink has readily accessible standby credit facilities and other funding arrangements in place; generally uses financial instruments that are tradeable in highly liquid markets; and has a liquidity portfolio structure that requires surplus funds to be invested in highly liquid financial instruments.

9. Capital Risk Management

AltaLink's objectives when managing capital are to ensure ongoing access to capital to allow it to build and maintain the electrical transmission system within its service territory. To ensure this access to capital, the Partnership targets a long-term capital structure that includes approximately 62.5% long-term debt and 37.5% equity. The Partnership maintains this ratio through the issuance of bonds or other indebtedness, and/or equity investments received from its partners.

Summary of capital structure

	December 31, 2008		December 31, 2007	
	($ millions)	%	($ millions)	%
Total long-term debt [1]	**$ 825.2**	**61.9**	$ 801.0	62.1
Partners' equity	**507.3**	**38.1**	488.6	37.9
Total	**$ 1,332.5**	**100.0**	$ 1,289.6	100.0

1. The December 31, 2008 balance does not include deferred financing fees of $6.9 million (December 31, 2007 - $7.1 million).

In the management of capital, the Partnership includes partners' equity, short-term and long-term debt, and cash and cash equivalents in the definition of capital.

As at December 31, 2008, the Partnership has externally imposed capital requirements by virtue of the Master Trust Indenture and the bank credit facilities described in note 7 to which it is subject that limit the amount of debt that can be incurred relative to equity. The Partnership was in compliance with these externally imposed capital requirements as at December 31, 2008.

10. Related Party Transactions

In 2002, AltaLink executed a 10-year contract with SNC-Lavalin Inc., for the provision of engineering, procurement and construction management services for directly assigned capital projects undertaken by AltaLink. These services have been provided to AltaLink on behalf of SNC-Lavalin Inc. by its subsidiary, SNC-Lavalin ATP Inc. The terms and conditions of this contract were reviewed by the AUC in Decision 2003-061 and subsequent decisions. The terms and conditions continue to be subject to regulatory oversight, including review by the AUC Audit and Compliance Group.

In 2008, AltaLink paid SNC-Lavalin ATP $54.4 million for construction related services which are capitalized in various projects, compared to $110.4 million for the year ended December 31, 2007.

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

(in thousands of dollars)	Year ended December 31, 2008	Year ended December 31, 2007
Included in operating costs are the following amounts charged from related parties:		
Employee compensation and benefit charges	**$ 47,610**	$ 41,062
Consulting services	**12**	33
Operating expenses	**41**	18
Interest expense on Series 3 Subordinated Bond	**6,800**	6,800
Included in property, plant and equipment additions are the following amounts charged from related parties	**54,423**	110,442
Included in miscellaneous revenue are the following amounts charged to related parties	**361**	479

Amounts due from (to) related parties included in accounts receivable and accounts payable are:

(in thousands of dollars)	December 31, 2008	December 31, 2007
AltaLink Management Ltd.	**$ (4,873)**	$ (3,669)
SNC Lavalin ATP Inc.	**(17,231)**	(21,913)
AltaLink Investments, L.P.	**(1,092)**	(1,072)
AltaLink Investment Management Ltd.	**4**	8
AltaLink Holdings, L.P.	**224**	46
Macquarie North America Ltd.	**—**	1

11. Regulatory Decisions

The effects of the following Decisions have been reflected in these financial statements.

a) 2007-08 GTA

On February 16, 2007, the AUC issued Decision 2007-012 with respect to AltaLink's revenue requirement for the period from January 1, 2007 to December 31, 2008 and the disposition of various deferral accounts and the self-insurance reserve account relating to the period from May 1, 2004 to December 31, 2005.

On March 23, 2007, AltaLink filed with the AUC its response pursuant to the directions contained in Decision 2007-012.

On June 19, 2007, the AUC issued Decision 2007-050 confirming AltaLink's compliance with Decision 2007-012 other than the determination of the Debt Cost Deferral account for the year ended December 31, 2006. The AUC directed AltaLink to include in its next GTA a final reconciliation of the Debt Cost Deferral Account that reflects the actual cost of debt incurred by AltaLink relative to the issuance date.

b) 2004-06 Deferral accounts

Decision 2008-076 was issued on August 26, 2008 confirming full recovery of the Direct Assign capital deferral account for May 2004 through December 2006 and the disposition of other deferral accounts. On January 30, 2009, the Partnership was directed to settle the related regulatory liabilities with the AESO in the amount of $1.4 million, to be paid by February 17, 2009.

12. Partners' Capital

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 attaching 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.

Any units issued by the Partnership must first be offered to the existing limited partners in proportion to their ownership interests. Any units offered for sale by any of the existing limited partners to non-owners must first be offered to the existing limited partners. Generally, only units not purchased by the existing limited partners can be issued to outside parties.

During the year, the Partners did not invest any additional equity (2007 – $45.0 million), and no partnership units were issued (2007 – nil).

13. Employee Future Benefits Plans

(in thousands of dollars)	Year ended December 31, 2008 Pension plan	Year ended December 31, 2008 Other benefits	Year ended December 31, 2007 Pension plan	Year ended December 31, 2007 Other benefits
Fair value of plan assets				
Balance, beginning of year	$ 8,420	$ —	$ 8,503	$ —
Transfers to defined benefit option	—	—	17	—
Employee contributions	17	—	18	—
Company contributions	101	9	—	6
Benefit payments	(131)	(9)	(75)	(6)
Actual loss on plan assets	(1,396)	—	(43)	—
Balance, end of year	7,011	—	8,420	—
Accrued benefits obligation				
Balance, beginning of year	7,941	2,454	7,637	1,756
Transfers to defined benefit option	—	—	17	—
Current service cost	149	347	191	137
Employee contributions	17	—	18	—
Benefit payments	(131)	(9)	(75)	(6)
Interest cost	439	152	392	94
Experience (gain) loss	(1,790)	(973)	(239)	473
Balance, end of year	6,625	1,971	7,941	2,454
Funded status				
Funded status – surplus (deficit)	386	(1,971)	479	(2,454)
Supplemental pension plan	—	(346)	—	(279)
Unamortized past service costs	—	371	—	424
Unamortized actuarial losses (gains)	1,794	(496)	1,850	494
Solvency deficiency payment	(101)	—	—	—
Accrued asset (liability), end of year	$ 2,079	$ (2,442)	$ 2,329	$ (1,815)
Amortization period in years	4	15	4	15
	%	%	%	%
Discount rate	7.50	7.40	5.00	5.50
Discount rate for expense determinations	5.50	5.50	5.00	5.00
Expected long-term rate of return on plan assets	7.00	—	7.00	—
Rate of compensation increase	4.00	—	4.00	—
Health care cost escalation	—	5.00	—	5.00
Dental care cost escalation	—	5.00	—	5.00
Provincial Health Care premium escalation	—	3.50	—	3.50

a) Description

The General Partner employs staff and provides administrative and operational services to the Partnership on a cost reimbursement basis. As part of the purchase of the transmission assets the Partnership assumed pension obligations in respect of the transmission employees that are part of the defined benefit plan. At the valuation date of April 30, 2002, pension assets to be transferred exceeded the related liabilities assumed. The pension obligation was transferred by the Partnership to the General Partner at the value of the pension surplus and the Partnership will be credited with any pension income and charged for any pension expense. The transfer resulted in a long-term pension asset being established in the Partnership which will be reduced through pension expense charges or increased by pension income. Any cash funding of the pension plan by the

General Partner will be reimbursed by the Partnership. 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 pension is reported as if it is held by the Partnership even though the legal plan sponsor and employer of the staff is the General Partner.

Those members who at the date of the acquisition were covered by the defined benefit component under the TransAlta plan will continue in that component, and all other employees and any new employees are covered under a defined contribution component. The defined benefit provisions of the plan provide a final average pay type benefit. The defined contribution component of the registered pension plan established by the General Partner changed from a 10% employer contribution plan on May 1, 2004, to an 8% employer, and 2% employee contribution plan and the defined benefit component was changed to require the employees to contribute 2% of eligible earnings, which includes base salary plus short-term incentive pay.

The latest actuarial valuation was done as at December 31, 2007, and extrapolated to December 31, 2008. The effective date of the next required valuation for funding purposes is December 31, 2010.

Other accrued employment benefits include the health and dental coverage provided to some employees.

In addition, the General Partner has a supplemental pension plan. Effective April 29, 2002, the supplemental pension plan was provided to those employees who exceed the income tax limits on maximum pension contributions. The supplemental pension plan is a defined contribution plan with 6% employer contributions, which is not registered. Membership in the supplemental pension plan is automatic once registered pension plan contributions have reached the maximum annual amount.

b) Costs recognized

	Year ended December 31, 2008		Year ended December 31, 2007	
(in thousands of dollars)	**Registered**	**Other**	Registered	Other
Current service cost	**$ 149**	**$ 347**	$ 191	$ 137
Interest cost on benefit obligation	**439**	**153**	392	94
Loss on plan assets	**1,396**	**—**	43	—
Experience (gain) losses	**(1,790)**	**(973)**	(239)	473
Difference between expected return and actual return on plan assets	**(1,987)**	**—**	(638)	—
Difference between actuarial (gain) loss recognized for the year and actual actuarial (gain) loss on accrued benefits obligation for the year	**2,042**	**990**	389	(473)
Difference between amortization of past service costs for the year and actual plan amendments for the year	**—**	**53**	—	53
Defined benefit expense	**249**	**570**	138	284
Regulatory adjustment to offset expense	**(249)**	**—**	(138)	—
Defined benefit expense recognized in financial statements	**—**	**570**	—	284
Defined contribution expense of registered pension plan	**2,729**	**—**	2,298	—
Supplemental pension expense	**—**	**67**	—	94
Net expense recognized in the financial statements	**$ 2,729**	**$ 637**	$ 2,298	$ 378

Sensitivity to changes in assumed health care cost trend rates as at December 31, 2008 are as follows:

(in thousands of dollars)	One percentage point increase	One percentage point decrease
Effect on total service and interest cost	$ 70	$ (59)
Effect on post-retirement benefits obligation	214	(187)

The asset mix of the defined benefit component of the pension plan as of December 31, 2008 consists of 55% equity, 39% bonds, and 6% cash (December 31, 2007 – 63% equity, 32% bonds and 5% cash).

14. Commitments

On September 22, 2005 the Partnership entered into a 20-year operating lease for a new head office. The Partnership's previous 10-year operating lease entered into on June 1, 2002 was partially surrendered on November 30, 2006 and terminated on October 31, 2008. The

Partnership is committed to additional operating leases for premises in Red Deer, Lethbridge and Calgary that all have lease terms up to five years. Of the total expected minimum lease payments, 95% relates to the Partnership's head office.

Expected minimum lease payments in future years are as follows:

(in thousands of dollars)	
2009	3,549
2010	3,166
2011	3,166
2012	3,166
2013	3,047
2014 and thereafter	27,557
	$ 43,651

15. Supplemental Cash Flow Information

Change in non-cash working capital items related to operations

(in thousands of dollars)	December 31, 2008	December 31, 2007
(Increase) decrease in accounts receivable	**$ 20,727**	$ (4,589)
Increase in prepaid expenses and deposits	**(3,369)**	(5,674)
(Decrease) increase in accounts payable and accrued liabilities	**6,747**	(1,040)
Increase (decrease) in other liabilities	**(49)**	389
Increase in short-term regulatory liabilities	**928**	4,213
	$ 24,984	$ (6,701)

16. Contingencies

The Partnership has resolved the issues relating to the indemnification claimed by Imperial Oil Limited (IOL) from the Partnership in the approximate amount of $23.0 million pursuant to the terms of an interconnection agreement between the Partnership and IOL dated May 18, 2006. The indemnity claim arose from a disruption to power service on December 13, 2006. Effective December 17, 2008, both parties agreed, in writing, to a mutually acceptable resolution which has not had a material impact on the Partnership's financial statements as at December 31, 2008.

In Decision 2007-012, the AUC directed the Partnership to use the flow-through (i.e. current taxes payable) method for determining deemed federal and provincial income tax expenses to be included in its revenue requirement for 2009 and subsequent years. The AUC also indicated that a determination with respect to the accumulated but unpaid future income tax amounts as at December 31, 2008 would have to be made. Accordingly, the AUC directed the Partnership in its next GTA to propose options to address the disposition of these amounts. In its 2009-2010 GTA, filed with the AUC on September 16, 2008, the Partnership requested a delay in the implementation of future income tax related directives in Decision 2007-012 until certain proposed major transmission construction projects had been completed. As disposition of these matters will be the subject of a future regulatory proceeding, management is unable at this time to determine the outcome. As a result, no amounts have been accrued in relation to these matters at December 31, 2008.

During 2008, the Partnership paid intervenor costs related to the 500 kV Edmonton to Calgary transmission reinforcement project, as directed in Utility Cost Orders given by the AUC. These Orders are fully recoverable through the regulatory process. Some intervenors have filed for a Leave to Appeal these Orders to the Alberta Court of Appeal for a portion of their disallowed costs. The Partnership has determined that the impact of any amendments to the Utility Cost Orders would not be material to the Partnership's financial statements.

In addition, from time to time, the Partnership is subject to other legal proceedings, assessments and claims in the ordinary course of business. 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.

17. Comparative Figures

As described in note 3(c), certain comparative figures have been reclassified to conform to the current year's presentation.

Corporate Governance

The role of the Board and its committees is to provide independent, effective leadership to supervise the management of AltaLink's business and affairs. AltaLink supports this role through its dedication to leading corporate governance systems modelled on guidelines recommended as best practices by security regulators.

AltaLink is proud of its commitment to corporate governance and believes that good governance practices add value for all stakeholders. AltaLink's Board is entirely independent from management and comprised of a diverse group of experienced individuals all with the same goal of providing responsible stewardship for AltaLink. The Board is therefore able to act in the best interests of AltaLink without being unduly influenced by management.

AltaLink's dedication to strong corporate governance practices is also exemplified through the requirements for its Audit Committee. AltaLink voluntarily elects to have its Audit Committee meet the standards set for publicly listed companies, including requiring its members to be independent and financially literate. AltaLink believes that such practices support higher investor confidence in its financial controls and reporting.

As part of its practices, AltaLink provides orientation for new directors and continuing education initiatives for the Board as a whole. The Board has also approved the AltaLink Code of Ethics as a statement of the ethical principles expected of AltaLink's directors, officers and employees.

The Board is currently comprised of nine members: David Tuer (Chairman of the Board), Jack Bittan, Gilles Laramée, Stéphane Mailhot, Paul McCoy, Douglas Mitchell Q.C., Patricia Nelson, Gregory Smith and Robert Turgeon.

Board Committees

The stewardship of AltaLink is the responsibility of the Board and its three committees: the Audit Committee, the Human Resources and Governance Committee and the Environmental, Health and Safety Committee.

Audit Committee

Chair: Patricia Nelson

Members: David Tuer and Robert Turgeon

The primary purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities for financial reporting, controls and risk management. The Committee meets regularly with AltaLink's external and internal auditors and reviews financial security filings, such as the annual and quarterly financial statements and management's discussion and analysis, before they are approved by the Board. The Committee also reviews and makes a recommendation to the Board in respect to the appointment of the external auditor and monitors accounting, financial reporting, control and audit functions.

The Audit Committee meets to discuss and review the audit plans of internal and external auditors, and questions the external and internal auditors independently of management. Responsibilities also include reviewing and reporting to the Board on AltaLink's risk management policies and procedures and reviewing results from the testing of key internal controls. The Committee is responsible for the implementation and effectiveness of AltaLink's Code of Ethics and for monitoring compliance with the Inter-Affiliate Code of Conduct.

Audit Committee members are independent of AltaLink's management, owners, and auditors, and they bring a wealth of experience in understanding and supervising financial reporting. The Chair of the Audit Committee, Ms. Nelson, is the former Minister of Finance for the Province of Alberta and served on the Alberta Treasury Board for 12 years, including four years as Chair of the Treasury Board.

Human Resources and Governance Committee

Chair: Paul McCoy

Members: Douglas Mitchell, Q.C., Gilles Laramée and Gregory Smith

Among its responsibilities, the Human Resources and Governance Committee performs the functions of a compensation committee and a nominating committee. Its mandate includes the responsibility to assist the Board on human resources and corporate governance issues, and management of AltaLink on human resource matters. The Committee is specifically committed to the continuing review, development and improvement of strong corporate governance practices which the Board and management believe are the cornerstones of investor trust and good management.

The Human Resources and Governance Committee reviews succession plans for key management positions within AltaLink, human resources policies and plans, and the performance and development of the CEO and other senior officers of AltaLink. It also makes recommendations to the Board in respect of CEO compensation and other compensation matters, such as incentive programs and benefits. The Committee is also responsible for reviewing the compensation set for Board and committee service.

It is the Committee's mandate to assess the effectiveness of the Board as a whole, its committees and individual members. It assesses AltaLink's approach to corporate governance (including its internal policies and codes of conduct) and monitors the relationship between management and the Board. The Committee is also responsible for the implementation of initiatives to maintain AltaLink's high standard of corporate governance practices.

Environmental, Health and Safety Committee

Chair: Robert Turgeon

Members: Patricia Nelson and David Tuer

The Environmental, Health and Safety Committee was established in 2008 to assist the Board in its oversight of environmental, health and safety (EH&S) matters at AltaLink. Among its responsibilities, the Committee reviews AltaLink's response to EH&S issues, including compliance with applicable legislation, regulatory requirements and industry standards.

The Committee is also responsible for reviewing AltaLink's programs for EH&S assurances, and the implementation of EH&S related policies. To help accomplish these goals, the Committee approves internal and external audit plans and reviews the results of all such audits. The Committee also receives regular reports on incidents and compliance from management and would be expected to review in depth any significant EH&S incidents or events should they occur.

Members of the Committee are all independent of AltaLink's management, owners, and auditors, and they bring valuable expertise to guide the management of AltaLink's EH&S systems and programs.

Board of Directors

David Tuer, Chairman of the Board

Mr. Tuer is an independent businessman who was Chairman of the Calgary Health Region from 2001 to 2008. He has held senior executive positions in various energy companies throughout his career. He is the former President and Chief Executive Officer of PanCanadian Petroleum Limited, prior to its merger in 2002 with the Alberta Energy Company to form EnCana Corporation. He also serves on the Board of Directors of a number of public companies, including Canadian Natural Resources Limited.

Jack Bittan

Mr. Bittan is Vice President of Macquarie Capital Funds Canada Ltd. where he is responsible for the evaluation and strategic management of infrastructure investments in North America. Prior to joining Macquarie in 2004, Mr. Bittan worked in the financial services practice group at PricewaterhouseCoopers LLP. He is a director of Macquarie Canada Highway Holdings Ltd. and Access Roads Edmonton Ltd. Mr. Bittan holds Honours Bachelor of Science and Master of Management degrees from the University of Toronto and is designated as a Chartered Accountant (Ontario).

Gilles Laramée

Mr. Laramée is a chartered accountant with 25 years experience in business acquisitions, corporate and project financing, financial reporting and controls, external auditing, investment, and asset management and taxation. He has a Bachelor of Business Administration, with a major in Public Accounting from the University of Montreal's School of Business Administration, HEC, and has completed the Advanced Management Program at Harvard University. He is also a Fellow of the Order of Chartered Accountants of Quebec. Since 1999, Mr. Laramée has held the position of Executive Vice-President and Chief Financial Officer of SNC-Lavalin. He has played a key role in many aspects of SNC-Lavalin's financial operations.

Stéphane Mailhot

Mr. Mailhot is a certified general accountant with 20 years of experience in investment and asset management, project financing, business acquisitions and external auditing. Since 1999, he has held the position of Vice-President, SNC-Lavalin Investment where he is responsible for the evaluation, negotiation and management of strategic investments in various sectors, including power generation and transmission. In 2003, Mr. Mailhot was President of Murraylink Transmission Company Pty Ltd. in Australia, and he is currently on the board of Astoria Project Partners LLC, a 500 MW gas fired power plant. Mr. Mailhot holds a Bachelor of Business Administration, with a major in Public Accounting from Sherbrooke University in Quebec.

Paul McCoy

Mr. McCoy is President of Trans-Elect Development Company, LLC, an independent electric transmission company located in the United States. He also provides consulting services through McCoy Energy, LLC. Prior to co-founding the original Trans-Elect in 1999, he spent 27 years at Commonwealth Edison (ComEd), lastly as Executive Senior Vice President of Unicom (ComEd's holding company), and President of ComEd's Transmission Group. Mr. McCoy has held numerous leadership positions in major transmission industry organizations and has significant experience working with state and federal utility regulators in the United States regarding policy issues on electricity transmission systems. Mr. McCoy earned a Bachelor of Science in electrical engineering from the Illinois Institute of Technology, and is a licensed professional engineer in the state of Illinois.

Douglas Mitchell, Q.C.

Mr. Mitchell helped to lead the national merger resulting in the law firm of Borden Ladner Gervais LLP (BLG) and is BLG's National Co-Chairman. He is the past President of the Calgary Chamber of Commerce and was appointed by former Premier Ralph Klein to Chair the Alberta Economic Development Authority in January 1999 after previously serving as Co-Chair since 1995. Mr. Mitchell also served as Commissioner of the Canadian Football League from June 1984 to March 1989 and as a member of the National Hockey League Board of Governors from 1980 to 1984.

Patricia Nelson

Ms. Nelson is the Chief Executive Officer of the Calgary Health Trust and a former Member of the Legislative Assembly for Calgary-Foothills. In her four terms with the Alberta legislature, Ms. Nelson served as Minister of Finance and Chair of the Treasury Board, preceded by her roles as Minister of Energy, Minister of Economic Development and Tourism, Minister of Government Services, and Deputy Government House Leader. Ms. Nelson graduated from the University of Calgary with a Bachelor of Commerce degree and gained 15 years of finance related experience in the oil and gas industry prior to joining Alberta politics. She previously was controller of Sabre Energy Ltd. and Petroterra Natural Resources Ltd., and the manager of financial control with Suncor Inc.

Gregory Smith

Mr. Smith is the President and Chief Executive Officer of Macquarie Power and Infrastructure Income Fund, President and Chief Executive Officer of Macquarie Essential Assets Partnership and President of Macquarie Capital Funds Canada Ltd. He is a director of a number of companies, including Macquarie North America Ltd, 407 International Inc., Sea to Sky Highway and Leisureworld Senior Care. Prior to joining Macquarie in 2003, Mr. Smith was Managing Director of RBC Capital Partners – Mezzanine Fund.

Robert Turgeon

Mr. Turgeon is Past President of Trans-Québec & Maritimes Pipeline Inc., a natural gas transportation business in Quebec. During his sixteen year tenure as President, Mr. Turgeon directed the planning and development of major pipeline work in addition to guiding significant corporate restructuring. Mr. Turgeon holds a Bachelor of Commerce degree from Sir George Williams (Concordia) University and a Bachelor of Laws degree from the Université de Montréal.

Management Team

Scott Thon

President and Chief Executive Officer

In more than 20 years of power industry experience in Alberta, Scott has held a variety of senior positions in the electricity industry from operations and engineering to market design and financial management. Scott is a registered professional engineer who graduated with a Bachelor of Science in Electrical Engineering from the University of Saskatchewan. He is also a graduate of the Executive Program from the University of Western Ontario's Richard Ivey School of Business.

Scott is an active member in the Canadian Electricity Association (CEA) serving on the Board of Directors, Management Board and as the past-Chair of both the Association's Transmission Council and Environmental Commitment & Responsibility Program. He also serves as Chair of the Board of Governors for Bow Valley College and on the Board of Directors for the United Way of Calgary and Area.

Scott participates on the Board of Management and Energy Resource Committee for the Alberta Economic Development Authority, is a member of the Canadian Athletic Foundation's Board of Trustees and received the Government of Alberta's Centennial Medal in 2005.

Joseph Bronneberg

Executive Vice President and Chief Financial Officer

Joe brings more than 30 years of financial experience to AltaLink, most notably from the energy and mining sectors in western Canada and internationally. His recent positions include Vice President and Chief Financial Officer of TVI Pacific Inc., Luscar Ltd., Sherritt International's Oil and Gas Division and the Bowlen Group.

During his career with Luscar, Joe was a key player in major capital market transactions, business acquisitions and other growth initiatives that transformed Luscar into Canada's leading energy supplier to coal-fired generating stations.

Joe holds a Bachelor of Business Administration and Commerce degree from the University of Alberta and is also a graduate of the Ivey Executive Development Program. He is a member of the Institute of Chartered Accountants of Alberta and of the Financial Executives Institute.

Dennis Frehlich

Executive Vice President and Chief Operating Officer

As a registered professional engineer, Dennis has 20 years of experience in the electric industry with a focus in the areas of transmission and distribution. His career experience includes power system engineering, asset management, project management and business development. For more than 10 years, Dennis has provided leadership for the operations, maintenance, engineering, and construction of transmission facilities within Alberta, most recently in his current position with AltaLink.

Dennis is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA), an Executive Member of CIGRE (International Council on Large Electric Systems) Canada and of the Canadian Electricity Association, Transmission Council. Dennis is a longstanding supporter of the United Way, Foster Parents Plan and several other charitable organizations.

Leigh Clarke

Senior Vice President, External Engagement & General Counsel

Leigh has been extensively involved in the Alberta electricity industry since the early 1990s. As a member of AltaLink's senior management team, he is responsible for leading AltaLink's legal initiatives and legal risk management efforts, the establishment and maintenance of its governance structures and its internal and external communications requirements. Leigh is also responsible for the public consultation function, and is accountable for public engagement, community relations and government relations.

Upon graduating from the University of Alberta in 1991, Leigh was called to the Alberta bar in 1992 and acted as regulatory counsel to TransAlta from that time until 1999. Leigh was also seconded to the law branch of the National Energy Board where he handled gas and electricity facilities applications.

Zora Lazic

Senior Vice President, Regulatory and Client Services

With 19 years experience in various areas of the electricity industry, Zora's background involves work with a major Canadian utility, a power marketer, an Independent System Operator, and energy crisis management for a state agency with responsibility for markets, external affairs, contracts, compliance, regulatory and legal matters both in the regulated and deregulated side of the industry. Zora holds a Masters of Law from Cambridge University (UK) and degrees in Civil Law (B.C.L.) and Common Law (LL.B.) from McGill University.

Duane Lyons

Senior Vice President, Business Development

Duane has been extensively involved in various aspects of the electric power industry in Alberta and internationally for more than 35 years. As Senior Vice President of Business Development, Duane is responsible for leading AltaLink's growth initiatives. He has been heavily involved in evaluating appropriate alternatives to meet Alberta's future transmission demands. Prior to joining AltaLink, he led the development of numerous energy projects in Canada, Mexico, Australia, New Zealand and the United States.

Duane holds a Bachelor of Science in Electrical Engineering from the University of Saskatchewan, and is also a graduate of the Executive Program of the School of Business from the University of Western Ontario. Duane is a member of the Association of Professional Engineers Geologists and Geophysicists of Alberta (APPEGA).

Linda Shea

Senior Vice President, Human Resources

With more than 20 years experience as a member of several senior management teams in the oil and gas and telecommunications industries, Linda has an extensive background in human resource management, organizational change and effectiveness, leadership development, and mergers and acquisitions.

Linda holds a Bachelor of Arts from Mount Allison University in Sackville, New Brunswick and a Master of Science in Organizational Development from American University, Washington, DC.

Corporate Information

Directors

David Tuer [1,3]
Chairman of the Board

Jack Bittan
Director

Gilles Laramée [2]
Director

Stéphane Mailhot
Director

Paul McCoy [2]
Director

Douglas Mitchell Q.C. [2]
Director

Patricia Nelson [1,3]
Director

Gregory Smith [2]
Director

Robert Turgeon [1,3]
Director

Committee Members

[1] Audit
[2] Human Resources and Governance
[3] Environmental, Health and Safety

Executives

Scott Thon
President and Chief Executive Officer

Joseph Bronneberg
Executive Vice President and Chief Financial Officer

Dennis Frehlich
Executive Vice President and Chief Operating Officer

Leigh Clarke
Senior Vice President, External Engagement & General Counsel

Zora Lazic
Senior Vice President, Regulatory and Client Services

Duane Lyons
Senior Vice President, Business Development

Linda Shea
Senior Vice President, Human Resources

Head Office

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Auditors

Deloitte & Touche LLP

Legal counsel

Borden Ladner Gervais LLP