# MANAGEMENT'S DISCUSSION AND ANALYSIS OF
# FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## OCTOBER 28, 2008

## INTRODUCTION

The following Management's Discussion and Analysis (MD&A) is the responsibility of AltaLink, L.P. (AltaLink or the Partnership) management and reflects events known to management to October 28, 2008. This analysis should be read in conjunction with the unaudited financial statements and notes to the financial statements for the three and nine months ended September 30, 2008 and should also be read in conjunction with the audited financial statements and MD&A for the year ended December 31, 2007. The unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) using the same accounting policies and procedures as in the audited annual financial statements for the year ended December 31, 2007 except for the changes in accounting policies cited in Note 2 to the financial statements, upon the initial adoption of new accounting standards. Unless otherwise indicated, a reference to a year relates to the Partnership's fiscal year ended December 31, 2007.

This MD&A is intended to provide the reader with an understanding of our business, our strategy and performance, our expectations of the future and how we manage risk and capital resources.

In accordance with its terms of reference, the Audit Committee of the Partnership's 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.

Readers should also read the "Forward-Looking Information" legal advisory contained at the end of this MD&A.

## VISION, BUSINESS AND STRATEGY

### VISION

As the province's largest electric transmission company, our focus is serving Albertans through delivering a safe, reliable and cost effective transmission grid. We meet the transmission needs of over 85% of Albertans through a focus on quality and continuous improvement, which allows us to bring forward the best and most innovative transmission practices, designs and solutions.

Creating customer value is a core goal of AltaLink. We focus on effectively listening, communicating and working with our customers and stakeholders who rely on or are impacted by our business. AltaLink approaches the need for expansion with a view to achieving a strategy of "No Net New" which focuses on not just simply building more lines and towers but finding new ways to get more out of the existing grid, re-using already built lines and focusing on new technologies, that can minimize the impact on the land and landowners.

AltaLink operates in an environment where there is a high level of competition for talented people. To enable us to attract and retain the high quality workforce required to sustain our business, 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.

## BUSINESS

The Partnership's sole business purpose is owning and operating regulated electricity transmission assets in Alberta and it is the largest transmission owner in the province. AltaLink currently owns and operates approximately 53% of the transmission lines used in Alberta's high-voltage electricity transmission system, supplying approximately 85% of the population of Alberta with transmission services, and is the principal transmission services provider to most major urban centres in Alberta. The Partnership also owns and operates the interconnection facilities that connect the Alberta network with the transmission system in British Columbia, allowing electricity to flow into and out of Alberta. Transmission costs account for less than 6% of the average electricity bill in Alberta. AltaLink has operated its transmission system for about 30% less than the average Canadian utility between 2002 and 2006.

The Partnership is 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 tariffs to be charged by Transmission Facility Owners (such as the Partnership). In doing so, the AUC determines the Partnership's revenue requirement, being the revenues required to cover the forecasted costs of the transmission business plus an approved return-on-investment on a fixed forward test year basis.

The Partnership's operations are managed by its general partner, AltaLink Management Ltd. (AML or the General Partner). The Partnership has one limited partner, AltaLink Investments, L.P. (AILP). AILP has one limited partner, AltaLink Holdings, L.P. (AHLP). AHLP was formed as a limited partnership under the laws of Alberta pursuant to the provisions of a limited partnership agreement dated February 16, 2005. On June 13, 2006, the AUC approved AltaLink's application to change its ownership structure, and the transaction was completed on June 23, 2006. Under the new ownership structure, SNC-Lavalin Group Inc. indirectly owns 76.92% of AltaLink, L.P. through subsidiaries, with Macquarie Transmission Alberta Ltd. owning the remaining 23.08%.

## STRATEGY

AltaLink's objective is to be the leading owner and operator of regulated electricity transmission in Alberta. AltaLink is committed to meeting the needs of its customers by delivering safe, reliable and cost-effective transmission of electricity. AltaLink's transmission grid is also about preparing for tomorrow while we power the lives of Albertans today. With electricity consumption growing by the equivalent of adding two cities the size of Red Deer every year, we are focused on responding to the needs of Albertans to keep the lights on. We are focused on finding new ways to meet the electricity need while reducing the impact of our operations on the land and on customers affected by our facilities. Using new transmission technology, improving our landowner consultation, making more efficient use of the land and reaching innovative agreements with First Nations are some of the ways we're partnering with our stakeholders.

Our job comes down to delivering both electricity and customer value, while reducing our environmental footprint, building relationships in Alberta communities, and upholding the highest standards of safety and reliability.

## PERFORMANCE MEASUREMENT

***Highlights of Third Quarter 2008***

- Net income for the quarter of $11.0 million;
- Delivered safely and efficiently capital construction with expenditures of $30.7 million, including $17.0 million in additions to new facilities for customers, which has been added to rate base;
- Filed the General Tariff Application (GTA) for 2009 and 2010 on September 16, 2008;
- Received Decision 2008-076 on August 26, 2008 confirming the full recovery of the Direct Assign capital deferral accounts and the disposition of other deferral accounts; and
- Received final permits for access to First Nations land for the Southwest development project for which the AUC has scheduled an application hearing on December 1, 2008.

***Safety and Reliability***

Benchmarks are shown in the MD&A for the year ended December 31, 2007. AltaLink's safety record has significantly outperformed the industry average every year. As well, AltaLink has worked hard to ensure the transmission system is reliable. As a result, customers experienced 30% fewer outages and when outages occurred, the power was restored 20% more quickly than the Canadian average from 2002 to 2006.

## LIQUIDITY AND CAPITAL RESOURCES

| | Nine Months ended September 30, | |
|---|---|---|
| | **2008** | 2007 |
| **($ millions)** | | |
| Cash and cash equivalents, beginning of period | $ — | $ — |
| Cash flow from (used in) | | |
| Operating activities | **109.5** | 65.4 |
| Investing activities | **(95.5)** | (167.4) |
| Financing activities | **(14.0)** | 102.0 |
| Cash and cash equivalents, end of period | $ — | $ — |
| | | |
| **Ratios** [1] | | |
| Interest coverage debt: | | |
| Income before interest and taxes (EBIT) coverage [2, 5] | **2.01X** | 1.99X |
| Income before interest, taxes, depreciation and amortization (EBITDA) coverage [3, 5] | **3.71X** | 3.66X |
| Cash flow coverage [4, 5] | **2.45X** | 2.49X |
| Cash flow/total debt [4, 6] | **9.75%** | 9.63% |
| Debt/total capitalization [6, 7] | **61.43%** | 61.61% |

1. Funds generated in operations and ratios in this table are non-GAAP financial measures and do not have any standardized meaning prescribed by GAAP and are unlikely to be comparable to similar statistics published by other companies. They are presented since they are commonly referred to by debt holders and other interested parties for their use in analyzing the Partnership's financial position.
2. EBIT Coverage - Income before interest and taxes coverage is equal to net income before interest expense divided by interest.
3. EBITDA Coverage - Income before interest, taxes, depreciation (including accretion) and amortization is equal to net income before financing expenses, depreciation and amortization, divided by interest.
4. Cash flow – Consists of funds generated in operations before changes in non-cash working capital.

5. Interest expense – Interest expense excluding amortization of deferred financing fees on debt.
6. Debt – Consists of short-term and long-term debt, adjusted for the change in presentation of deferred financing fees due to the implementation of the financial instruments accounting standards.
7. Total Capitalization - Consists of debt and partners' equity.

**Pro Forma Earnings Coverage**

| | Twelve Months ended September 30, | |
|---|---|---|
| | **2008** | 2007 |
| Earnings-to-interest coverage on total indebtedness [1] | **1.93X** [2] | 1.98X [3] |

1. Earnings-to-interest coverage on total indebtedness 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). The foregoing ratios are calculated after giving pro-forma effect to any long-term debt issues in the period and the use of proceeds therefrom.

2. AltaLink's interest requirements on all indebtedness amounted to approximately $43.2 million for the 12 months ended September 30, 2008 after giving effect to the issue of the $100.0 million 5.243% notes. AltaLink's earnings before interest and income tax for the 12 months ended September 30, 2008 were approximately $83.5 million, which is 1.93 times AltaLink's interest requirements on all indebtedness for this period.

3. AltaLink's interest requirements on all indebtedness amounted to approximately $40.3 million for the 12 months ended September 30, 2007 after giving effect to the issue of the $150.0 million 5.249% notes. AltaLink's earnings before interest and income tax for the 12 months ended September 30, 2007 were approximately $79.8 million after giving effect to the issue of the $150.0 million 5.249% notes, which is 1.98 times AltaLink's interest requirements on all indebtedness for this period.

| | Nine Months ended September 30, | |
|---|---|---|
| | **2008** | 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 AltaLink's rating for its Senior Secured Bonds and Medium-Term Notes at "A", and changed the trend to negative from stable. AltaLink's commercial paper was confirmed at R-1 (low), with the trend remaining stable.

***Operating Activities***

For the nine months ended September 30, 2008, cash provided by operating activities increased by $44.1 million compared to the same period in 2007. The period-to-period increase is mainly due to changes in non-cash working capital. Receivables have decreased by $21.0 million as in September 2008, there was only one monthly tariff revenue payment due from the AESO while two such payments were owing in September 2007. There have been no material changes in non-cash working capital in 2008, while there were two such changes in the corresponding period in 2007. Prepaid deposits had increased by $7.4 million and accounts payable had decreased by $9.1 million.

For the third quarter of 2008, cash provided by operating activities increased by $14.0 million compared to the same period in 2007, mainly due to the change in the working capital balance.

***Investing Activities***
Investing activities included capital expenditures of $108.2 million for the nine months ended September 30, 2008 and $30.7 million for the third quarter (nine months ended September 30, 2007 - $173.6 million; third quarter - $64.1 million) as construction activity was lower than in the comparative periods due to delays in receiving regulatory approvals to proceed with certain major transmission projects, as well as delays experienced during construction of certain projects.

Investing activities for the nine-month period in 2008 included capital additions of $55.4 million (2007 - $67.2 million), mainly related to new facilities for customers ($28.0 million - 2007 $20.1 million) and capital upgrades and replacements ($25.2 million – 2007 - $40.1 million) to assist in managing the life and performance of existing facilities. Investing activities for the same period also included $57.0 million (2007 - $98.9 million) related to projects in progress, which will be added to rate base as the projects are completed. These additions are adjusted to remove the impact of non-cash items, such as AFUDC, salvage costs and non-cash working capital, before being reflected in the statement of cash flows.

Investing activities for the third quarter of 2008 included capital additions of $17.0 million (Q3 2007 - $23.5 million), mainly related to new facilities for customers ($6.4 million – Q3 2007 - $10.2 million) and capital upgrades and replacements ($10.0 million; Q3 2007 - $4.3 million). In addition, investing activities for these periods included $15.7 million (Q3 2007 - $41.9 million) related to projects in progress.

Significant projects currently in progress are the Southwest Development from Lethbridge to Pincher Creek, the Waupisoo substation in Northern Alberta and the Enbridge Rosyth Upgrade project. AltaLink is also continuing with its program of capital upgrades and replacements to improve the safety and reliability of the electricity system.

***Financing Activities***
For the nine months ended September 30, 2007, financing activities provided 62% of the cash required to fund capital spending and other investing activities, while the remaining 38% was provided by operating activities. Financing activities for this period included an equity injection of $42.5 million and debt issuance of $75.6 million, which was used to finance working capital requirements and higher capital expenditures.

For the nine months ended September 30, 2008, cash provided by operating activities decreased by $116.0 million compared to the previous year due to the lower level of construction activity in 2008 compared to the same period in 2007. However, it was sufficient to fund 100% of the cash requirements for capital spending and other investing activities.

For the three months period ended September 30, 2008 cash provided by financing activities was $47.5 million less than in the corresponding period in 2007. The reduction was mainly due to the lower level of debt and equity contributions required as a result of the lower level of capital construction activity in 2008 compared to 2007.

In the second quarter of 2008, AltaLink refinanced its Series 03-1 4.450% $100.0 million debt issue, which matured on June 5, 2008, under its capital markets platform with the Series 08-1 5.243% notes. The interest rate difference on the refinancing will increase interest expense by $0.8 million annually, which is fully recoverable from the AUC. No additional long-term debt was issued in the third quarter of 2008, as sufficient cash was generated internally and debt under the commercial paper program remained at year-end levels. AltaLink has applied to the AUC for approval to issue up to $150.0 million of long-term debt during the fourth quarter of 2008.

***Liquidity***
AltaLink generally issues commercial paper to finance its day-to-day requirements. Since September 2008, commercial paper markets have effectively been inactive due to the global credit crisis, therefore AltaLink currently issues bankers' acceptances under its $200.0 million backstop facility which will be renewed effective December 1, 2008. AltaLink also has an $85.0 million spending line which was undrawn at September 30, 2008.

During 2007 and the first nine months of 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. At no time were any of these investments held in asset-backed commercial paper.

## MAJOR CAPITAL PROJECTS

***Southwest Development Project***

On August 10, 2007, AltaLink applied to the AUC for a Permit to construct and Licence to operate the Southwest development project, between Pincher Creek and Lethbridge to support both growing demand and to connect the fast-growing wind generation in the region. The double circuit line is needed to connect wind generation in the region. The AUC has scheduled a hearing to begin on December 1, 2008 in Lethbridge. The hearing will provide parties that may be impacted by the transmission line an opportunity to ask AltaLink about the project. The AUC has also requested AltaLink to submit cost estimates for burying a portion of the line as it enters Lethbridge.

The transmission permits to cross reserve lands have been approved by the Blood First Nation and the Piikani First Nation. The permits have been executed by AltaLink as well as Indian and Northern Affairs Canada.

***South Alberta Transmission Development (SATD) Project***

The SATD is a larger-scale extension to the Southwest Development Project designed to interconnect up to 2,700 MW of wind power into the southern Alberta transmission system. AltaLink, working with the AESO, provided transmission options to accommodate the potential generation requirements. The options include various combinations of:

- 900 kilometres of new 240 kV transmission lines;
- 600 kilometres of new 500 kV transmission lines; and
- 335 kilometres of +/- 500 kV high voltage direct current transmission lines

The development may also require 18 new or upgraded substations.

***Edmonton to Calgary 500kV Transmission Development***

Construction of a new 500kV transmission line between the Edmonton and Calgary regions is required to reinforce Alberta's transmission system. The AESO had determined that the transmission system south of Edmonton will be operating below North American reliability standards by the fall/winter peak of 2009-2010. While AltaLink is protected against liability from outages, the Partnership remains concerned about its ability to provide continuous electricity service to southern Alberta through the 2009-2010 winter peak. The AESO and AltaLink are pursuing short-term mitigation measures to reduce the reliability risk until a long-term solution can be developed.

The AESO has hosted a number of open houses across central Alberta in the second and third quarter of 2008 as part of their consultation regarding the need to reinforce the transmission system between Edmonton and Calgary. To date, they have spoken with more than 1,000 people who have visited the open houses to learn more about the need for new transmission lines. AESO is consulting on four concepts, three of which are primarily within AltaLink's service territory, and the fourth would be carried out in conjunction with ATCO Electric. At each of the open houses, AltaLink has supported the AESO in explaining the role of a transmission company when siting and building lines. AltaLink is awaiting further direction from the AESO once the AESO has completed its review of the open house input received.

The AESO is also consulting on a variety of technical options for the reinforcement between Edmonton and Calgary. These include

- A single circuit 500kV line, a lower initial capital cost option;
- A double-circuit 500kV line allowing the removal of an existing 240kV line leaving a land footprint similar to what is already in existence;
- A low impedance double-circuit 500kV tower design that is visually shorter than standard designs, but also further improves the efficiency of the grid; and,

- A high voltage direct current (HVDC) line, which requires a tower similar in size to existing 240kV towers, and also allows the removal of an existing 240kV line.

***Proposed Heartland Project***
The AESO has identified that current and future proposals for oil sands upgraders in the area northeast of Edmonton, known as Heartland, 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 are capable of providing the transmission reinforcement required, both constructed at double circuit 500kV. AltaLink and EPCOR Utilities Inc. (EPCOR) have been requested by the AESO to proceed with the necessary work required to file a corresponding permit and licence application for the Heartland Project, which may cross both entities' service regions. Neither a Needs Identification Document nor a facilities application has been filed with the Alberta Utilities Commission.

On March 7, 2008, the Partnership and EPCOR, through subsidiaries created for this purpose, formed a limited partnership known as the Heartland Transmission L.P., which, subject to AUC approval, would own new transmission facilities in the region on behalf of both AltaLink and EPCOR. The transmission development is expected to occur over the next five years.

## REGULATORY MATTERS

AltaLink is regulated by the AUC, under a cost-of-service methodology, whereby all prudently incurred costs are recovered and allowed return on rate base is set. AltaLink expects that the demand for electricity may grow in the near term, which is expected to result in an increase in the need for rate base assets, with a corresponding increase in regulated earnings. The Partnership plans to finance these significant capital investments, and together with any maturities of long-term debt, through a prudent combination of cash flow from operating activities, issuing new long-term debt and equity contributions from partners.

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. AltaLink has been directed to settle the balances of related regulatory liabilities with the AESO in the fourth quarter of 2008 and to re-file information with respect to other outstanding issues.

In addition to the applications related to major capital projects, the more significant applications that are expected to be considered by the AUC during 2008, although decisions may not be received until 2009, include the following:

- GTA for the fiscal years ending December 31, 2009 and 2010 (filed on September 16, 2008);
- Application for authorization to issue up to $150.0 million of medium-term notes with a term of up to 20 years (filed on September 23, 2008);
- Generic Cost of Capital proceeding to review potential changes to the generic return on equity formula and the capital structure of utilities;
- AUC proceeding dealing with 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 fourth quarter of 2008).

***General Tariff Applications***
On February 16, 2007, the AUC issued Decision 2007-012 outlining the disposition of AltaLink's application for and approved its revenue requirement and 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 AltaLink's 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, AltaLink filed its GTA for the 2009-2010 test years which requests significant increases in transmission tariff revenue. These increases are directly related to requests from customers to ensure that AltaLink meets their most important issue, which is reliability, both with respect to system performance and construction of new assets to meet increases in demand. The application also requests the recovery of increased costs for operating and maintaining the transmission system and meeting compliance requirements. In order to minimize the impact of financing large transmission projects on future transmission tariffs, AltaLink has requested deferral of flow-through taxes, higher equity thickness and other revenues to support AltaLink's current credit ratings.

***Generic Cost of Capital***

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. 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 (ROE) and capital structure for all of the gas and electric utilities under its jurisdiction, including the Partnership.

The rate of return on common equity was adjusted annually for the years 2005 through 2008. The adjustment is calculated as 75% of the change in yield of long-term Government of Canada bonds. If the adjustment exceeds +/- 2%, the AUC will consider 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%.

On February 21, 2008, the AUC initiated a proceeding to seek the views of parties on whether the adjustment mechanism continues to yield a fair return and whether or not common equity ratios for all utilities should be considered on a generic basis. On June 18, 2008, the AUC issued Decision 2008-051. The AUC has initiated a generic cost of capital 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. The AUC found that there was a reasonable basis to review the ROE level and the adjustment mechanism in a generic proceeding. In addition to the ROE adjustment formula, the generic proceeding will also consider the deemed equity thickness on a utility-specific basis. AltaLink intends to show that higher ROE is necessary to maintain optimal capital structure.

***AUC's Asset Disposition Proceeding***

AltaLink is actively participating in an AUC Proceeding (number 1566373) dealing with a review of rate related implications of utility asset dispositions. On April 2, 2008 a Notice of Commission Initiated Proceeding was released by the AUC to consider the potential rate related implications for Alberta utilities of the Supreme Court of Canada's (SCC) 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.

***2007 Capital Deferral Account Application***

AltaLink plans to file an application 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 costs, amounting to $36.1 million, associated with the Edmonton to Calgary 500kV Transmission Development Project which was voided in Decision 2007-075.

## ENVIRONMENT, HEALTH AND SAFETY

AltaLink's environmental, health and safety activities are overseen by the Environment, Health and Safety Committee of the Board of Directors.

AltaLink strives for continual environmental improvement to ensure legislative requirements are met or exceeded as well as implementing best practices. These include:

- Performing environmental pre-screenings of all new projects to identify environmental risks, conducting field wildlife surveys and proactively engaging environmental agencies;
- Continuing to utilize third party environmental expert resources to assist in required studies;
- Being the first Canadian utility to implement GREENJACKET ™ , a special material that covers substation equipment to protect wildlife and prevent outages;
- Relocating bird nests built on utility poles to safer locations, such as nearby platforms provided by AltaLink;
- 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; and
- Continuing to improve upon existing environmental management programs such as waste management, pole recycling and SF6 gas containment.

The safety of our employees and contractors continues to remain a top priority within the organization. Our current safety management plan includes:

- Continuously improving safety practices to address changing regulations, new hazards in the workplace, changes in work methods, new equipment and tools. Field employees engage in annual safety training associated with these practices;
- Engaging in a joint utility safety team public safety awareness campaign, "*Where's the Line*";
- Continuing to improve our contractor safety management program which is focused on: pre-qualifying contracting companies, setting clear expectations for safety and quality performance standards and performing on the job monitoring of safety practices, work methods and safety performance; and
- Requiring workers in energized facilities to hold AltaLink safety certification. AltaLink uses a four-tier certification rating system based on the work being performed.

AltaLink recognizes that some people are concerned about power line electric and magnetic fields (EMF), and we treat those concerns very seriously. AltaLink does not conduct health research but does take measurements of fields near its facilities. After more than 30 years of research that includes thousands of studies and reviews by multiple agencies, none of these agencies have concluded that exposure to EMF from power lines is a demonstrated cause of any long-term adverse effects to human, plant or animal health. AltaLink continues with its current proactive practices which include:

- Continuing to provide information as well as research findings to the general public who may be concerned about EMF;
- Dedicating a manager responsible for addressing EMF issues who provides a variety of public information on EMF research to the general public and offers to take EMF field measurements to aid in the discussions;
- Including a human health assessment and fauna and flora assessment in its permit and licence applications to summarize the results of EMF research;
- Retaining an internationally-recognized EMF expert to provide on-going support and advice on EMF issues; and
- Sharing information with key agencies such as the AESO through workshops and other discussions.

## PEOPLE

AltaLink has more than 380 skilled and dedicated employees working to keep the lights on. Like other Alberta companies, AltaLink is currently facing growth and increasing operational challenges. This is occurring at a time when the competition for people is strong, and there are pressures on compensation. As a company, AltaLink has aggressively enhanced its people strategies to attract and retain qualified employees and to ensure that staff is developed, engaged and aligned with overall corporate strategies and business plans. AltaLink has been named "The Best Place to Work" in the Energy/Oil and Gas Category, according to the July/August 2008 issue of *Calgary Inc.* magazine. We have also launched our first employee engagement survey in September 2008 to provide us with valuable information to ensure employees continue to be proud about working at AltaLink. Results of the survey are expected in 2008 with an action plan to be developed early in the new year.

# ACCOUNTING POLICY AND RELATED DISCLOSURES

## CHANGES IN ACCOUNTING POLICIES

## CHANGES IMPACTING THE 2008 FINANCIAL STATEMENTS

***Financial Instruments***

With effect from January 1, 2007, AltaLink adopted the following 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 in Note 3a) to the December 31, 2007 financial statements.

Effective January 1, 2008, AltaLink adopted the following Handbook Sections: 3862 – *Financial Instruments – Disclosures*, and Section 3863 – *Financial Instruments – Presentation*, which were effective for interim periods beginning on or after October 1, 2007.

i) 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 are not reversed and, therefore, those financial statements are not restated.

***Capital Disclosures***

As described in Note 6 of the Q3 2008 financial statements, 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.

***Inventories – Materials and Supplies***

Effective January 1, 2008, the Partnership has adopted the new CICA Handbook Section 3031, *Inventories*. This section requires the Partnership to expand its disclosure on the measurement and recognition of materials and supplies. The adoption of *Inventories* is not expected to have an effect on the Partnership's income statement but is expected to result 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* which is required to be adopted for fiscal years beginning on or after October 1, 2008 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 AltaLink's financial statements. The Partnership 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* will be 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* – will also be amended. The adoption of the new standards is expected to have an impact on the recognition and measurement and disclosure and presentation of regulatory asset retirement obligations, reserve and deferral accounts, pension assets, future income tax liabilities and allowance for funds used during construction. For a more detailed description of these expected changes, see Note 3 (b)(ii) to the December 31, 2007 financial statements.

***International Financial Reporting Standards (IFRS)***

*Impact of IFRS*

On February 13, 2008, the CICA Accounting Standards Board (AcSB) confirmed that the conversion to IFRS from Canadian GAAP will be required for publicly accountable profit-oriented enterprises effective for interim and annual financial statements beginning on or after January 1, 2011. On May 9, 2008, the AcSB issued an "omnibus" exposure draft related to the implementation of IFRS with comments due by July 31, 2008.

In Staff Notice 52-320, *Disclosure of Expected Changes in Accounting Policies relating to Changeover to IFRS,* the Canadian Securities Administrators (CSA) 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 the Partnership's reported financial position and results of operations. The Notice requires AltaLink to discuss in its interim MD&A the elements, timing and status of its IFRS conversion plan. This information is detailed in the second quarter MD&A and an update is provided below.

The Partnership is using a project management approach to address its IFRS conversion requirements and has identified the following key elements of the four phases of the project: Phase 1 – project initiation and initial assessment, Phase 2 – detailed assessment, Phase 3 – design, Phase 4 – execution.

Current status:

- The initial high level assessment of the relevant IFRS standards is currently in progress and is expected to be 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.
- Completed the second part of an in-house IFRS training course for relevant staff.
- Began a pilot project on the inventories section, which will include performing a detailed assessment of potential impacts on accounting, financial reporting, treasury, regulatory and operations systems and processes, together with the required changes. It will also include a detailed analysis of IFRS and Canadian GAAP accounting and disclosure differences that are applicable to AltaLink, as well as determining IFRS 1 requirements and analysis of the benefits of the optional exemptions which provide relief to the requirement of full retrospective application. This analysis will be completed by the end of the year.

*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 (IASB) has stated that it plans to issue an exposure draft relating to certain amendments to the IFRS 1 standard in order 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. On September 25, 2008, an exposure draft was issued and AltaLink will be studying the impact as it relates to rate regulation and preparing a response to the IASB by the deadline of January 23, 2009.

On September 22, 2008, the AUC held a meeting with utilities, intervenors and other stakeholders to begin the process of reviewing issues affecting the regulatory process related to the adoption of IFRS. On October 6, 2008, AltaLink, as well as other affected utilities responded to a request by the AUC to list the topics, together with specific aspects of each topic, which AltaLink regards as priorities for the AUC to address.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of our quarterly and annual financial statements 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 in which we operate 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. 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 as well as 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 allowance for obsolescence of materials and supplies; 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; the composition 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 remaining recovery and settlement of the regulated assets and liabilities. For a more detailed description of these estimates, see the December 31, 2007 MD&A. Listed below is the only change since that date.

***Assets Under Construction***

Included in Assets under construction is approximately $38.7 million in capital expenditures, related to the Edmonton to Calgary 500kV transmission line project. 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 capitalized and recovered through the regulatory process. AltaLink plans to file the Direct Assign capital deferral account application for 2007 with the AUC during Q4 2008 requesting an amount of $36.1 million, which is net of AFUDC, be added to rate base as of 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.

## TRANSACTIONS WITH RELATED PARTIES

AltaLink enters into various transactions with its general partner, AML, its 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 employees that provide administrative and operational services to AltaLink are employed by the General Partner, and the Partnership has indemnified the General Partner for all associated expenses and liabilities.

AltaLink recorded interest expense of $1.7 million in the third quarter of 2008 and $6.8 million for the year ended December 31, 2007 on its $85.0 million Series 3 Subordinated Bridge Bond. The bond has a repayment date of October 1, 2012, with interest being paid quarterly. As at September 30, 2008, the balance owing in respect of the bond was $85.0 million, together with accrued interest of $1.1 million.

In 2008, AltaLink paid SNC-Lavalin ATP $38.5 million for construction related services, which are capitalized in various projects, compared with $87.7 million for the nine months ended September 30, 2007 and $10.2 million for the three months ended September 30, 2008 (2007 - $30.6 million). At September 30, 2008, AltaLink's payables included $13.5 million (December 31, 2007 - $21.9 million) owing to ATP. The reduction in the amount payable compared to year-end was due to delays in construction of two major projects as a result of postponements in the regulatory approval process. In 2002, AltaLink executed a ten-year contract with SNC-Lavalin ATP, a subsidiary of SNC Lavalin Inc., for the provision of engineering, procurement and construction management services for directly-assigned capital projects undertaken by AltaLink. 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 the Financial Statements for the most recent financial periods is set forth below:

| | **Three months ended September 30** | | **Nine months ended September 30** | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| Total revenue ($ millions) | **57.6** | 54.7 | **173.8** | 161.4 |
| Net income ($ millions) | **11.0** | 10.0 | **32.2** | 29.5 |
| Funds generated from operations ($ millions) [1] | **27.5** | 26.9 | **78.3** | 74.7 |
| Net income per unit ($) | **0.033** | 0.030 | **0.097** | 0.089 |
| Distributions per unit ($) | **0.017** | 0.016 | **0.049** | 0.049 |
| Total assets ($ millions) | **1,489.6** | 1,444.1 | **1,489.6** | 1,444.1 |
| Long-term debt, excluding current portion ($ millions) [2] | **803.4** | 775.8 | **803.4** | 775.8 |

1. See note 1 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.

## FINANCIAL POSITION

The following outlines the significant changes in the Partnership's balance sheet from December 31, 2007 to September 30, 2008:

| | Increase/Decrease ($millions) | Explanation |
|---|---|---|
| Accounts receivable | (20.8) | Decrease in receivables from the AESO as December 31, 2007 figures included two outstanding payments versus one payment at the end of September 2008. |
| Property, plant and equipment | 49.9 | Construction costs primarily related to the South West System upgrade, the Waupisoo substation, the Enbridge Rosyth Upgrade project and capital maintenance. |
| Contributions in advance of construction | 3.1 | Increase is mainly due to new construction contributions partially offset by refunds, the half yearly payment of interest to the AESO and to funds used in construction projects. |
| Operating and maintenance charges in advance | 4.0 | Increase is mainly due to new construction contributions which now include a portion for future operating and maintenance charges. |
| Long-term regulatory asset | 2.9 | Increase is due to hearing costs paid out to intervenors as approved by the AUC. |
| Current regulatory liabilities | 6.5 | Increase is mainly due to an increase in the direct assigned capital deferral account balance to reflect the impact of additions to rate base in 2008 being lower than the amount approved by the AUC. |

## RESULTS FOR THE THIRD QUARTER 2008

***Net Income***

Net Income for the three and nine months ended September 30, 2008 is higher than 2007 primarily due to the increase in transmission tariff revenue which is partially offset by increases in operating expenses, depreciation and interest expense as explained below.

***Revenues***

Total revenue of $57.6 million increased by $3.0 million in the third quarter of 2008 compared to the same quarter in 2007. Transmission tariffs approved by the AUC increased by $2.7 million while the allowance for funds used during construction (AFUDC) increased by $0.5 million. For the year-to-date, total revenue increased by $12.4 million as transmission tariffs increased by $10.6 million while the AFUDC increased by $1.4 million compared to the previous year. Tariff revenues received from the AESO, which constitute 94% (2007 – 95%) of the Partnership's total revenue, have increased primarily due to growth in transmission assets and recovery of increased operating costs.

For the nine months ended September 30, 2008, AltaLink incurred property, plant and equipment expenditures totaling $108.2 million ($173.6 million in 2007), all of which were funded by cash generated by operations, and capital projects with a total value of $55.4 million ($67.2 million in 2007) were completed and added to the regulatory rate base. The resulting increase in revenue reflects allowed returns on capital invested and recovery of depreciation charges on new capital additions. The increase in rate base as well as in the allowed rate of return on equity, from 8.51% in 2007 to 8.75% in 2008 have had an impact on the growth in total revenue.

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.

***Operating Expenses***

Operating expenses include salaries and wages (net of transfers to capital projects), contracted manpower, general staff related costs and insurance. The $0.7 million increase ($5.7 million increase for the year-to-date) in operating expenses in Q3 2008 compared to Q3 2007 reflects wage increases and general inflation, additional manpower and related expenses incurred as a result of AltaLink's continued growth. A portion of the increased operating costs is recovered through miscellaneous revenue for services provided to other utilities.

***Depreciation and Accretion Expense***

Depreciation is calculated on a straight-line basis with various rates ranging from 1.32% to 33.33% as approved by the AUC. The $1.7 million increase ($4.3 million increase for the year-to-date) in depreciation and accretion expense in Q3 2008 compared to Q3 2007, is due to the capital projects that were completed and added to property, plant and equipment.

***Interest Expense***

The $0.2 million increase in interest expense ($2.1 million increase for the year-to-date) in Q3 2008 compared to Q3 2007 reflects the costs of additional debt of $28.3 million borrowed over the past twelve months to fund ongoing capital expenditure programs, partially offset by lower interest rates.

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

For the three months ended September 30, 2008, EBITDA was $40.3 million, $3.0 million higher than the $37.3 million recorded in the corresponding quarter in 2007. For the nine months ended September 30, 2008, EBITDA was $118.7 million compared with $109.6 million for the nine months ended September 30, 2007. The increase in EBITDA for the three and nine month periods is due to the impact of increased net income and the change in interest and depreciation expense for the comparative periods as 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)** |
|---|---|---|---|---|
| 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 |
| December 31, 2005 | 47.5 | 10.0 | 331.9 | 0.030 |

Prior to January 1, 2007 the Allowance for Funds Used During Construction was being recorded in total revenue only in December and January, and this resulted in higher net incomes for those quarters. Starting in 2007, the allowance for funds used during construction was recorded in total revenue on a monthly basis, as it has increased in materiality compared to prior years. Adjustments related to the 2002 – 2004 deferral account for direct assigned capital projects were reflected in the December 2005 quarter.

## RISKS AND UNCERTAINTIES

The Partnership and the transmission business are subject to a variety of risks and uncertainties that may have material and adverse effects, financial and otherwise, on the results of the Partnership's operations. For a more detailed description of the risks faced by the Partnership, please see the section of the Partnership's Annual Information Form (AIF) entitled *"Risk Factors"*.

AltaLink has instituted controls and other mitigating measures to manage these risks. AltaLink's risk management program includes an annual risk assessment that identifies and provides an overview of the significant risks facing the Partnership and the strategies used to manage the risks.

The more significant items which have an impact on the financial condition and results of operations of the Partnership, identified throughout the foregoing discussion and analysis by management are as follows:

- Regulatory Approvals
- Capital Resources
- Labour Relations
- Insurance
- Damage from Natural Disasters
- Operations and Maintenance
- Environmental and Safety

In particular, the current crisis in global financial markets and fears of economic recession in other regions may reduce the urgency of proposed transmission projects.

These risks are discussed more thoroughly in the annual MD&A.

## 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 AltaLink anticipates or expects 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, AltaLink's 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 AltaLink's 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 AltaLink's AIF, for example) ;
- no unforeseen changes in rate-of-return and deemed capital structures for AltaLink's transmission businesses (refer to "*THE TRANSMISSION BUSINESS - Business Strategy; - Revenue Tariffs*" and "*ALBERTA'S ELECTRICITY MARKET STRUCTURE*" in AltaLink's 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 AltaLink including information obtained by AltaLink from third-party industry analysts. In some occurrences, material assumptions and factors are presented or discussed elsewhere herein in connection with the statements or disclosure containing the forward-looking information. AltaLink cautions 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) upon factors which may cause actual results, performance or achievements of AltaLink 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 AltaLink including information obtained by AltaLink from third-party industry analysts. Actual results may differ materially from those predicted by such forward-looking statements. While AltaLink does not know what impact any of these differences may have, its business, results of operations, financial condition and its 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 AltaLink fails to maintain and improve its aging asset base;
- the risks to our facilities posed by severe weather, other natural disasters or catastrophic events and AltaLink's limited insurance coverage for losses resulting from these events;

- the risks associated with forecasting AltaLink's revenue requirements and the possibility that AltaLink could incur operational, maintenance and administrative costs above those included in AltaLink's approved revenue requirement ;and
- the risk that AltaLink is 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 actual results, performance or achievements of AltaLink to differ materially from those contemplated (whether expressly or by implication) in the forward-looking statements or other forward-looking information are disclosed in AltaLink's publicly filed disclosure documents, including those found under "*RISK FACTORS*" herein and in AltaLink's Annual Information Form. Such risk factors that could lead to such differences include, without limitation, legislative and regulatory developments that could affect costs, 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 AltaLink operates, results of financing efforts, changes in counterparty risk and the impact of accounting standards issued by Canadian standard setters.

All forward-looking information herein is given as of October 28, 2008. AltaLink is 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. **Any forward-looking information contained herein is expressly qualified by this statement.**

## ADDITIONAL INFORMATION

Additional information relating to AltaLink including the Partnership's Annual Information Form is available on SEDAR at www.sedar.com.