Financial Statements

AltaLink, L.P.

Three and six months ended June 30, 2008 and 2007

(Unaudited)

AltaLink, L.P.

BALANCE SHEET
(Unaudited)

(in thousands of dollars)

As at	**June 30, 2008**	December 31, 2007
ASSETS		
Current		
Cash and cash equivalents	**$ —**	$ —
Accounts receivable *[note 8]*	**22,150**	42,925
Materials and supplies	**1,283**	1,345
Prepaid expenses and deposits	**9,232**	8,147
Regulatory assets	**3**	13
	32,668	52,430
Property, plant and equipment *[note 9]*	**1,172,691**	1,138,170
Contributions in advance of construction *[note 2]*	**32,520**	38,512
Operating and maintenance fees in advance *[note 2]*	**4,035**	2,382
Regulatory assets, long-term	**4,770**	2,306
Accrued benefit pension asset	**2,204**	2,329
Construction materials and supplies	**11,545**	12,103
Goodwill	**202,066**	202,066
	$ 1,462,499	$ 1,450,298
LIABILITIES AND PARTNERS' EQUITY		
Current		
Accounts payable and accrued liabilities *[note 8]*	**$ 41,138**	$ 42,919
Other liabilities	**1,537**	1,368
Regulatory liabilities	**9,876**	5,327
Current portion of long-term debt *[note 4]*	**138**	135
	52,689	49,749
Accrued employment benefits liabilities	**2,128**	1,815
Other liabilities	**2,623**	2,767
Contributions in advance of construction liability *[note 2]*	**32,520**	37,737
Operating and maintenance fees deferred revenue *[note 2]*	**4,035**	2,382
Regulatory liabilities, long-term	**17,202**	15,464
Asset retirement obligations *[note 3]*	**59,021**	57,954
Long-term debt *[notes 2 & 4]*	**793,377**	793,839
	963,595	961,707
Contingencies *[note 10]*		
Partners' equity		
Partners' capital	**408,536**	408,536
Retained earnings	**90,368**	80,055
	498,904	488,591
	$ 1,462,499	$ 1,450,298

See accompanying notes to the financial statements

AltaLink, L.P.

STATEMENTS OF INCOME, COMPREHENSIVE INCOME AND RETAINED EARNINGS

(Unaudited)

(in thousands of dollars)

	Three months ended June 30, 2008	Three months ended June 30, 2007	**Six months ended June 30, 2008**	Six months ended June 30, 2007
REVENUE				
Transmission tariff	**$ 54,822**	$ 49,835	**$ 109,046**	$ 101,154
Miscellaneous revenue	**2,321**	2,367	**4,731**	4,162
Allowance for equity funds used during construction	**1,383**	673	**2,370**	1,431
	58,526	52,875	**116,147**	106,747
EXPENSES				
Operating expenses	**17,976**	14,774	**32,466**	27,505
Property taxes	**4,324**	4,419	**8,526**	8,843
Depreciation and accretion	**17,850**	16,239	**35,498**	32,844
	40,150	35,432	**76,490**	69,192
	18,376	17,443	**39,657**	37,555
Interest and amortization of deferred financing fees *[note 4]*	**(10,746)**	(10,013)	**(21,754)**	(19,925)
Allowance for debt funds used during construction	**1,833**	914	**3,142**	1,942
	9,463	8,344	**21,045**	19,572
Gain (loss) on the sale of assets	**157**	(11)	**168**	(11)
Net and comprehensive income for the period	**$ 9,620**	$ 8,333	**$ 21,213**	$ 19,561
Retained earnings, beginning of period	**$ 86,248**	$ 69,906	**$ 80,055**	$ 61,225
Transition adjustment on adoption of financial instruments standards *[note 2]*	**—**	—	**—**	2,853
Distributions	**(5,500)**	(5,400)	**(10,900)**	(10,800)
Net income for the period	**9,620**	8,333	**21,213**	19,561
Retained earnings, end of period	**$ 90,368**	$ 72,839	**$ 90,368**	$ 72,839

See accompanying notes to the financial statements

AltaLink, L.P.

STATEMENT OF CHANGES IN PARTNERS' EQUITY
(Unaudited)

(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 2]*	—	2,853	—	2,853
Net income for the year	—	37,574	4	37,578
Equity injection	—	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 period	—	21,211	2	21,213
Distributions	—	(10,899)	(1)	(10,900)
Balance at June 30, 2008	**331,904**	**498,861**	**43**	**498,904**

See accompanying notes to the financial statements

AltaLink, L.P.

STATEMENT OF CASH FLOWS
(Unaudited)

(in thousands of dollars)

	Three months ended June 30,2008	Three months ended June 30,2007	**Six months ended June 30,2008**	Six months ended June 30, 2007
OPERATING ACTIVITIES				
Net income for the period	**$ 9,620**	$ 8,333	**$ 21,213**	$ 19,561
Items not involving cash				
Depreciation	**17,109**	15,414	**34,017**	31,252
Amortization of deferred financing fees	**273**	257	**689**	602
Accretion	**741**	825	**1,481**	1,592
Allowance for funds used during construction	**(3,216)**	(1,587)	**(5,512)**	(3,373)
Loss (gain) on the sale of assets	**(157)**	11	**(168)**	11
Asset retirement obligations settled	**(3)**	(292)	**(414)**	(1,274)
Change in long-term regulatory accruals	**(1,483)**	(396)	**(726)**	(285)
Change in other non-cash items	**700**	148	**295**	(257)
Funds generated in operations	**23,584**	22,713	**50,875**	47,829
Change in non-cash working capital items	**(2,318)**	(12,610)	**25,996**	(1,092)
Cash provided by operating activities	**21,266**	10,103	**76,871**	46,737
INVESTING ACTIVITIES				
Capital expenditures	**(40,160)**	(61,684)	**(77,561)**	(109,539)
Use of customer contributions	**11,564**	2,220	**11,792**	5,404
Proceeds from the sale of assets	**156**	157	**171**	157
Cash used in investing activities	**(28,440)**	(59,307)	**(65,598)**	(103,978)
FINANCING ACTIVITIES				
Issuance of senior notes	**100,070**	67	**100,070**	67
Repayment of senior notes	**(100,067)**	(64)	**(100,067)**	(64)
Increase (decrease) in other debt	**13,432**	54,601	**(383)**	42,878
Deferred financing fees	**(761)**	(14)	**(768)**	(44)
Distributions paid	**(5,500)**	(5,400)	**(10,900)**	(10,800)
Increase in partners' equity	**—**	—	**—**	25,000
Decrease in contributions in advance of construction	**7,440**	376	**5,992**	917
Decrease in contributions in advance of construction liability	**(7,440)**	(362)	**(5,217)**	(2,091)
Increase in operating and maintenance fees in advance	**(1,194)**	—	**(1,653)**	—
Increase in operating and maintenance fees deferred revenue	**1,194**	—	**1,653**	—
Increase in other liabilities	**—**	—	**—**	1,378
Cash provided by (used in) financing activities	**7,174**	49,204	**(11,273)**	57,241
Net increase in cash and cash equivalents	**—**	—	**—**	—
Cash and cash equivalents, beginning of period	**—**	—	**—**	—
Cash and cash equivalents, end of period	**—**	$ —	**—**	$ —
Cash interest paid during the period	**$ 13,998**	$ 13,250	**$ 21,131**	$ 19,517

See accompanying notes to the financial statements

AltaLink, L.P.

NOTES TO FINANCIAL STATEMENTS

Three and six months ended June 30, 2008 and 2007
(Unaudited)

1. BASIS OF ACCOUNTING

The interim financial statements of AltaLink, L.P. (the Partnership or "AltaLink") have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP), following the same accounting policies and methods of computation as the financial statements for the twelve months ended December 31, 2007, except for the changes in accounting policies cited in Note 2, upon the initial adoption of new accounting standards. These interim financial statements do not include all of the disclosures required in annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Partnership's financial statements for the twelve months ended December 31, 2007. Operating results for the six months ended June 30, 2008 are not necessarily indicative of the results that may be expected for the twelve months ending December 31, 2008.

2. 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 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, 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 Section 3863 – *Financial Instruments – Presentation*, which were effective for interim periods beginning on or after October 1, 2007.

i) As described in Note 5, 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.*

2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES [CONT'D]

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.

b) Capital Disclosures

As described in Note 6, 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 – 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* does not have any effect on the Partnership's financial statements.

d) Contributions and Operating and Maintenance Fees 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.

2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES [CONT'D]

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.

Future Accounting Changes

a) 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.

b) 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.

NOTES TO FINANCIAL STATEMENTS [CONT'D]

Three and six months ended June 30, 2008 and 2007
(Unaudited)

3. ASSET RETIREMENT OBLIGATIONS

As of June 30, 2008, the estimated total undiscounted amount of asset retirement obligations was approximately $131.8 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 2008 and 2047. Discount rates ranging from 4.52% to 5.41% were used to calculate the carrying value of the asset retirement obligations.

	As at June 30, 2008	As at December 31, 2007
(in thousands of dollars)		
Balance, beginning of period	**$ 57,954**	$ 56,380
Liabilities incurred in period	**—**	65
Liabilities settled in period	**(414)**	(1,560)
Accretion expense	**1,481**	3,069
Balance, end of period	**$ 59,021**	$ 57,954

AltaLink, L.P.

NOTES TO FINANCIAL STATEMENTS [CONT'D]

Three and six months ended June 30, 2008 and 2007
(Unaudited)

4. DEBT

	Effective interest rate	Maturing	**As at June 30, 2008**	As at December 31, 2007
(in thousands of dollars)				
Series 3 subordinated 8.000%	**8.020%**	2012	**$ 85,000**	$ 85,000
Series 03-1 4.450%	**5.206%**	2008	**—**	100,000
Series 03-2 5.430%	**5.885%**	2013	**325,770**	325,836
Series 06-1 5.249%	**5.299%**	2036	**150,000**	150,000
Series 08-1 5.243%	**5.292%**	2018	**100,000**	—
Commercial paper, unsecured	**3.300%**	2010	**139,907**	140,221
			800,677	801,057
Less: deferred financing fees				
Series 3 8.000%			**61**	56
Series 03-1 4.450%			**—**	346
Series 03-2 5.430%			**5,237**	5,586
Series 06-1 5.249%			**1,094**	1,095
Series 08-1 5.243%			**770**	—
			7,162	7,083
Total debt, net of deferred financing fees			**793,515**	793,974
Less: Current portion of long-term debt			**138**	135
Total long-term debt			**$ 793,377**	$ 793,839

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 million of secured, medium-term notes. On May 29, 2008, $100 million of notes were issued under the shelf prospectus and the proceeds were used to repay $100 million of Series 03-1 notes, which matured on June 5, 2008. The Series 08-1 notes are senior secured obligations of the Partnership. Collateral for the secured debt obligations consists of a first floating charge security interest on the Partnership's assets.

NOTES TO FINANCIAL STATEMENTS [CONT'D]

Three and six months ended June 30, 2008 and 2007
(Unaudited)

4. DEBT [CONT'D]

Interest and amortization of deferred financing fees

	Three months ended June 30, 2008	Three months ended June 30, 2007	**Six months ended June 30, 2008**	Six months ended June 30, 2007
(in thousands of dollars)				
Deferred financing fees amortized	**$ 273**	$ 257	**$ 689**	$ 602
Interest on debt	**10,473**	9,756	**21,065**	19,323
Total interest and amortization of deferred financing fees on debt	**10,746**	10,013	**21,754**	19,925
Less: short-term portion of interest on debt	**—**	—	**—**	—
Total long-term portion of interest and amortization of deferred financing fees	**$ 10,746**	$ 10,013	**$ 21,754**	$ 19,925

5. FINANCIAL INSTRUMENTS

Upon adoption of the standards as described in note 2(a) Financial Instruments, AltaLink has made the following classifications:

Financial Instrument	Designated Category	Measurement Basis	Associated Risks	Fair Value at June 30, 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	Fair value	• 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	$810.7 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 fees in advance	Held for trading	Fair value	• Market • Credit • Liquidity	Approximates fair value due to the nature of the asset [3]
Operating and maintenance fees 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. Long-term debt obligations have been valued using prevailing Government of Canada interest rates and the Partnership's credit spread.
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 3.05% at June 30, 2008 (December 31, 2007 - 4.49%). Interest received is accumulated throughout the year and paid annually to the Alberta Electric System Operator (AESO).

5. FINANCIAL INSTRUMENTS [CONT'D]

3. Operating and maintenance fees in advance are held in short-term investments, the carrying values of which do not differ materially from the fair values. Operating and maintenance fees in advance earned an effective interest rate of 3.05% at June 30, 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.

a) 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 88% of its accounts receivable balance is due from the AESO (December 31, 2007 – 91%). For the six months ended June 30, 2008, transmission tariff revenues accounted for approximately 94% (June 30, 2007 – 95%) of operating revenues. The remainder was comprised mainly of revenue from tower and land leases and the provision of services to others.

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 June 30, 2008, 96% of receivables are currently less than 30 days.

b) 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.

NOTES TO FINANCIAL STATEMENTS [CONT'D]

Three and six months ended June 30, 2008 and 2007
(Unaudited)

5. FINANCIAL INSTRUMENTS [CONT'D]

i) Interest Rate Risk

Existing long-term debt has been pre-approved by the Alberta Utilities Commission (AUC) and the approved costs are fully recoverable in rates. The Partnership is not exposed to interest rate risk with respect to the cost of long-term debt issues during the current General Tariff Agreement (GTA) period as it is subject to a long-term debt cost deferral account whereby deficiencies or surpluses are subject to disposition through the regulatory process.

The Partnership's commercial paper has variable interest rates and, accordingly, it exposes the Partnership to interest rate risk through fluctuations in the variable interest rate.

To help manage interest rate risk, AltaLink controls the proportion of fixed to 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 is not subject to deferral account treatment. AltaLink forecasts the interest rate on its commercial paper in the GTA and is subject to interest rate risk. As at June 30 2008, the Partnership had $139.9 million of commercial paper outstanding at an average rate of 3.30%. A 10% increase in short-term interest rates (33 basis points) would produce an increase in interest expense and reduction in net income for the second quarter of $0.1 million.

ii) Foreign Exchange Risk

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

c) 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.

6. CAPITAL RISK MANAGEMENT

AltaLink's objectives when managing capital are to safeguard the Partnership's ability to continue as a going concern, so that it can continue to provide returns for partners and maintain an optimal capital structure to reduce the cost of capital for customers and other stakeholders. In order to maintain or adjust the capital structure, AltaLink may adjust the amount of distributions paid to partners, return capital to partners, or request new contributions from partners.

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, which 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. AltaLink delivers an "Officer's Certificate" to the Trustee saying the aggregate amount of all indebtedness does not exceed 75% of total capital as defined below.

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 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 is well within any debt targets and other ratios required by the Master Trust Indenture. However, there are more stringent, self-imposed debt targets that are monitored regularly which have an impact on borrowing levels and timing of equity injections from AltaLink's partners. One of the key ratios used by AltaLink to manage its capital structure is the leverage ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total short-term and long-term debt adjusted for the change in presentation of deferred financing fees. Total capital is calculated as equity as shown in the balance sheet plus net debt.

Currently, AltaLink's strategy is to maintain the debt leverage ratio at a maximum of 62.5% in order to access financing at a reasonable cost.

7. EMPLOYEE FUTURE BENEFITS

	Three months ended June 30, 2008	Three months ended June 30, 2007	**Six months ended June 30, 2008**	Six months ended June 30, 2007
(in thousands of dollars)				
Pension and other post-employment benefit expense consists of:				
Other post-employment benefits	**$ 142**	$ 71	**$ 285**	$ 142
Supplemental pension expense	**17**	14	**34**	28
	$ 159	$ 85	**$ 319**	$ 170

8. RELATED PARTY TRANSACTIONS

In 2002, AltaLink executed a ten-year contract with SNC-Lavalin ATP Inc., 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.

AltaLink paid SNC-Lavalin ATP $24.7 million for construction related services which are capitalized in various projects, compared with $57.1 million for the six months ended June 30, 2007.

In the normal course of business, the Partnership transacts with its partners and other related entities under common control. Amounts due from (to) related parties included in accounts receivable and accounts payable are:

	As at June 30, 2008	As at December 31, 2007
(in thousands of dollars)		
AltaLink Management Ltd.	**$ (3,104)**	$ (3,669)
SNC Lavalin ATP Inc.	**(19,790)**	(21,913)
AltaLink Investments, L.P.	**(1,105)**	(1,072)
AltaLink Investment Management Ltd.	**7**	8
AltaLink Holdings, L.P.	**22**	46
Macquarie North America Ltd.	**—**	1

9. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2008			December 31, 2007		
	Cost	**Accumulated depreciation**	**Net book value**	Cost	Accumulated depreciation	Net book value
(In thousands of dollars)						
Transmission network	**$ 1,290,635**	**$ (297,069)**	**$ 993,566**	$ 1,264,168	$ (264,868)	$ 999,300
Assets under construction	**157,120**	**—**	**157,120**	115,767	—	115,767
Long-lived asset [1]	**43,414**	**(21,409)**	**22,005**	43,414	(20,311)	23,103
	$ 1,491,169	**$ (318,478)**	**$1,172,691**	$ 1,423,349	$ (285,179)	$ 1,138,170

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

The total amount of allowance for funds used during construction (AFUDC) for the six months ended June 30, 2008 was $5.5 million, $3.4 million for the six months ended June 30, 2007 and $7.2 million for the twelve months ended December 31, 2007.

Included in Assets under construction is approximately $40.3 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. Regulatory proceedings are expected to commence in 2008. 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.

10. CONTINGENCIES

AltaLink Management Ltd. (AML), the General Partner of the Partnership, was named party to an action commenced on December 5, 2005 by George and Karen Gray, alleging the improper operation of specific transmission assets owned by the Partnership. A discontinuance of this action was filed by the plaintiffs on April 23, 2008. This claim was resolved during the second quarter of 2008.

The Partnership has received a notice from Imperial Oil Limited (IOL) claiming indemnification by 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 arises from a disruption to power service on December 13, 2006, which allegedly caused a portion of IOL's refinery to shut down. The claim includes approximately $21.0 million relating to alleged production losses incurred during the shut down. It is the Partnership's position that the incident giving rise to the power outage was not caused by the negligence of the Partnership or its contractors and therefore the Partnership is not liable for any losses or damages incurred by IOL. It is also the Partnership's position that both the interconnection agreement with IOL and the Liability Protection Regulation (Alberta) shield the Partnership from liability for indirect damages, including loss of production. Currently, the Partnership and IOL are in discussions to resolve the matter, and therefore the potential outcome and amount of any settlement are presently unknown; therefore a provision for a liability is not included in these financial statements.

In Decision 2007-012, the AUC directed the Partnership to use the flow-through (i.e. 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 will have to be made. Accordingly, the AUC directed the Partnership in its next general tariff application to propose options to address the disposition of these amounts. As this disposition 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 this matter at June 30, 2008.

On May 14, 2008, the Partnership received a motion from an intervenor in the 500kV Edmonton to Calgary transmission reinforcement proceeding (500kV proceeding) seeking an order from the AUC, which prior to January 1, 2008 was known as the Alberta Energy and Utilities Board (EUB), that AltaLink pay approximately $2.7 million in intervenor costs incurred in the 500kV proceeding. The motion arises from a cost order respecting the 500kV Proceeding (EUB Energy Cost Order 2008–02) and the EUB's decision of September 30, 2007 (EUB Decision 2007-075) which voided EUB Decision 2006-114, EUB Decision 2005-031 and the related 500kV Edmonton to Calgary facility application. Decision 2007-075 was issued based on circumstances that the EUB's administration of the hearings had "accumulated into a reasonable apprehension of bias".

Three and six months ended June 30, 2008 and 2007
(Unaudited)

10. CONTINGENCIES [CONT'D]

It is the Partnership's position that all costs which AltaLink prudently incurred in respect of the 500kV Proceeding prior to EUB Decision 2007-075 including but not limited to local intervenor costs, constitute legitimate costs reasonably incurred by AltaLink as owner of its regulated transmission business and will be included in a future AltaLink application for recovery of costs. In EUB Energy Cost Order 2008-002 the AUC ruled that the interim funding approved shall be recorded in AltaLink's hearing cost reserve account. The AUC has not established a process to resolve the motion and therefore the potential outcome is presently unknown. As a result, no amounts have been accrued in relation to this matter at June 30, 2008.

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.

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.