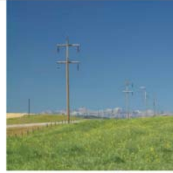
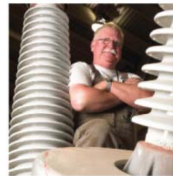
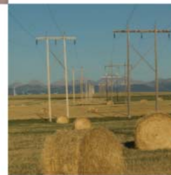


Financial Statements

AltaLink, L.P.
Year ended December 31, 2011 and 2010





ALTALINK

Independent Auditor's Report

To the Partners of AltaLink, L.P.

We have audited the accompanying financial statements of AltaLink, L.P., which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the statements of comprehensive income, changes in partners' equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of AltaLink, L.P. as at December 31, 2011, December 31, 2010 and January 1, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Deloitte & Touche LLP

Chartered Accountants
February 23, 2012
Calgary, Canada

Statement of Financial Position

	Note		December 31, 2011		As at December 31, 2010		January 1, 2010
(in thousands of dollars)							
ASSETS							
Current							
Trade and other receivables	5	**$**	**74,928**	$	44,504	$	33,649
Cash and cash equivalents			**15,408**		12,783		8,319
			90,336		57,287		41,968
Non-current							
Goodwill			**202,066**		202,066		202,066
Intangible assets	6		**104,949**		84,965		42,085
Property, plant and equipment	7		**2,637,735**		2,072,816		1,725,203
Third party deposits	8		**95,285**		48,965		62,842
Other non-current assets	9		**26,174**		20,134		2,893
		$	**3,156,545**	$	2,486,233	$	2,077,057
LIABILITIES AND PARTNERS' EQUITY							
Current							
Trade and other payables	10	**$**	**222,006**	$	138,961	$	133,256
Short-term debt	11(a)		**103,981**		—		47,982
Current portion of deferred revenue	12		**10,036**		8,870		5,606
			336,023		147,831		186,844
Non-current							
Long-term debt	11(b)		**1,219,244**		1,030,211		756,501
Deferred revenue	12		**481,094**		422,884		368,353
Third party deposits liability	8		**95,285**		48,965		62,842
Other non-current liabilities	13		**16,252**		27,002		20,863
			2,147,898		1,676,893		1,395,403
Commitments and contingencies	21, 22						
Partners' equity	19		**1,008,647**		809,340		681,654
		$	**3,156,545**	$	2,486,233	$	2,077,057

See accompanying notes to the financial statements, including note 24 – Explanation of transition from Canadian GAAP to IFRS

Approved on behalf of the Board of Directors

David Tuer
Director

Patricia Nelson
Director

ALTALINK

Statement of Comprehensive Income

	Note		Year ended		
			December 31, 2011		December 31, 2010
(in thousands of dollars)					
Revenue					
Operations	16	**$**	**343,206**	$	297,044
Other	17		**22,348**		28,449
			365,554		325,493
Expenses					
Operating	18(a)		**(73,819)**		(74,385)
Depreciation and amortization			**(93,099)**		(86,880)
Property taxes, salvage and other	18(b)		**(44,574)**		(44,147)
			(211,492)		(205,412)
			154,062		120,081
Finance costs	11(e)		**(62,355)**		(46,768)
Loss on disposals of assets			**(5,938)**		(6,156)
Net income			**85,769**		67,157
Other comprehensive income and loss					
Actuarial loss	14(e)		**(462)**		(871)
Total comprehensive income for the year		**$**	**85,307**	$	66,286

See accompanying notes to the financial statements, including note 24 – Explanation of transition from Canadian GAAP to IFRS

ALTALINK

Statement of Changes in Partners' Equity

	Note	Units	Allocation to Limited Partner	Allocation to General Partner	Total Retained Earnings	Partners' Capital	Total
(in thousands)							
As at January 1, 2010		331,904	$ 132,570	$ 48	$ 132,618	$ 549,036	$ 681,654
Comprehensive income		—	66,279	7	66,286	—	66,286
Equity investment received	19	—	—	—	—	89,400	89,400
Distributions paid		—	(27,997)	(3)	(28,000)	—	(28,000)
Balance at December 31, 2010		**331,904**	**$ 170,852**	**$ 52**	**$ 170,904**	**$638,436**	**$ 809,340**
As at January 1, 2011		331,904	$ 170,852	$ 52	$ 170,904	$ 638,436	$ 809,340
Comprehensive income		—	85,299	8	85,307	—	85,307
Equity investment received	19	—	—	—	—	145,000	145,000
Distributions paid		—	(30,997)	(3)	(31,000)	—	(31,000)
Balance at December 31, 2011		**331,904**	**$ 225,154**	**$ 57**	**$ 225,211**	**$ 783,436**	**$ 1,008,647**

See accompanying notes to the financial statements, including note 24 – Explanation of transition from Canadian GAAP to IFRS

ALTALINK

Statement of Cash Flows

	Note	Year ended December 31, 2011	December 31, 2010
(in thousands of dollars)			
Cash flows from operating activities			
Net income		**$ 85,769**	$ 67,157
Adjustments for:			
Depreciation and amortization		**93,099**	86,880
Third party contributions revenue		**(9,172)**	(7,905)
Loss on disposals of assets		**5,938**	6,156
Finance costs		**62,355**	46,768
Change in other items	20	**(21,923)**	(10,782)
Interest paid		**(59,537)**	(49,125)
Funds generated from operations		**156,529**	139,149
Change in non-cash working capital items	20	**(14,546)**	(19,058)
Net cash provided by operating activities		**141,983**	120,091
Cash flows from investing activities			
Capital expenditures		**(683,907)**	(477,176)
Change in non-cash working capital items	20	**65,214**	11,140
Use of third party contributions		**72,912**	64,023
Proceeds from retirement of assets		**726**	482
Net cash used in investing activities		**(545,055)**	(401,531)
Cash flows from financing activities			
Senior debt issued		**275,000**	275,014
Commercial paper and bank credit facilities used (repaid)		**18,981**	(47,982)
Distributions paid		**(31,000)**	(28,000)
Equity investment received		**145,000**	89,400
Change in other financing activities	20	**(2,284)**	(2,528)
Net cash provided by financing activities		**405,697**	285,904
Net increase in cash and cash equivalents		**2,625**	4,464
Cash and cash equivalents, beginning of year		**12,783**	8,319
Cash and cash equivalents, end of year		**$ 15,408**	$ 12,783

See accompanying notes to the financial statements, including note 24 – Explanation of transition from Canadian GAAP to IFRS

ALTALINK

1. General information

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

On September 20, 2011, SNC-Lavalin Transmission Ltd. became the sole owner of the Partnership by acquiring Macquarie Transmission Alberta Ltd. (Macquarie), which previously held a 23.08% minority interest.

SNC-Lavalin Group Inc (SNC) is the ultimate parent of the Partnership.

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

During the years ended December 31, 2011 and 2010, the Partnership operated solely in one reportable geographical and business segment.

2. Basis of preparation

(a) Statement of compliance

These annual financial statements have been prepared on a going-concern basis in accordance with International Financial Reporting Standards (IFRS). The Partnership has applied IFRS 1 - *First time Adoption of International Financial Reporting Standards* to prepare the opening Statement of Financial Position as at January 1, 2010, the transition date.

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

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

The Partnership has consistently applied the same accounting policies in its opening IFRS Statement of Financial Position at January 1, 2010, and throughout all years presented, as if these policies had always been in effect except for certain transition elections disclosed in note 24 – *Explanation of transition from Canadian GAAP to IFRS*, which explains the impacts of adopting IFRS on the previously reported financial position, financial performance and cash flows of the Partnership.

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

2. Basis of preparation (cont'd)

These financial statements were approved for issue by the Board of Directors on February 23, 2012.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgement

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

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

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

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

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

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

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

3. Summary of significant accounting policies

(a) Regulation of transmission tariff

The Partnership operates under cost of service regulation in accordance with the EUA. The AUC must provide the Partnership with a reasonable opportunity to recover its prudently incurred and forecasted costs, including operating expenses, depreciation, cost of debt, capital and taxes associated with investment, and a fair return-on-investment. Fair return is determined on the basis of return on rate base and allowance for funds used during construction (AFUDC) for non-direct-assigned projects included in construction work in progress (CWIP). As disclosed in Note 16, with effect from January 1, 2011 the AUC has also authorized accelerated recovery of AFUDC for direct-assigned projects, which is referred to as “CWIP in rate base”. The Partnership applies for a transmission tariff based on forecasted costs of service. Once approved, the transmission tariff is not adjusted if actual costs of service differ from forecast, except certain prescribed costs for which deferral and reserve accounts are established within the transmission tariff. The transmission tariff is received from the AESO in equal monthly installments. All tariff adjustments arising from deferral or reserve accounts relate to services provided to the AESO during the test years, and settlement of these accounts with the AESO is not contingent on providing future services.

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

(b) Revenue recognition

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

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

(c) Financial assets and liabilities related to regulated activities

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

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

(d) Interest in Heartland Region Transmission Development project

The Heartland Region Transmission Development project is a joint operation to construct transmission assets in the Heartland Region. AltaLink has a 50% equity interest in the joint operation. The Partnership’s financial statements include its share of the assets, liabilities, income and expenses of the project, which are classified according to their nature.

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

(e) Property, plant and equipment

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

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

When an asset is retired or disposed of, the gain or loss is recognized immediately in the statement of comprehensive income.

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

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

(f) Goodwill

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

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

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

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

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

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

(g) Intangible assets

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

i. Land rights

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

ii. Computer software

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

(h) Third party deposits

i. Contributions in advance of construction

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

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

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

(i) Cash and cash equivalents

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

(j) Provisions

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

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

(k) Employee benefit obligations

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

i. Defined contribution plan

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

ii. Defined benefit plans

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to other comprehensive income in the statement of comprehensive income and are recognised immediately in retained earnings in the period in which they arise.

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

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

iii. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in the statement of comprehensive income as the related service is provided.

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

iv. Long-term employee benefits

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

(l) Short-term and long-term debt

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

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

(m) Income taxes

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

(n) Foreign currency translation

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

(o) Deferred lease inducements

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

(p) Leases

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

(q) Capitalized borrowing costs

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

The Partnership borrows funds to provide financing for its capital construction program. Borrowing costs eligible for capitalization are applied to capital expenditures unless the borrowing costs are eligible to be recovered through transmission tariffs in the year in which the costs are incurred. The capitalization rate is based on actual costs of debt used to finance the acquisition or construction of qualifying assets.

(r) Adoption of new and revised accounting standards

Effective for the year ending December 31, 2012

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

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

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

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

Effective for the year ending December 31, 2013

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

IFRS 10 – *Consolidated Financial Statements*, IFRS 11 – *Joint Arrangements*, IFRS 12 – *Disclosure of Interests in Other Entities* & IFRS 13 – *Fair Value Measurement* were issued by the IASB in May 2011. They replace parts of IAS 27 – *Consolidated and Separate Financial Statements* & IAS 28 – *Investments in Associates and Joint Ventures* and relate to the accounting and disclosure for interests in other companies. IFRS 13 gives guidance on how to measure assets and liabilities at fair value as well as the disclosure required to explain management's assumptions to the reader. Mandatory application is for periods beginning on or after January 1, 2013. The standards can be adopted early only as a group, with the exception of IFRS 13, which can be adopted early on its own. It is not expected that adopting these standards will significantly impact the Partnership's financial statements. The Partnership does not plan to adopt these standards early.

Amendments to IAS 19 – *Employee Benefits* were issued by the IASB in June 2011. The amendments are expected to increase disclosure and presentation in the Partnership's financial statements. The amendments are effective for financial periods beginning on or after January 1, 2013. Implementing these amendments is not expected to result in material changes to the Partnership's financial statements.

Effective after 2013

IFRS 9 - *Financial Instruments: Classification and Measurement* (IFRS 9) was issued by the International Accounting Standards Board (IASB) on November 12, 2009 and will replace IAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. It is not expected to have a material effect on the financial statements of the Partnership.

4. Risk management and financial instruments

(a) Fair value of financial instruments

Financial Instrument	Designated Category	Measurement Basis	Associated Risks	Fair Value at December 31, 2011
Cash and cash equivalents	Held for trading	Fair value	• Market • Credit • Liquidity	Measured at fair value. Cash and cash equivalents earn interest at floating rates based on daily bank deposit rates.
Trade and other receivables *[note 5]*	Loans and receivables	Initially at fair value and subsequently at amortized cost	• Credit • Liquidity	Carrying value approximates fair value due to short-term nature.
Other non-current assets *[note 9]*	Loans and receivables	Initially at fair value and subsequently at amortized cost	• Credit • Liquidity	Amortized cost or carrying value approximates fair value due to nature of asset.
Trade and other payables *[note 10]*	Other liabilities	Initially at fair value and subsequently at amortized cost	• Liquidity	Carrying value approximates fair value due to short-term nature.
Other non-current liabilities *[note 13]*	Other liabilities	Initially at fair value and subsequently at amortized cost	• Liquidity	Amortized cost or carrying value approximates fair value due to nature of liability.
Short-term and long-term debt *[note 11]*	Other liabilities	Initially at fair value and subsequently at amortized cost	• Market • Liquidity	$1,490.3 million. Fair values are determined using quoted market prices (which are classified as level 1 inputs) for the same or similar issues. Where market prices are not available, fair values are estimated using discounted cash flow analysis based on the Partnership's current borrowing rate for similar borrowing arrangements.
Third party deposits *[note 8]*	Held for trading	Fair value	• Market • Credit • Liquidity	Measured at fair value. The cash received is held in short-term investments.
Third party deposits liability *[note 8]*	Other liabilities	Initially at fair value and subsequently at amortized cost	• Liquidity	Carrying value approximates fair value due to the nature of the liability.

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

(b) Credit risk

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

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

The Partnership has a concentration of credit risk as approximately 75% of its trade receivable balance is due from the AESO (December 31, 2010 – 73%; January 1, 2010 – 91%). In addition, other receivables include $21.1 million due from an investment grade utility pursuant to the terms of the joint operation agreement for the Heartland project. The remainder is comprised mainly of accounts receivable due from other utilities for tower and land leases and other services. The credit risk is mitigated by the fact that the AESO has been established under the Electric Utilities Act (Alberta), while the remaining receivables are mostly due from other investment grade utilities.

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

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

(c) Market risk

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

i. Interest rate risk

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

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

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

ii. Foreign exchange risk

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

(d) Liquidity risk

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

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

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

(e) Capital risk management

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

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

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

Summary of capital structure

	As at					
	December 31, 2011		December 31, 2010		January 1, 2010	
	(millions)	%	(millions)	%	(millions)	%
Short-term debt	**$ 104.0**	**4.4**	$ —	—	48.0	3.2
Long-term debt, excluding deferred financing fees	**1,227.1**	**52.5**	1,037.7	56.2	762.9	51.1
Partners' capital	**783.4**	**33.5**	638.4	34.5	549.0	36.8
Retained earnings	**225.2**	**9.6**	170.9	9.3	132.6	8.9
	$ 2,339.7	**100.0**	$ 1,847.0	100.0	$ 1,492.5	100.0

As at December 31, 2011, the Partnership was subject to externally imposed capitalization requirements under the Master Trust Indenture and the bank credit facilities described in note 11 – *Debt*. These agreements limit the amount of debt that can be incurred relative to partners' equity. The Partnership was in compliance with these capitalization requirements as at December 31, 2011.

5. Trade and other receivables

	As at		
	December 31, 2011	December 31, 2010	January 1, 2010
(in thousands of dollars)			
Trade receivables	**$ 41,203**	$ 31,677	$ 24,534
Recovery of joint project costs	**21,121**	—	—
Prepaid expenses and deposits	**5,793**	6,234	7,646
Current portion of financial assets related to regulated activities	**6,811**	6,593	1,469
	$ 74,928	$ 44,504	$ 33,649

Trade receivables includes amounts due from the AESO for transmission tariff and from third parties for transmission related services.

The recovery of joint project costs represents the amount due from our partner in the Heartland project for their share of the costs that we have incurred in the development of the project.

Financial assets related to regulated activities include the recovery of certain costs incurred by the Partnership relating to its primary activities that are greater than what has been received to date in tariff revenue. The Partnership has recognized as receivables the expenses to be recovered through the regulatory process. The current portion of such assets reflects the amounts to be recovered within the next twelve months. Included in the 2010 and 2011 balance is $5.9 million of recoverable costs incurred to repair damage to storm-damaged transmission assets in 2010. The Partnership expects to recover these costs through the transmission tariff.

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

6. Intangible assets

	Land rights	Computer software	Intangibles in CWIP	Total
(in thousands of dollars)				
Cost				
As at January 1, 2010	$ 15,244	$ 26,841	$ —	$ 42,085
Additions to CWIP	—	—	50,384	50,384
Transfers	36,357	10,962	(47,319)	—
Retirements	—	(129)	—	(129)
As at December 31, 2010	51,601	37,674	3,065	92,340
Additions to CWIP	—	—	29,955	29,955
Transfers	3,794	10,428	(14,222)	—
Retirements	(1)	(36)	—	(37)
As at December 31, 2011	**$ 55,394**	**$ 48,066**	**$ 18,798**	**$ 122,258**
Accumulated amortization				
As at January 1, 2010	$ —	$ —	$ —	$ —
Amortization	(1,079)	(6,425)	—	(7,504)
Retirements	—	129	—	129
As at December 31, 2010	(1,079)	(6,296)	—	(7,375)
Amortization	(1,054)	(8,916)	—	(9,970)
Retirements	—	36	—	36
As at December 31, 2011	**$ (2,133)**	**$ (15,176)**	**$ —**	**$ (17,309)**
Net book value				
As at January 1, 2010	$ 15,244	$ 26,841	$ —	$ 42,085
As at December 31, 2010	$ 50,522	$ 31,378	$ 3,065	$ 84,965
As at December 31, 2011	**$ 53,261**	**$ 32,890**	**$ 18,798**	**$ 104,949**

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

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

Asset class description	2011	2010
Land rights	**2.00%**	2.85%
Computer software	**12.38% - 24.32%**	12.95% - 25.64%
Intangibles in CWIP	**Not subject to amortization**	Not subject to amortization

7. Property, plant and equipment

	Lines[1]	Substations[2]	Buildings & Equipment[3]	Land & CWIP[4]	Total
(in thousands of dollars)					
Cost					
As at January 1, 2010	$ 527,301	$ 771,919	$ 72,290	$ 353,693	$ 1,725,203
Additions to CWIP	—	—	—	431,618	431,618
Transfers	213,285	257,319	11,903	(482,507)	—
Retirements	(4,740)	(2,390)	(403)	(3)	(7,536)
As at December 31, 2010	735,846	1,026,848	83,790	302,801	2,149,285
Additions to CWIP	—	—	—	658,980	658,980
Transfers	79,117	191,299	20,093	(290,509)	—
Retirements	(2,672)	(6,768)	(551)	(75)	(10,066)
As at December 31, 2011	**$ 812,291**	**$ 1,211,379**	**$ 103,332**	**$ 671,197**	**$ 2,798,199**
Accumulated Depreciation					
As at January 1, 2010	$ —	$ —	$ —	$ —	$ —
Depreciation expense	(23,949)	(47,910)	(7,517)	—	(79,376)
Retirements	1,191	1,458	258	—	2,907
As at December 31, 2010	(22,758)	(46,452)	(7,259)	—	(76,469)
Depreciation expense	(23,888)	(50,622)	(8,619)	—	(83,129)
Retirements	(892)	(409)	435	—	(866)
As at December 31, 2011	**$ (47,538)**	**$ (97,483)**	**$ (15,443)**	**$ —**	**$ (160,464)**
Net book value					
As at January 1, 2010	$ 527,301	$ 771,919	$ 72,290	$ 353,693	$ 1,725,203
As at December 31, 2010	$ 713,088	$ 980,396	$ 76,531	$ 302,801	$ 2,072,816
As at December 31, 2011	**$ 764,753**	**$ 1,113,896**	**$ 87,889**	**$ 671,197**	**$ 2,637,735**

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

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

The Partnership capitalized borrowing costs of $0.8 million for the year ended December 31, 2011 ($6.8 million for the year ended December 31, 2010) at a capitalization rate of 5.31% (5.51% for the year ended December 31, 2010). Borrowing costs capitalized in 2010 relating to directly assigned projects were $6.0 million. The remaining $0.8 million for 2010 related to replacement and upgrade projects. Borrowing costs in 2011 have been capitalized for replacement and upgrade projects only. In Decision 2011-453, the AUC approved, for directly assigned projects, the recovery of borrowing costs during the year in which they are incurred, rather than over the lives of the related assets. The borrowing costs related to directly assigned projects have not been capitalized within PP&E, as there are no future economic benefits associated with those borrowing costs. The borrowing costs related to directly assigned projects for the year ended December 31, 2011 were $9.9 million and are included within the current year transmission tariff as approved in Decision 2011-453.

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

Asset class description	2011	2010
Lines	**2.49% - 4.86%**	3.04% - 8.47%
Substations	**3.03% - 12.09%**	3.04% - 20.16%
Buildings & equipment	**2.68% - 23.41%**	2.91% - 26.65%
Land and construction work in progress	**Not subject to depreciation**	Not subject to depreciation

8. Third party deposits

		As at	
(in thousands of dollars)	**December 31, 2011**	December 31, 2010	January 1, 2010
Contributions in advance of construction	**$ 84,671**	$ 37,476	$ 50,620
Operating and maintenance charges in advance	**10,614**	11,489	12,222
	$ 95,285	$ 48,965	$ 62,842

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

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

9. Other non-current assets

		As at	
(in thousands of dollars)	**December 31, 2011**	December 31, 2010	January 1, 2010
Accrued benefit pension asset	**$ —**	$ —	$ 515
Non-current portion of financial assets related to regulated activities *[note 5]*	**26,174**	20,134	2,378
	$ 26,174	$ 20,134	$ 2,893

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

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

10. Trade and other payables

		As at	
(in thousands of dollars)	**December 31, 2011**	December 31, 2010	January 1, 2010
Trade payables	**$ 192,273**	$ 123,885	$ 114,872
Accrued interest on long-term debt	**10,280**	8,325	5,558
Other current liabilities	**2,306**	2,409	1,753
Current portion of financial liabilities related to regulated activities	**17,147**	4,342	11,073
	$ 222,006	$ 138,961	$ 133,256

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

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

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

11. Debt

(a) Short-term debt

As at December 31, 2011, short-term debt includes the $85.0 million Series 3, subordinated debenture (note 23). This was repaid on January 3, 2012. As at December 31, 2010, this debenture was classified as long-term debt (note 11(b)). Short-term debt also consists of commercial paper borrowings and draws under its available credit facilities as noted below:

As at December 31, 2011 *(in thousands of dollars)*	Committed	Commercial paper outstanding	Letters of credit outstanding	Availability	Maturity date of facility
Commercial paper back-up facility	**$ 850,000**	**$ 18,981**	**$ —**	**$ 831,019**	**Jun 30, 2013**
Operating line of credit	**50,000**	**—**	**362**	**49,638**	**Dec 14, 2013**
	$ 900,000	**$ 18,981**	**$ 362**	**$ 880,657**	

As at December 31, 2010 *(in thousands of dollars)*	Committed	Commercial paper outstanding	Letters of credit outstanding	Availability	Maturity date of facility
Commercial paper back-up facility	$ 550,000	$ —	$ —	$ 550,000	Dec 16, 2012
Operating line of credit	50,000	—	215	49,785	Dec 16, 2012
	$ 600,000	$ —	$ 215	$ 599,785	

As at January 1, 2010 *(in thousands of dollars)*	Committed	Commercial paper outstanding	Letters of credit outstanding	Availability	Maturity date of facility
Commercial paper back-up facility	$ 400,000	$ 47,982	$ —	$ 352,018	Dec 17, 2011
Operating line of credit	85,000	—	127	84,873	Apr 30, 2011
	$ 485,000	$ 47,982	$ 127	$ 436,891	

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

11. Debt (cont'd)

(b) Long-term debt

	Effective interest rate	Maturing	December 31, 2011	As at December 31, 2010	January 1, 2010
(in thousands of dollars)					
Series 03-2, 5.430%	5.811%	2013	**$ 325,225**	$ 325,409	$ 325,559
Series 2006-1, 5.249%	5.299%	2036	**150,000**	150,000	150,000
Series 2008-1, 5.243%	5.354%	2018	**201,928**	202,246	202,358
Series 2010-1, 5.381%	5.432%	2040	**125,000**	125,000	—
Series 2010-2, 4.872%	4.923%	2040	**150,000**	150,000	—
Series 2011-1, 4.462%	4.495%	2041	**275,000**	—	—
			1,227,153	952,655	677,917
Series 3, subordinated 8.000% *[notes 11(a), 15 and 23]*	8.020%	2012	**—**	85,000	85,000
			1,227,153	1,037,655	762,917
Less: deferred financing fees			**(7,909)**	(7,444)	(6,416)
Total long-term debt			**$ 1,219,244**	$ 1,030,211	$ 756,501

On November 3, 2011, the Partnership issued $275.0 million of Secured Series 2011-1 Medium-Term Notes under its $1,300.0 million Short Form Base Shelf Prospectus. The total issuance under the existing Short Form Base Shelf Prospectus as at December 31, 2011 was $425.0 million (December 31, 2010 - $150.0 million).

(c) Capital markets platform

The Partnership has implemented a financing structure referred to by the Partnership as the "Capital Markets Platform" (CMP) to finance the operation, maintenance and development of its assets. The Capital Markets Platform incorporates various 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 Master Trust Indenture (MTI) dated April 28, 2003 between the Partnership, the General Partner and BNY Trust Company of Canada, as trustee, establishes common covenants for the benefit of all lenders under the Capital Markets Platform. The Capital Markets Platform governs all indebtedness, including the ranking and security (if any) of the various debt instruments. Indebtedness is calculated as total short-term and long-term debt adjusted for deferred financing fees. Total capital is calculated as equity plus indebtedness. 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 $20.0 million. One of the principal covenants is that the Partnership cannot become liable for any indebtedness, unless the aggregate amount of all indebtedness does not exceed 75% of the total capitalization.

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

Collateral for the Senior debt obligations consists of a first floating charge security interest on the Partnership's present and future assets. The bank credit facilities rank equally with Senior debt and all future senior secured indebtedness that is issued by the Partnership.

11. Debt (cont'd)

Senior debt is redeemable by the Partnership at the greater of (i) the prevailing Government of Canada bond yield plus a pre-determined premium, and (ii) the face amount of the debt to be redeemed plus, in each case, accrued and unpaid interest to the date of redemption. The Partnership does not intend to redeem any of its long-term debt prior to maturity, other than the Series 3 Subordinated Bonds, which have already been redeemed (note 23).

(d) Scheduled principal repayments

(in thousands of dollars)		
Maturing		
2012	**$**	**103,981**
2013		**325,225**
2014		—
2015		—
2016		—
2017 and thereafter		**901,928**
	$	**1,331,134**

(e) Finance costs

	For the year ended			
(in thousands of dollars)		**December 31, 2011**		December 31, 2010
Interest expense	**$**	**61,493**	$	51,891
Amortization of deferred financing fees		**1,621**		1,710
Capitalized borrowing costs		**(759)**		(6,833)
	$	**62,355**	$	46,768

12. Deferred revenue

(in thousands of dollars)		Third Party Contributions		Deferred Revenue for Salvage		Total
As at January 1, 2010	**$**	**200,676**	**$**	**173,283**	**$**	**373,959**
Transferred from third party deposits		64,023		—		64,023
Received through transmission tariff		—		10,302		10,302
Recognized as revenue		(7,905)		(8,625)		(16,530)
As at December 31, 2010		**256,794**		**174,960**		**431,754**
Transferred from third party deposits		**72,912**		**—**		**72,912**
Received through transmission tariff [*note 16*]		**—**		**10,437**		**10,437**
Recognized as revenue		**(9,172)**		**(14,801)**		**(23,973)**
As at December 31, 2011	**$**	**320,534**	**$**	**170,596**	**$**	**491,130**

Current portion	$	5,606
Long-term portion		368,353
As at January 1, 2010	**$**	**373,959**
Current portion	$	8,870
Long-term portion		422,884
As at December 31, 2010	**$**	**431,754**
Current portion	**$**	**10,036**
Long-term portion		**481,094**
As at December 31, 2011	**$**	**491,130**

12. Deferred revenue (cont'd)

Deposits received from third parties used to finance certain capital construction costs and O&M charges received in advance are initially recorded as deferred revenue and then subsequently recognized as revenue over the lives of the related assets. Funds provided by the regulator to pay for salvage costs are released into revenue when the associated costs are incurred.

13. Other non-current liabilities

(in thousands of dollars)	As at December 31, 2011	December 31, 2010	January 1, 2010
Accrued employment benefit liabilities	**$ 4,461**	$ 3,622	$ 2,885
Other liabilities	**1,955**	2,521	3,416
Non-current portion of financial liabilities related to regulated activities *[note 10]*	**9,836**	20,859	14,562
	$ 16,252	$ 27,002	$ 20,863

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

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

The accrued employment benefits liability is discussed in detail in Note 14 – *Post employee benefits obligations.*

14. Post employee benefits obligations

(a) Description

The General Partner employs staff and provides administrative and operational services to the Partnership on a cost reimbursement basis. As part of the purchase of the transmission assets the Partnership assumed pension obligations in respect of transmission employees who are members of the defined benefit plan. The pension obligation was transferred by the Partnership to the General Partner at the value of the pension surplus and the Partnership is credited with any pension income and charged for any pension expense. Any cash funding of the pension plan by the General Partner is reimbursed by the Partnership. The Partnership has indemnified the General Partner for all costs and liabilities associated with its employment of staff, including any pension liabilities. As such the pension is reported as if it is held by the Partnership even though the legal plan sponsor and employer of the staff is the General Partner.

The defined benefit provisions of the plan provide a final average pay type benefit. The defined benefit component requires the employees to contribute 2% of eligible earnings, which includes base salary plus short-term incentive pay. Those members who at the date of the acquisition were covered by the defined benefit component of the plan are continuing in that component, and all other employees and any new employees are covered under a defined contribution component. The defined contribution component of the plan is an 8% employer, and 2% employee funded contribution plan.

The General Partner has a non-registered supplemental pension plan, which is provided to those employees who exceed the income tax limits on maximum pension contributions in a year. Membership in the supplemental pension plan is automatic once registered pension plan contributions have reached the maximum annual amount. Employer contributions to the plan are 8% (2010 – 8%).

Other post retirement benefits include the health and dental coverage provided to some past employees.

14. Post employee benefits obligations (cont'd)

(b) Assumptions

The significant actuarial assumptions used in measuring the Partnership's net benefit plan cost are as follows:

	Year ended			
	December 31, 2011		December 31, 2010	
	Pension	Other	Pension	Other
	%	**%**	%	%
Discount rate for funded status	**5.50**	**4.95**	5.50	5.20
Discount rate for expense determinations	**5.50**	**5.20**	6.70	6.00
Expected long-term rate of return on plan assets	**6.75**	**—**	6.75	—
Rate of compensation increase	**3.50**	**—**	4.00	—
Health care cost escalation	**—**	**4.50**	—	4.50
Dental care cost escalation	**—**	**4.50**	—	4.50

The expected return on assets assumption is set based on the plan's target investment policy mix, and management's expectations for equity and fixed income returns over the long-term.

(c) Costs recognized

(in thousands of dollars)	Year ended			
	December 31, 2011		December 31, 2010	
	Pension	Other	Pension	Other
Current service cost	**$ 89**	**$ 526**	$ 94	$ 356
Interest cost on benefit obligation	**491**	**182**	507	178
Return on plan assets	**(592)**	**—**	(549)	—
Past service cost amortization	**—**	**47**	—	47
Defined benefit (income) expense	**(12)**	**755**	52	581
Regulatory adjustment to offset expense	**12**	**—**	(52)	—
Expense	**—**	**755**	—	581
Defined contribution expense of registered pension plan	**4,888**	**—**	4,432	—
Supplemental pension expense	**159**	**—**	115	—
Net expense recognized in the financial statements	**$ 5,047**	**$ 755**	$ 4,547	$ 581

14. Post employee benefits obligations (cont'd)

(d) Status of plans

	As at					
	December 31, 2011		December 31, 2010		January 1, 2010	
	Pension	Other	Pension	Other	Pension	Other
(in thousands of dollars)						
Fair value of plan assets						
Balance, beginning of year	**$ 8,818**	**$ —**	$ 8,129	$ —	$ 7,012	$ —
Employee contributions	**10**	**—**	10	—	14	—
Company contributions	**406**	**68**	210	141	212	1
Benefit payments	**(321)**	**(68)**	(313)	(141)	(222)	(1)
Actual gain on plan assets	**91**	**—**	782	—	1,113	—
Balance, end of year	**9,004**	**—**	8,818	—	8,129	—
Accrued benefits obligation						
Balance, beginning of year	**9,045**	**3,028**	7,614	2,663	6,625	1,971
Current service cost	**89**	**526**	94	356	75	283
Employee contributions	**10**	**—**	10	—	14	—
Benefit payments	**(321)**	**(68)**	(313)	(141)	(222)	(1)
Interest cost	**491**	**182**	507	178	495	165
Experience (gain) loss	**(61)**	**21**	1,133	(28)	627	245
Balance, end of year	**9,253**	**3,689**	9,045	3,028	7,614	2,663
Funded status						
Funded status – (deficit) surplus	**(249)**	**(3,689)**	(227)	(3,028)	515	(2,663)
Unamortized unvested past service costs	**—**	**141**	—	188	—	235
Supplemental pension plan liability	**(664)**	**—**	(555)	—	—	(457)
Accrued (liability) asset, end of year	**$ (913)**	**$ (3,548)**	$ (782)	$ (2,840)	$ 515	$ (2,885)

The latest actuarial valuation for funding purposes was done as at December 31, 2010 and extrapolated to December 31, 2011. The effective date of the next required valuation for funding purposes is December 31, 2013. The Partnership expects to contribute $0.4 million to its defined benefit pension plans and $0.1 million to its other post retirement benefit plans in 2012**.**

The asset mix of the defined benefit component of the pension plan as of December 31, 2011, consists of 60% equity and 40% bonds (December 31, 2010 – 61% equity and 39% bonds).

14. Post employee benefits obligations (cont'd)

(e) Actuarial gains and losses recognized directly in other comprehensive income

	Year ended					
	December 31, 2011			December 31, 2010		
	Pension	Other	Total	Pension	Other	Total
(in thousands of dollars)						
Net loss (gain) arising during the year	**$ 441**	**$ 21**	**$ 462**	$ 899	$ (28)	$ 871

The cumulative amounts of actuarial gain and losses recognized in other comprehensive income and included in retained earnings is $1.3 million (2010 - $0.9 million).

(f) Sensitivity to changes in assumed health care cost trend rates as at December 31, 2011 are as follows:

	One percentage point increase	One percentage point decrease
(in thousands of dollars)		
Effect on total service and interest cost	$ 101	$ (86)
Effect on post-retirement benefits obligation	434	(374)

15. Related party transactions

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

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

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

	For the year ended	
	December 31, 2011	December 31, 2010
(in thousands of dollars)		
Interest		
AltaLink Investments, L.P.	**$ 6,800**	$ 6,800
Employee compensation and benefits		
AltaLink Management Ltd.	**85,320**	75,914
Construction related services		
SNC-Lavalin ATP Inc.	**419,609**	262,280

For the years ended December 31, 2011 and 2010, there were no other material transactions with related parties.

15. Related party transactions (cont'd)

Amounts included in trade and other payables are:

(in thousands of dollars)	December 31, 2011	As at December 31, 2010	January 1, 2010
AltaLink Management Ltd.	**$ 14,529**	$ 12,986	$ 6,882
SNC-Lavalin ATP Inc.	**143,875**	88,573	82,995
AltaLink Investments, L.P.	**1,101**	1,103	1,063

For the years ended December 31, 2011 and 2010, there were no other material transactions with related parties.

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

Remuneration of senior management

(in thousands of dollars)	For the year ended December 31, 2011	December 31, 2010
Salary and other short-term benefits	**$ 3,544**	$ 3,041
Post-employment benefits	**271**	230
Other long-term benefits	**1,228**	679
Total for all senior management	**$ 5,043**	$ 3,950

Senior Management includes the President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Executive Vice President and Chief Operating Officer, Senior Vice President Business Development, Senior Vice President Regulatory Affairs, Senior Vice President External Engagement and General Counsel, Senior Vice President Human Resources, and Senior Vice President Projects.

Salary and other short-term benefits represent actual salary received during the year, and annual short-term incentive plan paid out based on the achievement of specific predetermined performance goals and perquisites. Post-employment benefits include the defined contribution pension plan and supplemental pension plan employer contributions. Other long-term benefits include amounts related to retention and long-term incentive plans.

Remuneration of Board of Directors of the General Partner

(in thousands of dollars)	For the year ended December 31, 2011	December 31, 2010
Total fees earned by Directors	**$ 409**	$ 373

The Board of Directors includes the Chairman of the Board, and eight directors. The members of the Board, who are not representatives of the owners, are paid an annual fee plus a fee for meetings attended and additional retainers for serving on board committees.

Transactions with post-employment benefit plans

The defined benefit plan and defined contribution plan are related parties to the Partnership. The Partnership's transactions with the pension plans include contributions and solvency deficiency payments made to the defined benefit plan. The Partnership has not entered into other transactions with the pension plans, nor does it have any outstanding balances at December 31, 2011.

16. Revenue from operations

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

On November 18, 2011 the AUC issued Decision 2011-453 with respect to the 2011-2013 GTA. The Partnership's revenue from operations includes its best estimate regarding the implementation of Decision 2011-474 and Decision 2011-453, including the use of the CWIP in rate base method. On December 8, 2011 the AUC issued Decision 2011-474 regarding the 2011-2012 Generic Cost of Capital proceeding which awarded a return on equity of 8.75% and a deemed equity ratio of 37%. The Partnership's revenue from operations includes the effects of Decision 2011-474 and includes its best estimates as to the implementation of directives in Decision 2011-453.

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

	For the year ended	
(in thousands of dollars)	**December 31, 2011**	December 31, 2010
Return on rate base	**$ 112,000**	$ 93,100
Recovery of forecast expenses	**206,800**	180,400
Deemed income taxes	**17,400**	14,100
Approved transmission tariff	**336,200**	287,600
Less: Receivable/(repayable) directly assigned capital projects related revenue	**(2,089)**	(14,018)
(Repayable)/receivable property taxes and other	**(2,071)**	2,403
Salvage costs transferred to deferred revenue (note 12)	**(10,437)**	(10,302)
Add: AFUDC net of capitalized borrowing costs	**640**	13,395
Reclassification of loss on disposal of PP&E to financial assets related to regulated activities less amounts already received through tariff, and transfer from deferred revenue for salvage costs incurred	**20,963**	17,966
Revenue from operations	**$ 343,206**	$ 297,044

Under the CWIP in rate base method, AFUDC is being recovered through annual tariffs rather than over the lives of the related assets. The CWIP in rate base method applies to AFUDC related to projects directly assigned by the AESO. AFUDC related to capital replacement and upgrade projects continues to be capitalized. The AESO is the Partnership's only customer related to regulated activities. The Partnership receives all of its revenue from operations from the AESO, including settlements of all financial assets and liabilities related to regulatory activities.

For the year ended December 31, 2011, approximately 94% of the Partnership's revenue is attributable to the AESO (December 31, 2010 – 91%).

17. Other revenue

	For the year ended	
(in thousands of dollars)	**December 31, 2011**	December 31, 2010
Third party contributions revenue *[note 12]*	**$ 9,172**	$ 7,905
Costs recovered from third parties	**5,473**	12,510
Services provided to third parties	**4,895**	4,750
Tower, land and other lease revenue	**1,253**	1,446
Related party and other revenue	**1,555**	1,838
	$ 22,348	$ 28,449

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

18. Expenses

(a) Operating expenses

(in thousands of dollars)	For the year ended December 31, 2011	December 31, 2010
Employee salaries and benefits	**$ 29,700**	$ 31,126
Contracted labour	**24,800**	26,067
Other operating expenses	**19,319**	17,192
	$ 73,819	$ 74,385

(b) Property taxes, salvage and other expenses

Property taxes, salvage and other expenses include property taxes, salvage expenses, annual structure payments, hearing and credit facility costs. They do not have an impact on net income because they are fully recovered in tariff revenue [note 16 – *Revenue from operations*].

19. Partners' equity

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

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

During the year ended December 31, 2011, the Partners invested additional equity of $145.0 million (2010 - $89.4 million). No partnership units were issued during the year ended December 31, 2011 (2010 – nil).

20. Other cash flow information

(in thousands of dollars)	For the year ended December 31, 2011	December 31, 2010
Change in non-cash working capital		
Trade and other receivables	**$ (30,424)**	$ (10,856)
Trade and other payables, excluding accrued finance costs	**81,092**	2,938
	$ 50,668	$ (7,918)
Related to operating activities	**$ (14,546)**	$ (19,058)
Related to investing activities	**65,214**	11,140
	$ 50,668	$ (7,918)
Net change in other financing activities		
Deferred financing fees	**$ (2,284)**	$ (2,528)
Third party deposits	**(46,320)**	(13,877)
Third party deposits liability	**46,320**	13,877
	$ (2,284)	$ (2,528)
Change in other items		
Employee benefits	**$ 376**	$ 379
Deferred revenue for salvage	**(4,364)**	1,677
Financial assets related to regulated activities, non-current	**(6,344)**	(18,243)
Financial liabilities related to regulated activities, non-current	**(11,591)**	5,405
	$ (21,923)	$ (10,782)

20. Other cash flow information (cont'd)

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

21. Commitments

The contractual commitments of the Partnership for the purchase of property, plant and equipment as at December 31, 2011 are $1,062.1 million. 99% of these commitments are with SNC-Lavalin ATP Inc., a wholly owned subsidiary of SNC.

The Partnership is committed to operating leases for premises that have lease terms which expire between 2012 and 2026. Of the total expected minimum lease payments, 97% relates to the Partnership's head office leases.

Expected minimum lease payments in future years are as follows:

(in thousands of dollars)	As at December 31, 2011
Operating lease obligations payable on non-cancellable leases are as follows:	
No later than 1 year	$ **4,366**
Later than 1 year and no later than 5 years	**14,566**
Later than 5 years	**21,818**
	$ **40,750**

22. Contingencies

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

23. Subsequent event

On January 3, 2012, the Partnership repaid the $85.0 million Series 3 subordinated debenture, plus accrued interest.

24. Explanation of transition from Canadian GAAP to IFRS

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

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

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

(a) Application of IFRS 1

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

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

Mandatory exceptions to retrospective application:

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

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

Optional exemptions to retrospective application

The Partnership elected to take the following optional exemptions:

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

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

(b) Reconciliation between Canadian GAAP and IFRS

The following reconciliations quantify the effect of the transition from C-GAAP to IFRS on the Statement of Financial Position. The differences are mainly reclassifications. The only change which has affected equity is the change in accounting for certain pension costs.

STATEMENT OF FINANCIAL POSITION

January 1, 2010	Note	As originally reported under C-GAAP	Effects of transition to IFRS	**As restated under IFRS**
(in thousands of dollars)				
ASSETS				
Current				
Trade and other receivables	24.1	$ 33,649	$ —	**$ 33,649**
Cash and cash equivalents		8,319	—	**8,319**
		41,968	—	**41,968**
Non-current				
Goodwill		202,066	—	**202,066**
Intangible assets	24.2	—	42,085	**42,085**
Property, plant and equipment	24.2	1,687,990	37,213	**1,725,203**
Third party deposits		62,842	—	**62,842**
Other non-current assets	24.1	4,420	(1,527)	**2,893**
		$ 1,999,286	$ 77,771	**$ 2,077,057**
LIABILITIES AND PARTNERS' EQUITY				
Current				
Trade and other payables		$ 133,256	$ —	**$ 133,256**
Short-term debt	24.5	—	47,982	**47,982**
Current portion of deferred revenue	24.4	—	5,606	**5,606**
Current portion of long-term debt	24.5	376	(376)	**—**
		133,632	53,212	**186,844**
Non-current				
Long-term debt	24.5	804,107	(47,606)	**756,501**
Deferred revenue	24.4	—	368,353	**368,353**
Third party deposits liability		62,842	—	**62,842**
Other non-current liabilities	24.3	130,895	(110,032)	**20,863**
Asset retirement obligations	24.6	186,305	(186,305)	**—**
		1,317,781	77,622	**1,395,403**
Partners' equity	24.7	681,505	149	**681,654**
		$ 1,999,286	$ 77,771	**$ 2,077,057**

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

STATEMENT OF FINANCIAL POSITION

December 31, 2010	Note	As originally reported under C-GAAP	Effects of transition to IFRS	**As restated under IFRS**
(in thousands of dollars)				
ASSETS				
Current				
Trade and other receivables	24.1	$ 43,896	$ 608	**$ 44,504**
Cash and cash equivalents		12,783	—	**12,783**
		56,679	608	**57,287**
Non-current				
Goodwill		202,066	—	**202,066**
Intangible assets	24.2	—	84,965	**84,965**
Property, plant and equipment	24.2	2,066,560	6,256	**2,072,816**
Third party deposits		48,965	—	**48,965**
Other non-current assets	24.1	3,023	17,111	**20,134**
		$ 2,377,293	$ 108,940	**$ 2,486,233**
LIABILITIES AND PARTNERS' EQUITY				
Current				
Trade and other payables		$ 138,961	$ —	**$ 138,961**
Short-term debt	24.5	—	—	**—**
Current portion of deferred revenue	24.4	—	8,870	**8,870**
Current portion of long-term debt	24.5	390	(390)	**—**
		139,351	8,480	**147,831**
Non-current				
Long-term debt	24.5	1,029,821	390	**1,030,211**
Deferred revenue	24.4	—	422,884	**422,884**
Third party deposits liability		48,965	—	**48,965**
Other non-current liabilities	24.3	110,655	(83,653)	**27,002**
Asset retirement obligations	24.6	239,343	(239,343)	**—**
		1,568,135	108,758	**1,676,893**
Partners' equity	24.7	809,158	182	**809,340**
		$ 2,377,293	$ 108,940	**$ 2,486,233**

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

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

24.1 Trade and other receivables and other non-current assets

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

(in thousands of dollars)	December 31, 2010	January 1, 2010
Trade and other receivables:		
Balance under C-GAAP	**$ 43,896**	**$ 33,649**
Current portion of AFUDC net of CBC and loss on retirement of PP&E	608	—
Balance under IFRS	**$ 44,504**	**$ 33,649**
Other non-current assets:		
Balance under C-GAAP	**$ 3,023**	**$ 4,420**
Recognition of cumulative actuarial losses in retained earnings at transition date *[note 24.3]*	(1,527)	(1,527)
Recognition of actuarial losses for the year	(721)	—
Non-current portion of AFUDC net of CBC and loss on retirement of PP&E	18,908	—
Employee benefits reclassified to payables *[note 24.3]*	451	—
Net adjustments	17,111	(1,527)
Balance under IFRS	**$ 20,134**	**$ 2,893**

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

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

24.2 Property, plant and equipment

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

(in thousands of dollars)	**December 31, 2010**	January 1, 2010
Balance under C-GAAP	**$ 2,066,560**	**$ 1,687,990**
Reclassification of land rights and software to intangible assets	(84,965)	(42,085)
Reclassification of third party contributions to deferred revenue *[note 24.4]*	256,792	200,674
Reclassification of AFUDC and gain (loss) on retirement of PP&E to financial assets *[note 24.1]*	(23,129)	—
Addition of capitalized borrowing costs	6,833	—
Derecognition of long-lived assets *[note 24.6]*	(149,275)	(121,376)
Net adjustments	6,256	37,213
Balance under IFRS	**$ 2,072,816**	**$ 1,725,203**

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

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

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

24.3 Other non-current liabilities

The adjustments below relate to changes in accounting for employee defined benefit plans and removal of an asset retirement timing difference:

(in thousands of dollars)		**December 31, 2010**		January 1, 2010
Balance under C-GAAP	$	**110,655**	$	**130,895**
Recognition of cumulative actuarial gains in retained earnings		(231)		(231)
Recognition of vested past service costs in retained earnings		82		82
Recognition of cumulative actuarial losses to retained earnings *[note 24.1]*		(1,527)		(1,527)
Recognition of actuarial losses for the year		(748)		—
Derecognition of ARO timing difference balance *[note 24.6]*		90,068		64,929
Employee benefits reclassified from receivables *[note 24.1]*		451		—
Reclassification of reserve for salvage to deferred revenue *[note 24.4]*		(171,740)		(173,285)
Decrease in amortization of unvested past service costs for the year		(8)		—
Net adjustments		(83,653)		(110,032)
Balance under IFRS	$	**27,002**	$	**20,863**

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

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

24.4 Deferred revenue

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

(in thousands of dollars)		**December 31, 2010**		January 1, 2010
Balance under C-GAAP	$	—	$	—
Reclassification of third party contributions from property, plant and equipment to deferred revenue *[note 24.2]*		256,792		200,674
Reclassification of reserve for salvage from non-current liabilities*[note 24.3]*		171,740		173,285
Less: current portion of deferred revenue		(8,870)		(5,606)
Loss on disposal of PP&E offset against deferred revenue for salvage		3,222		—
Balance under IFRS	$	**422,884**	$	**368,353**

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

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

24.5 Current portion of long-term debt

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

24.6 Asset retirement obligations

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

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

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

(in thousands of dollars)	December 31, 2010	January 1, 2010
Balance under C-GAAP	**$ 239,343**	**$ 186,305**
Remove long-lived assets from property, plant and equipment *[note 24.2]*	(149,275)	(121,376)
Remove ARO timing difference balance from other non-current liabilities *[note 24.3]*	(90,068)	(64,929)
Balance under IFRS	**$ —**	**$ —**

24.7 Partners' equity

The changes in accounting for employee defined benefit plans are discussed in note 24.3 – *Other non-current liabilities.* The impact of these changes on retained earnings is shown in the table below:

(in thousands of dollars)	December 31, 2010	January 1, 2010
Under C-GAAP	**$ 809,158**	**$ 681,505**
Recognition of cumulative actuarial gains in retained earnings at transition date	231	231
Recognition of vested past service costs in retained earnings at transition date	(82)	(82)
Decrease in amortization in unvested past service costs for the year	6	—
Recognition of actuarial losses on employee benefits	748	—
Regulatory adjustment to offset the actuarial losses on employee benefits	(721)	—
Net adjustments	182	149
Under IFRS	**$ 809,340**	**$ 681,654**

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

STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31, 2010		
(in thousands of dollars)	Note	As originally reported under C-GAAP	Effects of transition to IFRS	**As restated under IFRS**
Revenue				
Operations	24.8	$ 275,984	$ 21,060	**$ 297,044**
Miscellaneous revenue	24.9	19,593	(19,593)	**—**
Allowance for equity funds used during construction	24.8	9,560	(9,560)	**—**
Other	24.9	—	28,449	**28,449**
		305,137	20,356	**325,493**
Expenses				
Operations	24.10	(88,499)	14,114	**(74,385)**
Property taxes, salvage and other		(18,142)	(26,005)	**(44,147)**
Depreciation and accretion	24.11	(89,639)	89,639	**—**
Depreciation and amortization	24.11	—	(86,880)	**(86,880)**
		(196,280)	(9,132)	**(205,412)**
		108,857	11,224	**120,081**
Interest and amortization of deferred financing fees	24.12	(53,601)	53,601	**—**
Allowance for debt funds used during construction	24.8	10,669	(10,669)	**—**
Finance costs	24.12	—	(46,768)	**(46,768)**
Gain (loss) on retirement of assets	24.13	328	(6,484)	**(6,156)**
Net income		66,253	904	**67,157**
Other comprehensive income				
Actuarial loss		—	(871)	**(871)**
Total comprehensive income		**$ 66,253**	**$ 33**	**$ 66,286**

24.8 Revenue from operations

All items arising from the regulatory process have been reflected within revenue from operations. As a result, the Partnership has reclassified AFUDC to transmission tariff revenue. Please see note 16 – *Revenue from operations* for more details.

(in thousands of dollars)	Year ended December 31, 2010
Under C-GAAP	**$ 275,984**
Reclassification of allowance for equity funds used during construction	9,560
Reclassification of allowance for debt funds used during construction	10,669
Reclassification of loss on disposal of PP&E to financial assets related to regulated activities less amounts already received through transmission tariff, and transfer from deferred revenue for salvage costs incurred	17,966
Salvage costs received in revenue transferred to deferred revenue	(10,302)
Capitalized borrowing costs	(6,833)
Net adjustments	21,060
Under IFRS	**$ 297,044**

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

24.9 Other revenue

Revenue from third parties was previously disclosed as miscellaneous revenue, but is now presented as other revenue. Other revenue also includes the release of deferred revenue from third parties, as disclosed in note 24.4.

(in thousands of dollars)		Year ended December 31, 2010
Under C-GAAP	**$**	**—**
Reclassification from miscellaneous revenue to other revenue		19,593
Reclassification of deferred revenue released *[note 24.11]*		7,905
Recovery of actuarial loss and other post employment expenses		951
Under IFRS	**$**	**28,449**

24.10 Expenses - Operations

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

(in thousands of dollars)		Year ended December 31, 2010
Under C-GAAP	**$**	**(88,499)**
Reclassification of property taxes, salvage and other expenses		14,160
Employee benefit expense		(46)
Under IFRS	**$**	**(74,385)**

24.11 Depreciation

(in thousands of dollars)		Year ended December 31, 2010
Under C-GAAP – Depreciation and accretion	**$**	**(89,639)**
Reclassification of third party contributions depreciation to other revenue *[note 24.9]*		**(7,905)**
Revenue deferred relating to salvage		**10,302**
AFUDC and losses on disposal of PP&E recovered through transmission tariff		**362**
Under IFRS – Depreciation and amortization	**$**	**(86,880)**

24.12 Finance costs

(in thousands of dollars)		Year ended December 31, 2010
Under C-GAAP	**$**	**—**
Interest and amortization of deferred financing fees		(53,601)
Recognition of capitalized borrowing costs		6,833
Under IFRS	**$**	**(46,768)**

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

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

24.13 Gain/(loss) on retirement of assets

As indicated in Note 24.8 - *Revenue from operations*, the Partnership has reclassified gains/losses on disposals of assets from PP&E on the Statement of Financial Position to the statement of comprehensive income.

(in thousands of dollars)		Year ended December 31, 2010
Under C-GAAP	**$**	**328**
Loss on disposal of PP&E		**(6,484)**
Under IFRS	**$**	**(6,156)**

STATEMENT OF CASH FLOWS

The adoption of IFRS has not resulted in any material adjustments to the statement of cash flows.