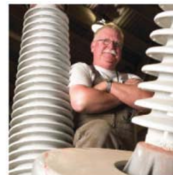
Condensed Interim Financial Statements

(unaudited)

AltaLink, L.P.

Three and six months ended June 30, 2012 and 2011



ALTALINK

Statement of Financial Position

(unaudited)

	Notes	As at June 30, 2012	December 31, 2011
(in thousands of dollars)			
ASSETS			
Current			
Trade and other receivables	5	**$ 85,886**	$ 74,928
Cash and cash equivalents		**19,451**	15,408
		105,337	90,336
Non-current			
Goodwill		**202,066**	202,066
Intangible assets	6	**135,515**	104,949
Property, plant and equipment	7	**2,977,896**	2,637,735
Third party deposits		**98,016**	95,285
Other non-current assets	5	**27,120**	26,174
		$ 3,545,950	$ 3,156,545
LIABILITIES AND PARTNERS' EQUITY			
Current			
Trade and other payables	8	**$ 230,493**	$ 222,006
Commercial paper and bank credit facilities	9(a)	**—**	18,981
Long-term debt maturing in less than one year	9(b)	**325,000**	85,000
Current portion of deferred revenue	10	**10,768**	10,036
		566,261	336,023
Non-current			
Long-term debt	9(b)	**1,193,014**	1,219,244
Deferred revenue	10	**524,059**	481,094
Third party deposits liability		**98,016**	95,285
Other non-current liabilities	8	**25,474**	16,252
		2,406,824	2,147,898
Commitments and contingencies	14, 15		
Partners' equity		**1,139,126**	1,008,647
		$ 3,545,950	$ 3,156,545

See accompanying notes to the condensed interim financial statements.

ALTALINK

Statement of Comprehensive Income

(unaudited)

	Notes	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
(in thousands of dollars)					
Revenue					
Operations	12	**$ 91,330**	$ 79,467	**$ 177,586**	$ 151,121
Other		**5,380**	5,198	**11,633**	9,833
		96,710	84,665	**189,219**	160,954
Expenses					
Operating	13(a)	**(18,632)**	(18,475)	**(39,258)**	(35,799)
Depreciation and amortization		**(24,459)**	(21,246)	**(48,566)**	(40,916)
Property taxes, salvage and other	13(b)	**(10,338)**	(13,894)	**(20,003)**	(22,908)
		(53,429)	(53,615)	**(107,827)**	(99,623)
		43,281	31,050	**81,392**	61,331
Finance costs	9(d)	**(16,660)**	(12,968)	**(33,257)**	(25,998)
(Loss) gain on disposals of assets		**(763)**	(1,013)	**585**	(890)
Net income		**25,858**	17,069	**48,720**	34,443
Other comprehensive income					
Actuarial loss		**—**	—	**(341)**	—
Total comprehensive income		**$ 25,858**	$ 17,069	**$ 48,379**	$ 34,443

See accompanying notes to the condensed interim financial statements.

ALTALINK

Statement of Changes in Partner's Equity

(unaudited)

(in thousands)	Units	Allocation to Limited Partner	Allocation to General Partner	Total Retained Earnings	Partners' Capital	Total
As at January 1, 2011	331,904	$ 170,852	$ 52	$ 170,904	$ 638,436	$ 809,340
Total comprehensive income	—	34,440	3	34,443	—	34,443
Equity investment received	—	—	—	—	45,000	45,000
Distributions paid	—	(15,498)	(2)	(15,500)	—	(15,500)
Balance at June 30, 2011	**331,904**	**$ 189,794**	**$ 53**	**$ 189,847**	**$ 683,436**	**$ 873,283**
As at January 1, 2012	331,904	$ 225,154	$ 57	$ 225,211	$ 783,436	$ 1,008,647
Total comprehensive income	—	48,374	5	48,379	—	48,379
Equity investment received	—	—	—	—	99,800	99,800
Distributions paid	—	(17,698)	(2)	(17,700)	—	(17,700)
Balance at June 30, 2012	**331,904**	**$ 255,830**	**$ 60**	**$ 255,890**	**$ 883,236**	**$ 1,139,126**

See accompanying notes to the condensed interim financial statements.

Statement of Cash Flows

(unaudited)

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	**June 30, 2012**	June 30, 2011
(in thousands of dollars)				
Cash flows from operating activities				
Receipts from AESO	**$ 85,189**	$ 85,146	**$ 170,334**	$ 160,703
Receipts from other third parties	**13,292**	2,467	**51,183**	7,217
Payments to suppliers and contractors	**(31,901)**	(30,467)	**(61,484)**	(43,249)
Payments to employees	**(8,325)**	(7,023)	**(20,144)**	(18,445)
Interest payments	**(25,001)**	(20,045)	**(34,248)**	(29,664)
Payments to AESO	**(32)**	(3,704)	**(602)**	(3,945)
Net cash provided by operating activities	**33,222**	26,374	**105,039**	72,617
Cash flows from investing activities				
Capital expenditures	**(226,542)**	(133,419)	**(427,444)**	(256,075)
Use of third party contributions	**29,936**	19,962	**47,677**	25,535
Proceeds from disposal of assets	**43**	12	**2,582**	95
Net cash used in investing activities	**(196,563)**	(113,445)	**(377,185)**	(230,445)
Cash flows from financing activities				
Senior debt issued	**300,000**	—	**300,000**	—
Subordinated debt repaid	**—**	—	**(85,000)**	—
(Repayment)/use of commercial paper and bank credit facilities	**(174,554)**	59,092	**(18,981)**	115,526
Distributions paid	**(8,850)**	(7,750)	**(17,700)**	(15,500)
Equity investment received	**68,000**	35,000	**99,800**	45,000
Change in other financing activities	**(1,804)**	(14)	**(1,930)**	19
Net cash provided by financing activities	**182,792**	86,328	**276,189**	145,045
Net change in cash and cash equivalents	**19,451**	(743)	**4,043**	(12,783)
Cash and cash equivalents, beginning of period	**—**	743	**15,408**	12,783
Cash and cash equivalents, end of period	**$ 19,451**	$ —	**$ 19,451**	$ —

See accompanying notes to the condensed interim financial statements.

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.

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 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 six months ended June 30, 2012, the Partnership operated solely in one reportable geographical and business segment.

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 - *Interim Financial Reporting*. They should be read in conjunction with the Partnership's most recent annual audited financial statements as at and for the year ended December 31, 2011.

The Partnership has consistently applied the same accounting policies in its condensed interim financial statements as compared to its most recent annual audited financial statements.

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

These condensed interim financial statements were approved for issue by the Board of Directors on July 26, 2012.

(b) Basis of measurement

These condensed interim financial statements have been prepared on a going-concern basis and 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 condensed interim financial statements are presented in Canadian dollars, which is the Partnership's functional currency.

2. Basis of preparation (cont'd)

(d) Use of estimates and judgement

The preparation of the condensed interim financial statements 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 that have significant effects on the condensed interim financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the condensed interim financial statements.

Accounting policies are selected and applied in a manner which ensures the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring the substance of the underlying transactions or other events is reported. As a regulated utility, the Partnership records certain amounts at estimated values until these amounts are finalized. The Partnership bases its estimates and judgements on historical experience, including experience with regulatory processes, current conditions and various other assumptions that are believed to be reasonable under the circumstances. These factors form the basis for making judgements about the carrying values of assets and liabilities. They are also the basis for identifying and assessing the Partnership's accounting treatment with respect to commitments and contingencies. Examples of significant estimates include:

- Expected regulatory decisions on matters that may impact revenue;
- 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 the 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 the fact.

3. Summary of significant accounting policies

The following is a summary of certain of the significant accounting policies. For a complete summary of significant accounting policies, please refer to note 3 in the Partnership's most recent annual audited financial statements.

(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 income taxes associated with its investment, and a fair return on its equity investment. Fair return is determined on the basis of return on rate base and allowance for equity funds used during construction (AFUDC) on non-direct-assigned projects involved in construction work-in-progress (CWIP). As disclosed in Note 12, with effect from January 1, 2011 the AUC has 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.

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

If, in management's judgement, a reasonable estimate can be made of the impact future regulatory decisions may have on the current period's condensed interim 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 condensed interim 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) 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 though 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.

(e) Third party deposits

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 purpose.

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

(f) Adoption of new and revised accounting standards

IFRS 7 - *Disclosures - Transfers of financial assets* 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 did not have an impact on the Partnership's disclosures as it is the Partnership's practice to settle transactions in cash.

IAS 1 – *Presentation of financial statements* has been amended to provide clarification on the requirements for providing comparative information when an entity produces financial statements beyond the minimum requirements. IAS 16 – *Property, plant and equipment* has been amended to clarify the classification of service equipment. IAS 32 – *Financial instruments: Presentation* has been amended to provide clarification on the income tax treatment on distributions to holders of equity instruments and of transaction costs of an equity transaction. IAS 34 – *Interim financial reporting* has been amended to provide clarity on the requirement to disclose segmented information for total assets during interim reporting periods. These IAS amendments are effective immediately and do not have an impact on the Partnership's condensed interim financial statements.

IAS 12 - *Income taxes* has been amended and is effective for financial periods beginning on or after January 1, 2012. The amendments to IAS 12 did not have an impact on the Partnership's condensed interim financial statements.

Effective for the year ending December 31, 2013

Amendments to IAS 1 – *Presentation of financial statements* were issued by the International Accounting Standards Board (IASB) 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 have a significant impact on 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* and IFRS 13 - *Fair value measurement* were issued in May 2011. They replace parts of IAS 27 – *Consolidated and separate financial statements* and 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. It is not expected that adopting these standards will significantly impact the Partnership's financial statements.

Amendments to IFRS 7 - *Disclosures - Offsetting financial assets and liabilities* were published jointly by the IASB and Financial Accounting Standards Board in December 2011. The amendments are intended to improve the ability of users of financial statements to compare financial statements prepared in accordance with US GAAP and IFRS. The new requirements are effective for periods beginning on or after January 1, 2013. Adopting such amendments is not expected to have a significant effect on the Partnership's financial statements.

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 have a significant impact on the Partnership's financial statements.

In May, 2012, the IASB issued a collection of amendments to five standards under its Annual Improvements Project. Amended standards includes IFRS 1 – *First time adoption of International Financial Reporting Standards,* IAS 1 – *Presentation of financial statements,* IAS 16 - *Property, plant and equipment,* IAS 32 – *Financial instruments – presentation,* and IAS 34 – *Interim financial reporting.* These amendments are not expected to have a significant impact on the Partnership's financial statements.

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

Effective after 2013

IFRS 9 - *Financial instruments: Classification and measurement* was issued on November 12, 2009 and will replace IAS 39 - *Financial instruments: Recognition and measurement*. IFRS 9 is effective for periods beginning on or after January 1, 2015. It is not expected to have a significant impact on the financial statements of the Partnership.

Amendments to IAS 32 - *Financial instruments - Presentation* to clarify the application of the offsetting requirements were published in December 2011 to address inconsistencies in current practice. The amendments are effective for periods beginning on or after January 1, 2014, with earlier application permitted. The Partnership does not plan to adopt this amendment early and implementation is not expected to have a significant impact on the financial statements.

4. Risk management and financial instruments

(a) Fair value of financial instruments

Financial Instrument	Designated Category	Measurement Basis	Associated Risks	Fair Value at June 30, 2012
Cash and cash equivalents	Fair value through profit or loss (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 5]*	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 8]*	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 8]*	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.
Debt *[note 9]*	Other liabilities	Initially at fair value and subsequently at amortized cost	• Market • Liquidity	$1,692.6 million. Fair values are determined using quoted market prices (which are classified as level 1 inputs) for the same or similar issues.
Third party deposits	Fair value through profit or loss (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	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.

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

(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 88% of its trade receivable balance is due from the AESO (December 31, 2011 – 50%). The credit risk is mitigated by the fact that the AESO has been established under the EUA, while the remaining receivables are mostly due from investment grade utilities. In addition, other receivables include a $2.9 million recovery of joint project costs (December 31, 2011 - $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 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 condensed interim 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

The Partnership does not have significant exposure to interest rate risk. To manage interest rate risk, the Partnership controls the proportion of floating rate debt relative to fixed rate debt. In addition, the Partnership maintains access to diverse sources of funding under its established capital markets platform.

It is the Partnership's practice to finance substantially all of its debt requirements with long-term debt securities for which interest rates are fixed during the entire term of each security, generally ranging from five to thirty years from the date of issue. To manage short-term liquidity requirements, the Partnership has established bank credit facilities under which interest rates may vary daily unless the Partnership elects to issue bankers' acceptances or commercial paper under which interest rates are fixed during the entire term, typically ranging from one week to ninety days from the date of issue. It is the Partnership's practice to issue bankers' acceptances and commercial paper for substantially all of its short-term funding requirements. The Partnership may be exposed to interest rate risk upon the rollover of debt at maturity or the issuance of new debt.

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 9 – *Debt* for a maturity analysis.

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

(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.

Summary of capital structure

	As at			
	June 30, 2012		December 31, 2011	
	(millions)	**%**	(millions)	%
Commercial paper and bank credit facilities	**$ —**	**0.0**	$ 19.0	0.8
Long-term debt, maturing in less than one year, excluding deferred financing fees	**325.0**	**12.2**	85.0	3.6
Long-term debt, excluding deferred financing fees	**1,201.8**	**45.1**	1,227.1	52.5
Partners' capital	**883.2**	**33.1**	783.4	33.5
Retained earnings	**255.9**	**9.6**	225.2	9.6
	$ 2,665.9	**100.0**	$ 2,339.7	100.0

As at June 30, 2012, the Partnership was subject to externally imposed capitalization requirements under the Master Trust Indenture and the bank credit facilities. These agreements limit the amount of debt that can be incurred relative to total capitalization. The Partnership was in compliance with these requirements as at June 30, 2012.

5. Trade and other receivables and other non-current assets

	As at	
(in thousands of dollars)	**June 30, 2012**	December 31, 2011
Trade receivables	**$ 59,339**	$ 33,213
GST receivable	**2,562**	7,990
Recovery of joint project costs	**2,927**	21,121
Prepaid expenses and deposits	**12,873**	5,793
Current portion of financial assets related to regulated activities	**8,185**	6,811
	$ 85,886	$ 74,928
Non-current portion of financial assets related to regulated activities	**$ 27,120**	$ 26,174

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 June 30, 2012 and December 31, 2011 balance is $5.9 million of recoverable costs approved by the AUC, which were incurred to repair damage to storm-damaged transmission assets in 2010.

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 property, plant and equipment) 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

During the six months ended June 30, 2012, the Partnership spent $35.9 million (June 30, 2011 - $7.3 million) on capital expenditures relating to intangibles in CWIP and incurred $5.3 million (June 30, 2011 - $4.6 million) of amortization charges. The Partnership also transferred $3.2 million (June 30, 2011 - $2.2 million) to land rights and computer software from CWIP.

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, 2011	$ 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
Additions to CWIP	—	—	—	386,650	386,650
Transfers	44,217	64,872	3,561	(112,650)	—
Retirements	(671)	(1,941)	(264)	—	(2,876)
As at June 30, 2012	**$ 855,837**	**$ 1,274,310**	**$ 106,629**	**$ 945,197**	**$ 3,181,973**
Accumulated Depreciation					
As at January 1, 2011	$ (22,758)	$ (46,452)	$ (7,259)	$ —	$ (76,469)
Depreciation expense	(23,888)	(50,622)	(8,619)	—	(83,129)
Retirements and other adjustments	(892)	(409)	435	—	(866)
As at December 31, 2011	(47,538)	(97,483)	(15,443)	—	(160,464)
Depreciation expense	(12,452)	(26,098)	(4,768)	—	(43,318)
Retirements and other adjustments	(941)	242	404	—	(295)
As at June 30, 2012	**$ (60,931)**	**$ (123,339)**	**$ (19,807)**	**$ —**	**$ (204,077)**
Net book value					
As at December 31, 2011	$ 764,753	$ 1,113,896	$ 87,889	$ 671,197	$ 2,637,735
As at June 30, 2012	**$ 794,906**	**$ 1,150,971**	**$ 86,822**	**$ 945,197**	**$ 2,977,896**

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, emergency capital spare parts and CWIP. CWIP is reclassified to the appropriate asset classes when the assets are available for use.

8. Trade and other payables and other non-current liabilities

(in thousands of dollars)	As at June 30, 2012	As at December 31, 2011
Trade payables	**$ 191,450**	$ 192,273
Accrued interest on long-term debt	**9,060**	10,280
Other current liabilities	**2,300**	2,306
Current portion of financial liabilities related to regulated activities	**27,683**	17,147
	$ 230,493	$ 222,006
Accrued employment benefit liabilities	**$ 5,061**	$ 4,461
Other liabilities	**2,195**	1,955
Non-current portion of financial liabilities related to regulated activities	**18,218**	9,836
	$ 25,474	$ 16,252

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 planned.

9. Debt

(a) Commercial paper and bank credit facilities

As at June 30, 2012 *(in thousands of dollars)*	**Committed**	**Drawdowns**	**Commercial paper outstanding**	**Letters of credit outstanding**	**Availability**	**Maturity date of facility**
Revolving credit facility	**$ 1,175,000**	**$ —**	**$ —**	**$ —**	**$ 1,175,000**	**December 28, 2013**
Operating line of credit	**75,000**	**—**	**—**	**357**	**74,643**	**December 28, 2013**
Total bank credit facilities	**$ 1,250,000**	**$ —**	**$ —**	**$ 357**	**$ 1,249,643**	

As at December 31, 2011 *(in thousands of dollars)*	Committed	Drawdowns	Commercial paper outstanding	Letters of credit outstanding	Availability	Maturity date of facility
Revolving credit facility	$ 850,000	$ —	$ 18,981	$ —	$ 831,019	June 30, 2013
Operating line of credit	50,000	—	—	362	49,638	December 14, 2013
Total bank credit facilities	$ 900,000	$ —	$ 18,981	$ 362	$ 880,657	

The revolving credit 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 revolving credit 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.

9. Debt (cont'd)

(b) Long-term debt

	Effective interest rate	Maturing	As at June 30, 2012	As at December 31, 2011
(in thousands of dollars)				
Series 03-2, 5.430%	5.811%	2013	**$ 325,000**	$ 325,225
Series 2006-1, 5.249%	5.299%	2036	**150,000**	150,000
Series 2008-1, 5.243%	5.354%	2018	**201,803**	201,928
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**	275,000
Series 2012-1, 3.990%	4.023%	2042	**300,000**	—
			1,526,803	1,227,153
Series 3, subordinated 8.000%	8.020%	2012	**—**	85,000
			1,526,803	1,312,153
Long-term debt maturing in less than one year			**(325,000)**	(85,000)
			1,201,803	$ 1,227,153
Less: deferred financing fees			**(8,789)**	(7,909)
Long-term debt			**$ 1,193,014**	$ 1,219,244

On June 29, 2012, the Partnership issued $300.0 million of Secured Series 2012-1 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 June 30, 2012 was $725.0 million (December 31, 2011 - $425.0 million).

(c) Scheduled principal repayments

(in thousands of dollars)	
Maturing	
2013	$ 325,000
2014	—
2015	—
2016	—
2017	—
2018 and thereafter	1,200,000

(d) Finance costs

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
(in thousands of dollars)				
Interest expense	**$ 16,572**	$ 14,886	**$ 33,028**	$ 29,401
Amortization of deferred financing fees	**345**	446	**700**	888
Capitalized borrowing costs	**(257)**	(2,364)	**(471)**	(4,291)
	$ 16,660	$ 12,968	**$ 33,257**	$ 25,998

10. Deferred revenue

(in thousands of dollars)	Third Party Contributions	Deferred Revenue for Salvage	Total
As at January 1, 2011	$ 256,794	$ 174,960	$ 431,754
Transferred from third party deposits	72,912	—	72,912
Received through transmission tariff	—	10,437	10,437
Recognized as revenue	(9,172)	(14,801)	(23,973)
As at December 31, 2011	**320,534**	**170,596**	**491,130**
Transferred from third party deposits	**47,677**	**—**	**47,677**
Received through transmission tariff *[note 12]*	**—**	**6,082**	**6,082**
Recognized as revenue	**(5,040)**	**(5,022)**	**(10,062)**
As at June 30, 2012	**$ 363,171**	**$ 171,656**	**$ 534,827**

Current portion	$ 10,036
Long-term portion	481,094
As at December 31, 2011	**$ 491,130**
Current portion	$ 10,768
Long-term portion	524,059
As at June 30, 2012	**$ 534,827**

Deposits received from third parties used to finance certain capital construction costs and other 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.

11. 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 its 2011-2012 General Tariff Application, the Partnership summarized its plans for a competitive procurement process for Engineering, Procurement and Construction Management (EPCM) services after its 10-year contract with SNC-Lavalin ATP Inc. expired in April 2012. All projects underway and past the Proposal to Provide Service submission stage at the expiry date will be completed by SNC-Lavalin ATP Inc. under the previous contract. On April 30, 2012, the Partnership entered into five-year contracts with two companies, including SNC-Lavalin ATP Inc., to provide EPCM services for future capital projects.

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:

	Three months ended		Six months ended	
(in thousands of dollars)	**June 30, 2012**	June 30, 2011	**June 30, 2012**	June 30, 2011
Interest				
AltaLink Investments, L.P.	**$ —**	$ 1,695	**$ 37**	$ 3,372
Employee compensation and benefits				
AltaLink Management Ltd.	**23,448**	20,912	**47,549**	43,594
Construction related services				
SNC-Lavalin ATP Inc.	**171,337**	64,280	**317,779**	112,102

11. Related party transactions (cont'd)

Amounts included in trade and other payables are:

	As at	
	June 30, 2012	December 31, 2011
(in thousands of dollars)		
AltaLink Management Ltd.	**$ 11,925**	$ 14,529
SNC-Lavalin ATP Inc.	**157,997**	143,875
AltaLink Investments, L.P.	**236**	1,101

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.

For the three and six months ended June 30, 2012 and 2011, there were no other material related party transactions.

12. Revenue from operations

In Decision 2011-082, issued on March 4, 2011, the AUC approved an interim refundable tariff for 2011 and 2012, pending the issuance of a final decision with respect to the 2011-2013 General Tariff Application (2011-2013 GTA). As the AUC has not yet finally disposed of the Partnership's 2011-2013 GTA, the 2012 approved transmission tariff reflects the interim refundable tariff.

On November 18, 2011, the AUC issued Decision 2011-453 with respect to the 2011-2013 GTA. 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 2012 revenue from operations includes its best estimate regarding the implementation of these decisions as reflected in its April 10, 2012 Decision 2011-453 amended Compliance Filing.

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

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	**June 30, 2012**	June 30, 2011
(in thousands of dollars)				
Return on rate base	**$ 28,000**	$ 28,000	**$ 56,000**	$ 56,000
Recovery of forecast expenses	**51,700**	51,700	**103,400**	103,400
Deemed income taxes	**4,350**	4,350	**8,700**	8,700
Approved transmission tariff	**84,050**	84,050	**168,100**	168,100
Receivable (repayable) of net directly assigned capital projects related revenue	**4,895**	(12,998)	**9,025**	(25,317)
(Repayable) receivable property taxes and other	**(470)**	320	**(1,160)**	280
Salvage costs transferred to deferred revenue [note 10]	**(3,055)**	(3,013)	**(6,082)**	(6,001)
AFUDC net of capitalized borrowing costs	**463**	3,166	**776**	5,508
Reclassification of loss on disposal of property, plant and equipment to financial assets related to regulated activities, less amounts already received through tariff and transfer from deferred revenue for salvage costs incurred	**5,447**	7,942	**6,927**	8,551
Revenue from operations	**$ 91,330**	$ 79,467	**$ 177,586**	$ 151,121

Under the CWIP in rate base method, AFUDC is being recovered through current tariffs rather than over the lives of the related assets. The CWIP in rate base method applies to projects directly assigned by the AESO. AFUDC related to capital replacement and upgrade projects continue to be recognized as a financial asset related to regulated activities. 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 six months ended June 30, 2012, approximately 94% of the Partnership's revenue is attributable to the AESO (June 30, 2011– 94%).

13. Expenses

(a) Operating expenses

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	**June 30, 2012**	June 30, 2011
(in thousands of dollars)				
Employee salaries and benefits	**$ 9,248**	$ 7,754	**$ 20,137**	$ 16,777
Contracted labour	**4,691**	4,803	**9,702**	9,221
Other operating expenses	**4,693**	5,918	**9,419**	9,801
	$ 18,632	$ 18,475	**$ 39,258**	$ 35,799

(b) Property taxes, salvage and other expenses

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	**June 30, 2012**	June 30, 2011
(in thousands of dollars)				
Property and business tax	$ **5,697**	$ 5,318	$ **11,434**	$ 10,933
Salvage expenses	**3,046**	6,968	**5,023**	7,758
Annual structure payments	**1,459**	1,383	**2,914**	2,771
Credit facility and hearing expenses	**136**	225	**632**	1,446
	$ 10,338	$ 13,894	**$ 20,003**	$ 22,908

14. Commitments

The contractual commitments of the Partnership for the purchase of property, plant and equipment as at June 30, 2012 are $1,603 million. 99% of these commitments are with SNC-Lavalin ATP Inc., a wholly owned subsidiary of SNC.

The Partnership is committed to operating leases that have lease terms which expire between 2012 and 2026. Of the total expected minimum lease payments, 93% relates to the Partnership's head office leases.

Expected minimum lease payments in future years are as follows:

	As at June 30, 2012
(in thousands of dollars)	
Operating lease obligations payable on non-cancellable leases are as follows:	
No later than 1 year	$ 4,185
Later than 1 year and no later than 5 years	16,726
Later than 5 years	26,685
	$ 47,596

15. 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 financial performance.

In 2012, the Partnership obtained AUC approval to construct and operate transmission facilities that interconnect with a substation owned and operated by a third party. Upon receipt of an energization certificate from the AESO, the Partnership energized the substation. Subsequently, the Partnership was notified that the substation owner had not obtained all necessary permits and approvals from the AUC, including the required connection order. Consequently, the Partnership and the substation owner may be subject to regulatory action, including potentially significant penalties. The Partnership awaits further direction from the AESO and AUC while the substation owner works to resolve this matter.