

Financial Statements

AltaLink, L.P.

Three and nine months ended September 30, 2005 and October 31, 2004
(Unaudited)

ALTALINK, L.P.**BALANCE SHEET**

(Unaudited, in thousands of dollars)

	September 30, 2005	December 31, 2004
ASSETS		
Current		
Cash and cash equivalents	\$ 5,100	\$ -
Restricted cash	487	-
Accounts receivable [note 5]	22,890	16,465
Materials and supplies	936	900
Prepaid expenses and deposits	3,787	1,332
Regulatory assets	5,675	-
	38,875	18,697
Property, plant and equipment	968,996	903,061
Deferred financing fees	5,777	6,575
Regulatory assets	8,058	4,991
Accrued benefit pension asset	2,796	2,903
Materials and supplies	8,425	8,099
Goodwill	202,066	202,066
	\$ 1,234,993	\$ 1,146,392
LIABILITIES AND PARTNERS' EQUITY		
Current		
Accounts payable and accrued liabilities [note 5]	\$ 36,013	\$ 28,298
Other liabilities	977	410
Regulatory liabilities	54	4,357
Short term debt [note 3]	119	144
	37,163	33,209
Accrued employment benefits liabilities	1,130	1,052
Other liabilities	1,708	1,940
Regulatory liabilities [note 6]	158,726	128,416
Asset retirement obligations [note 2]	54,037	54,162
Long term debt [note 3]	603,364	564,791
	856,128	783,570
Commitments & contingencies [notes 6 & 7]		
Partners' equity		
Partners' capital	338,536	338,536
Retained earnings	40,329	24,286
	378,865	362,822
	\$ 1,234,993	\$ 1,146,392

See accompanying notes

ALTALINK, L.P.

STATEMENT OF INCOME AND RETAINED EARNINGS

(Unaudited, in thousands of dollars)

	3 months ended September 30, 2005	3 months ended October 31, 2004	9 months ended September 30, 2005	9 months ended October 31, 2004
REVENUE				
Operating and miscellaneous revenue <i>[note 6]</i>	\$ 43,153	\$ 43,622	\$ 149,282	\$ 126,824
Allowance for equity funds used during construction	(13)	-	443	682
	43,140	43,622	149,725	127,506
EXPENSES				
Operating	12,892	15,771	49,473	43,788
Depreciation	13,592	11,889	46,735	35,062
Accretion	679	757	2,198	2,214
	27,163	28,417	98,406	81,064
	15,977	15,205	51,319	46,442
Interest and amortization of deferred financing fees on short term debt	-	(1)	(1)	52
Interest and amortization of deferred financing fees on long term debt	(8,406)	(8,059)	(24,654)	(24,027)
Allowance for debt funds used during construction	(15)	-	494	763
	7,556	7,145	27,158	23,230
Gain (loss) on the sale of assets	(51)	21	85	288
Net income for the period	7,505	7,166	27,243	23,518
Retained earnings, beginning of period	36,024	18,975	24,286	8,423
Distributions	(3,200)	(3,500)	(11,200)	(9,300)
Retained earnings, end of period	\$ 40,329	\$ 22,641	\$ 40,329	\$ 22,641

See accompanying notes

ALTALINK, L.P.

STATEMENT OF CHANGES IN PARTNERS' EQUITY

(Unaudited, in thousands)

	Units		Limited Partner		General Partner		Total
Balance at April 30, 2004	331,904	\$	351,094	\$	35	\$	351,129
Net income for the period	-		20,991		2		20,993
Distributions	-		(9,299)		(1)		(9,300)
Balance at December 31, 2004	331,904	\$	362,786	\$	36	\$	362,822
Net income for the period	-		27,240		3		27,243
Distributions	-		(11,199)		(1)		(11,200)
Balance at September 30, 2005	331,904	\$	378,827	\$	38	\$	378,865

See accompanying notes

ALTALINK, L.P.

STATEMENT OF CASH FLOWS

(Unaudited, in thousands of dollars)

	3 months ended September 30, 2005	3 months ended October 31, 2004	9 months ended September 30, 2005	9 months ended October 31, 2004
OPERATING ACTIVITIES				
Net income for the period	\$ 7,505	\$ 7,166	\$ 27,243	\$ 23,518
Items not involving cash				
Depreciation and amortization of deferred financing fees	13,976	12,325	47,964	36,389
Accretion	679	757	2,198	2,214
Allowance for funds used during construction	28	-	(937)	(1,445)
(Gain) loss on the sale of assets	51	(21)	(85)	(288)
Revenue accrued, but not received	6,335	(307)	(1,570)	(1,264)
Other non-cash items	460	348	(155)	647
Funds generated in operations	29,034	20,268	74,658	59,771
Change in non-cash working capital items	1,714	8,535	(11,825)	9,936
	30,748	28,803	62,833	69,707
INVESTING ACTIVITIES				
Acquisition of transmission assets	-	(3,732)	-	(4,383)
Additions to property, plant and equipment	(24,638)	(23,540)	(84,610)	(53,400)
Proceeds from the sale of assets	(61)	21	85	719
	(24,699)	(27,251)	(84,525)	(57,064)
FINANCING ACTIVITIES				
Decrease in lease obligation	-	(28)	(29)	(56)
Increase in debt	2,138	1,171	38,633	15,155
Repayment of debt	-	-	(57)	(19,065)
Distributions paid	(3,200)	(3,500)	(11,200)	(9,300)
Additions to deferred financing fees	-	-	(68)	(335)
Decrease (increase) in restricted cash	113	-	(487)	-
	(949)	(2,357)	26,792	(13,601)
Net increase (decrease) in cash and cash equivalents	5,100	(805)	5,100	(958)
Cash and cash equivalents, beginning of period	-	805	-	958
Cash and cash equivalents, end of period	\$ 5,100	\$ -	\$ 5,100	\$ -
Cash interest paid during the period	\$ 1,370	\$ 2,030	\$ 16,745	\$ 17,289

See accompanying notes

ALTALINK, L.P.

NOTES TO FINANCIAL STATEMENTS

Three months and nine months ended September 30, 2005
and three months and nine months ended October 31, 2004

Unaudited
(in thousands of dollars)

1. BASIS OF ACCOUNTING

The interim financial statements of AltaLink, L.P. (the "Partnership") have been prepared by management in accordance with Canadian generally accepted accounting principles. The interim financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the eight months ended December 31, 2004. These interim financial statements do not include all of the disclosures required in annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Partnership's financial statements for the eight months ended December 31, 2004. Operating results for the three and nine months ended September 30, 2005 are not necessarily indicative of the results that may be expected for the twelve months ending December 31, 2005. Due to our change in year end, the three and nine months ended September 30, 2005 are compared to the three and nine months ended October 31, 2004.

2. ASSET RETIREMENT OBLIGATIONS

As of September 30, 2005, the estimated total undiscounted amount of interim asset retirement obligations was approximately \$148.5 million. The obligations will be settled over the useful life of the assets, with the majority of the retirements estimated to occur between 2005 and 2040. A discount rate of 5.67% was used to calculate the carrying value of the asset retirement obligations.

A reconciliation between the opening and closing asset retirement obligations balance is provided below:

	September 30, 2005	December 31, 2004
Balance, beginning of period	\$ 54,162	\$ 52,816
Change in cash flow estimate	(2,059)	-
Liabilities incurred in period	166	-
Liabilities settled in period	(430)	(642)
Accretion expense	2,198	1,988
Balance, end of period	\$ 54,037	\$ 54,162

ALTALINK, L.P.**NOTES TO FINANCIAL STATEMENTS**

Three months and nine months ended September 30, 2005
and three months and nine months ended October 31, 2004

Unaudited
(in thousands of dollars)

3. DEBT

	Effective interest rate	Maturing	September 30, 2005	December 31, 2004
Series 3 (note 5)	8.01%	2012	\$ 85,000	\$ 85,000
Series 03-1	5.07%	2008	100,000	100,000
Series 03-2	5.69%	2013	326,145	326,202
Capital lease obligations	5.90%	2005	-	28
Credit facility	3.41%	2008	92,338	53,705
Total debt			603,483	564,935
Less: short term debt			119	144
Total long term debt			\$ 603,364	\$ 564,791

4. EMPLOYEE FUTURE BENEFITS

	3 months ended September 30, 2005	3 months ended October 31, 2004	9 months ended September 30, 2005	9 months ended October 31, 2004
Regulatory pension and other post employment benefit expenses consist of:				
Defined contribution expense	\$ 448	\$ 345	\$ 1,273	\$ 1,007
Other post employment benefits	39	35	115	95
Supplemental pension expense	9	15	29	20
	\$ 496	\$ 395	\$ 1,417	\$ 1,122

ALTALINK, L.P.

NOTES TO FINANCIAL STATEMENTS

Three months and nine months ended September 30, 2005
and three months and nine months ended October 31, 2004

Unaudited
(in thousands of dollars)

5. RELATED PARTY TRANSACTIONS

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

	September 30, 2005	December 31, 2004
AltaLink Investment Management Ltd.	\$ 61	\$ 88
AltaLink Management Ltd.	(701)	262
AltaLink Investments, L.P.	(1,136)	(1,133)
SNC Lavalin ATP Inc.	(13,234)	(13,797)
Trans-Elect Inc.	(2)	-

In addition there is \$85 million (December 31, 2004 - \$85 million) owing to AltaLink Investments, L.P. as at September 30, 2005 [note 3].

6. REGULATORY DECISIONS

On March 12, 2005, the Partnership received Decision 2005-019 from the Alberta Energy and Utilities Board ("EUB") which relates to the Partnership's general tariff application for the period covering May 1, 2004 through December 31, 2006. On July 28, 2005 the EUB approved the Partnership's compliance with Decision 2005-019. The effect of this decision has been reflected in these financial statements for the nine months ended September 30, 2005. The aggregated effect of the Decision for the nine months ended September 30, 2005, contributed to the \$3.7 million increase to net income.

7. CONTINGENCY

The Partnership has been named as a party to an action commenced by the United Utility Workers Association and others, in respect of the use and control of pension funds acquired from TransAlta Utilities in connection with the purchase of TransAlta's transmission business. As the claim relates directly to actions taken by TransAlta prior to the acquisition of its transmission business by the Partnership, it is the Partnership's position that the claim constitutes an excluded liability under the Partnership's purchase agreement with TransAlta. The Partnership has provided notice to TransAlta of its intention to seek indemnification in respect thereof from TransAlta.

8. COMPARATIVE FIGURES

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