

Financial Statements

AltaLink, L.P.

Three and nine months ended September 30, 2006 and 2005
(Unaudited)

AltaLink, L.P.**BALANCE SHEETS**
(Unaudited)

(in thousands of dollars)

As at	September 30, 2006	December 31, 2005
ASSETS		
Current		
Cash and cash equivalents	\$ 1,754	\$ —
Restricted cash	49,758	29,968
Accounts receivable <i>[note 6]</i>	20,116	17,714
Materials and supplies	1,184	1,012
Prepaid expenses and deposits	4,972	2,203
	77,784	50,897
Property, plant and equipment <i>[note 7]</i>	968,188	865,291
Deferred financing fees	5,829	5,516
Regulatory assets	7,421	7,582
Accrued benefit pension asset	2,538	2,754
Construction materials and supplies	10,657	9,108
Goodwill	202,066	202,066
	\$ 1,274,483	1,143,214
LIABILITIES AND PARTNERS' EQUITY		
Current		
Accounts payable and accrued liabilities <i>[note 6]</i>	\$ 68,656	\$ 28,775
Other liabilities <i>[note 5]</i>	51,410	30,879
Regulatory liabilities	4,620	113
Current portion of long-term debt <i>[note 3]</i>	127	122
	124,813	59,889
Accrued employment benefits liabilities	1,391	1,225
Other liabilities <i>[note 5]</i>	1,367	1,866
Regulatory liabilities	15,196	18,125
Asset retirement obligations <i>[note 2]</i>	57,124	56,276
Long-term debt <i>[note 3]</i>	660,899	621,711
	860,790	759,092
Contingencies <i>[note 9]</i>		
Partners' equity		
Partners' capital	358,536	338,536
Retained earnings	55,157	45,586
	413,693	384,122
	\$ 1,274,483	\$ 1,143,214

See accompanying notes to the financial statements

AltaLink, L.P.

STATEMENTS OF INCOME AND RETAINED EARNINGS
(Unaudited)

(in thousands of dollars)

	Three months ended September 30, 2006	Three months ended September 30, 2005	Nine months ended September 30, 2006	Nine months ended September 30, 2005
REVENUE				
Transmission tariff	\$ 46,253	\$ 40,839	\$ 141,547	\$ 142,613
Miscellaneous revenue	1,743	2,313	5,415	6,669
Allowance for equity funds used during construction	—	(13)	728	443
	47,996	43,139	147,690	149,725
EXPENSES				
Operating expenses	13,150	9,726	39,043	39,774
Property taxes	3,556	3,165	10,668	9,699
Depreciation	15,364	13,592	45,276	46,735
Accretion	716	679	2,271	2,198
	32,786	27,162	97,258	98,406
	15,210	15,977	50,432	51,319
Interest and amortization of deferred financing fees <i>[note 3]</i>	(9,468)	(8,406)	(27,034)	(24,655)
Allowance for debt funds used during construction	—	(15)	844	494
	5,742	7,556	24,242	27,158
Gain (loss) on sale of assets	274	(50)	329	85
Net income for the period	6,016	7,506	24,571	27,243
Retained earnings, beginning of period	54,141	36,024	45,586	24,286
Distributions	(5,000)	(3,200)	(15,000)	(11,200)
Retained earnings, end of period	\$ 55,157	\$ 40,329	\$ 55,157	\$ 40,329

See accompanying notes to the financial statements

AltaLink, L.P.

STATEMENTS OF CHANGES IN PARTNERS' EQUITY
(Unaudited)

(in thousands)

	Units	Limited Partner	General Partner	Total
Balance at December 31, 2004	331,904	\$362,786	\$36	\$362,822
Net income for the period	—	37,296	4	37,300
Distributions	—	(15,998)	(2)	(16,000)
Balance at December 31, 2005	331,904	\$384,084	\$38	\$384,122
Net income for the period	—	24,569	2	24,571
Equity injection	—	20,000	—	20,000
Distributions	—	(14,998)	(2)	(15,000)
Balance at September 30, 2006	331,904	\$413,655	\$38	\$413,693

See accompanying notes to the financial statements

AltaLink, L.P.

STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands of dollars)

	Three months ended September 30, 2006	Three months ended September 30, 2005	Nine months ended September 30, 2006	Nine months ended September 30, 2005
OPERATING ACTIVITIES				
Net income for the period	\$ 6,016	\$ 7,506	\$ 24,571	\$ 27,243
Items not involving cash				
Amortization of deferred financing fees and depreciation	16,972	15,425	49,372	50,540
Accretion expense	716	679	2,271	2,198
Allowance for funds used during construction	—	28	(1,572)	(937)
Gain on the sale of assets	(274)	51	(329)	(85)
Asset retirement obligations settled	—	(40)	15	—(430)
Long-term regulatory accruals	(509)	3,810	(3,130)	(2,594)
Other non-cash items	73	542	(118)	(48)
Funds generated from operations	22,994	28,001	71,080	75,887
Change in non-cash working capital items	6,563	8,195	6,658	(5,877)
Cash provided by operating activities	29,557	36,196	77,738	70,010
INVESTING ACTIVITIES				
Capital expenditures	(40,516)	(31,878)	(129,282)	(91,833)
Increase (decrease) in customer contributions	3,504	1,793	13,700	46
Proceeds from sale of assets	276	(62)	332	85
Cash used in investing activities	(36,736)	(30,147)	(115,250)	(91,702)
FINANCING ACTIVITIES				
Issuance of debt	187,329	2,138	207,693	38,633
Debt repayment	(168,500)	—	(168,500)	(57)
Increase in financing fees	(1,044)	—	(1,110)	(68)
Distributions paid	(5,000)	(3,200)	(15,000)	(11,200)
Increase in partners' equity	—	—	20,000	—
Decrease in lease obligation	—	—	(3)	(29)
Other liabilities, short-term	(18,971)	—	15,976	—
Decrease (increase) in restricted cash	15,119	113	(19,790)	(487)
Cash provided by financing activities	8,933	(949)	39,266	26,792
Net increase in cash and cash equivalents	1,754	5,100	1,754	5,100
Cash and cash equivalents, beginning of period	—	—	—	—
Cash and cash equivalents, end of period	\$ 1,754	\$ 5,100	\$ 1,754	\$ 5,100
Cash interest paid during the period	\$ 3,558	\$ 1,370	\$ 20,216	\$ 16,745

See accompanying notes to the financial statements

AltaLink, L.P.

NOTES TO FINANCIAL STATEMENTS

Three and nine months ended September 30, 2006 and 2005
(Unaudited)

1. BASIS OF ACCOUNTING

The interim financial statements of the Partnership have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP), following the same accounting policies and methods of computation as the financial statements for the twelve months ended December 31, 2005. These interim financial statements do not include all of the disclosures required in annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Partnership's financial statements for the twelve months ended December 31, 2005. Operating results for the nine months ended September 30, 2006 are not necessarily indicative of the results that may be expected for the twelve months ending December 31, 2006.

2. ASSET RETIREMENT OBLIGATIONS

As of September 30, 2006, the estimated total undiscounted amount of asset retirement obligations was approximately \$150.6 million. The obligations will be settled over the useful lives of the assets, with the majority of the retirements estimated to occur between 2006 and 2040. Discount rates ranging from 4.81% to 5.67% were used to calculate the carrying value of the asset retirement obligations.

	As at September 30, 2006	As at December 31, 2005
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(in thousands of dollars)		
Balance, beginning of period	\$ 56,276	\$ 54,162
Liabilities incurred in period	(1,438)	457
Liabilities settled in period	15	(1,339)
Accretion expense	2,271	2,996
Balance, end of period	\$ 57,124	\$ 56,276

AltaLink, L.P.

NOTES TO FINANCIAL STATEMENTS [CONT'D]

Three and nine months ended September 30, 2006 and 2005
(Unaudited)

3. DEBT

	Effective interest rate	Maturing	As at September 30, 2006	As at December 31, 2005
(in thousands of dollars)				
Series 3 8.00% ⁽¹⁾	8.01%	2012	\$ 85,000	\$ 85,000
Series 03-1 4.45%	5.07%	2008	100,000	100,000
Series 03-2 5.43%	5.70%	2013	326,026	326,086
Series 06-1 5.249%	5.27%	2036	150,000	—
Commercial paper	4.10%	2008	—	110,747
Total debt			661,026	621,833
Less: Current portion of long-term debt			127	122
Total long-term debt			\$ 660,899	\$ 621,711

⁽¹⁾ due to AltaLink Investments, L.P.

Interest expense	Three months ended September 30, 2006	Three months ended September 30, 2005	Nine months ended September 30, 2006	Nine months ended September 30, 2005
(in thousands of dollars)				
Deferred financing fees amortized	\$ 407	\$ 384	\$ 1,162	\$ 1,229
Interest on debt	9,061	8,022	25,872	23,426
Total interest and amortization of deferred financing fees on debt	9,468	8,406	27,034	24,655
Less: short-term portion of interest on debt	—	—	(7)	(1)
Total interest and amortization of deferred financing fees on long-term debt	\$ 9,468	\$ 8,406	\$ 27,027	\$ 24,654

AltaLink, L.P.

NOTES TO FINANCIAL STATEMENTS [CONT'D]

Three and nine months ended September 30, 2006 and 2005
(Unaudited)

3. DEBT [CONT'D]

On May 5, 2006, the Partnership filed a final short form base shelf prospectus to facilitate the issuance of medium term notes. This shelf has a 25 month life and permits the Partnership to issue up to an aggregate of \$500 million of notes. On September 21, 2006, \$150 million of notes were issued under the shelf prospectus. The issued notes are senior secured obligations of the Partnership. Collateral for the secured debt obligations consists of a first floating charge security interest on the Partnership's assets.

4. EMPLOYEE FUTURE BENEFITS

	Three months ended September 30, 2006	Three months ended September 30, 2005	Nine months ended September 30, 2006	Nine months ended September 30, 2005
(in thousands of dollars)				
Pension and other post-employment benefit expense consists of:				
Other post-employment benefits	\$ 45	\$ 39	\$ 134	\$ 115
Supplemental pension expense	12	9	35	29
	\$ 57	\$ 48	\$ 169	\$ 144

5. OTHER LIABILITIES

Other liabilities consist of the following:	As at September 30, 2006	As at December 31, 2005
(in thousands of dollars)		
Other liabilities	\$ 2,879	\$ 3,107
Funds received in advance of construction	49,898	29,638
Total other liabilities	52,777	32,745
Less: short-term portion of other liabilities	1,512	1,241
Less: short-term portion of funds received in advance of construction	49,898	29,638
Total other liabilities long-term	\$ 1,367	\$ 1,866

AltaLink, L.P.

NOTES TO FINANCIAL STATEMENTS [CONT'D]

Three and nine months ended September 30, 2006 and 2005
(Unaudited)

6. RELATED PARTY TRANSACTIONS

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

	As at September 30, 2006	As at December 31, 2005
<hr/> (in thousands of dollars)		
AltaLink Management Ltd.	\$ (1,932)	\$ (1,595)
AltaLink Investment Management Ltd.	46	305
SNC Lavalin ATP Inc.	(47,881)	(13,094)
AltaLink Investments, L.P.	(1,136)	(1,136)

In addition, there is \$85 million owing to AltaLink Investments, L.P. as at September 30, 2006 [note 3].

7. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2006			December 31, 2005		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
<hr/> (In thousands of dollars)						
Transmission network	\$1,024,658	(\$203,877)	\$820,781	\$955,155	(\$161,254)	\$793,901
Assets under construction	116,721	—	116,721	37,250	—	37,250
Asset retirement obligations	45,367	(14,681)	30,686	46,805	(12,665)	34,140
	\$1,186,746	(\$ 218,558)	\$968,188	\$1,039,210	(\$ 173,919)	\$ 865,291

The total amount of AFUDC capitalized for the nine months ended September 30, 2006 was \$0.844 million, \$0.494 million for the nine months ended September 30, 2005 and \$2.621 million for the twelve months ended December 31, 2005.

AltaLink, L.P.

NOTES TO FINANCIAL STATEMENTS [CONT'D]

Three and nine months ended September 30, 2006 and 2005
(Unaudited)

7. PROPERTY, PLANT AND EQUIPMENT [CONT'D]

As at September 30, 2006, AltaLink has reclassified \$141.4 million (December 31, 2005 - \$139.0 million) from regulatory liabilities to plant, property and equipment. This liability was originally recorded to reflect costs associated with future site restoration, which were recovered through rates allowed by the regulator, based on the original acquisition cost of the transmission assets. The liability was reclassified as the capital assets balance included in the rate base calculation is net of the provision for future site restoration costs. This reclassification only affects the balance sheet and has had no impact on the income statement.

8. CHANGE IN OWNERSHIP

Prior to June 23, 2006, AltaLink, L.P. (AltaLink or the Partnership) indirectly had four limited partners, SNC Lavalin Transmission Ltd. (SNC) (49.995%), OTPPB TEP Inc. (24.998%), Macquarie Transmission Alberta Ltd. (Macquarie) (14.999%) and 3057246 Nova Scotia Company (9.999%). On June 13, 2006, the Alberta Energy and Utilities Board approved AltaLink's application to change its ownership structure and the transaction was completed on June 23, 2006. Under the new ownership structure, SNC-Lavalin Group Inc. indirectly owns 76.92% of AltaLink, L.P. through its subsidiaries, with Macquarie Transmission Alberta owning the remaining 23.08% limited partner interest. Financial adjustments for this change in ownership transactions were effective as of May 31, 2006.

9. CONTINGENCIES

The General Partner of AltaLink, AltaLink Management Ltd., has been named as a party to an action commenced on December 5, 2005 by George and Karen Gray, alleging the improper operation of specific transmission assets owned by AltaLink. The amount of damages claimed by the plaintiffs is estimated at \$7 million. The claim alleges that the operational concerns began in 1984 and also names TransAlta as a party to the action. AltaLink acquired the transmission business from TransAlta in 2002 and intends to work with TransAlta to defend the claim. At this time, management is unable to predict the outcome of the claim, therefore a provision for the liability is not included in the financial statements as at September 30, 2006.

The General Partner of AltaLink has been named as a party to an action commenced on August 14, 2003 by the United Utility Workers Association and others, in respect of the use and control of pension funds acquired from TransAlta in connection with the purchase of the transmission business. The General Partner has not been required to file a statement of defence at this time, and does not believe that it will be required to defend. As the claim relates directly to actions taken by TransAlta prior to the acquisition of the transmission business by AltaLink, it is AltaLink's position that the claim constitutes an excluded liability under the Acquisition Agreement and AltaLink has provided notice to TransAlta of its intention to seek indemnification in respect thereof from TransAlta.

AltaLink, L.P.

NOTES TO FINANCIAL STATEMENTS [CONT'D]

Three and nine months ended September 30, 2006 and 2005
(Unaudited)

10. COMPARATIVE FIGURES

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