

Financial Statements

**AltaLink, L.P.**

Three months ended March 31, 2005 and April 30, 2004  
(Unaudited)

**ALTALINK, L.P.****BALANCE SHEETS**

(Unaudited, in thousands of dollars)

	<b>March 31, 2005</b>	December 31, 2004
<b>ASSETS [note 3]</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 426	\$ -
Accounts receivable [note 5]	18,251	16,465
Materials and supplies	1,030	900
Prepaid expenses and deposits	1,388	1,332
Regulatory assets [note 6]	7,760	209
	<b>28,855</b>	<b>18,906</b>
Property, plant and equipment	940,621	903,061
Deferred financing fees	6,268	6,575
Regulatory asset	3,104	3,224
Accrued benefit pension	2,890	2,903
Materials and supplies	9,270	8,099
Goodwill	202,066	202,066
	<b>1,193,074</b>	<b>1,144,834</b>
<b>LIABILITIES AND PARTNERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities [note 5]	30,960	28,298
Other liabilities	478	410
Regulatory liabilities [note 6]	27	2,799
Current portion of long term debt [note 3]	121	144
	<b>31,586</b>	<b>31,651</b>
Accrued employment benefits liabilities [note 4]	1,087	1,052
Other liabilities	1,702	1,940
Regulatory liabilities [notes 2 & 6]	155,690	128,416
Asset retirement obligations [note 2]	54,854	54,162
Long term debt [note 3]	577,456	564,791
	<b>822,375</b>	<b>782,012</b>
<b>Commitments &amp; contingencies [notes 6 &amp; 9]</b>		
<b>Partners' equity</b>		
Partners' capital	338,536	338,536
Retained earnings	32,163	24,286
	<b>370,699</b>	<b>362,822</b>
	<b>\$ 1,193,074</b>	<b>\$ 1,144,834</b>

*See accompanying notes*

**ALTALINK, L.P.****STATEMENTS OF INCOME AND RETAINED EARNINGS**

(Unaudited, in thousands of dollars)

	<b>Three months ended March 31, 2005</b>	Three months ended April 30, 2004
		<i>(Restated note 2)</i>
<b>REVENUE</b>		
Operating and miscellaneous revenue <i>[notes 2 &amp; 6]</i>	\$ 53,316	\$ 41,820
Allowance for equity funds used during construction	460	338
	<b>53,776</b>	42,158
<b>EXPENSES</b>		
Operating	15,326	15,025
Depreciation and accretion	19,092	12,144
	<b>34,418</b>	27,169
	<b>19,358</b>	14,989
Interest and amortization of deferred financing fees on short term debt	-	55
Interest and amortization of deferred financing fees on long term debt	(8,031)	(7,959)
Allowance for debt funds used during construction	514	368
	<b>11,841</b>	7,453
Gain on the sale of assets	36	19
<b>Net income for the period</b>	<b>11,877</b>	7,472
Retained earning, beginning of period	24,286	8,421
Distributions	(4,000)	(3,300)
<b>Retained earnings, end of period</b>	<b>\$ 32,163</b>	\$ 12,593

*See accompanying notes*

**ALTALINK, L.P.**

**STATEMENTS OF CHANGES IN PARTNERS' EQUITY**

(Unaudited, in thousands)

	<b>Limited Partner Units</b>		<b>General Partner</b>	<b>Total</b>
<b>Balance at April 30, 2004</b>	<b>331,904</b>	<b>\$ 351,094</b>	<b>\$ 35</b>	<b>\$ 351,129</b>
Net income for the period	-	20,991	2	20,993
Distributions	-	(9,299)	(1)	(9,300)
<b>Balance at December 31, 2004</b>	<b>331,904</b>	<b>\$ 362,786</b>	<b>\$ 36</b>	<b>\$ 362,822</b>
Net income for the period	-	11,875	2	11,877
Distributions	-	(3,999)	(1)	(4,000)
<b>Balance at March 31, 2005</b>	<b>331,904</b>	<b>\$ 370,662</b>	<b>\$ 37</b>	<b>\$370,699</b>

*See accompanying notes*

**ALTALINK, L.P.****STATEMENTS OF CASH FLOWS**

(Unaudited, in thousands of dollars)

	<b>Three months ended March 31, 2005</b>	<b>Three months ended April 30, 2004</b>
		<i>(Restated note 2)</i>
<b>OPERATING ACTIVITIES</b>		
Net income for the period	\$ 11,877	\$ 7,472
Items not involving cash		
Depreciation, accretion and amortization of deferred financing fees	19,519	12,598
Allowance for funds used during construction	(974)	(706)
Gain on the sale of assets	(36)	(19)
Change in other non-cash items <i>[note 7]</i>	563	532
Funds generated in operations	30,949	19,877
Change in non-cash working capital items	(3,690)	12,404
	27,259	32,281
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(35,510)	(8,422)
Proceeds from the sale of assets	36	25
	(35,474)	(8,397)
<b>FINANCING ACTIVITIES</b>		
Decrease in lease obligation	(23)	-
Increase (decrease) in debt	12,664	(46)
Repayment of debt	-	(18,954)
Distributions paid	(4,000)	(3,300)
Additions to deferred financing fees	-	(239)
	8,641	(22,539)
<b>Net increase in cash and cash equivalents</b>	<b>426</b>	<b>1,345</b>
Cash and cash equivalents, beginning of period	-	958
<b>Cash and cash equivalents, end of period</b>	<b>\$ 426</b>	<b>\$ 2,303</b>

*See accompanying notes*

## **ALTALINK, L.P.**

### **NOTES TO FINANCIAL STATEMENTS**

Three months ended March 31, 2005  
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 8 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 months ended March 31, 2005 are not necessarily indicative of the results that may be expected for the twelve months ending December 31, 2005, as discussed further within note 6. Due to our change in year end, the three months ended March 31, 2005 are compared to the 3 months ended April 30, 2004.

#### **2. CHANGE IN ACCOUNTING POLICY**

##### **Asset retirement obligations:**

Prior to April 30, 2004, a provision was made for estimated costs of future removal, dismantlement, site restoration and abandonment (net of expected recoveries) for certain assets.

This provision was accrued on a straight line basis over the estimated useful life of the asset with the related accrual charge included in the depreciation expense on the income statement.

On May 1, 2004, the Partnership adopted the recommendations of Section 3110 of the CICA Handbook, entitled "Asset Retirement Obligations." This section established standards that recognize and measure the fair value of liabilities associated with the retirement of tangible long-lived assets, and includes a corresponding increase to the carrying amount of the related assets. This corresponding increase is amortized to earnings in a systematic manner over the useful lives of the assets. The Partnership recognizes its statutory, contractual and legal obligations for asset retirements. The discounted present value of the liability accretes over time for changes in the present value, with the accretion expense included in depreciation.

**ALTALINK, L.P.**

**NOTES TO FINANCIAL STATEMENTS**

Three months ended March 31, 2005  
Unaudited  
(in thousands of dollars)

**2. CHANGE IN ACCOUNTING POLICY (CON'T)**

**Asset retirement obligations (con't)**

As of March 31, 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. The effect of this change in accounting policy was recorded retroactively with restatement of prior periods.

The adjustments to the income statement for the three months ended April 30, 2004 to implement this change are as follows:

<b>Three months ended April 30, 2004</b>	<b>As previously reported</b>	<b>Adjustments</b>	<b>As restated</b>
Operating and miscellaneous revenue	41,947	211	42,158
Depreciation and accretion	11,933	211	12,144
Net income	7,471	-	7,471

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

	<b>March 31, 2005</b>	December 31, 2004
Balance, beginning of period	<b>\$ 54,162</b>	\$ 52,816
Liabilities incurred in period	-	-
Liabilities settled in period	<b>(67)</b>	(642)
Accretion expense	<b>759</b>	1,988
<b>Balance, end of period</b>	<b>\$ 54,854</b>	\$ 54,162

## ALTALINK, L.P.

### NOTES TO FINANCIAL STATEMENTS

Three months ended March 31, 2005  
Unaudited  
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#### 3. DEBT

	Effective interest rate	Maturing	March 31, 2005	December 31, 2004
Series 3	8.01%	2012	\$ 85,000	\$ 85,000
Series 03-1	5.07%	2008	100,000	100,000
Series 03-2	5.76%	2013	326,202	326,202
Capital lease	5.90%	2006	6	28
Credit facility	3.56%	2007	66,369	53,705
Total debt			577,577	564,935
Less: current portion			121	144
Total long term debt			\$ 577,456	\$ 564,791

#### 4. EMPLOYEE FUTURE BENEFITS

During the three months ended March 31, 2005 the Partnership recorded pension and other post employment benefit expenses of \$442 (three months ended April 30, 2004 were \$ 329). Pension expense is comprised of a defined contribution expense of \$394 (three months ended April 30, 2004 were \$314), other post employment benefits of \$38 (three months ended April 30, 2004 were \$24), and supplemental pension expense of \$10 (three months ended April 30, 2004 were \$(9)).

#### 5. RELATED PARTY TRANSACTIONS

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

	March 31, 2005	December 31, 2004
AltaLink Investment Management Ltd.	\$ 85	\$ 88
AltaLink Management Ltd.	671	262
AltaLink Investments, L.P.	(1,099)	(1,133)
SNC Lavalin ATP Inc.	(10,205)	(13,797)

In addition there is \$85,000 (December 31, 2004 - \$85,000) owing to AltaLink Investments, L.P. as at March 31, 2005 [note 3].

## ALTALINK, L.P.

### NOTES TO FINANCIAL STATEMENTS

Three months ended March 31, 2005

Unaudited

(in thousands of dollars)

#### 6. MEASUREMENT UNCERTAINTY

Tariff revenue received from the Alberta Electric System Operator (“AESO”) transmission administrator for the three months ended March 31, 2005, has been calculated based on an interim tariff set by the Alberta Energy and Utilities Board (“AEUB”). On March 12, 2005, the Partnership received Decision 2005-019 which relates to the general tariff application for the period covering May 1, 2004 through December 31, 2006. In this decision the AEUB conditionally approved certain components of the revenue requirement and requested further information from the Partnership. On April 15, 2005 the Partnership re-filed the general tariff application in accordance with Decision 2005-019. It is not possible to precisely determine the final approved tariff until the results of the AEUB review of the tariff refiling are known. This decision approved the tariff application for two years and eight months covering the period of May 1, 2004 through December 31, 2006. The estimated effects of Decision 2005-019, as interpreted by management for the eight months ended December 31, 2004 and three months ended March 31, 2005, have been reflected in the financial statements for the three months ended March 31, 2005. Further material adjustments may be required once the AEUB finalizes the tariff. The difference between the interim tariff received and the amount estimated is recorded as a regulatory liability or asset.

#### 7. SUPPLEMENTAL CASH FLOW INFORMATION

	<b>Three months ended</b>	
	<b>March 31,</b>	<b>April 30,</b>
	<b>2005</b>	<b>2004</b>
Change in other non-cash items related to operations		
Decrease (increase) in accrued benefit pension asset	\$ 13	\$ (211)
Increase in accrued employment benefits liabilities	35	31
Increase in other liabilities	(238)	26
Increase (decrease) in regulatory liabilities	61	(23)
Increase in asset retirement obligations	692	709
	<b>\$ 563</b>	<b>\$ 532</b>
Cash interest paid during the period	<b>\$ 2,094</b>	<b>\$ 2,219</b>

## **ALTALINK, L.P.**

### **NOTES TO FINANCIAL STATEMENTS**

Three months ended March 31, 2005

Unaudited

(in thousands of dollars)

#### **8. COMPARATIVE FIGURES**

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

#### **9. 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 order under the Partnership's agreement with TransAlta and the Partnership has provided notice to TransAlta of its intention to seek indemnification in respect thereof from TransAlta.