Financial Statements

AltaLink, L.P.

Eight months ended December 31, 2004 and Twelve months ended April 30, 2004

ERNST & YOUNG

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AUDITORS' REPORT

To the **Directors of the General Partner of AltaLink, L.P.:**

We have audited the balance sheets of **AltaLink, L.P.** as at December 31, 2004 and April 30, 2004, and the statements of income and retained earnings, changes in partners' equity and cash flows for the eight months ended December 31, 2004 and the year ended April 30, 2004. These financial statements are the responsibility of AltaLink, L.P.'s management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of AltaLink, L.P. as at December 31, 2004, and April 30, 2004, and the results of its operations and its cash flows for the periods then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Calgary, Canada
February 25, 2005
(except for Note 8 which is as of March 12, 2005)

Chartered Accountants

ALTALINK, L.P.
Eight months ended December 31, 2004 and twelve months ended April 30, 2004

BALANCE SHEETS
(in thousands of dollars)

	December 31, 2004	April 30, 2004
ASSETS (note 6)		
Current		
Cash & cash equivalents	$ -	$ 2,303
Accounts receivable (notes 7 & 11)	**16,465**	17,064
Materials & supplies	**900**	963
Prepaid expenses & deposits	**1,332**	1,353
Regulatory asset (note 8)	**209**	928
	18,906	22,611
Capital assets (notes 3 & 5)	**903,061**	871,292
Deferred financing fees	**6,575**	7,408
Regulatory asset	**3,224**	3,551
Accrued benefit pension (note 10)	**2,903**	2,937
Materials & supplies	**8,099**	8,665
Goodwill	**202,066**	202,066
	$ 1,144,834	$ 1,118,530
LIABILITIES & PARTNERS' EQUITY		
Current		
Accounts payable & accrued liabilities (notes 7 & 11)	**$ 28,298**	$ 38,188
Other liabilities	**410**	208
Regulatory liabilities (note 8)	**2,799**	186
Short term debt (notes 6 & 11)	**144**	212
	31,651	38,794
Accrued employment benefits liabilities	**1,052**	940
Other liabilities	**1,940**	1,179
Regulatory liabilities (notes 3 & 8)	**128,416**	129,522
Asset retirement obligations (note 3)	**54,162**	52,816
Long term debt (notes 6 & 11)	**564,791**	544,150
	782,012	767,401
Commitments & contingencies (notes 4, 6, 8 & 12)		
Partners' equity		
Partners' capital	**338,536**	338,536
Retained earnings	**24,286**	12,593
	362,822	351,129
	$ 1,144,834	$ 1,118,530

See accompanying notes

Approved on behalf of the Board of Directors

Signed by David Tuer — Director

Signed by Pierre Anctil — Director

ALTALINK, L.P.
Eight months ended December 31, 2004 and twelve months ended April 30, 2004

STATEMENTS OF INCOME AND RETAINED EARNINGS

(in thousands of dollars)

		Eight months ended December 31, 2004		Twelve months ended April 30, 2004
Revenue				
Operating & miscellaneous revenue (notes 7 & 8)	**$**	**113,937**	$	154,886
Allowance for equity funds used during construction		**545**		222
		114,482		155,108
Expenses				
Operating (Note 7)		**39,164**		54,570
Depreciation & accretion		**33,789**		42,138
		72,953		96,708
Interest & amortization of deferred financing fees on short term debt (Note 6 & 7)		**(4)**		(6,108)
Interest & amortization of deferred financing fees on long term debt (Note 6 & 7)		**(21,495)**		(26,178)
Allowance for debt funds used during construction		**625**		242
		20,655		26,356
Gain on the sale of assets		**338**		153
Net income for the period		**20,993**		26,509
Retained earnings (deficit), beginning of period		**12,593**		(1,066)
Distributions		**(9,300)**		(12,850)
Retained earnings, end of period	**$**	**24,286**	$	12,593

See accompanying notes

Approved on behalf of the Board of Directors

Signed by David Tuer

Director

Signed by Pierre Anctil

Director

ALTALINK, L.P.
Eight months ended December 31, 2004 and twelve months ended April 30, 2004

STATEMENT OF CHANGES IN PARTNERS' EQUITY

(in thousands of dollars)

	units	Limited Partner	General Partner	Total
Balance at April 30, 2003	331,904	$ 337,436	$ 34	$ 337,470
Net income for the period (restated Note 3)	-	26,507	2	26,509
Distributions	-	(12,849)	(1)	(12,850)
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**

See accompanying notes

Approved on behalf of the Board of Directors

Signed by David Tuer

Director

Signed by Pierre Anctil

Director

ALTALINK, L.P.
Eight months ended December 31, 2004 and twelve months ended April 30, 2004

STATEMENTS OF CASH FLOWS

(in thousands of dollars)

	Eight months ended December 31, 2004	Twelve months ended April 30, 2004
OPERATING ACTIVITIES		
Net income for the period	**$ 20,993**	$ 26,509
Items not involving cash		
Depreciation, accretion, & amortization of deferred financing fees	**34,952**	43,147
Allowance for funds used during construction	**(1,170)**	(464)
Gain on the sale of assets	**(338)**	(153)
Change in other non-cash items (note 13)	**(1,557)**	10,864
Funds generated in operations	**52,880**	79,903
Change in non-cash working capital items (note 13)	**(7,436)**	4,194
	45,444	84,097
INVESTING ACTIVITIES		
Additions to capital assets	**(59,508)**	(84,468)
Proceeds from the sale of assets	**635**	161
	(58,873)	(84,307)
FINANCING ACTIVITIES		
Decrease in lease obligation	**(78)**	(81)
Increase in debt	**20,763**	463,006
Repayment of debt	**(164)**	(440,454)
Distributions paid	**(9,300)**	(12,850)
Additions to deferred financing fees	**(95)**	(7,108)
	11,126	2,513
Net (decrease) increase in cash & cash equivalents	$ **(2,303)**	$ 2,303
Cash & cash equivalents, beginning of period	**2,303**	-
Cash & cash equivalents, end of period	$ **-**	$ 2,303
Cash interest paid during the period	**$ 17,524**	$ 20,888

See accompanying notes

Approved on behalf of the Board of Directors

Signed by David Tuer

Director

Signed by Pierre Anctil

Director

Eight months ended December 31, 2004 and twelve months ended April 30, 2004
(in thousands of dollars)

1. NATURE OF OPERATIONS

AltaLink, L.P. (the "Partnership") was formed under the laws of the Province of Alberta on July 3, 2001, and is managed by the General Partner, AltaLink Management Ltd. (the "General Partner"). The Partnership has one limited partner, AltaLink Investments, L.P. The Partnership was formed to acquire and operate the electrical transmission assets from TransAlta Energy Corporation located in Alberta. These transmission assets were acquired on April 29, 2002. 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.

The Partnership is an electricity transmission facility owner whose business is the ownership and operation of regulated electricity transmission facilities solely in the Province of Alberta. As a result of the acquisition of the transmission business in April 2002, the Partnership became the first independent transmission service provider in Canada. The partnership operates approximately 11,600 kilometres of transmission lines and 260 substations that supply 85 per cent of the Alberta population. The Partnership also owns and operates the interconnection facilities which connect its network with the transmission system in British Columbia, and allow electricity to flow into and out of Alberta.

The Partnership changed its fiscal year end from April 30 to December 31, effective December 31, 2004. The change of its fiscal year end was in response to a direction provided by the Alberta Energy and Utilities Board ("EUB") to maintain its regulatory records on a calendar year-end basis. The change allows the Partnership to align its fiscal year with its regulatory year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Basis of Accounting

The financial statements of the Partnership have been prepared by management in accordance with Canadian generally accepted accounting principles. All amounts reported are in Canadian dollars unless otherwise stated. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Certain estimates are necessary since the regulatory environment the Partnership operates within often requires amounts to be recorded at estimated values until these amounts are finalized pursuant to regulatory decisions, or other regulatory proceedings. Due to inherent uncertainty involved in making estimates, actual results reported in future periods could differ significantly from those estimates.

The financial statements reflect the financial position and results of operations of the Partnership. The financial statements do not include all the assets, liabilities, revenues and expenses of the partners.

NOTES TO FINANCIAL STATEMENTS (CON'T)

Eight months ended December 31, 2004 and twelve months ended April 30, 2004
(in thousands of dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

B) Regulation

The Partnership is regulated by the EUB, the regulator, pursuant to the *Electric Utilities Act (Alberta)* ("EUA"), pursuant to Part 2 of the *Public Utilities Board Act (Alberta)*, and pursuant to the *Hydro and Electric Energy Act (Alberta).* These acts and regulations cover matters such as tariffs, rates, construction, operations, financing and accounting. Pursuant to the EUA, the transmission of all electrical energy through the interconnected electric system in the province of Alberta is administered by an independent system operator, the Alberta Electric System Operator.

The Partnership accounts for certain transactions in accordance with applicable regulation (regulatory accounting) when three criteria are met: the rates for regulated services or products provided to customers are established by or are subject to approval by an independent, third-party regulator or by its own governing board empowered by statute or contract to establish rates that bind customers; the regulated rates are designed to recover the cost of providing the services or products; and in view of the demand for the regulated services or products and the level of competition, direct and indirect, it is reasonable to assume that rates are set at levels that will recover the cost that can be charged to and collected from customers. Under regulatory accounting, the timing of the Partnership's recognition of certain assets, liabilities, revenues and expenses may differ from that otherwise expected under Canadian generally accepted accounting principles for non-regulated businesses.

The Partnership operates under cost of service regulation as prescribed by the EUB. Earnings are determined on the basis of a rate of return on the rate base. The Partnership applies for tariff revenue based on estimated costs of service. Once the tariff is approved, it is not adjusted as a result of actual costs of service being different from that which was estimated, other than for certain prescribed costs.

Included in the tariff revenue, regulatory assets, and regulatory liabilities are provisions relating to self insurance and hearing costs, which are deferred and recorded in regulatory liabilities as the tariff is received. As the actual hearing costs and self insured losses are incurred, revenue is recognized in the same period, reducing the regulatory liability or increasing the regulatory asset.

As part of the acquisition of the transmission assets a pension asset has been recognized. For rate setting purposes pension expense recognition differs from that expected under Canadian generally accepted accounting principles for non-regulated businesses. In order to recognize the pension expense or income in these financial statements on the same basis as it is recovered through the rates charged to customers, a regulatory liability has been established which is equal to the pension asset recognized. This liability will be reduced or increased on the same basis as the pension asset is reduced or increased thus changing the pension expense or income under Canadian generally accepted accounting principles to the amount allowed for rate setting purposes.

NOTES TO FINANCIAL STATEMENTS (CON'T)

Eight months ended December 31, 2004 and twelve months ended April 30, 2004
(in thousands of dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

B) Regulation (con't)

For rate setting purposes, a separate pension liability exists which is included in regulatory liabilities and will be increased or reduced as funding of the pension plan differs from the pension income or expense which is allowed by the regulator to be included in rates.

When the EUB issues decisions affecting the financial statements, the effects of the decision are recorded in the period in which the decision is received.

C) Cash and Cash Equivalents

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

D) Materials and Supplies

Materials and supplies represent spare parts held for day to day operations and construction material held for internal construction and maintenance of capital assets. Those items representing construction material for capital assets are classified as long-term assets. The assets are valued at the lower of cost and net realizable value. Cost is determined on an average cost basis, other than for major equipment which is determined on a specific item basis.

E) Capital Assets

Capital assets are carried at cost, which includes direct labour, materials and allocated overheads less depreciation. The Partnership capitalizes some major maintenance to capital assets, if these costs have been included in capital for regulatory purposes and are expected to be recovered within rates. Regulated operations capitalize an allowance for funds used during construction ("AFUDC") which represents the cost of debt and equity financing incurred during construction as approved by the EUB. AFUDC is a non-cash item that will be recovered in rates charged to customers over the service life of the assets, commencing with the asset's inclusion in the rate base.

Certain assets may be acquired or constructed with financial assistance in the form of non-refundable contributions from customers. These contributions are recorded as a reduction of the cost of property.

NOTES TO FINANCIAL STATEMENTS (CON'T)

Eight months ended December 31, 2004 and twelve months ended April 30, 2004
(in thousands of dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

E) Capital Assets (con't)

Regulated operations provide for depreciation on a straight-line basis with various rates ranging from 1.81% to 33.33% as approved by the EUB, based on depreciation studies prepared by the Partnership. The depreciation amounts approved by the EUB are based on the estimated useful lives of assets, and as such are also used by the Partnership as the depreciation amounts in the financial statements. Changes to depreciation rates approved by the EUB are accounted for on a prospective basis. The EUB approved rates are applied to the original historical capital costs reflected for the regulatory rate setting purposes.

When a regulated asset is retired or disposed of there is no gain or loss recorded in income, other than for land. Any difference between the cost of the asset and the accumulated depreciation is charged to the accumulated depreciation account for that asset. For regulatory purposes the net proceeds from the retirement or disposal of the asset adjusts the accumulated depreciation.

F) Deferred Financing Fees

Costs incurred to arrange debt financing are capitalized as deferred financing costs and are amortized on a straight line basis over the period in which they are expected to be recovered through rates. Deferred financing costs that are not expected to be recovered through rates are amortized on a straight line basis over the term of the related debt. The amortization of these charges is included as part of interest on debt.

G) 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. A goodwill impairment has occurred when the carrying value of the reporting unit exceeds its fair value. An impairment loss is recognized to the extent that the carrying amount of the goodwill of a reporting unit exceeds its fair value. In the last quarter of each fiscal year and as economic events dictate, management reviews the valuation of the goodwill, taking into consideration any events or circumstances which might have impaired the fair value.

H) Employee Future Benefit Plans

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.

NOTES TO FINANCIAL STATEMENTS (CON'T)

Eight months ended December 31, 2004 and twelve months ended April 30, 2004
(in thousands of dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

H) Employee Future Benefit Plans (con't)

All accrued obligations for employee future benefit plans, post employment and post retirement benefits are determined using the projected benefit method prorated on services. In valuing the cost of post retirement benefits as well as the cost of pension benefits, the Partnership uses management's best estimate assumptions, except for the liability discount rate, where the Partnership uses the long-term market rate of high quality debt instruments at the measurement date. Current service costs are expensed in the period in which they are incurred. Cumulative net unamortized actuarial gains and losses in excess of 10% of the greater of the benefit obligation or fair value of plan assets at the beginning of the fiscal year and unamortized past service costs are amortized over the expected average remaining service period of active employees receiving benefits under the plan. The Partnership uses quoted market values to value pension assets. When the recognition of a transfer of employees and employee related benefits gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement. Under regulatory accounting principles, the expense ultimately recognized in these financial statements is that which is recognized for rate setting purposes (*note 2 B*).

I) Taxes

As a Limited Partnership, the Partnership does not pay income taxes, but instead the tax consequences of its operations are borne by its partners on a pro rata basis based on their interest in the Partnership. Similarly, individual partners are responsible for Federal large corporation tax applicable to their respective interest in the Partnership. Accordingly, no tax expense is recognized in these financial statements.

J) Foreign Currency Translation

The Partnership's functional currency is the Canadian dollar. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the balance sheet 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.

NOTES TO FINANCIAL STATEMENTS (CON'T)

Eight months ended December 31, 2004 and twelve months ended April 30, 2004
(in thousands of dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

K) Revenue Recognition

Revenues from rate-regulated operations are recognized on the accrual basis in accordance with rates and policies set by the regulator, and include an estimate of services provided but not yet billed.

Any revenue that has been received but not yet earned is classified as other liabilities in the financial statements.

L) Deferred Lease Inducements

Deferred lease inducements represent leasehold improvements paid for by the landlord. Deferred lease inducements are amortized on a straight-line basis over the periods of the leases, and the amortization is recorded as a reduction of rent expense.

3. 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.

Retirement obligations may apply to both the retirement of an entire facility, or to parts of the larger system. Interim retirement obligations are recognized in the latter circumstances when a component is retired prior to the retirement of the entire facility. Asset retirement obligations are recorded as a liability, with a corresponding increase to capital assets.

The Partnership analyzed the component parts of the system to determine whether it has legal obligations associated with the electrical power transmission system. The electrical power transmission system includes transmission lines, substations, and telecom equipment.

(in thousands of dollars)

3. CHANGE IN ACCOUNTING POLICY (CON'T)

Since the Partnership determined that there were no legal obligations associated with the interim retirement of electric substations and telecom sites, interim asset retirement obligations for these sites were not recognized. While there will be future retirement obligations associated with the final retirement of these assets, because the date of final removal cannot be reasonably determined no obligation has been recognized at this time.

The Partnership has determined that there are legal obligations associated with the interim retirement of the component parts of the transmission lines. The calculation of costs to dismantle and remove the component parts, including poles and towers, was estimated using historical information regarding the replacement and retirement of these types of assets.

No asset retirement obligation has been recognized for the final retirement and removal of the transmission lines as the date of the retirement, and therefore the fair value of the obligation, cannot be determined.

Amounts previously provided for future removal and site restoration costs were determined on the same basis as amounts included for these activities in previous transmission tariffs. The future removal and restoration costs recovered to date through tariffs in excess of the asset retirement obligations recorded under generally accepted accounting principles are accrued as a regulatory liability. As a result, there is no impact to net income or retained earnings from this change in accounting policy.

As of December 31, 2004, the estimated total undiscounted amount of interim asset retirement obligations was approximately $149.7 million. The obligations will be settled over the useful life of the assets, with the majority of the retirements estimated to occur between 2004 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 required to the April 30, 2004 balance sheet to implement this change are as follows:

	As previously reported	Adjustments	As restated
Capital assets	832,128	39,164	871,292
Regulatory liabilities	20,555	108,967	129,522
Provision for future removal and site restoration	122,619	(122,619)	-
Asset retirement obligations	-	52,816	52,816
Retained earnings	12,593	-	12,593

Eight months ended December 31, 2004 and twelve months ended April 30, 2004
(in thousands of dollars)

3. CHANGE IN ACCOUNTING POLICY (CON'T)

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

	As previously reported	**Adjustments**	**As restated**
Operating and miscellaneous revenue	154,020	866	154,886
Depreciation and accretion	41,272	866	42,138
Net income	26,509	-	26,509

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

	December 31, 2004	April 30, 2004
Balance, beginning of period	$ 52,816	$ 49,983
Liabilities incurred in period	-	-
Liabilities settled in period	(642)	-
Accretion expense	1,988	2,833
Balance, end of period	**$ 54,162**	$ 52,816

4. CONTINGENCY

Altalink 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 AltaLink, it is AltaLink's position that the claim constitutes an excluded liability order under AltaLink's agreement with TransAlta and AltaLink has provided notice to TransAlta of its intention to seek indemnification in respect thereof from TransAlta.

NOTES TO FINANCIAL STATEMENTS (CON'T)

Eight months ended December 31, 2004 and twelve months ended April 30, 2004
(in thousands of dollars)

5. CAPITAL ASSETS

	December 31, 2004				
	Regulated Depreciation Rates %	**Effective Depreciation Rates %**	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Substations, transmission lines & telecontrol	2.75 – 3.27	4.13-5.19	**$ 968,099**	**$ 120,641**	**$ 847,458**
Division offices	2.41-10.00	2.34-9.67	**17,166**	**1,924**	**15,242**
Surface & mineral rights	1.81	3.92	**14,734**	**1,432**	**13,302**
Uninstalled meters & transformers	2.60	1.10	**13,545**	**311**	**13,234**
Vehicles	10.00	10.28	**7,610**	**2,253**	**5,357**
Capital leases	33.33	33.33	**302**	**257**	**45**
Other	4.29-22.22	4.35-21.03	**27,061**	**6,375**	**20,686**
Land	—	—	**10,926**	**—**	**10,926**
Customer contributions	4.11-5.68	3.47-11.80	**(49,002)**	**(3,667)**	**(45,335)**
			1,010,441	**129,526**	**880,915**
Assets under construction	—	—	**22,146**	**—**	**22,146**
			$1,032,587	**$ 129,526**	**$ 903,061**

	April 30, 2004				
	Regulated Depreciation Rates %	Effective Depreciation Rates %	Cost	Accumulated Depreciation	Net Book Value
Substations, transmission lines & telecontrol	2.75 – 3.27	4.78-5.55	$ 910,689	$ 93,172	$ 817,517
Division offices	2.41-10.00	2.43-10.00	16,107	1,389	14,718
Surface & mineral rights	1.81	4.02	14,314	1,075	13,239
Uninstalled meters & transformers	2.60	1.07	12,636	250	12,386
Vehicles	10.00	12.57	7,054	1,613	5,441
Capital leases	33.33	33.33	302	190	112
Other	4.29-22.22	4.80-25.37	21,972	4,171	17,801
Land	—	—	11,163	—	11,163
Customer contributions	4.11-5.68	4.30-11.80	(36,361)	(2,729)	(33,632)
			957,876	99,131	880,915
Assets under construction	—	—	12,547	—	12,547
			$ 970,423	$ 99,131	$ 871,292

The total amount of AFUDC capitalized for the eight months ended December 31, 2004 was $1,170 and was $464 for the year ended April 30, 2004.

(in thousands of dollars)

5. CAPITAL ASSETS (CON'T)

For rate setting purposes the capital assets number included in the rate base calculation are capital assets less the provision for future removal and site restoration, assets under construction and unamortized software.

6. DEBT

	Effective Interest rate	Maturing	**December 31, 2004**	April 30, 2004
Series 3	8.01%	2012	**$ 85,000**	$ 85,000
Series 03-1	5.07%	2008	**100,000**	100,000
Series 03-2	5.72%	2013	**326,202**	326,311
Capital lease obligations	19.8%	2006	**28**	108
Credit facility	3.58%	2007	**53,705**	32,943
Total debt			**564,935**	544,362
Less: short term debt			**144**	212
Total long term debt			**$ 564,791**	$ 544,150

A. Credit Facility

The maturity date of the $185,000 credit facility agreement was extended to May 6, 2007. The maturity date extends as the revolving period of the bank facility is renewed each year, subject to the consent of the facility provider. If the facility provider does not agree to an extension, no additional borrowings may be made under the credit agreement after May 6, 2005 and all amounts owing there under must be repaid by May 6, 2007. The facility may be used only for capital expenditures and general corporate purposes and cannot be drawn down for the purpose of refinancing existing indebtedness. The facility provides funding by way of prime rate loans, U.S. base rate loans, bankers' acceptances, LIBOR loans and letters of credit and prohibits the Partnership from granting security on its assets to other parties unless the same security is granted to the facility provider. As at December 31, 2004 there were $50,905 of Bankers' Acceptances and $2,800 bank overdraft outstanding on the credit facility (April 30, 2004 - $32,943 Bankers' Acceptances). Of the amounts outstanding as at December 31, 2004 $53,705 (April 30, 2004 - $32,943) has been classified as long term debt because the Partnership has the ability to continue rolling the Banker's Acceptances maturity dates under the revolving bank credit facility which has a maturity date of May 6, 2007.

NOTES TO FINANCIAL STATEMENTS (CON'T)

Eight months ended December 31, 2004 and twelve months ended April 30, 2004
(in thousands of dollars)

6. DEBT (CON'T)

B. Letters of Credit

As at December 31, 2004 and April 30, 2004, the Partnership had letters of credit outstanding totaling $89.

C. Debt Facilities

Series 3

$85,000 Series 3 Subordinated Bond, due October 1, 2012. The interest rate is a fixed rate of 8%. Interest on the Series 3 Subordinated Bond is payable quarterly on August 1, November 1, February 1, and May 1. The Series 3 Subordinated Bond is unsecured. The payment of the principal and interest of the Series 3 Subordinated Bond are subordinated to all senior bonds. The Series 3 Subordinated Bond is payable to AltaLink Investments, L.P. which is the limited partner of the Partnership.

Series 03-1 and Series 03-2

$100,000 Series 03-1 Senior Bonds, due June 5, 2008. The coupon is fixed at a rate of 4.45%. $325,000 Series 03-2 Senior Bonds, due June 5, 2013. The coupon is fixed at a rate of 5.43%. Interest on the Series 03-1 and Series 03-2 Senior Bonds is payable in arrears semi-annually on June 5 and December 5. The Series 03-1 and Series 03-2 Senior Bonds rank equally with all present and future senior, secured indebtedness that are issued by the Partnership. The Series 03-1 Senior Bonds cannot be redeemed prior to June 5, 2008. The Series 03-2 Senior Bonds may be redeemed in whole or in part at the option of the Partnership at any time at a redemption price of the principal, any accrued and outstanding interest, and in some circumstances a premium.

Upon the signing of the amended and restated master trust indenture on June 5, 2003 between the Partnership, AltaLink Management Ltd., the Partnership's General Partner, and The Trust Company of Bank of Montreal, as trustee, the Partnership secured the obligations of the Series 2 Senior Bridge Bonds. Collateral for the Series 03-1 and Series 03-2 Senior Bonds, and the credit facility which consists of a first floating charge security interest on its current and future assets.

D. Interest Expense

During the eight months ended December 31, 2004 $nil (year ended April 30, 2004 was ($172)) of deferred financing fees had been amortized and included in interest expense on short term debt. During the eight months ended December 31, 2004, $1,163 (year ended April 30, 2004 was $1,181) of deferred financing fees had been amortized and included in interest expense on long term debt.

NOTES TO FINANCIAL STATEMENTS (CON'T)

Eight months ended December 31, 2004 and twelve months ended April 30, 2004
(in thousands of dollars)

6. DEBT (CON'T)

E. Principal Repayments

Maturing fiscal	
2005	**$ 144**
2006	**122**
2007	**53,833**
2008	**100,135**
2009 and thereafter	**410,701**
	$ 564,935

7. RELATED PARTY TRANSACTIONS

AltaLink Investment Management Ltd.

Subsequent to the year ended April 30, 2003, the Partnership amended its agreement to provide services to AltaLink Investments, L.P. Rather than providing services directly to AltaLink Investments, L.P, the Partnership now provides these services through AltaLink Investment Management Ltd. which is AltaLink Investments, L.P.'s General Partner. As such the fees for these services are billed to AltaLink Investment Management Ltd. by the Partnership at exchange amounts, and AltaLink Investment Management Ltd. then recovers these costs from AltaLink Investments, L.P. During the eight months ended December 31, 2004 the Partnership provided consulting services to AltaLink Investment Management Ltd. in the amount of $169 (year ended April 30, 2004 - $739). These services were recorded at exchange amounts.

AltaLink Management Ltd.

Pursuant to the terms of the Partnership Agreement, the General Partner provides administrative and operational services to the Partnership on a cost reimbursement basis. The employees that provide the administrative and operational services are employed by the General Partner and the Partnership has indemnified the General Partner for all expenses and liabilities associated therewith. Services are invoiced and settled on a semi-monthly basis. Operating and capital expenses included $17,475 (year ended April 30, 2004 - $22,762) of salaries and benefits that have been invoiced from the General Partner for the eight months ended December 31, 2004 at exchange amounts. The Partnership agreement granted the General Partner a 0.01% interest in the Partnership in consideration for acting

7. RELATED PARTY TRANSACTIONS (CON'T)

as General Partner. For the eight months ended December 31, 2004 distributions of $1 were paid to the General Partner (year ended April 30, 2004 - $1).

AltaLink Investments, L.P.

Included in miscellaneous revenue is $nil (April 30, 2004 - $113) for consulting services provided to AltaLink Investments, L.P. These services have been recorded at exchange amounts. Included in interest expense is $3,418 (April 30, 2004 - $6,831), which relates to the Series 3 Subordinated Bridge Bond payable to AltaLink Investments, L.P *[note 5]*. For the eight months ended December 31, 2004 distributions of $9,299 were paid to AltaLink Investments, L.P (April 30, 2004 - $12,849).

SNC Lavalin Inc.

SNC Lavalin Inc., a subsidiary of SNC-Lavalin Group Inc., provided consulting services in the amount of $10 during the eight months ended December 31, 2004 and $149 for the year ended April 30, 2004 in relation to the acquisition of the transmission assets and other operating activities. SNC-Lavalin Group Inc. is the parent of SNC Lavalin Transmission Ltd. which is a 50% owner of AltaLink Investments, L.P. These services were recorded at exchange amounts.

The Partnership and SNC Lavalin Inc. are parties to an exclusive appointment of EPC/EPCM contractor agreement whereby the Partnership appointed SNC Lavalin Inc. as the exclusive provider of engineering, procurement and construction services and related management services for capital upgrades to transmission facilities in Alberta. The exclusive appointment agreement is scheduled to terminate on April 30, 2012. During the eight months ended December 31, 2004 SNC-Lavalin ATP Inc., a subsidiary of SNC-Lavalin Inc., provided the above mentioned services for the construction of capital assets totaling $47,595 (April 30, 2004 - $55,898). These amounts have been included in capital assets as at December 31, 2004. The Partnership received $119 (April 30, 2004 - $83) in miscellaneous revenue from SNC-Lavalin ATP Inc. during the eight months ended December 31, 2004. These services were recorded at exchange amounts.

Macquarie North America Ltd.

Macquarie Essential Assets Partnership ("MEAP") is the sole shareholder of Macquarie Transmission Alberta Ltd., which owns, beneficially and of record, 15% of AltaLink Investments, L.P. The general partner of MEAP is Macquarie Canadian Infrastructure Management Limited, a direct subsidiary of Macquarie North America Ltd. Macquarie North America Ltd. provided $25 (April 30, 2004 - $2,212) in consulting and financial advisory services, as well as operating expenses during the eight months ended December 31, 2004 of which $nil (April 30, 2004 - $2,183) was recorded as financing fees, and $25 (April 30, 2003 – $29) was recorded as operating expenses. These services were recorded at exchange amounts.

NOTES TO FINANCIAL STATEMENTS (CON'T)

Eight months ended December 31, 2004 and twelve months ended April 30, 2004
(in thousands of dollars)

7. RELATED PARTY TRANSACTIONS (CON'T)

Ontario Teachers' Pension Plan Board

Ontario Teachers' Pension Plan Board is the parent of OTPPB TEP Inc., a 25% owner of AltaLink Investments, L.P. Included in interest expense is $nil for the eight months ended December 31, 2004 and $6,266 for the year ended April 30, 2004 which relates to Series 1 (redeemed June 5, 2003) and Series 2 (redeemed December 5, 2003) Senior Bridge Bonds payable to Ontario Teachers' Pension Plan Board.

Other

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

	December 31, 2004	April 30, 2004
AltaLink Investment Management Ltd.	**$ 88**	$ 15
AltaLink Management Ltd.	**262**	417
AltaLink Investments, L.P.	**(1,133)**	(1,672)
SNC Lavalin Inc.	**(13,797)**	(7,242)

8. MEASUREMENT UNCERTAINTY

The Partnership filed a general tariff application with the EUB as of September 30, 2002 to finalize rates for the fiscal years ending April 30, 2003 and April 30, 2004. This tariff application is based on traditional cost of service methodology. On March 23, 2004 the Partnership received a final decision from the EUB on this application, and the effects of the decision were reflected in the financial statements for the year ended April 30, 2004.

Tariff revenue received from the Alberta Electric System Operator (AESO) transmission administrator for the eight months ended December 31, 2004, has been calculated based on an interim tariff set by the EUB. On March 12, 2005, the partnership received Decision 2005-019. This decision approved the tariff application for two years and eight months covering the period of May 1, 2004 through December 31, 2006. The impact of this decision has not been reflected in the financial statements as the impact has not been determined.

9. PARTNERS' CAPITAL

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 General Partner is not entitled to vote and any Limited Partner who is in default of payment of the subscription price for units shall not be entitled to vote in respect of any units.

Any units issued by the Partnership must be offered to the existing Limited Partner in proportion to its interest in the Partnership.

The 0.01% interest granted to the General Partner in consideration for acting as General Partner of the Partnership does not entitle the General Partner to units of the Partnership.

10. EMPLOYEE FUTURE BENEFITS

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 the transmission employees. At the valuation date of April 30, 2002, pension assets to be transferred exceeded the related liabilities assumed. The pension obligation was transferred by the Partnership to the General Partner at the value of the pension surplus and the Partnership will be credited with any pension income and charged for any pension expense. The transfer resulted in a long term pension asset being established in the Partnership which will be reduced through pension expense charges or increased by pension income. Any cash funding of the pension plan by the General Partner will be 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.

NOTES TO FINANCIAL STATEMENTS (CON'T)

Eight months ended December 31, 2004 and twelve months ended April 30, 2004
(in thousands of dollars)

10. EMPLOYEE FUTURE BENEFITS (CON'T)

A. Description (con't)

On October 31, 2003, the General Partner established a registered pension plan with defined benefit and defined contribution options covering substantially all of the employees of the General Partner, effective April 29, 2002. Only those members who at the date of the acquisition were covered by the defined benefit option under the TransAlta plan were allowed to continue in that option, and all other employees and any new employees are covered under the defined contribution option. The defined benefit provisions of the plan provide a final average pay type benefit. The defined contribution component is a 10% employer contribution plan. Effective May 1, 2004, the defined contribution component of the registered pension plan established by the General Partner changed from a 10% employer contribution plan, to an 8% employer, and 2% employee contribution plan and the defined benefit component was changed to require the employees to contribute 2% of eligible earnings. The latest actuarial valuation was done as at April 30, 2002. The effective date of the next required valuation for funding purposes is December 31, 2004.

Other accrued employment benefits include the health and dental coverage provided to some employees. In addition, the General Partner has a supplemental pension plan. Effective April 29, 2002, the supplemental pension plan was provided to those employees who exceed the Income Tax limits on maximum pension contributions. The supplemental pension plan is a defined contribution plan with 6% employer contributions, which is not registered. Membership in the supplemental pension plan is automatic once registered pension plan contributions have reached the maximum annual amount.

B. Costs Recognized

During the eight month period ended December 31, 2004 the Partnership recorded regulatory pension and other post employment benefit expenses of $1,085 (year ended April, 2004 - $5,996). The regulatory pension expense is comprised of a defined contribution expense of $952 (year ended April 30, 2004 - $2,957), other post employment benefits of $95 (year ended April 30, 2004 - $78) supplemental pension expense of $38 (year ended April 30, 2004 - $98), and the reversal of pension income of $nil (year ended April 30, 2004 - $2,863). The reversal of pension income for the year ended April 30, 2004 reflects the decision provided by the EUB on the general rate application.

NOTES TO FINANCIAL STATEMENTS (CON'T)

Eight months ended December 31, 2004 and twelve months ended April 30, 2004
(in thousands of dollars)

10. EMPLOYEE FUTURE BENEFITS (CON'T)

B. Costs Recognized (con't)

	Eight months ended December 31, 2004		
	Registered	Other	Total
Current service cost	$ 92	$ 39	$ 131
Interest cost on benefit obligation	202	43	245
Interest on pension fund assets	(360)	–	(360)
Actuarial obligation losses in the period	204	33	237
Plan amendments in the period	–	205	205
Difference between expected return and actual return on plan assets	56	–	56
Difference between actuarial gain recognized for the year and actual actuarial gain on accrued benefit obligation for the period	(160)	(34)	(194)
Difference between amortization of past service costs for the year and actual plan amendments for the period	–	(191)	(191)
Defined benefit expense	34	95	129
Regulatory adjustment to offset expense	(34)	–	(34)
Defined benefit expense recognized in financial statements	–	95	95
Defined contribution expense of registered pension plan	952	–	952
Supplemental pension expense	–	38	38
Net expense recognized in the financial statements	$ 952	$ 133	$ 1,085

NOTES TO FINANCIAL STATEMENTS (CON'T)

Eight months ended December 31, 2004 and twelve months ended April 30, 2004
(in thousands of dollars)

10. EMPLOYEE FUTURE BENEFITS (CON'T)

B. Costs Recognized (con't)

Of the total defined contribution expense of $952 for December 31, 2004, $nil was taken out of the defined benefit surplus, $875 was cash contributed and the remaining $77 will be cash contributed next year.

	Fiscal Year Ended April 30, 2004		
	Registered	Other	Total
Current service cost	$ 133	$ 32	$ 165
Interest cost on benefit obligation	274	46	320
Interest on pension fund assets	(410)	–	(410)
Amortization of experience losses in excess of 10% corridor	74	–	74
Defined benefit expense	71	78	149
Regulatory adjustment to offset expense	(71)	–	(71)
Defined benefit expense recognized in financial statements	–	78	78
Defined contribution expense of registered pension plan	2,957	–	2,957
Reversal of prior year regulatory defined benefit pension income due to EUB decision.	2,863	–	2,863
Supplemental pension expense	–	98	98
Net expense recognized in the financial statements	5,820	176	5,996

From May 1, 2002 until September 15, 2003 the defined benefit surplus was used to fund the defined contributions for those employees that were part of the TransAlta pension plan who were transferred to the Partnership upon the acquisition of the transmission business. Subsequent to September 15, 2003 the defined contributions for those employees were cash contributed. From May 1, 2002 onwards, the defined contributions were cash contributed for the other employees who did not transfer from TransAlta. Of the total defined contribution expense of $2,957 for April 30, 2004, $1,397 was taken out of the defined benefit surplus, $1,398 was cash contributed and the remaining $162 will be cash contributed next year.

NOTES TO FINANCIAL STATEMENTS (CON'T)

Eight months ended December 31, 2004 and twelve months ended April 30, 2004
(in thousands of dollars)

10. EMPLOYEE FUTURE BENEFITS (CON'T)

C. Status of plans

	December 31, 2004		
	Registered	**Other**	**Total**
Fair value of plan assets	$ 6,895	$ —	$ 6,895
Accrued benefit obligation	5,210	1,090	6,300
Funded status-plan surplus (liability)	1,685	(1,090)	595
Unamortized past service costs	—	191	191
Unamortized actuarial (gains) losses	1,218	(38)	1,180
Total recognized in financial statements	$ 2,903	$ (937)	$ 1,966
Amortization period in years (EARSL)	7	10	—

	April 30, 2004		
	Registered	Other	Total
Fair value of plan assets	$ 6,523	$ —	$ 6,523
Accrued benefit obligation	4,701	770	5,471
Funded status-plan surplus (liability)	1,822	(770)	1,052
Unamortized net actuarial losses (gains)	1,115	(73)	1,042
Benefits paid	—	1	1
Total recognized in financial statements	$ 2,937	$ (842)	$ 2,095
Amortization period in years (EARSL)	7	10	—

D. Reconciliation of plan assets

	December 31, 2004	April 30, 2004
	Registered	Registered
Fair value of plan assets, beginning of period	$ 6,523	$ 6,021
Transfers to defined contribution option	—	(198)
Employee defined benefit contributions	12	—
Experience gain adjustment	56	290
Actual return on plan assets (net of expenses)	304	410
Fair value of plan assets, end of period	$ 6,895	$ 6,523

As at December 31, 2004 the pension fund was invested in the following: 51 % equities (April 30, 2004 - 49%), 39% bonds (April 30, 2004 - 41%) and 10% cash (April 30, 2004 - 10%).

NOTES TO FINANCIAL STATEMENTS (CON'T)

Eight months ended December 31, 2004 and twelve months ended April 30, 2004
(in thousands of dollars)

10. EMPLOYEE FUTURE BENEFITS (CON'T)

E. Reconciliation of Accrued Benefit Obligations

	December 31, 2004		
	Registered	**Other**	**Total**
Accrued benefit obligation, beginning of period	$ 4,701	$ 770	$ 5,471
Plan amendments in the period	-	205	205
Current service cost	92	39	131
Employee defined benefit contributions	12	-	12
Interest cost on benefit obligation	202	43	245
Experience loss	203	33	236
Accrued benefit obligation, end of period	$ 5,210	$ 1,090	$ 6,300

	April 30, 2004		
	Registered	Other	Total
Accrued benefit obligation, beginning of period	$ 3,933	$ 654	$ 4,587
Current service cost	133	32	165
Interest cost on benefit obligation	274	46	320
Experience loss	361	38	399
Accrued benefit obligation, end of period	$4,701	$ 770	$ 5,471

NOTES TO FINANCIAL STATEMENTS (CON'T)

Eight months ended December 31, 2004 and twelve months ended April 30, 2004
(in thousands of dollars)

10. EMPLOYEE FUTURE BENEFITS (CON'T)

F. Assumptions

The significant actuarial assumptions utilized in measuring the Partnership's accrued benefit obligations were as follows:

	Eight Months Ended December 31, 2004	
	Registered %	**Other %**
Liability discount rate	6.0	6.0
Expected long-term rate of return on plan assets	7.0	—
Rate of compensation increase (exclusive of promotion increases)	3.5	—
Health care cost escalation (1)	—	9.0
Dental care cost escalation	—	4.0
Provincial healthcare premium escalation	—	2.5

	April 30, 2004	
	Registered %	Other %
Liability discount rate	6.25	6.25
Expected long-term rate of return on plan assets	7.0	—
Rate of compensation increase (exclusive of promotion increases)	3.5	—
Health care cost escalation (2)	—	9.0
Dental care cost escalation	—	4.0
Provincial healthcare premium escalation	—	2.5

(1) The health care cost escalation used as an estimate is 9.0% as at December 31, 2004 with a decrease of 0.5% per year for 8 years and 5.0% per year thereafter.

(2) The health care cost escalation used as an estimate is 9.0% as at April 30, 2004 with a decrease of 0.5% per year for 8 years and 5.0% per year thereafter.

Sensitivity to changes in assumed health care cost trend rates are as follows:

	One percentage point increase	One percentage point decrease
Effect on total service and interest costs	$ 13	$ (11)
Effect on post-retirement benefit obligation	$ 145	$ (123)

NOTES TO FINANCIAL STATEMENTS (CON'T)

Eight months ended December 31, 2004 and twelve months ended April 30, 2004
(in thousands of dollars)

11. FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

Cash and cash equivalents consist of amounts held in cash deposit accounts with a Canadian chartered bank. Due to the short-term nature of cash, the carrying values do not differ materially from the fair values. Cash earned an effective interest rate of 1.45% during the eight month period ended December 31, 2004 and 2.38% during the year ended April 30, 2004.

Accounts receivable, accounts payable and accrued liabilities are short term in nature and as such the carrying amounts are a reasonable estimate of the fair values of these items.

As at December 31, 2004 the fair values of the outstanding debt are as follows:

	December 31, 2004	April 30, 2004
Series 03-1 Senior Bonds	**$ 103,888**	$ 102,178
Series 03-2 Senior Bonds	**339,198**	333,517
Series 3 Subordinated Bond	**86,630**	88,620

Borrowings under the bank credit facility and the capital lease obligations are for short terms and are market rate based, thus carrying values approximate fair value.

b) Concentrations of credit risk

The Partnership has a concentration of credit risk as approximately 86% of its accounts receivable balance is due from the Alberta Electric System Operator (April 30, 2004 – 91%), 4% of the accounts receivable balance is due from TransAlta Utilities Corporation (April 30, 2004 – 5%) and 6% is due from FortisAlberta (April 30, 2004 - nil). For the eight month period ended December 31, 2004, tariff revenues accounted for approximately 95% (April 30, 2004 – 94%) of the operating revenues. The remaining 5% (April 30, 2004 – 6%) was comprised mainly of revenue from tower and land leases and the provision of services to others.

12. COMMITMENTS

On June 1, 2002 the Partnership entered into a 10 year operating lease for premises. The Partnership has received leasehold improvement allowances from the landlord in the amount of $1,114 in fiscal 2003, and additional $132 in May of 2004. On June 1, 2004 the Partnership entered into another 5 year operating lease for premises, and received a leasehold improvement allowance from the landlord in the amount of $396. There are additional operating leases that are for premises in Red Deer, Lethbridge and Calgary that all have lease terms up to 5 years. Of the total expected minimum lease payments 95%, relates to the Partnership's head office.

NOTES TO FINANCIAL STATEMENTS (CON'T)

Eight months ended December 31, 2004 and twelve months ended April 30, 2004
(in thousands of dollars)

12. COMMITMENTS (CON'T)

Expected minimum lease payments in future years are as follows:

2005	**$ 1,040**
2006	**1,049**
2007	**1,039**
2008	**984**
2009 and thereafter	**2,665**
	$ 6,777

13. SUPPLEMENTAL CASH FLOW INFORMATION

a) Change in Non-Cash Working Capital Items Related to Operations:

	December 31, 2004	April 30, 2004
Change in non-cash working capital items related to operations		
(Increase) decrease in accounts receivable	**$ (2,197)**	$ 222
Decrease (increase) in materials and supplies	**63**	(160)
Decrease (increase) in prepaid expenses and deposits	**21**	(266)
Decrease (increase) in regulatory asset	**719**	(928)
(Decrease) increase in accounts payable and accrued liabilities	**(8,911)**	11,857
Increase in other liabilities	**202**	17
Increase (decrease) in regulatory liabilities	**2,613**	(6,604)
Increase in short term debt	**54**	56
	$ (7,436)	$ 4,194

b) Change in Other Non-Cash Items Related to Operations:

	December 31, 2004	April 30, 2004
Change in other non-cash items related to operations		
Decrease in accrued benefit pension asset	**$ 34**	$ 310
Increase in accrued employment benefits liabilities	**112**	175
Increase in other liabilities	**761**	103
(Decrease) increase in regulatory liabilities	**(3,810)**	7,442
Increase in asset retirement obligations	**1,346**	2,834
	$ (1,557)	$ 10,864

14. COMPARATIVE FIGURES

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