

Financial Statements

AltaLink, L.P.

Three and six months ended June 30, 2007 and 2006
(Unaudited)

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

(in thousands of dollars)

As at	June 30, 2007	December 31, 2006
ASSETS		
Current		
Restricted cash	\$ 46,298	\$ 47,214
Accounts receivable <i>[note 8]</i>	25,140	39,716
Materials and supplies	1,415	1,226
Prepaid expenses and deposits	14,951	2,473
Regulatory assets	923	5,320
	88,727	95,949
Property, plant and equipment <i>[note 9]</i>	1,070,372	1,003,567
Deferred financing fees <i>[notes 2 & 5]</i>	—	5,501
Regulatory assets – long-term	3,260	2,620
Accrued benefit pension asset	2,397	2,466
Construction materials and supplies	12,736	11,039
Goodwill	202,066	202,066
	\$ 1,379,558	\$ 1,323,208
LIABILITIES AND PARTNERS' EQUITY		
Current		
Accounts payable and accrued liabilities <i>[note 8]</i>	\$ 55,969	\$ 68,173
Other liabilities <i>[note 7]</i>	47,568	49,368
Regulatory liabilities	2,265	6,421
Current portion of long-term debt <i>[notes 2 & 5]</i>	131	128
	105,933	124,090
Accrued employment benefits liabilities	1,613	1,446
Other liabilities <i>[note 7]</i>	837	1,332
Regulatory liabilities – long-term	15,457	14,982
Asset retirement obligations <i>[note 4]</i>	59,163	56,380
Long-term debt <i>[notes 2 & 5]</i>	735,180	700,218
	918,183	898,448
Contingencies <i>[note 10]</i>		
Partners' equity		
Partners' capital	388,536	363,536
Retained earnings	72,839	61,224
	461,375	424,760
	\$ 1,379,558	\$ 1,323,208

See accompanying notes to the financial statements

AltaLink, L.P.

STATEMENTS OF INCOME AND RETAINED EARNINGS
(Unaudited)

(in thousands of dollars)

	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
REVENUE				
Operating and miscellaneous revenue	\$ 52,202	\$ 49,514	\$ 105,316	\$ 98,966
Allowance for equity funds used during construction	673	—	1,431	728
	52,875	49,514	106,747	99,694
EXPENSES				
Operating	19,193	17,251	36,348	33,005
Depreciation and accretion	16,239	15,662	32,844	31,467
	35,432	32,913	69,192	64,472
	17,443	16,601	37,555	35,222
Interest and amortization of deferred financing fees <i>[note 5]</i>	(10,013)	(9,006)	(19,925)	(17,566)
Allowance for debt funds used during construction	914	—	1,942	844
	8,344	7,595	19,572	18,500
Gain (loss) on the sale of assets	(11)	—	(11)	55
Net and comprehensive income for the period	\$ 8,333	\$ 7,595	\$ 19,561	\$ 18,555
Retained earnings, beginning of period	\$ 69,906	\$ 51,546	\$ 61,224	45,586
Transition adjustment on adoption of financial instruments standards <i>[note 2]</i>	—	—	2,854	—
Distributions	(5,400)	(5,000)	(10,800)	(10,000)
Net and comprehensive income for the period	8,333	7,595	19,561	18,555
Retained earnings, end of period	\$ 72,839	\$ 54,141	\$ 72,839	\$ 54,141

See accompanying notes to the financial statements

AltaLink, L.P.

STATEMENT OF CHANGES IN PARTNERS' EQUITY
(Unaudited)

(in thousands)

	Units	Limited Partner	General Partner	Total
Balance at December 31, 2005	331,904	\$ 384,084	\$ 38	\$ 384,122
Net income for the year	—	35,634	4	35,638
Equity injection	—	25,000	—	25,000
Distributions	—	(19,998)	(2)	(20,000)
Balance at December 31, 2006	331,904	424,720	40	424,760
Transition adjustment on adoption of financial instruments standards <i>[note 2]</i>	—	2,854	—	2,854
	331,904	427,574	40	427,614
Net income for the period	—	19,559	2	19,561
Equity injection	—	25,000	—	25,000
Distributions	—	(10,799)	(1)	(10,800)
Balance at June 30, 2007	331,904	\$ 461,334	\$ 41	\$ 461,375

See accompanying notes to the financial statements

AltaLink, L.P.

STATEMENT OF CASH FLOWS
(Unaudited)

(in thousands of dollars)

	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
OPERATING ACTIVITIES				
Net income for the period	\$ 8,333	\$ 7,595	\$ 19,561	\$ 18,555
Items not involving cash				
Depreciation	15,414	14,884	31,252	29,912
Amortization of deferred financing fees	257	379	602	755
Accretion	825	778	1,592	1,555
Allowance for funds used during construction	(1,587)	—	(3,373)	(1,572)
Loss (gain) on the sale of assets	11	—	11	(55)
Asset retirement obligations settled	(292)	10	(1,274)	15
Change in long-term regulatory accruals	(396)	(2,408)	(285)	(2,457)
Change in other non-cash items	148	(257)	(257)	(192)
Funds generated in operations	22,713	20,981	47,829	46,516
Change in non-cash working capital items	(12,610)	(5,950)	(1,092)	96
Cash provided by operating activities	10,103	15,031	46,737	46,612
INVESTING ACTIVITIES				
Capital expenditures	(61,684)	(49,502)	(109,539)	(87,196)
Increase in customer contributions	2,220	14,939	5,404	10,195
Proceeds from the sale of assets	157	—	157	56
Cash used in investing activities	(59,307)	(34,563)	(103,978)	(76,945)
FINANCING ACTIVITIES				
Issuance of debt	54,668	4,724	42,945	20,423
Debt repayment	(64)	(60)	(64)	(60)
Increase in financing fees	(14)	(65)	(44)	(65)
Distributions paid	(5,400)	(5,000)	(10,800)	(10,000)
Increase in partners' equity	—	20,000	25,000	20,000
Decrease in lease obligations	—	(3)	—	(3)
(Decrease) increase in other liabilities	(362)	9,108	(713)	34,947
Decrease (increase) in restricted cash	376	(9,172)	917	(34,909)
Cash provided by financing activities	49,204	19,532	57,241	30,333
Net increase in cash and cash equivalents	—	—	—	—
Cash and cash equivalents, beginning of period	—	—	—	—
Cash and cash equivalents, end of period	\$ —	\$ —	\$ —	\$ —
Cash interest paid during the period	\$ 13,250	\$ 14,166	\$ 19,517	\$ 16,658

See accompanying notes to the financial statements

AltaLink, L.P.

NOTES TO FINANCIAL STATEMENTS

Three and six months ended June 30, 2007 and 2006
(Unaudited)

1. BASIS OF ACCOUNTING

The interim financial statements of AltaLink, L.P. (the Partnership or “ALP”) 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, 2006, except for the change in accounting policies cited in Note 2, upon the initial adoption of new accounting standards. 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, 2006. Operating results for the three and six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the twelve months ending December 31, 2007.

2. FINANCIAL INSTRUMENTS

Change in significant accounting policies

With effect from January 1, 2007, the Partnership adopted the following new accounting standards: Canadian Institute of Chartered Accountants Handbook Section 1530, *Comprehensive Income*; Section 3251, *Equity*; Section 3855, *Financial Instruments – Recognition and Measurement*; Section 3861, *Financial Instruments – Disclosure and Presentation* and Section 3865, *Hedges*. The adoption of these new standards resulted in changes in the accounting for financial instruments as well as the recognition of certain transition adjustments that have been recorded in opening retained earnings, as described below. The comparative interim financial statements have not been restated.

Prior to the adoption of the new standards, the Partnership classified its deferred financing fees as an asset on the balance sheet and amortized such fees using the straight-line method. With the adoption of the new standards, deferred financing fees have been reclassified as an offset to long-term debt on the balance sheet. In addition, the effective interest rate method has been used to calculate the amortization of deferred financing fees. The change in the method of amortization has resulted in an adjustment to opening retained earnings, which has been captioned as Transition adjustment on adoption of financial instruments standards.

AltaLink, L.P.

NOTES TO FINANCIAL STATEMENTS [CONT'D]

Three and six months ended June 30, 2007 and 2006
(Unaudited)

3. ACCOUNTING FOR INCOME TAXES

As a limited partnership, AltaLink does not pay income taxes. Instead, the tax consequences of its operations are borne by its partners on a pro rata basis based on their interest in the Partnership. Accordingly, no tax expense is recognized in these financial statements.

On October 31, 2006, the Minister of Finance (Canada) announced the Specified Investment Flow-Through ("SIFT") Rules, which proposed changes to the manner in which certain partnerships are taxed. The SIFT Rules, which received Royal Assent on June 22, 2007, are generally effective as of January 1, 2011, and impose a tax on distributions made by a partnership that meets the test of being a SIFT partnership. The tax is paid at a rate that approximates the combined Federal and Provincial corporate tax rates applicable at the relevant time.

It is the opinion of management that AltaLink is not subject to the SIFT Rules. Accordingly, no provision has been made in these financial statements for the potential impact, if any, of the introduction of the SIFT Rules. Should a need for a provision arise, management will reflect retroactively the impact in the financial statements at that time.

4. ASSET RETIREMENT OBLIGATIONS

As of June 30, 2007, the estimated total undiscounted amount of asset retirement obligations was approximately \$143.9 million (December 31, 2006 - \$145.7 million). The obligations will be settled over the useful lives of the assets, with the majority of the retirements estimated to occur between 2007 and 2047. Discount rates ranging from 4.40% to 5.14% were used to calculate the carrying value of the asset retirement obligations.

	As at June 30, 2007	As at December 31, 2006
(in thousands of dollars)		
Balance, beginning of period	\$ 56,380	\$ 56,276
Net change in liabilities for the period	2,465	(2,546)
Liabilities settled in period	(1,274)	(323)
Accretion expense	1,592	2,973
Balance, end of period	\$ 59,163	\$ 56,380

AltaLink, L.P.

NOTES TO FINANCIAL STATEMENTS [CONT'D]

Three and six months ended June 30, 2007 and 2006
(Unaudited)

5. DEBT

	Effective interest rate	Maturing	As at June 30, 2007	As at December 31, 2006
(in thousands of dollars)				
Series 3 8.000%	8.01%	2012	\$ 85,000	\$ 85,000
Series 03-1 4.450%	5.07%	2008	100,000	100,000
Series 03-2 5.430%	5.70%	2013	325,901	325,964
Series 06-1 5.249%	5.27%	2036	150,000	150,000
Commercial paper	4.50%	2009	82,326	39,382
			743,227	700,346
Less: Deferred financing fees				
Series 3 8.000%			68	—
Series 03-1 4.450%			711	—
Series 03-2 5.430%			6,041	—
Series 06-1 5.249%			1,096	—
			7,916	—
Total debt, net of deferred financing fees			735,311	700,346
Less: Current portion of long-term debt			131	128
Total long-term debt			\$ 735,180	\$ 700,218

The Partnership intends to hold all of its long-term debt to maturity.

For the six months ended June 30, 2007, the amortization of deferred financing fees using the effective interest rate method was \$0.6 million (\$0.3 million for the three months ended June 30, 2007) compared to \$0.8 million (\$0.4 million for the three months ended June 30, 2007) which would have been the amount if the Partnership was still using the straight-line method.

AltaLink, L.P.

NOTES TO FINANCIAL STATEMENTS [CONT'D]

Three and six months ended June 30, 2007 and 2006
(Unaudited)

5. DEBT [CONT'D]

Interest expense

	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
(in thousands of dollars)				
Deferred financing fees amortized	\$ 257	\$ 379	\$ 602	\$ 755
Interest on debt	9,756	8,627	19,323	16,811
Total interest and amortization of deferred financing fees on debt	10,013	9,006	19,925	17,566
Less: short-term portion of interest on debt	—	(6)	—	(7)
Total interest and amortization of deferred financing fees on long-term debt	\$ 10,013	\$ 9,000	\$ 19,925	\$ 17,559

6. EMPLOYEE FUTURE BENEFITS

	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
(in thousands of dollars)				
Pension and other post-employment benefit expense consists of:				
Other post-employment benefits	\$ 71	\$ 44	\$ 142	\$ 89
Supplemental pension expense	14	11	28	23
	\$ 85	\$ 55	\$ 170	\$ 112

AltaLink, L.P.

NOTES TO FINANCIAL STATEMENTS [CONT'D]

Three and six months ended June 30, 2007 and 2006
(Unaudited)

7. OTHER LIABILITIES

Other liabilities consist of the following:	As at June 30, 2007	As at December 31, 2006
<hr/> (in thousands of dollars)		
Funds received in advance of construction	\$ 46,298	\$ 48,388
Other liabilities	2,108	2,312
Total other liabilities	48,406	50,700
Less: short-term portion of other liabilities	1,271	980
Less: short-term portion of funds received in advance of construction	46,298	48,388
Total other liabilities long-term	\$ 837	\$ 1,332

8. RELATED PARTY TRANSACTIONS

In the normal course of business, the Partnership transacts with its partners and other related entities under common control. Amounts due from (to) related parties included in accounts receivable and accounts payable are:

	As at June 30, 2007	As at December 31, 2006
<hr/> (in thousands of dollars)		
AltaLink Management Ltd.	\$ (1,700)	\$ (2,842)
AltaLink Investment Management Ltd.	—	(193)
SNC Lavalin ATP Inc.	(33,325)	(44,267)
AltaLink Investments, L.P.	(1,136)	(1,136)

AltaLink, L.P.

NOTES TO FINANCIAL STATEMENTS [CONT'D]

Three and six months ended June 30, 2007 and 2006
(Unaudited)

9. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2007			December 31, 2006		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
(In thousands of dollars)						
Transmission network	\$ 1,140,873	\$ (239,918)	\$ 900,955	\$ 1,102,376	\$ (211,832)	\$ 890,544
Assets under construction	141,029	—	141,029	84,049	—	84,049
Long-lived asset ¹	46,564	(18,176)	28,388	44,101	(15,127)	28,974
	\$ 1,328,466	\$ (258,094)	\$1,070,372	\$ 1,230,526	\$ (226,959)	\$ 1,003,567

¹ Long-lived asset is the offset to the Asset Retirement Obligation, which is disclosed in long-term liabilities.

The total amount of allowance for funds used during construction capitalized for the six months ended June 30, 2007 was \$3.373 million, \$1.572 million for the six months ended June 30, 2006 and \$4.653 million for the twelve months ended December 31, 2006.

10. CONTINGENCIES

AltaLink Management Limited (AML), the General Partner of ALP, 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 ALP. The amount of damages claimed by the plaintiffs is estimated at \$7.0 million. The claim alleges that the operational concerns began in 1984 and also names TransAlta as a party to the action. ALP 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 determine the outcome of the claim; therefore a provision for a liability is not included in these financial statements.

The Partnership has received a notice from Imperial Oil Limited (IOL) claiming indemnification by the Partnership in the approximate amount of \$23.0 million pursuant to the terms of an interconnection agreement between the Partnership and IOL dated May 18, 2006. The indemnity claim arises from a disruption to power service on December 13, 2006, which allegedly caused a portion of IOL's refinery to shut down. The claim includes approximately \$21.0 million relating to alleged production losses incurred during the shut down. It is the Partnership's position that the incident giving rise to the power outage was not caused by the negligence of the Partnership or its contractors and therefore the Partnership is not liable for any losses or damages incurred by IOL. It is also the Partnership's position that both the interconnection agreement with IOL and the Liability Protection Regulation (Alberta) shield the Partnership from liability for indirect damages, including loss of production. Currently, the Partnership and IOL are in discussions to resolve the matter, and therefore the potential outcome and amount of any settlement are presently unknown; therefore a provision for a liability is not included in these financial statements.

AltaLink, L.P.

NOTES TO FINANCIAL STATEMENTS [CONT'D]

Three and six months ended June 30, 2007 and 2006
(Unaudited)

10. CONTINGENCIES [CONT'D]

In Decision 2007-012, the Alberta Energy and Utilities Board (EUB) directed ALP to use the flow-through (i.e. taxes payable) method for determining deemed federal and provincial income tax expenses to be included in its revenue requirement for 2009 and subsequent years. The EUB also indicated that a determination with respect to the accumulated but unpaid future income tax amounts as at December 31, 2008 will have to be made. Accordingly, the EUB directed ALP in its next general tariff application to propose options to address the disposition of these amounts. As this disposition will be the subject of a future regulatory proceeding, management is unable at this time to determine the outcome. As a result, no amounts have been accrued in relation to this matter at June 30, 2007.

In addition, from time to time, the Partnership is subject to other legal proceedings, assessments and claims in the ordinary course of business. At this time, in the opinion of management, none of these matters is reasonably expected to result in a material adverse effect on the Partnership's financial position.