

Financial Statements

AltaLink, L.P.

Three months ended March 31, 2006 and 2005
(Unaudited)

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

(in thousands of dollars)

As at	March 31, 2006	December 31, 2005
ASSETS		
Current		
Restricted cash	\$ 55,705	\$ 29,968
Accounts receivable <i>[note 6]</i>	17,486	17,714
Materials and supplies	1,183	1,012
Prepaid expenses and deposits	2,361	2,203
	76,735	50,897
Property, plant and equipment	1,039,324	1,004,331
Deferred financing fees	5,261	5,516
Regulatory assets	7,944	7,582
Accrued benefit pension asset	2,683	2,755
Construction materials and supplies	10,645	9,108
Goodwill	202,066	202,066
	\$ 1,344,658	\$ 1,282,255
LIABILITIES AND PARTNERS' EQUITY		
Current		
Accounts payable and accrued liabilities <i>[note 6]</i>	\$ 42,152	\$ 28,775
Other liabilities <i>[note 5]</i>	56,495	30,879
Regulatory liabilities	39	113
Short-term debt <i>[note 3]</i>	220	122
	98,906	59,889
Accrued employment benefits liabilities	1,281	1,225
Other liabilities <i>[note 5]</i>	1,805	1,866
Regulatory liabilities	158,115	157,166
Asset retirement obligations <i>[note 2]</i>	57,058	56,276
Long-term debt <i>[note 3]</i>	637,411	621,711
	954,576	898,133
Contingencies <i>[note 7]</i>		
Partners' equity		
Partners' capital	338,536	338,536
Retained earnings	51,546	45,586
	390,082	384,122
	\$ 1,344,658	\$ 1,282,255

See accompanying notes to the financial statements

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

(in thousands of dollars)

	Three months ended March 31, 2006	Three months ended March 31, 2005
REVENUE		
Operating and miscellaneous revenue	\$ 49,452	\$ 53,316
Allowance for equity funds used during construction	728	460
	50,180	53,776
EXPENSES		
Operating	15,754	15,326
Depreciation	15,029	18,333
Accretion	777	759
	31,560	34,418
	18,620	19,358
Interest and amortization of deferred financing fees on debt <i>[note 3]</i>	(8,559)	(8,031)
Allowance for debt funds used during construction	844	514
	10,905	11,841
Gain on the sale of assets	55	36
Net income for the period	10,960	11,877
Retained earnings, beginning of period	45,586	24,286
Distributions	(5,000)	(4,000)
Retained earnings, end of period	\$ 51,546	\$ 32,163

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 April 30, 2004	331,904	\$ 351,094	\$ 35	\$ 351,129
Net income for the period	-	20,991	2	20,993
Distributions	-	(9,299)	(1)	(9,300)
Balance at December 31, 2004	331,904	\$ 362,786	\$ 36	\$ 362,822
Net income for the period	-	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	-	10,959	1	10,960
Distributions	-	(4,999)	(1)	(5,000)
Balance at March 31, 2006	331,904	\$ 390,044	\$ 38	\$ 390,082

See accompanying notes to the financial statements

ALTALINK, L.P.**STATEMENTS OF CASH FLOWS
(Unaudited)**

(in thousands of dollars)

	Three months ended March 31, 2006	Three months ended March 31, 2005
OPERATING ACTIVITIES		
Net income for the period	\$ 10,960	\$ 11,877
Items not involving cash		
Amortization of deferred financing fees and depreciation	15,405	18,760
Accretion expense	777	759
Allowance for funds used during construction	(1,572)	(974)
Gain on the sale of assets	(55)	(36)
Asset retirement obligations settled	5	(67)
Long-term regulatory accruals	(50)	264
Other non-cash items	66	(191)
Funds generated in operations	25,536	30,392
Change in non-cash working capital items	6,045	(3,133)
Cash provided by operating activities	31,581	27,259
INVESTING ACTIVITIES		
Capital expenditures	(37,694)	(33,724)
Decrease in customer contributions	(4,744)	(1,786)
Proceeds from the sale of assets	56	36
Cash used in investing activities	(42,382)	(35,474)
FINANCING ACTIVITIES		
Decrease in lease obligations	(1)	(23)
Increase in debt	15,700	12,664
Distributions paid	(5,000)	(4,000)
Increase in restricted cash	(25,737)	-
Increase in other liabilities	25,839	-
Cash provided by financing activities	10,801	8,641
Net increase in cash and cash equivalents	-	426
Cash and cash equivalents, beginning of period	-	-
Cash and cash equivalents, end of period	\$ -	\$ 426
Cash interest paid during the period	\$ 2,492	\$ 2,094

See accompanying notes to the financial statements

ALTALINK, L.P.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Three months ended March 31, 2006 and 2005

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 (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 three months ended March 31, 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 March 31, 2006, the estimated total undiscounted amount of asset retirement obligations was approximately \$153.7 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 March 31, 2006	As at December 31, 2005
(in thousands of dollars)		
Balance, beginning of period	\$ 56,276	\$ 54,162
Liabilities incurred in period	-	457
Liabilities settled in period	5	(1,339)
Accretion expense	777	2,996
Balance, end of period	\$ 57,058	\$ 56,276

3. DEBT

	Effective interest rate	Maturing	As at March 31, 2006	As at December 31, 2005
(in thousands of dollars)				
Series 3 8.00%	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	326,086	326,086
Commercial paper	3.99%	2008	126,447	110,747
Capital lease obligations	5.05%	2006	98	-
Total debt			637,631	621,833
Less: short-term debt			122	122
Less: short-term capital lease obligations			98	-
Total long-term debt			\$ 637,411	\$ 621,711

ALTALINK, L.P.**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(Unaudited)

Three months ended March 31, 2006 and 2005

3. DEBT (CONT'D)**Interest expense**

	Three months ended March 31, 2006	Three months ended March 31, 2005
(in thousands of dollars)		
Deferred financing fees amortized	\$ 376	\$ 427
Interest on debt	8,183	7,604
Total interest and amortization of deferred financing fees on debt	\$ 8,559	\$ 8,031
Less: short-term portion of interest on debt	1	-
Total interest and amortization of deferred financing fees on long-term debt	\$ 8,558	\$ 8,031

4. EMPLOYEE FUTURE BENEFITS

	Three months ended March 31, 2006	Three months ended March 31, 2005
(in thousands of dollars)		
Regulatory Pension and other post employment Benefit expense consists of:		
Other post employment benefits	\$ 45	\$ 38
Supplemental pension expense	12	10
	\$ 57	\$ 48

5. OTHER LIABILITIES

Other liabilities consist of the following:

	As at March 31, 2006	As at December 31, 2005
(in thousands of dollars)		
Other liabilities	\$ 2,823	\$ 3,107
Funds received in advance of construction	55,477	29,638
Total other liabilities	\$ 58,300	\$ 32,745
Less: short-term portion of other liabilities	1,018	1,241
Less: short-term portion of funds received in advance of construction	55,477	29,638
Total other liabilities long-term	\$ 1,805	\$ 1,866

ALTALINK, L.P.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

(Unaudited)

Three months ended March 31, 2006 and 2005

6. RELATED PARTY TRANSACTIONS

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

	As at March 31, 2006	As at December 31, 2005
(in thousands of dollars)	\$	\$
AltaLink Management Ltd.	(424)	(1,595)
AltaLink Investment Management Ltd.	46	305
SNC Lavalin ATP Inc.	(25,556)	(13,094)
AltaLink Investments, L.P.	(1,099)	(1,136)

In addition, there is \$85 million (December 31, 2005 - \$85 million) owing to AltaLink Investments, L.P. as at March 31, 2006 (note 3).

7. CONTINGENCIES

The General Partner 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 March 31, 2006.

The General Partner 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.

8. COMPARATIVE FIGURES

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

9. SUBSEQUENT EVENTS

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.