Financial Statements

AltaLink, L.P.

Three and nine months ended September 30, 2007 and 2006

(Unaudited)

AltaLink, L.P.

BALANCE SHEET
(Unaudited)

(in thousands of dollars)

As at		September 30, 2007		December 31, 2006
ASSETS				
Current				
Restricted cash	**$**	**46,656**	$	47,214
Accounts receivable *[note 8]*		**43,082**		39,716
Materials and supplies		**1,411**		1,226
Prepaid expenses and deposits		**12,356**		2,473
Regulatory assets		**914**		5,320
		104,419		95,949
Property, plant and equipment *[note 9]*		**1,120,035**		1,003,567
Deferred financing fees *[notes 2 and 5]*		**—**		5,501
Regulatory assets – long term		**2,500**		2,620
Accrued benefit pension asset		**2,363**		2,466
Construction materials and supplies		**12,699**		11,039
Goodwill		**202,066**		202,066
	$	**1,444,082**		1,323,208
LIABILITIES AND PARTNERS' EQUITY				
Current				
Accounts payable and accrued liabilities *[note 8]*	**$**	**62,736**	$	68,173
Other liabilities *[note 7]*		**47,955**		49,368
Regulatory liabilities		**2,629**		6,421
Current portion of long-term debt *[notes 2 and 5]*		**132**		128
		113,452		124,090
Accrued employment benefits liabilities		**1,697**		1,446
Other liabilities *[note 7]*		**1,086**		1,332
Regulatory liabilities – long-term		**16,203**		14,982
Asset retirement obligations *[note 4]*		**60,024**		56,380
Long-term debt *[notes 2 and 5]*		**768,165**		700,218
		960,627		898,448
Contingencies *[note 10]*				
Partners' equity				
Partners' capital		**406,036**		363,536
Retained earnings		**77,419**		61,224
		483,455		424,760
	$	**1,444,082**	$	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 September 30, 2007	Three months ended September 30, 2006	**Nine months ended September 30, 2007**	Nine months ended September 30, 2006
REVENUE				
Operating and miscellaneous revenue	**$ 53,946**	$ 47,996	**$ 159,263**	$ 146,962
Allowance for equity funds used during construction	**715**	—	**2,146**	728
	54,661	47,996	**161,409**	147,690
EXPENSES				
Operating expenses	**18,408**	16,706	**54,757**	49,711
Depreciation and accretion	**16,410**	16,080	**49,254**	47,547
	34,818	32,786	**104,011**	97,258
	19,843	15,210	**57,398**	50,432
Interest and amortization of deferred financing fees *[note 5]*	**(10,929)**	(9,468)	**(30,854)**	(27,034)
Allowance for debt funds used during construction	**971**	—	**2,914**	844
	9,885	5,742	**29,458**	24,242
Gain on sale of assets	**95**	274	**84**	329
Net and comprehensive income for the period	**$ 9,980**	$ 6,016	**$ 29,542**	$ 24,571
Retained earnings, beginning of period	**$ 72,839**	$ 54,141	**$ 61,224**	$ 45,586
Distributions	**(5,400)**	(5,000)	**(16,200)**	(15,000)
Transition adjustment on adoption of financial instruments standards *[note 2]*	**—**	—	**2,853**	—
Net and comprehensive income for the period	**9,980**	6,016	**29,542**	24,571
Retained earnings, end of period	**$ 77,419**	$ 55,157	**$, 77,419**	$ 55,157

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 period	—	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 *[note 2]*	—	2,853	—	2,853
	331,904	**427,573**	**40**	**427,613**
Net income for the period	—	29,540	2	29,542
Equity injection	—	42,500	—	42,500
Distributions	—	(16,198)	(2)	(16,200)
Balance at September 30, 2007	**331,904**	**$ 483,415**	**$ 40**	**$ 483,455**

See accompanying notes to the financial statements

AltaLink, L.P.

STATEMENT OF CASH FLOWS
(Unaudited)

(in thousands of dollars)

	Three months ended September 30, 2007	Three months ended September 30, 2006	**Nine months ended September 30, 2007**	Nine months ended September 30, 2006
OPERATING ACTIVITIES				
Net income for the period	**$ 9,980**	$ 6,016	**$ 29,542**	$ 24,571
Items not involving cash				
Depreciation	**15,614**	15,364	**46,866**	45,276
Amortization of deferred financing fees	**312**	407	**914**	1,162
Accretion expense	**796**	716	**2,388**	2,271
Allowance for funds used during construction	**(1,686)**	—	**(5,060)**	(1,572)
Gain on the sale of assets	**(95)**	(274)	**(84)**	(329)
Asset retirement obligations settled	**65**	—	**(1,209)**	15
Change in long-term regulatory accruals	**1,506**	(509)	**1,221**	(3,130)
Change in other non-cash items	**366**	73	**109**	(118)
Funds generated in operations	**26,858**	21,793	**74,687**	68,146
Change in non-cash working capital items	**(8,246)**	6,563	**(9,338)**	6,658
Cash provided by operating activities	**18,612**	28,356	**65,349**	74,804
INVESTING ACTIVITIES				
Capital expenditures	**(64,098)**	(39,315)	**(173,637)**	(126,348)
Increase in customer contributions	**615**	3,504	**6,018**	13,700
Proceeds from sale of assets	**98**	276	**255**	332
Cash used in investing activities	**(63,385)**	(35,535)	**(167,364)**	(112,316)
FINANCING ACTIVITIES				
Issuance of debt	**32,680**	187,329	**75,624**	207,693
Debt repayment	**—**	(168,500)	**(63)**	(168,500)
Financing fees paid	**(7)**	(1,044)	**(50)**	(1,110)
Distributions paid	**(5,400)**	(5,000)	**(16,200)**	(15,000)
Increase in partners' equity	**17,500**	—	**42,500**	20,000
Decrease in lease obligation	**—**	—	**—**	(3)
Increase (decrease) in other liabilities	**359**	(18,971)	**(354)**	15,976
(Increase) decrease in restricted cash	**(359)**	15,119	**558**	(19,790)
Cash provided by financing activities	**44,773**	8,933	**102,015**	39,266
Net increase in cash and cash equivalents	**—**	1,754	**—**	1,754
Cash and cash equivalents, beginning of period	**—**	—	**—**	—
Cash and cash equivalents, end of period	**$ —**	$ 1,754	**$ —**	$ 1,754
Cash interest paid during the period	**$ 6,842**	$ 3,558	**$ 26,295**	$ 20,216

See accompanying notes to the financial statements

AltaLink, L.P.

NOTES TO FINANCIAL STATEMENTS

Three and nine months ended September 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, 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 nine months ended September 30, 2007 are not necessarily indicative of the results that may be expected for the twelve months ending December 31, 2007.

2. CHANGE IN SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments

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.

Capital Disclosures

Effective January 1, 2008, AltaLink will adopt the new CICA Handbook Section 1535, *Capital Disclosures*. This section requires the Company to disclose AltaLink's capital structure, description of and compliance with externally imposed capital requirements and the company's objectives, policies and processes for managing its capital.

3. ACCOUNTING FOR INCOME TAXES

As a limited partnership, ALP 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 ALP 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 the impact in the financial statements.

4. ASSET RETIREMENT OBLIGATIONS

As of September 30, 2007, the estimated total undiscounted amount of asset retirement obligations was approximately $142.5 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 September 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	**(1,209)**	(323)
Accretion expense	**2,388**	2,973
Balance, end of period	**$ 60,024**	$ 56,380

NOTES TO FINANCIAL STATEMENTS [CONT'D]

Three and nine months ended September 30, 2007 and 2006
(Unaudited)

5. DEBT

	Effective interest rate	Maturing	**As at September 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%	**5.30%**	2036	**150,000**	150,000
Commercial paper	**5.32%**	2009	**37,312**	39,382
Bankers' Acceptance	**5.42%**	2009	**77,694**	—
			775,907	700,346
Less: Deferred financing fees				
Series 3 8.000%			**82**	—
Series 03-1 4.450%			**547**	—
Series 03-2 5.430%			**5,852**	—
Series 06-1 5.249%			**1,129**	—
			7,610	—
Total debt, net of deferred financing fees			**768,297**	700,346
Less: Current portion of long-term debt			**132**	128
Total long-term debt			**$ 768,165**	$ 700,218

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

For the nine months ended September 30, 2007, the amortization of deferred financing fees using the effective interest rate method was $0.914 million ($0.312 million for the three months ended September 30, 2007) compared to $1.214 million ($0.409 million for the three months ended September 30, 2007) which would have been the amount if the Partnership was still using the straight-line method.

NOTES TO FINANCIAL STATEMENTS [CONT'D]

Three and nine months ended September 30, 2007 and 2006
(Unaudited)

5. DEBT [CONT'D]

Interest expense

(in thousands of dollars)	**Three months ended September 30, 2007**	Three months ended September 30, 2006	**Nine months ended September 30, 2007**	Nine months ended September 30, 2006
Deferred financing fees amortized	**$ 312**	$ 407	**$ 914**	$ 1,162
Interest on debt	**10,617**	9,061	**29,940**	25,872
Total interest and amortization of deferred financing fees on debt	**10,929**	9,468	**30,854**	27,034
Less: short-term portion of interest on debt	**—**	—	**—**	(7)
Total interest and amortization of deferred financing fees on long-term debt	**$ 10,929**	$ 9,468	**$ 30,854**	$ 27,027

6. EMPLOYEE FUTURE BENEFITS

(in thousands of dollars)	**Three months ended September 30, 2007**	Three months ended September 30, 2006	**Nine months ended September 30, 2007**	Nine months ended September 30, 2006
Pension and other post-employment benefit expense consists of:				
Other post-employment benefits	**$ 71**	$ 45	**$ 213**	$ 134
Supplemental pension expense	**14**	12	**41**	35
	$ 85	$ 57	**$ 254**	$ 169

NOTES TO FINANCIAL STATEMENTS [CONT'D]

Three and nine months ended September 30, 2007 and 2006
(Unaudited)

7. OTHER LIABILITIES

Other liabilities consist of the following:	**As at September 30, 2007**	As at December 31, 2006
(in thousands of dollars)		
Funds received in advance of construction	**$ 46,656**	$ 48,388
Other liabilities	**2,385**	2,312
Total other liabilities	**49,041**	50,700
Less: short-term portion of other liabilities	**1,299**	980
Less: short-term portion of funds received in advance of construction	**46,656**	48,388
Total other liabilities long-term	**$ 1,086**	$ 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 September 30, 2007	As at December 31, 2006
(in thousands of dollars)		
AltaLink Management Ltd.	**$ (2,576)**	$ (2,842)
AltaLink Investment Management Ltd.	**(18)**	(193)
SNC Lavalin ATP Inc.	**(36,187)**	(44,267)
AltaLink Investments, L.P.	**(1,136)**	(1,136)

9. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2007			December 31, 2006		
	Cost	**Accumulated depreciation**	**Net book value**	Cost	Accumulated depreciation	Net book value
(in thousands of dollars)						
Transmission network	**$1,162,545**	**$ (252,344)**	**$ 910,201**	$1,102,376	$ (211,832)	$890,544
Assets under construction	**182,969**	**—**	**182,969**	84,049	—	84,049
Long-lived asset [1]	**46,565**	**(19,700)**	**26,865**	44,101	(15,127)	28,974
	$1,392,079	**$ (272,044)**	**$1,120,035**	$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 (AFUDC) capitalized for the nine months ended September 30, 2007 was $5.060 million ($1.686 million for the three months ended September 30, 2007), $1.572 million for the nine months ended September 30, 2006 ($0 for the three months ended September 30, 2006) and $4.653 million for the twelve months ended December 31, 2006. During 2007, AFUDC is being estimated monthly, whereas in 2006 it was estimated in January and finalized in December.

10. CONTINGENCIES

AltaLink Management Ltd. (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.

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 September 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.

11. COMPARATIVE FIGURES

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