CORPORATE PARTICIPANTS

Myles Dougan
Vice-President, Communications & Investor Relations

David Cornhill
Chairman & Chief Executive Officer

Richard Alexander
President & Chief Operating Officer

Debbie Stein
Vice-President, Finance & Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Robert Catellier
Clarus Securities

Tony Courtright
Scotia Capital

Danny Hung
RBC Capital Markets

Nima Billou
Bloom Investment Counsel

PRESENTATION

Operator

Good morning ladies and gentlemen and welcome to the AltaGas Ltd. 2010 Second Quarter Conference Call and Webcast. I would now like to turn the meeting over to Mr. Myles Dougan, Vice-President, Communications and Investor Relations. Please go ahead, Mr. Dougan.

Myles Dougan, Vice-President, Communications & Investor Relations

Thank you, operator. Good morning everyone. Welcome to AltaGas' second quarter 2010 conference call.

Speaking this morning are David Cornhill, Chairman and Chief Executive Officer; Richard Alexander, President and Chief Operating Officer; and Debbie Stein, Vice-President, Finance and Chief Financial Officer. After some formal comments we'll have a question and answer session.

Before we begin I would like to remind you that certain information presented today may include forward-looking statements. Such statements reflect the Trust's current expectations, estimates, projections and assumptions. These forward-looking statements are not guarantees of future performance and they are subject to certain risks which could cause actual performance and financial results to vary materially from those contemplated in the forward-looking statements. For additional information on these risks, please take a look at our annual information form under the heading Risk Factors.

I'll now turn the call over to David.

David Cornhill, Chairman & Chief Executive Officer

Thank you, Myles.

In the second quarter AltaGas reported net income of \$28.4 million or \$0.35 per unit, funds from operations of \$44.3 million or \$0.54 per unit. Our overall results reflect the benefit of the Company's diversified portfolio of gas and power assets and disciplined risk management.

This quarter AltaGas successfully completed the previous announced plan of arrangement and entered into the next phase of its shareholder value creation strategy. The Company was reorganized into a dividend-paying corporation on July 1, 2010. Dividends will be paid monthly starting August 16, 2010. The dividend is set at \$0.11 per share on a monthly basis or \$1.32 per share on an annual basis.

While the structure of the Company has changed, the foundation of our business remains the same. AltaGas has always focused on the financial metrics typically used by a corporation such as earnings per share and return on equity. We remain committed to provide investors with a balance between income and growth. Our focus is long-life energy infrastructure that provides stable, long-term cash flow.

During the second quarter AltaGas made progress on several projects in support of its planned \$2 billion organic gas and power growth in the next five years.

In our power business, AltaGas signed a 60-year inflation indexed energy purchase agreement with BC Hydro for its 195-megawatt Forrest Kerr run-of-river hydroelectric generation project. Detailed engineering, procurement, and construction management and site preparation work is underway. The majority of the permitting work is complete. Once completed, Forrest Kerr will provide enough electricity for approximately 70,000 homes in

British Columbia. Forrest Kerr will offset more than 450,000 tonnes of greenhouse gas equivalents annually. AltaGas expects the Forrest Kerr project to be the first of three run-of-river power generation projects in the area. The other projects include McLymont Creek and Volcano Creek. These projects are anticipated to have a total generation capacity of approximately 277 megawatts.

In our power business, construction of the 13-megawatt gas-fired cogeneration facility at the Harmattan Complex is underway. The Harmattan co-gen project is expected to be in service by the fourth quarter of 2010. The facility will provide the steam required to process gas. A portion of the electrical generation will be used on site. The plant will also provide competitively-priced power to Alberta consumers.

In our gas business the Company is well positioned to take advantage of new developments in northeast BC and northwest Alberta. We are exploring opportunities to build new infrastructure and redeploy existing infrastructure in the Montney and Doig resource plays.

In response to producer demand we are proceeding with expansions at three existing processing facilities: Acme, Pouce Coupe, and Ante Creek. The first phase of a 10 million cubic feet a day facility expansion at Acme and a 20 million cubic feet a day facility expansion at Pouce Coupe are expected to be in service in the third quarter of 2010. A 20 million cubic feet facility expansion at Ante Creek gas plant is complete. Conversion to offer sour natural gas service is expected to be complete by the fourth quarter of 2010. The construction of a new 28 million cubic feet sour gas plant located in the Groundbirch area in northeast BC is underway. Groundbirch is expected to be fully commissioned in the fourth quarter of 2010.

In our natural gas distribution business we expect to invest approximately $56 million into the regulated rate base this year. This is expected to grow average midyear rate base by approximately 18 percent in 2010. Our natural gas distribution strategy is to grow rate base. In the next five years there is over $200 million in planned capital expenditures. This stable revenue source is expected to provide strong earnings growth for AltaGas in the years ahead.

We continue to focus on growing our portfolio our low-risk, long-life infrastructure with stable returns. Our regulated utility investment, renewable energy projects underpinned by long-term purchase arrangements, and our extraction and transmission infrastructure under-pinned by long-term fee-for-service contracts will continue to deliver strong returns to investors.

I will now pass the call over to Debbie Stein to discuss the second quarter financial results.

Debbie Stein, Vice-President, Finance & Chief Financial Officer

Thank you, David, and good morning everyone.

Net income reported for second quarter was $28.4 million compared to $36.9 million in the same period 2009. Net income as reported included the impact of mark to market accounting as a result of risk management and investing activity. Excluding the impact of mark to market accounting, net income in second quarter was $26.3 million or $0.32 per unit compared to $28.3 million or $0.36 per unit for the same period in 2009.

Interest expense in second quarter 2010 was $13.1 million compared to $8 million in the second quarter last year. The increase was due to higher average debt balances compared to second quarter last year. Higher debt balances are primarily due to AltaGas' capital growth program in the past year, including the acquisitions of Utility Group and Heritage Gas.

Income tax recovery in second quarter 2010 was $2.1 million compared to an income tax expense of $0.8 million in the same quarter 2009. The income tax recovery was the result of lower income subject to tax partially offset by $2 million of current tax in the natural gas distribution business.

Yesterday the board approved the August dividend of $0.11 per share to be paid on September 15, 2010 to shareholders of record on August 25, 2010.

Our debt maturity profile increased from 3.6 years at the end of 2009 to 4.1 years at the end of second quarter 2010. As we continue to add long-life assets we will pursue longer-term debt to mirror the cash flow profile.

At the end of the second quarter our debt to total capitalization was 51 percent. While we are slightly above our debt to total capitalization ratio, AltaGas remains committed to its investment-grade rating.

Concurrent with our conversion to a corporation AltaGas entered into a series of agreements for a new $600 million unsecured extendible three year credit facility. The credit facility contains a $200 million accordion feature which allows AltaGas to increase the facility to $800 million. At the end of June, AltaGas had approximately $470 million of available credit facilities.

With the maturity of the MTN in September our liquidity will remain strong at $370 million.

Based on projects currently under review, development, or construction, AltaGas expects capital expenditures for 2010 to be approximately $250 million, split 60 percent for gas and 40 percent for power. At June 30, approximately $185 million of capital had been committed for 2010.

We are well positioned to fund our capital growth program going forward with AltaGas' increased cash flow, dividend reinvestment, and optional share purchase plan and access to capital markets. Our strategy to balance income and growth to create value for our investors in a financially disciplined manner continues to be our focus.

Rick will now conclude the call with a discussion of our operating results and business outlook.

Richard Alexander, President & Chief Operating Officer

Thank you, Debbie.

We reported second quarter consolidated operating income of $39.4 million compared to $45.5 million reported in second quarter last year. Operating income from the gas segment was $25.8 million in second quarter 2010 compared to $24.6 million in the same period in 2009.

Gas segment operating income increased primarily due to the natural gas distribution assets which were acquired in fourth quarter 2009, lower operating costs, higher realized frac spread, and the expiration of the gas marketing contract in fourth quarter of 2009 which resulted in losses in previous quarters. Spot frac spread prices remain strong in second quarter 2010, averaging $31 per barrel, up from $16 a barrel in the same period in 2009. AltaGas realized a frac spread of approximately $28 per barrel compared to $22 per barrel in second quarter 2009. We anticipate that 12 percent of total extraction volumes will be exposed to frac spread in 2010. Of these, approximately two-thirds of the exposure has been hedged at an average price of $21 per barrel.

Operating income in the power segment for the second quarter 2010 was $21.2 million compared to $19.6 million for the same period in 2009. Operating income increased as a result of higher realized power prices, increased contributions from gas-fired peaking plant, and contributions from Alberta commercial and industrial power retail businesses. The average Alberta power pool price was approximately $81 per megawatt hour in the second quarter, a substantial increase from $32 per megawatt hour in second quarter 2009. Our average power price received, which includes the sale of power in Alberta and BC, was $80 per megawatt hour compared to $64 per megawatt hour in second quarter 2009. In 2010 almost two-thirds of the power delivered to the Alberta power pool from the Sundance plant is hedged at a price of approximately $72 per megawatt hour, slightly lower than the average hedge price in 2009. Current forward prices as published in daily broker reports are in the low 50s per megawatt hour for the balance of 2010.

Continued low natural gas prices in response to a temporary oversupply situation has created a power pricing environment that management does not believe is sustainable over the long term. On June 7th the operator of the Sundance 3 facility issued a press release highlighting the mechanical failure of critical generator components that led to the unit being offline for several weeks. The unit has since returned to service and has been operating at a reduced capacity of approximately 325 megawatts or 92 percent of generated capacity. Assuming the unit continues to operate at this level, the financial impact of the restricted output is not expected to be material for the remainder of 2010.

AltaGas' operations are well positioned to deliver another year of strong results in 2010 despite the continuing challenging economic environment. We're excited about our future as we continue to deliver on our commitment to create shareholder value in a financially disciplined manner.

That concludes my prepared remarks. I'll now turn the call back to Myles.

Myles Dougan, Vice-President, Communications & Investor Relations

Thank you, Rick. David, Rick, and Debbie are now available to answer your questions. I'll now turn the call back to the operator for the question and answer session.

QUESTION AND ANSWER SESSION

Operator

Thank you. Questions will now be taken from the telephone lines. If you have a question and you are using a speakerphone, please lift your handset before making your selection. If you have a question, please press star one on your telephone keypad. If at any time you wish to cancel your question, please press the pound sign. Please press star one at this time if you have a question. There will be a brief pause while the participants register. Thank you for your patience.

The first question is from Robert Catellier with Clarus Securities. Please go ahead.

Robert Catellier, Clarus Securities

Thank you. Just a quick question on taxation. In the consolidated outlook you indicate that the effective tax rate for the remainder of 2010 is expected to be 20 percent, so that's the cash tax rate or the GAAP rate?

Debbie Stein, Vice-President, Finance & Chief Financial Officer

That's the GAAP rate.

Robert Catellier, Clarus Securities

Okay. And with respect to Forrest Kerr, your tone about the other two projects, the McLymont Creek and Volcano Creek is a little bit more enthusiastic than I expected; can you give us an update as to where you are in that process?

Richard Alexander, President & Chief Operating Officer

Well on that process we are in discussions with the provincial government and the related parties, like BC Hydro. So we're following the same process that we did with Forrest Kerr.

Robert Catellier, Clarus Securities

Can you give some sort of timeline as to how you expect those discussions to play out and possible timing of a decision one way or the other?

Richard Alexander, President & Chief Operating Officer

Well, as it was with Forrest Kerr, it's always difficult to pinpoint timing. I think I use the expression of Rubik's Cube; a lot of moving parts, a lot of parties. So very difficult to give a sense of timing but I continue to be optimistic that we will find a solution for those two project as we did for Forrest Kerr and hopefully we can do that sometime prior to the end of this year.

Robert Catellier, Clarus Securities

Okay. And the Forrest Kerr project that you've secured, can you give us any clarity as to how you might manage the construction process with a view to mitigating risk and what milestones we might expect over the next year to 18 months on developing that project.

Richard Alexander, President & Chief Operating Officer

Well, as you know, we've hired David Harris to oversee the project. Since he's come on board he's been very actively engaged in bringing on the rest of the team and we have made significant progress in staffing up the team. We have engaged SNC and now a significant amount of detail work is going on on how we would bid out the exact packages and what parts of those packages could be laid off to third parties in terms of risk of cost or timing. So I would expect over the next period, probably by the end of Q1 2011, we would be looking at releasing what those critical path bid packages are and to whom we've let them out.

Robert Catellier, Clarus Securities

And just how would you characterize the performance of Bear Mountain during the quarter, both financially and operationally?

David Cornhill, Chairman & Chief Executive Officer

Financial, it's disappointing from the wind. I guess the positive, if you can take one, our projections for wind velocity are timed very closely to long-term reports at both Dawson Creek and Fort St. John, and are very consistent there, so we have comfort that our calculations of wind performance are correct. Unfortunately, it's a very poor wind season that's both showing up at the reporting stations at Fort St. John, Dawson Creek, as well as we're reflecting in our wind park. So we think long term we're in good shape but we've just had a very light wind season.

Robert Catellier, Clarus Securities

My last question then is on the notice of a hearing for the Harmattan co-stream project, the regulator seems to have limited the scope of the hearing to basically not to include any issues related to Empress. What's your perspective on what that means for the hearing?

Greg Aarssen

I'm not sure I understand your question, Rob, but this if for, the application is to construct some pipe that goes south of the province. It's quite far and apart from the Empress facility. If your question is asking about the competition at Empress, perhaps you can provide some clarity on that.

David Cornhill, Chairman & Chief Executive Officer

We'll follow up with you Rob.

Robert Catellier, Clarus Securities

Yeah, I can follow that one up offline. Thanks.

Operator

Thank you. The next question is from Tony Courtright with Scotia Capital. Please go ahead.

Tony Courtright, Scotia Capital

Thanks very much. In terms of your capital structure you say your obviously desirous of maintaining your credit rating and you're mindful of your debt to total capitalization but just on the basis of your total 2010 CapEx budget versus what's been spent year to date contrasting that with the fact that you're paying out effectively at the moment all of your earnings, how do you propose to square the circle in terms of satisfying credit rating agencies and not getting offside?

David Cornhill, Chairman & Chief Executive Officer

We're looking at a number of things on that, some in terms of sale of some investments on performing investments that will raise cash and we're looking at those alternatives. We'll look at whether or not we would issue any type of equity or quasi-equity through preferred shares or equity. So there's a number of things. We have some deferral of some capital if we need to so we've got a lot of different levers to pull here and what we will do is try to maximize the strength of the balance sheet and minimize the cost of the capital. So at this point we're working on a number of things and we're committed to growing our business as well as maintaining a strong balance sheet.

Tony Courtright, Scotia Capital

All right. One of the things that you did undertake this year, which I'm not sure would be in the $250 million CapEx budget or not, the acquisition of Landis—no, is it...?

David Cornhill, Chairman & Chief Executive Officer

Yeah, that's right. Landis.

Tony Courtright, Scotia Capital

Landis.

David Cornhill, Chairman & Chief Executive Officer

It's in the capital.

Tony Courtright, Scotia Capital

It is in the $250 million?

David Cornhill, Chairman & Chief Executive Officer

Yes.

Tony Courtright, Scotia Capital

Could you elaborate on how their plans are proceeding and/or your plans for Alton natural gas storage?

David Cornhill, Chairman & Chief Executive Officer

We're still looking at that and working with our partner, Fort Chicago, on building a timeline and securing commitments, some additional commitments on storage. So that's where it is right now and we are developing plans for construction. I would probably suggest that it won't start until 2011, but that needs agreement between AltaGas and Fort Chicago.

Tony Courtright, Scotia Capital

And how do you view underground storage? As a really stable type of business or do you retain flexibility to earn premium value for storage? You know, this applies both maybe to prospective development in Nova Scotia as well as to Sarnia and anywhere else you're contemplating.

David Cornhill, Chairman & Chief Executive Officer

From our philosophy, we're not a trading company, so we will look to manage it as conservatively as possible from a stable cash flow long-term perspective. We don't see ourselves changing the philosophy.

Tony Courtright, Scotia Capital

All right. So it's more of a fee-for-service type of arrangement.

David Cornhill, Chairman & Chief Executive Officer

Or back to back.

Tony Courtright, Scotia Capital

Alright. And in terms of focus in the field gathering and processing, obviously you're directing your attention to the prospective areas in north-eastern BC and northwest Alberta but how do you feel about the balance of throughput from more conventional areas? I mean you've experienced declines; do you foresee any stabilization or is that only going to deteriorate further?

David Cornhill, Chairman & Chief Executive Officer

We have seen stabilization. I think the question out there is, you know, clearly gas price, but with the different types of resource plays that we're seeing are moving east and with horizontal and the Viking play I'm not sure that you'll see that it's just in northeast BC and northwest Alberta where we see resource plays. And clearly we're seeing producers moving west of five and west of four in some potential resource plays that could be quite attractive for our infrastructure that's already in place.

Tony Courtright, Scotia Capital

Alright. Last question is in relation to power and your typical approach of squaring away future prices for the majority of your output. At the moment it doesn't look too promising for next year. Would you be prepared to entertain a less comparably hedged exposure going into 2011 than prior years?

David Cornhill, Chairman & Chief Executive Officer

Our hedging portfolio is trying to minimize overall risk to the company and we we're still looking at that but it would require board approval if we changed any of the policies. At this point, I think at prices that we're at, locking in may not be minimizing the risk value equation going forward, but no decision has been made on that.

Tony Courtright, Scotia Capital

So it isn't a bright line type of, you must hedge this much, it's more on the risk to the enterprise.

David Cornhill, Chairman & Chief Executive Officer

Well that's how we develop our bright lines. Clearly the board would have to make a choice and make a decision at the time. We continue to put small positions in place through our retail business but at this point we're still looking for opportunities.

One reality we've seen in the Alberta market is the change in how the utility buyers buy power, and they buy it now on a shorter-term basis than longer, so the market is not as deep as it used to be. So we're dealing with a number of challenges there.

Tony Courtright, Scotia Capital

Alright. And, if I might, just in terms of NGL extraction, have you seen significant increases in the extraction premiums that are being paid, particularly at Empress?

David Cornhill, Chairman & Chief Executive Officer

I'll answer and be corrected. Other than Empress we haven't seen a whole lot but most of our Empress is long-term agreements so we have actually very little exposure in the near term to increased fees there. If you look at our extraction facilities at Edmonton, JEEP, Harmattan, Younger, and most of our Empress is long-term extraction rates.

Tony Courtright, Scotia Capital

Great, thank you.

Operator

Thank you. Once again, please press star one if you have any questions or comments.

The next question is from Robert Kwan with RBC Capital Markets. Please go ahead.

Danny, RBC Capital Markets

Hi. It's actually Danny filling in for Robert and we're wondering, last year you said throughput basically bottomed out and you expect that to improve throughout the course of 2010. So where are you seeing that in terms of tie-ins and inquiries and do you expect any improvement going forward?

David Cornhill, Chairman & Chief Executive Officer

We're a little disappointed in the speed of some of our producers, in that, we have a number of projects ready to go, a lot of near term. They have taken a little longer than we had hoped to bring those volumes on but we still believe they're coming on. So we have a very significant portfolio with producers talking about tying new wells in, wells that have been drilled or wells to be drilled in the near term. So we're still quite hopeful. I guess we were somewhat disappointed in the speed of some of the tie-ins in second quarter.

Danny, RBC Capital Markets

Yeah, okay. Thank you.

Operator

Thank you. The next question is from Nima Billou with Bloom Investment Counsel. Please go ahead.

Nima Billou, Bloom Investment Counsel

Good morning. Just looking at the power segment, obviously there was a near-term spike due to outages for Q2, but you see sort of $50 pricing going forward. When do you see the supply and demand balance coming more in line? Is it more natural gas pricing that's going to have to recover or is the overall economy hopefully getting better? Because I would hope to see prices in that segment start to creep up over time anyway.

David Cornhill, Chairman & Chief Executive Officer

It's both. I think the economy and demand what we're seeing in the power business in Alberta is growing to come back somewhat, but AECO at $3.50 I think it provides some headwind for huge increase in power prices, but we have seen them in certain situations when coal is down we have seen some significant strong prices, and I think we still have those opportunities in 2010 to realize on those type of opportunities, especially if the wind's not blowing.

So we're hopeful for some opportunities over the remainder of the year. Clearly supply/demand is getting tighter in Alberta and that's, I think, why you saw the price increase in the second quarter as well. So we're hopeful but clearly a gas price in Alberta moving up $1 or $2 would have a significantly positive impact on power prices in Alberta.

Nima Billou, Bloom Investment Counsel

And in the natural gas distribution segment, obviously it's an exciting area of growth for you, do you see more opportunity mainly for organic expansion because you don't see natural gas as deeply penetrated in your territories or are there still meaningful acquisitions out there for you?

David Cornhill, Chairman & Chief Executive Officer

The acquisitions in Canada are fairly limited. We see in Nova Scotia considerable growth in just new customers and expanding in the Halifax regional area and elsewhere in Nova Scotia. But in Alberta there is significant capital growth because of growing around Edmonton and new customers as well. The utility has been around for almost 60 years and there are needs for betterment and replacement of some of that original capital, so you'll see over the next 20 years good capital growth on the Alberta, both from customer growth as well as from betterment of the infrastructure.

Nima Billou, Bloom Investment Counsel

Thank you. And in those territories, those high-growth areas, Nova Scotia you're saying and Edmonton, what are you competing with? Is it electrical heating or is it heating oil?

David Cornhill, Chairman & Chief Executive Officer

In Alberta everyone's gas. What we compete against in areas of Nova Scotia would be heating oil and some electricity, but clearly the government policy is to move more to natural gas or space heating, especially on the electrical side, as it has a large greenhouse gas component. So in new areas we have penetration, new construction, new subdivisions where we're active, we're well over 95 percent of the market. So that's where we see growth and that's where we see our capital expansion this year getting to those new growth areas.

Nima Billou, Bloom Investment Counsel

Look forward to seeing expansion in the years ahead. Thanks very much.

Operator

Thank you. Once again, please press star one if you have any questions.

There are no further questions registered at this time. I'd like to turn the meeting back over to Mr. Dougan.

Myles Dougan, Vice-President, Communications & Investor Relations

Thank you, operator, and thanks for your interest in AltaGas. If you have any follow-up questions, please feel free to contact me. Have a good day.

Operator

Thank you. The conference has now ended. Please disconnect your lines at this time. We thank you for your participation.
