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PRESENTATION

Myles Dougan, Vice-President, Communications & Investor Relations

Welcome to AltaGas' Investor Day here in Toronto. Thanks for joining us today, either in person or on our live broadcast and webcast. For those who I haven't met, my name is Myles Dougan. I'm responsible for investor relations and communications at AltaGas.

When you registered outside you were given, I believe, a gift. It has our presentation on the memory stick and as well there should have been a booklet at your seat at the table here. If you don't have a booklet, please just put up your hand and we'll make sure that you get one.

After each presentation this afternoon we'll take a few minutes to address immediate questions and at the conclusion of all the presentations we should have some time for any wrap-up questions you may have. We're hoping to complete the presentations and questions by around four o'clock today and at that time we'll be hosting a reception outside the doors here and we'll be happy to join you and have a drink and answer any more questions you may have.

Just a few administrative things: the emergency exits, of course you can see the doors there. Someone just came in the back door. The washrooms are out that back door if you need to take a break. We'll be broadcasting live so if you have any questions please take a microphone that Dan will be bringing around and ask your question into the microphone. Please identify yourself and your organization if you would.

Lastly, before I turn things over I would like to draw attention to the forward-looking statements on the first page of your book and remind you that certain forward information presented today may constitute forward-looking statements with respect to AltaGas. Such statements reflect AltaGas' current expectations, estimates, projections, and assumptions. These forward-looking statements are no guarantees of future performance and 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 see the risk factors section on our annual information form.

With that I am pleased to introduce Mr. David Cornhill, our Chairman and Chief Executive Officer.

David Cornhill, Chairman & Chief Executive Officer

Thank you, Myles.

I'll try and get through my section as quickly as possible. The more interesting stuff happens after mine. We can get to the real business. I'll talk a little bit about strategy and macro trends.

Good afternoon everyone and welcome to AltaGas' annual investor day conference. We are pleased to see a good turnout and glad to see everyone's at the back. Like normal classes at business school everyone's at the back and no one wants to be up front. We understand there's also a number of people on the webcast and we very much appreciate them tuning in as well.

This conference will allow us the opportunity at AltaGas to reveal our strategic direction. It is also a great opportunity for me to be able to put members of our senior management team in front of you, some of whom will be presenting today, and all will be able to answer questions for you. Our management team will be wearing badges. If you look in the back of your investor day book there are brief bios on each one of them. I encourage you to ask questions and we'll do our best to give insightful responses today.

Our vision is to be a leading North American energy infrastructure company with a diverse asset base of gas and power infrastructure. Our operating experience in the gas gathering and processing, liquids extraction, storage, and distribution gives us a strong competitive advantage. We also have power industry market knowledge and business and financial analytical expertise to take advantage of the opportunities as they present themselves. Our asset base today totals 2.6 billion and we want to grow that number. We show today that we have the financial strength to execute on the growth strategy.

The map on the slide show shows the areas that we operate or where we have development opportunities. Infrastructure in BC, Alberta, Saskatchewan, Ontario, Northwest Territories, Nova Scotia, and Montana. Services in British Columbia, Alberta, Manitoba, Ontario, Quebec, and Atlantic Canada.

As you know, we had a busy 2010 so far, with several key announcements on the project front as well as our conversion to a dividend-paying corporation on July 1. We believe this simpler corporate structure enhances our access to capital, removing certain restrictions on ownership and ultimately making it easier for investors to value AltaGas.

As a dividend-paying corporation little has changed in our strategy. We continue to focus first on optimizing existing business and, second, on growing and diversifying our business. By investing in gas and power infrastructure within integrated energy value chain in Canada, northern and western United States, we aim to deliver sustainable and increasing earnings, cash flow, and create long-term shareholder value.

Over time AltaGas aims to hold approximately 50 percent of its capital in gas infrastructure and 50 percent in power infrastructure. The asset base will be diverse, diversified in terms of revenue source, fuel source, contractual term, exposure to industry cycles, and geographic location. Our investment in power infrastructure will focus in renewable energy, which will reduce our carbon footprint over time.

I want to highlight some long-term macro trends we see in the energy sector in North America. These three trends drive our long-term strategy: A growing and sustainable North American natural gas supply, a growing demand for electricity, and a need to reduce carbon emissions. I'd like to take a few minutes to review each of these macro economic trends with you.

The natural gas (decline) in North America is expected to continue to grow as a result of new technology that has improved the economics for unconventional gas plays, including shale, tight gas and coal bed methane. There are opportunities for significant investment in gas infrastructure, as much of the new gas supply is coming from unconventional sources not necessarily connected to existing infrastructure. Forecasts indicate by 2030 unconventional gas will represent more than half the United States gas supply. Today shale gas is estimated to be approximately 13 percent of the total supply makeup. By 2020 the shale gas is expected to expand to nearly 30 percent of North America's gas supply.

This slide shows the Canadian Association of Petroleum Producers natural gas supply forecast. We are clearly in a period of low gas supply in Western Canada at the present time and that has (similar) implications on the throughput of our assets. As you can see, CAPP shows strong growth in the 2010 to 2020 period in the Montney and Horn River shale basins. This coincides with a number of other forecasts for supply in Western Canada. We are pursuing a number of growth projects in our Western Canada gas business. This is driven by the expectation of growing gas supply in Western Alberta, Northeast BC, particularly related to tight gas and shale gas supply growth. Rick is going to spend some time talking about progress among this project list in a little while.

There has been recent demand weakness caused by the current economic environment. Over the midterm both supply of and demand for natural gas is expected to increase. Gas demand in North America is expected to increase from just over 70 bcf per day to 94 bcf per day by 2020, or approximately 2.5 percent per year. Forecasts show growing demand for natural gas for use in commercial, industrial, and power generation. Approximately two-thirds of total growth in natural gas use is projected to come from power generation sector.

Over the next 20 years the EIA is forecasting over 20 percent growth in electrical generation in North America. Over the same time here in Canada we are seeing decommissioning of coal-generation facilities as they come to the end of their useful life. Growing demand for electricity results from both economic growth and the expectation of increased reliance on clean sources of power due to the drive to reduce greenhouse gas emissions. Gas will be the carbon fuel of choice for power generation in the future. It emits 60 percent less CO₂ than coal. The net result will be increased use in gas-fired generation for base load. As part of the Copenhagen Accord members pledged 2020 target reduction. Both Canada and the U.S. pledged a 17 percent reduction from 2005 levels by 2020. This creates opportunity for independent power producers such as AltaGas to build clean energy infrastructure.

This is quite a busy slide but, as you can see, there's continuing growing demand for electricity consistent with government mandate through Renewable Portfolio Standards consumer's report for clean energy sources of power to reduce greenhouse gas emissions. For example, British Columbia has targeted energy self-reliance by 2016 while at least 90 percent of the power will come from clean and renewable resources. Similarly, California will require utilities to have 20 percent of this power from renewable sources by this year and one-third of the power from renewable sources by 2020. Ontario, Alberta, Nova Scotia, and other governments have similar moves towards mandating requirements for clean and renewable power generation. As a result we anticipate increased power generation from gas-fired and renewable sources over the next 20 years.

Over time AltaGas will supplement existing generation with clean sources of power, such as wind, run-of-river hydroelectric and gas-fired generation. The commissioning of the Bear Mountain Wind Park brought us one step closer to cleaner energy as we grew our power generation capacity at the same time reducing our carbon intensity. The addition of the Forrest Kerr run-of-river hydro facility and additional renewable power assets

will continue this trend. This shows approximately where we are today.

The macro trends I have highlighted impact the energy business in which AltaGas operates and invests. Today we are well positioned to act on and realize significant earnings growth over the next five years. As we move forward the geographic footprint of our business will expand significantly and as AltaGas grows the business risk decreases. We are adding low-risk, long-life infrastructure including utilities, renewable power, gathering and processing, extraction, and transmission assets. As you can see on this chart, the majority of the earnings are secured either with regulatory support, locked-in fee-for-service contracts, or long-term, inflation-protected contracts with credit-worthy counterparties. As a result, as AltaGas grows, the company is decreasing its overall exposure to the power market and frac spreads.

With the announcement of Forrest Kerr project we will move significantly towards our future goal of planning to double EBITDA over the next five years with significantly reducing commodity exposure. Our strategy is rooted in the fundamental long-term approach to energy infrastructure business. We have always focused on discounted cash flow, and earnings accretion as essential financial metrics in our analysis of business opportunities. We will remain disciplined, we will maintain that disciplined approach in evaluating growth opportunities as they present themselves. Our goal is to invest in low-risk energy infrastructure assets supported by long-term fundamentals in generating predictable and sustainable earnings and cash flow. The current committed capital plan that we are going to discuss today fits this approach to a tee.

Rick Alexander and David Harris are going to provide you with a review of our business plans in more detail. They will provide some specific focus not just on how we plan to grow but also how we plan to mitigate identified risk in our current business and projects under construction. On the finance side we are well positioned to support our business strategy. Debbie will show that we have taken steps to position the company prudently for the next phase of growth. We have completed approximately \$1 billion worth of financing initiatives this year, including the successful preferred share issue in August. We have ample liquidity to fund our committed capital program.

Finally, before I turn it over to Rick, I'd like to add we remain focused on providing long-term returns in the form of stable income and growth to investors over the long term. On conversion to a corporation we set the annual dividend at a sustainable \$1.32 per share. We think this

offers an excellent opportunity for investment income as well as strong growth over the next five years.

And now I'll pass it over to Rick.

Richard Alexander, President & Chief Operating Officer

Thank you, David.

Good afternoon everyone. Today I'll be speaking to you about our business operations and the growth projects that we are currently pursuing. First let's look at our gas business.

Our long-life gas infrastructure provides stable cash flow and is strategically located throughout the Western Canada Sedimentary Basin, touching more than 2 billion cubic feet per day of natural gas. We have interest in six natural gas liquids extraction facilities with 1.6 billion cubic feet per day of inlet capacity and 86,000 barrels per day of natural gas liquids production capacity. We own eight transmission pipelines with 554 million cubic feet per day of gas transport and 152,000 barrels per day of NGL transport capacity strategically located to connect producers to markets throughout Western Canada. We have more than 70 gas processing facilities with 1.2 billion cubic feet per day of gas processing capacity and approximately 6,500 kilometres of gathering lines. We have interest in three natural gas distribution businesses serving more than 72,000 customers and a 50 percent interest in a 5.3 bcf storage asset in Sarnia, Ontario as well as a storage under development in Michigan, Nova Scotia and Alberta. We also offer gas procurement management and optimization services which help enhance our asset base.

Our gas business is stable, underpinned by long-term contracts. As you can see, in the past 12 months we have seen growth in our gas segment operating income. This increase is primarily attributable to the acquisition of the AltaGas Utility Group and strong frac spreads in our extraction business. The majority of revenues from our gas business are stable and low risk with a large fixed return component. For the first six months of 2010 85 percent of net revenue was underpinned by contractually fixed earnings such as cost-of-service and fee-for-service agreements. The remaining 15 percent represents frac spread revenues, 7 percent from frac spread hedge contribution and 8 percent exposed to spot prices.

Several key initiatives are being developed and implemented in 2010 to increase revenues. We continue to look for additional volumes at our Harmattan facility. At

our Younger facility we are working to attract volumes from the South Peace area and we're continuing to focus on contracting gas at Empress, leveraging AltaGas extraction assets in energy services marketing activities. On the cost containment front we have a process of continuously reviewing operating costs to identify areas for cost reduction. Some variable operating cost reductions may be possible and we'll continue to look at these as we move forward. Also, we have a successful history of adding assets and we will continue to look for opportunistic infrastructure investments evaluated through our disciplined investment criteria.

This chart shows our extraction volumes split into ethane and NGL production. We have steadily increased our extraction production over time by acquiring interest in additional extraction facilities and optimizing our current infrastructure. The majority of these volumes are in stable fixed fee or fee-for-service revenue. We are optimistic that current royalty revisions will encourage capital spending and lead to increased production activity within AltaGas. Recent industry reports have also forecasted growing producer activity based on increased well license applications in June and July 2010. This chart shows the average frac spread forecast of several petroleum consultants for 2010 to 2016 period. As you can see, the average frac spread forecast remains strong and is in the high \$20s to low \$30s per barrel range for the next few years.

In our field gathering and processing business throughput volumes increased steadily as we added gathering and processing assets throughout the basin. In 2009 we saw a significant decline in gas drilling activity with 150 percent fewer gas well completions in 2009 compared to 2008. Lower producer activity and producers shutting in gas due to low commodity prices has led to a decline in throughput in some AltaGas operational areas. We are working hard to improve the performance of this business. We are increasing the average size of our processing facilities, as you will see in the upcoming slide, and we are focusing on active drilling areas in the Western Canada Sedimentary Basin, where we are seeing strong increasing producer demand processing.

This slide shows historical natural gas prices as well as an average gas forecast for the next few years from several gas consultants. While gas prices are expected to remain low for the remainder of 2010, you can see the forecast of a recovery in 2011. Beyond 2010 they are forecasting \$5 to \$7 per gigajoule gas over the following five years. As gas prices recover and begin to increase in the next couple of years we expect drilling activity and gas production in the basin will continue to improve.

The graph on the bottom left produced by CAPP shows an increasing supply of unconventional gas. These unconventional gas plays are located predominately in Northern British Columbia and in the tight gas plays along the Alberta Rockies. As much of the new gas supply is coming from unconventional sources, the supply is not necessarily connected to existing infrastructure. As a result, there is a need for significant investment. Our various growth projects noted on the map are strategically located to capitalize on the expected growth in unconventional supply in these emerging areas.

We are looking to build or expand assets where we see increasing supply trends and make use of inventoried or under-utilized equipment from other areas in our construction expansion plans. Projects targeting this strategy include Acme, Ante Creek, Groundbirch, Pouce Coupe, and Younger. We are also pursuing further growth in the natural gas distribution business with over \$200 million of planned CapEx in the next five years, which I'll talk about in a minute, but first let's review our extraction and processing projects.

For the capital cost of \$100 million to \$130 million, the Harmattan Co-stream project is one of the largest growth projects we are pursuing in our gas business. The project will bring at least 250 million cubic feet per day of rich sweet natural gas from the NGTL system to the process using existing spare capacity. As this schematic shows, Harmattan currently gathers and processes raw gas and delivers the shale gas to the east leg of the NGTL. The Co-stream project involves extracting the valuable ethane and NGLs from the gas stream and delivering the processed gas back onto the system. The project is expected to increase extraction production by approximately 25 percent and we expect to add 10,000 barrels per day of ethane and 3,000 barrels per day of propane plus product. The project promotes responsible competition by adding extraction options on the western leg of the transmission system and is supported by an MOU with NOVA Chemicals for a 20-year cost-of-service contract. The ERCB hearing for the project concluded on September 9th and we are currently awaiting a decision. We are also exploring opportunities to consolidate in the area and bring in gas from under-utilized gas plants.

Another area of growth in our gas business is at the Younger plant. The Younger facility is the only deep-cut straddle plant in British Columbia and we have a full fractionation train that services the local BC market. Recently we've seen volume growth as the south Peace pipeline has now come into services and volumes are ramping up. The south Peace pipeline will bring up to an additional 200 million cubic feet per day into the McMahon gas plant. The majority of the sales from

McMahon is processed at the Younger facility. We are actively working on a pipeline project to bring liquid-rich gas from the Montney area to the Younger plant. The Montney is one of the areas of focus for gas producers who are actively drilling and bringing new gas volumes on stream. We're also exploring other opportunities to bring additional sweet liquid-rich gas from the south. We expect Younger will be close to full capacity by the end of 2011.

At our Acme processing facility we are expanding to process additional gas from the Horseshoe Canyon coal bed methane play. The first phase of expansion was finished earlier this month, expanding the facility to 15 million cubic feet per day. As part of our FG&P strategy the expansion used unconventional inventory equipment where possible. We're currently seeing the facility operating at or around full capacity and there is a possibility for further expansion.

Another example of our strategy of growing FG&P volumes is the Ante Creek expansion. The asset is strategically located to capitalize on an area of strong producer growth and we see the potential for further expansion down the road. This project will invest in the facility in several phases. The first phase of the Ante Creek expansion, which provided an additional 5 million cubic feet per day of sweet gas processing, was commissioned on April 21st. The second phase of this expansion is currently underway and will convert the entire 20 million cubic feet per day plant into sour gas processing service. The project is expected to cost approximately \$13 million and we expect that expansion will be finished in the fourth quarter this year.

Back in April we acquired the 28 million cubic feet per day Groundbirch sour gas plant from Monterey Exploration. This area in Northeast BC has been an area of high growth and is one of the largest low-cost resource plays in Western Canada. AltaGas agreed to commit \$28 million to construct the gas plant and related infrastructure in return for a 100 percent ownership of the gas plant and a dedicated take-or-pay processing obligation. Monterey constructs the facility with AltaGas taking over operatorship during commissioning. The facilities will process production from a Montney gas development and are expected to be fully commissioned in the fourth quarter 2010. Recently it was announced that Pengrowth has acquired Monterey. It is expected that Pengrowth will continue with the development plans.

At our Pouce Coupe facility construction activities for the 20 million cubic feet per day sour gas expansion project finished last month. The expansion will allow us to process 20 million cubic feet per day of sour gas. The

project consists of plant facilities, gathering lines, and an acid gas injection well which eliminates CO₂ emissions. The facility is located in an area of strong producer activity and growth potential. A portion of the expanded capacity has been contracted to a producer under a take-or-pay contract.

Now turning to our natural gas distribution business, we acquired 100 percent of natural gas distribution business last year with our acquisition of AltaGas Utility Group and Heritage Gas. The natural gas distribution business is comprised of regulated natural gas transmission facilities in Alberta, or what we call the Utility Group; Nova Scotia, Heritage Gas; and the Northwest Territories, Inuvik Gas. Utility Group and Heritage Gas operate in regulated market places where they are allowed the opportunity to earn regulated rates and provide for recovery of cost and a return on capital from the franchise capital investment base. Inuvik Gas operates in light-handed regulatory environment where delivery service and natural gas pricing are market-based. This stable revenue source is expected to provide strong earnings growth for AltaGas in the years ahead. Our strategy is to grow natural gas distribution rate base with over \$200 million in planned capital expenditures in the next five years. We'll be investing primarily in expanding the Heritage Gas system in Nova Scotia and executing our AltaGas Utility System betterment program in Alberta. Based on the total investments this year we expect approximately 20 percent consolidated rate-based growth.

For our forecast we have assumed that both AUI and Heritage Gas will be under cost of service regulation during the forecast period. We have made no assumptions for AUI's transition into formula-based regulation. The regulated capital structure and cost of capital for AUI and Heritage Gas is expected to remain the same throughout the forecast period. Heritage Gas' current regulatory capital structure and cost of capital are approved through to the end of 2011. Heritage Gas plans to submit a general rate application in 2011 for rates in 2012 and beyond. For AUI it is assumed that AUC will approve the cost of term debt incurred by AUI. AUI is expected to grow its customer base at the historical average rate of about 2.2 percent per annum. By focusing on extending gas services to new developments and communities in the Halifax and Dartmouth areas, it is assumed that Heritage Gas will be able to add customers at an average rate of 20 percent per year.

During the 2011 to 2016 period AltaGas Utility Inc.'s rate base is projected to increase at an average rate of approximately 9 percent per year. It is assumed that the consolidated natural gas distribution rate base will increase to roughly \$450 million in 2016. This is achieved

through capital spending averaging \$39 million per year, splitting roughly 70 percent to AUI and 30 percent to Heritage Gas. System betterment CapEx will become an important driver for AUI's rate-based growth in 2011 to 2016 as AUI ramps up its system betterment CapEx from \$8 million in 2011 to \$29 million in 2016 for its 20-year system rejuvenation program. The implementation of the formula-based regulation may cause utilities to limit their capital programs in order to achieve the allowed regulated ROE and net income. Rate-based growth for Heritage gas in 2010 is mainly driven by a \$25 million expansion into the Fairview, Clayton Park, and Bedford regions of Halifax regional municipality. Heritage Gas' RDA is also a component of rate base. It is expected that Heritage Gas' RDA will peak in 2012 at approximately \$48 million and starts to be drawn down commencing in 2013. The RDA balance by the end of 2016 is expected to decrease to approximately \$23 million and is expected to be fully drawn-down by the end of 2018.

So, in summary, the gas segment is expected to continue delivering strong results going forward. In 2010 we will invest approximately \$56 million in the natural gas distribution business to grow its average mid-year rate base by roughly \$45 million or approximately 18 percent. We also expect stronger results due to strong frac spreads, increased producer activity in the FG&P business, along with expansions at AltaGas' existing Pouce Coupe, Ante Creek, and Acme gas processing plant, as well as the expiration of a legacy gas marketing contract.

Now turning to the power business, we made our first investment in power when we purchased the 353 megawatt Sundance B PPA at the end of 2001. Since then we have diversified our power portfolio with the addition of gas-fired peaking plants and a small interest in a run-of-river hydro project. Currently our power business has 494 megawatts of installed power capacity, comprised of 353 megawatts of power generation capacity through a 50 percent ownership interest in the Sundance B PPA, 39 megawatts of gas-fired peaking capacity, and 102 megawatts of wind power generation capacity sold under a 25-year price index energy purchase agreement. We also have a small interest in a 7 megawatt run-of-river hydro-electric generation facility in British Columbia.

Over time, our power business investments have performed well. We have employed disciplined hedging strategies to manage our exposure to commodity prices and ensure stable cash flows. For the trailing 12-months ended June 30, 2010, power business operating income was lower than 2009 results; however, despite spot prices averaging just over \$60 per megawatt hour for the

first half of 2010, AltaGas has realized an average price of \$72 per megawatt hour due to our hedging strategy.

With the variance in Alberta power prices on this graph you can see how our hedging strategy has worked to our advantage. This graph shows the daily average power pool price as well as the average quarterly price received by AltaGas, depicted by the black dots. By hedging two-thirds of our power volumes from Sundance we were able to reduce volatility in our earnings. Over the past year and a half we have seen weaker than historical Alberta spot power prices. Continued low natural gas prices and a temporary generation oversupply situation has created a power pricing environment that AltaGas management does not believe is sustainable over the long term.

This chart shows historical and forward power prices for power from 2009 through 2011. I note here that you can see the price spike in May related to severe weather conditions in April this year and transmission upgrade work that puts constraints on the power system. That resulted in the average May spot price settling in the triple-digits for the first time in over a year. Forward prices for Alberta Power are around the mid-\$45 range per megawatt hour for the next year. A primary driver for this continued lower power price is low natural gas prices. However, as you saw on the earlier chart, gas price forecasts are suggesting that gas prices will recover to the \$5 to \$7 per gigajoule range over the next few years. This should lead to stronger power prices.

There has also been a steady change occurring in the Alberta market dynamics due to the regulated rate option. The regulated rate option is the monthly rate for electricity that is automatically provided to all residential and small commercial customers who have not entered into a contract with a competitive electricity retailer. As of July 2010, 100 percent of the RRO will be purchased by utilities through the prompt month forward market. This move from retailers purchasing calendar-year products to short-term monthly products has fundamentally shifted the dynamics of the wholesale markets and supports AltaGas shifting a portion of its hedged portfolio to the month-ahead market.

As David mentioned earlier, we are focused on expanding and growing our power business while also reducing our emissions intensity. In addition to our conventional power generation we have a substantial portfolio of renewable power projects under development. Our run-of-river project portfolio includes ten developments in British Columbia totalling 400 megawatts. We have broad support from local government, First Nations, and various resource and green energy interests. In British Columbia we also have our Sparwood

Crowsnest Pass 9 megawatt waste heat recovery project. We have signed an EPA with BC Hydro and are in the design phase. We also have 1,500 megawatts of wind projects in various stages of development, of which three projects, or 240 megawatts of wind-generating capacity, are in more advanced stages of development. These geographically diverse wind projects in Western Canada and in Western United States are located in markets with favourable regulatory high emission standards and strong consumer support for clean power.

On the hydro front our primary focus is on the Northwest projects. The Northwest projects consist of three run-of-river power generation projects representing approximately \$1 billion in investment: the 195-megawatt Forrest Kerr, 66-megawatt McLymont Creek, and 16-megawatt Volcano Creek projects. The construction site is located in Northwest British Columbia approximately 100 kilometres north of Stewart, BC. Forrest Kerr is expected to come into service in 2014, McLymont Creek is expected to be completed in 2015, and Volcano Creek in 2016. As you can see on the chart, with the signing of the Forrest Kerr EPA with BC Hydro in May we have an EPA in place for 70 percent of the total Northwest project generation capacity. We are also pursuing EPAs for the McLymont Creek and Volcano Creek hydro facilities in the Forrest Kerr vicinity. Currently we are working through the preliminary stages and EPA discussions.

We invest in renewable energy because it's consistent with our strategy of replacing current generation with clean, renewable generation and of holding high-quality assets with good returns. Not only will the Forrest Kerr project expand our power business and ensure its long-term sustainability while reducing our emissions intensity, they will also provide the people of British Columbia with clean and reliable power from a world-class asset. Once completed, the project will provide enough electricity for approximately 70,000 homes in British Columbia and will offset more than 450,000 tonnes of greenhouse gas equivalents annually.

In the gas-fired power generation we are currently installing a 12.8 megawatt co-generation facility at the Harmattan Complex. The facility will provide the steam required to process gas as well as reduce the electricity on-site consumption with excess going to the Alberta grid. The co-generation facility is complementary to our existing portfolio of generation assets. The excess power that we will sell to the market is low cost. The capital cost is estimated at \$22 million with an expected in-service date this fall.

Here you see where we envision our power business generation mix to be in approximately six years. In 2015

our goal is to have around 1,000 megawatts of generating capacity in service based on our strategic planning and assuming current projects under development are completed. This would include the hydro project that we bid into the BC call for power as well as some additional wind and gas generation. With these additions, our power business will predominately consist of clean power assets. We will be supplying much more power to consumers and our carbon intensity will be significantly lower.

We told you last year that we were targeting \$2 billion in organic growth and it has been a very successful year. Our current committed capital program includes \$1.2 billion in growth projects so we are well over halfway there already and we have identified another \$1 billion in project development potential. We continue to pursue developing these projects in a cost-effective way, with an eye on creating additional long-term value for our shareholders.

That concludes my comments. We'll open it to questions for either David or myself.

Myles Dougan, Vice-President, Communications & Investor Relations

Again, just as a reminder, if you could wait for the microphone to come your way.

Nima Billou, Bloom Investment Counsel

Nima Billou. Rick, just wanted to get a sense, ah, obviously for this year, and David communicated in the MD&A, you have more than enough credit capacity to fund your existing capital program but with respect to the \$2 billion of organic growth in the next five years when would you have to anticipate potentially coming to the equity markets? Would it be 2011, in 2012 given—if you execute on the majority of these projects?

David Cornhill, Chairman & Chief Executive Officer

Can you wait to see Debbie's presentation? Because she talks about committed capital. We'll gladly answer at that point but I don't want to steal her presentation, if that's okay.

Nima Billou, Bloom Investment Counsel

No problem. I guess for the second question I would have is with respect to if you had a hierarchy in terms of pursuing projects, would storage be at the top of the list, then extraction, then FG&P, or is it just looking at it purely on a return basis in the way you approach growth opportunities?

Richard Alexander, President & Chief Operating Officer

We look at it primarily on a return basis. We don't prioritize the projects in terms of power or capital or extraction or FG&P. We look at balancing the return and the risk of the project. And if it meets economic merits then we'll go forward with the project.

Robert Catellier, Clarus Securities

Robert Catellier, Clarus Securities. I have a question on your power business. You have a healthy respect for the renewable business obviously and a long-term view of strong gas supplies, yet if I look at your power portfolio it only has a small amount of peaking plants, which effectively are, um, I view as portfolio insurance. Would you ever consider entering into assets that are large gas-fired generating plants, particularly those supported with capacity payments?

Richard Alexander, President & Chief Operating Officer

We would. We are interested in gas-fired facilities. It depends where they're strategically located. It's a very competitive market right now so we don't have any that we'd publicly announce but we do continue to look at those projects from time to time.

Robert Catellier, Clarus Securities

My second question is with respect to Younger. Your minority partner in that plant has suggested that there's a low-cost expansion opportunity there; are you free to comment on that?

Richard Alexander, President & Chief Operating Officer

Let's turn that to Randy Toone.

Randy Toone, Divisional Vice-President, Field Gathering & Processing & Energy Services

I don't know what our partner is referring to but right now we're close to our operating capacity and it won't cost very much money, ah, very little dollar to increase it to its license capacity, which is another 200 million cubic feet per day. So that's a very low dollar amount.

Myles Dougan, Vice-President, Communications & Investor Relations

Thanks, Robert. Are there any other questions?

Matthew Akman, Macquarie Capital Markets

Thanks. Matthew Akman, Macquarie Capital Markets. Rick, I was just wondering—you made a small comment on the regulatory environment in Alberta for the gas distribution and that there's going to be a hearing on incentive regulations. I'm just wondering what you guys would be advocating in that, what kind of incentive regulation and how that affects your capital plans at the Alberta Utility.

Richard Alexander, President & Chief Operating Officer

Well I think we better wait until we file that application before we comment on what our position is.

Matthew Akman, Macquarie Capital Markets

Okay.

Kelsen Vallee, CIBC

Kelsen Vallee, CIBC. A question on the wind projects under development in your portfolio. There wasn't a lot of discussion on it. I'm wondering if you care to comment on your development plans for those.

Richard Alexander, President & Chief Operating Officer

We have a number of projects, as I mentioned, that we see as more advanced stage. Those projects would be ones like Walker Ridge in California and Glenridge in Alberta. And so we're moving those projects forward and we're looking for opportunities in the California regime to put in place a long-term PPA. In Alberta the project is a very good project and one of the challenges we have is that the form of market in Alberta is merchant power and, as you know, we look for long-term contractual arrangements to backstop these kinds of projects, so we're trying to work through how we can manage that risk and move the project forward. The one way we've looked at is putting gas-fired peaking facility with it but we haven't quite figured out how to get that done yet.

David Noseworthy, Scotia Capital

David Noseworthy, Scotia Capital. Just a quick question on the two, ah, Volcano Creek projects. What are the issues between where you are now and getting the EPA?

Richard Alexander, President & Chief Operating Officer

For McLymont and Volcano? What we're doing right now is we went through a series of discussions for Forrest Kerr with BC Hydro, the BC government, and the First Nations and, as you know, we successfully completed those discussions in April. We are now in that same process with those same parties for McLymont and Volcano. And so really it's a matter of working with those parties to come up with a solution, whether it's an EPA and an IBA for the First Nations and a contract for AltaGas that everyone is comfortable with. So as soon as we complete those multi-level discussions we hopefully will have a project. I would expect it's something that could take several more months. As you can imagine, when you are dealing with multiple parties you can never really predict when you will get there, but I'm optimistic we'll get there in the next few months.

Myles Dougan, Vice-President, Communications & Investor Relations

Are there any further questions?

Richard Alexander, President & Chief Operating Officer

I think we're going to take a break.

Myles Dougan, Vice-President, Communications & Investor Relations

Great. Okay, thank you. We're ahead of schedule, which is good. We'll take a 20 minute break and then return here for David Harris's presentation on Forrest Kerr. Thanks very much.

BREAK

Myles Dougan, Vice-President, Communications & Investor Relations

If I could ask everyone to take their seats and we'll start in again.

Okay, thanks very much. We'll continue on here with the second half. Our next speaker is David Harris, the General Manager of Forrest Kerr. He's going to give us an enlightening review of the project and there will be a video at the end of that as well.

David Harris, General Manager, Forrest Kerr Project

Good afternoon everybody. As Myles said, my name is David Harris, with the principal responsibility of executing the Forrest Kerr project over the next four years.

To lead off, as Rick had pointed out, Forrest Kerr is in a pretty unique location. It's about 1,000 kilometres north of Vancouver in the extreme Northwest section of British Columbia, and right now under construction on design it's the largest run-of-river, single intake run-of-river that's out there, under construction in North America, which is pretty unique, and with it proposes a number of different challenges that have been coming up during the design process and the construction process. Also from Rick's presentation, the project is backstopped by an EPA, a 60-year EPA that's 100 percent indexed, which is good, from the project standpoint, and it has a 55 percent capacity factor project with a scheduled COD date of 2014.

A little bit of background on the project: AltaGas had acquired Forrest Kerr back in 2008 from NovaGreen and it is located on traditional Tahltan territory, and it's located on the Iskut River really just downstream of where the intersection of the Forrest Kerr and the Iskut River come together. We're actually utilizing water capacity both from

the Iskut River and the Forrest Kerr as it relates to generating and as I get later on into the presentation there's a slide that gives you a pretty good depiction of what the expectations are of water flow that helps us give us a very high degree of certainty on the output and the capacity of the facility.

In addition to just building the straight run-of-river hydro there's also a requirement for about a 37 kilometre, 287 KV transmission line that we have to construct that will actually interconnect Forrest Kerr to the Bob Quinn substation that's just off of Highway 37 and we've got a slide a little bit later on that gives you a better depiction geographically where that's located. In addition to it, one of the things you can get with a run-of-river hydro, and especially a hydro of this nature where it's located, you run up to some pretty delicate sensitivities environmentally, so we have taken some tremendous amount of time and detail in the design of the project and in the constructability of the project to be very sensitive to minimize any impacts environmentally that would be associated with the project during the construction phase.

The other nice thing that we have going for us on the project is we have a very robust database of about 40 years worth of hydraulic data that gives us a very good correlation with river flow, and not just during a certain point of the year but seasonally, that turns around and drives us from a standpoint of the 55 capacity factor and the (195) megawatts that we expect to get out of the facility. So from a data standpoint we're in a very, very good situation with a high degree of certainty that we've got great river flow dynamics to ensure the certainty as it relates to output and revenue generation from the facility.

This next slide I think is just a great slide. It gives a great overview of the project and kind of what's really going on with the project. And I get a chance to play with my laser for a little bit. But what you really have is in this area right here is the intake. The intake is on the Iskut side. That section that you see up there is where the Forrest Kerr comes down and joins the Iskut River before it continues on south. The intake design is, as I'll talk about, is one area of challenge for us, not from a standpoint of complexity from construction but we've just got to handle some delicate situations as it relates to sedimentation and other challenges that you get when you do a run-of-river hydro to make sure you're protecting the turbines and making sure availability and output stays where it should and you're not doing anything harmful to it by taking in too much debris and sediment during the course of operations.

The red line that you see is actually the projected path of the power tunnel. The power tunnel is roughly about 3.2

kilometres long and, as I get into later slides, it's a D-shaped design roughly about 10 metres wide by 10 metres high. Down in this area right here, which is about, if you were looking at this on a plain view you would turn around and see about a 100-metre drop in elevation from the intake down to the powerhouse section and right in this area that will go out here is what they call the tailrace, or, in layman's terms, a discharge tunnel. After the water runs through the turbines it discharges itself to the Iskut River and continues on downstream.

This dotted red line you see here is a surge tunnel. A surge tunnel primarily is designed to do really one thing: if you're in the course of normal operations and you have an upset condition with your facility and you have to shut down, you just can't shut the water off of a free-flowing river that has an awful lot of energy without potentially causing problems if you don't design to it. Well a surge tunnel is designed to allow you that kind of make up to allow the water to back up into a surge tunnel until it gets back up towards the intake and follows its more natural path until you get the issue corrected that you may be dealing with at the time operationally.

The other thing that you see right here in the same that will run in parallel to this is there's an access tunnel that we'll be digging, which is this blue line right here, and by far and away that's a critical path item for the project for two reasons. The reason you have to get the access tunnel in is that's actually how we get down to the powerhouse, and besides blowing out the tunnels we have to blow out a fairly large cubic metre volume that will actually house the power turbines in that we'll be installing that will generate the electricity. And the reason you have to get that moving relatively quickly and going first is because that will dictate when you can delivery on your turbine equipment so you can start installing it, getting it up to speed, and get ready to move into start up and commissioning. We'll talk about the sequencing of the project later on in the presentation.

And then just to inform you a little bit more, what you see right here, this is the access road that comes into the facility. This is where we're going to have the base camp location, about a 350- to 400-person camp that will support the construction over the next four years. It will also be used as the camp, as Rick pointed out in his presentation, to support McLymont and Volcano projects that are relatively close, and there's a slide later on that talks about the proximity so you'll be able to orient yourself on where McLymont and Volcano is as it relates to Forrest Kerr.

This little section right here is an access road that goes up and actually sits on top, there's an open area on top of

the powerhouse, which is this yellow box. And you can't see it if you're at the site. The powerhouse actually sits several hundred metres belowground and what's on top is actually the substation that we'll install and then the substation will go out and go all the way out to Bob Quinn with our 37-kilometre 287-KV line that will connect the project to Bob Quinn and the transmission system for BC Hydro.

I apologize a little bit; this is a busy slide. Engineers sometimes, even when you ask them to clean things up, they don't necessarily clean things up as much as you would like. But the general gist of this slide is to talk about the intake of the project. What you see right here is what they call weir or the rubber dam. This is not going to have a solid concrete dam in it and there's a reason it does not have that. This Iskut River and Forrest Kerr have different flows and different elevations based on the seasons, right, where you have the winter runoff and the melt, which is high flow, and then you have the shoulder months and low seasons where you don't get a lot of flow. Well the reason for the weir and the rubber dam is that dam will inflate and increase in height and decrease in height to maintain enough of a head pond to ensure that we get appropriate amount of flow into the intake structure to optimize output of the plant at any particular time during the course of the year. So that's the primary purpose of the weir.

This section right here is actually something that we will have to make, we will construct. One of the first things we will be doing on the project after we get into the tunnelling activities is during the low flow season of next year we will be actually putting in a manmade coffer dam right in this area to build up height to protect us from the river and will actually construct this area, build this area out, start to get the intake screens and flood protection devices and the beginning of the de-sanding capability and the intake so that when we get into the following season, which will be the low flow season about September of 2012, we can turn around and take down the manmade coffer dam, put another one up right here, redirect the flow of the river through the sluice gate during the low flow season so we can construct the rubber dam. And then once that's completed we will turn around and take the coffer dam out and then the rubber dam will be our mechanism to control river flow while we're finishing the construction of the intake for the project. It kind of works in a nice, structured, orderly fashion and provides minimal impact environmentally to the river and the surrounding area. The nice thing that we're dealing with too is in working with the ministry is there's not a lot of fish activity, actually minimal fish activity up in this area, so we haven't met with a lot of resistance on some of the things we need to do during the construction process.

To continue, this little device right here, the sluiceway, as I talked about, unfortunately the Iskut River and Forrest Kerr have an awful lot of sediment associated with them, very aggressive high-flowing rivers, and with that, when the river starts to, we redirect it, it comes through here, we're designing it so that the sediment will start to fall out, we'll get a purer quality water that goes down to the power tunnel so it doesn't impact our units as much, and then we use a sluice gate to control flow to keep cleaning and discharging out that sediment to maintain consistent operations and high availability rates. And then this little area right here is really just the intake structure that starts the beginning of the power tunnel and the power tunnel goes approximately 3.2 kilometres all the way down to the powerhouse where the water will run into the impulse turbines and start generating electricity. This little section right here is just an additional type of short breach tunnel we're making, and that's really to optimize construction. The construction of the tunnel is going to be done by drilling and blasting for the most part. We are still experimenting and taking a look to TBMs, or tunnel blowing machines, make sense, it may or may not but this will help us with turning around and removing the debris as we turn around and blast or whether we bore our way through on the tunnel, so it keeps congestion down and allows for two access into this area for the construction of the intake and the beginning of the tunnel.

The next slide really just talks about tunnelling. There's one slide that's real on activity that's really going on and another one that's kind of Memorex. This slide right here is actually a real photo. We've actually mobilized the site back a couple of weeks ago. We've aggressively started to pursue some of the road activities that are going on. It's a pretty rough and rural area. There was some rough cut roads that were put in; we've got to turn around and groom them out a little bit. We're expecting to take obviously some pretty heavy equipment and the roads have to be of substantial capability to handle that so that we don't run into issues. And what you're actually looking at right here, this location, if I just go back real quick, is this location right here, which is the beginning of our portal work and starting the road activity. And right in the back-ground is where we'll start our blasting for the portals. And we're talking about potentially accelerating out the blasting activities for the portals to take place towards the latter half of October, maybe early November if weather holds and cooperates with us. And then eventually once we really get into the tunnelling and start moving, doing some really good open field running, this is roughly what the shape of the tunnel will look like. It's a D-shaped tunnel. It's approximately 10 metres across and 10 metres high. And that design is to optimize flow and limit head loss to turn around and optimize output of

the units for maximum efficiency and utilizing the water in the most effective way that we can.

As I talked about, there's a fair amount of tunnelling associated with this job. It's just under 5,000 metres. The predominance of that is obviously driven by the power tunnel, which is roughly 3,200 metres, and then the sequencing of the access tunnel, surge tunnel, and the tailrace is just a glorified name for a discharge tunnel returning the water back to the river after we use it to generate electricity. A couple of key points. The typical industry standard is most tunnelling is done at about a 3-metre per-day pace, and so somebody would say, gee, if I just ran that math, aggregating up you'd spend the majority of the time tunnelling. Well the nice advantage that we have in this particular location is we have multiple access to turn around and start tunnelling activities. So we'll start at the intake, we'll start at the access, we'll start at the surge, and then once we get down to the bottom of the access we'll give it a go in two directions. We'll give it a go through the power tunnel and then do the tailrace and then we'll start to work our way up the power tunnel to meet the folks that are drilling and coming down from the intake structure.

So when we look at that it's going to give us a fairly conservative estimate of roughly about 12 metres of tunnelling pace per day, which, when you turn around and look at the rock formation we have, which is very consistent, even though it is a seismic zone area, it's a relatively low volatile seismic zone area and we're not crossing any major fault lines so we're not going to run into any substantial construction issues and bridging-type concerns. And I mean bridging, not bridging as far as over rivers but bridging as it relates to fault lines. Under the ground we don't have to really worry about dealing with that type of a challenge from a construction standpoint. So when you run that number out we're expecting when we start tunnelling in earnest sometime around the first quarter of 2011 we should be done sometime around probably the middle of 2012. And then from there we'll start rolling on into building out the mechanical structures and the civil structures on the ground to support the powerhouse.

By far and away the biggest challenge on the project is tunnelling. 95 percent of Forrest Kerr is underground. So the key aspects to that is we have confirmed that we have solid and stable rock formation throughout the whole tunnelling process, which is very good news, and then you'll see in the actual fly-by video when you're going on down, the helicopter is going down the crevice, the rock formation is consistent. So besides doing test borings visually we've been able to verify because of the river location that we think we're going to be up against

some pretty consistent rock, which is good. The other thing we're going to do is the project lays itself out very nicely to turn around and have multiple contractor interaction on the tunnel. You want to do that for a couple reasons. One, it keeps the competitor spirit going between contractors, all right, and since it's such a critical aspect of the job that will keep each one of them motivated, and if we run into a situation with one contractor compared to the other we leave ourselves a second bite of the apple of optionality during the construction aspect on the most critical part of the job and the most costly part of the job. Tunnelling is going to probably account for roughly about \$130 million give or take of the total cost of the project, which by far and away is the largest individual piece associated with constructing Forrest Kerr.

The next slide is really just the heart and soul of the project and the tail end of the power tunnel. What you're looking at right here is, ah, the power tunnel comes on down. It's actually going to break into three smaller feed tunnels that go into four units. The reason for our four-unit design is to allow ourselves optimization for output during all times of the year. At 195 megawatts you've got turbines that run real well at max swell but when you have low flow conditions and you want to produce 20 or 30 or 40 megawatts sometimes the optimization of a large turbine doesn't necessarily work well and you have to turn it down. So you're basically going to see somewhere between, oh, 55, 65 megawatt units for these three and a small trimming unit to turn around and optimize efficiency during operations during low-flow conditions. From there it goes out at a discharge of each one of the units into what is called the tailrace and out here you eventually see it would run right back into the Iskut River and continue on downstream.

This is just a little bit more of the access tunnel coming on down. This is where the equipment will come on in. You build the actual equipment in place. So you actually tunnel and blow your way in and then you construct yourself back out when you're doing hydro work. And then what you do for long-term maintenance consideration is there will be a fairly elaborate array of in-house cranes to turn around and handle equipment both internally and you also have the option if you get into any kind of long-term problems down the road after many years of operations, the turbine units themselves that sit below water, you always have the ability to take them back out through this location and up through the power tunnel. So we're leaving ultimate flexibility in the design and not just thinking it from a construction standpoint but long-term operability maintenance as well.

The next slide is, um, this is actually a very good slide as well. It gives you a pretty good depiction of the area but, more importantly, how McLymont and Volcano will interact with Forrest Kerr. From the previous slide, or the overview slide, it basically covered this area. This is the access road coming in, this is the (SK) mine road that goes all the way out to Highway 37. The intake tunnel is here for Forrest Kerr, the discharge is here, powerhouse. This is the 287-KV 37-kilometre transmission line that we will build from the substation at Forrest Kerr all the way up to Bob Quinn. And then, in relation, McLymont is about roughly 7 kilometres just downstream of Forrest Kerr up on to McLymont River. It will have a tunnel. A much smaller tunnel. It's only approximately 60, 66 megawatts so much less complexity associated with it and significantly lower cost construction wise. It does have one little bit of a challenge: it's on the other side of the bank of the Iskut. So what we'll do is we'll bridge over and what you're going to see right here is this is actually a 69-KV transmission line that will go from the substation of McLymont, tie into Forrest Kerr, and then that's the reason Forrest Kerr is at a higher KV rating to account for bringing McLymont eventually down the road. The other project is Volcano. A much smaller project. As you're making your way into the site you actually cross over a small bridge at Volcano Creek and we'll just do a hot wire (tap) from Volcano tying into the transmission line and that's how we'll get the megawatts out from Volcano Creek associated with the three hydro projects in the area.

The other thing that we're doing too for optimization, both from a standpoint of engineering constructability cost and sequence and scheduling so we won't run into conflicts, is we're treating the hydro projects as one. How we're going to execute it from a standpoint of design, constructability, a strategy around construction contracts are all factoring in as if we're executing these as one project. And that's helping us out tremendously in the early going in both with scheduling both with equipment costs and constructability. We've talked to a contractor, or equipment supplier, about buying turbines for three units instead of one, things start to move a little bit more in your favour as it relates to the cost to buy that equipment.

The next slide really talks about the risks and challenges with the project and, as everybody would be aware of, a project of this nature, this size, and this complexity has a host of different challenges. Actually, one of them is not even on here. My first day on the site after I took geography 101 so that I could find it was getting to the site within the first 4 or 5 kilometres I think we ran into two grizzly bears, about ten black bears, and about three or four moose along the way. So it's in a pretty pristine,

rugged environment that's pretty nice. But with that is location. It is in a pretty remote location and some of the things we're doing with respect to counter measures, we have a great relationship and a great agreement with the Tahltan. We're going to leverage an awful lot of localized labour and localized contractors that have great knowledge of the area, great resources in the area, and have a good understanding of what it takes to acclimate and do business up in that area from a construction standpoint. Or, as I mentioned, we're also putting in a 350- to 400-person man camp that will be the staple behind supporting logistically the teams that are up there during the construction process.

The other thing that is nice about this, and I think it's important to understand, especially from an investor standpoint, is we are catching Forrest Kerr at the right timing in sequence. And what I mean by that is if you went back to the 2007/early 2008 timeframe when you had a strong, robust power market going on in North America, both within Canada and the U.S., you saw extremely aggressive pricing with respect to equipment, construction cost and, more importantly, the ability to source labour, which is absolutely critical. We're catching this kind of in the trough. The market is down right now, it's softened in many areas as much as 20 to 30 percent with respect to some of the cost projections, and the nice thing is we have a very, very active community but with Tahltan and also with Terrace and Smithers areas, the people that are actively looking to go to work because the mining business is down right now.

So I think we're going to catch this at the right swing that's going to help with labour. It should drive a high productivity rate and the fact that the location it's in is going to be mitigated as a result of that. Weather is always a challenge up there. You know, even during the dead of summer you get a lot of crazy rain days and you get a lot of fog and other things. But there is one nice thing about this project: 95 percent of this project is underground. There's a minimal amount of this project that's on the ground. So in addition to taking advantage of the tunnelling and the work that's done in the ground we're also going to turn around and structure the procurement strategy and some of the smaller components from what we consider to be modularization. They'll actually be built offsite. The roads support it. It's relatively small equipment in the grand scheme of things and when we're ready we'll be bringing this stuff on flat bed and specialized trailer equipment and set it in place. So instead of having 20 to 30 different wells on a particular component we may only have two wells: hooking it up and discharging it. So that's some of the strategy that's going in from constructability and cost control as well.

In addition to that is, as I pointed out earlier, one of the biggest challenges we face on this project is river sediment, and what I mean by river sediment is water flowing through the turbine is one thing but to kind of correlate this in layman terms it'd be like if we don't handle sediment the right way, even though it's relatively small particles, would be as if all of us walked outside, had a bunch of baseballs and started throwing them against an automobile. You start dinging, damaging, eroding the rotating and stationary equipment of the turbines. And when you do that you're going to lose efficiency and you're going to lose output. So how we're going to combat that issue is we have a great resource of, like we said, about 40-years worth of hydraulic data.

In addition to that we are actively, right now, doing real-time sediment analysis in four key locations on the river to give us a pretty good idea of what the stratification of sediment looks like in the river and in combination optimizing the intake design and then turning around and using protective coatings from the turbine manufacturers we'll be able to optimize and minimize the impacts of erosion on the units, keeping in step with our projections for both operating expenses and capital cost for the long run, um, for this thing running for 60 years. But it's probably one of our most sensitive areas that we're keeping a very watchful eye on.

The other thing that you didn't get a chance to see, everybody saw the (static) display, it's right outside the room, but in addition to that we have a full-scale operating functional model of Forrest Kerr. It's a 40 to 1 scale so, to give you an idea of size, that model would take up this room plus some that shows the actual flow of the river. And you'll get to see during the course of the video that we show later on some of the things we're doing in that model that helps us with optimizing what's going on with sediment and taking that real-time data on a skilled basis and converting that over engineering to design and resolution issues so we can combat the problem.

As I mentioned, tunnelling and underground civil by far and away is the most challenging aspect of this project but we've got a couple things working in our favour. We've got a very, very solid rock formation and it's consistent throughout the whole run of the tunnelling so we're very comfortable. The other thing we've done is paid a little bit extra cost here in the last couple of months and brought in some of the world's best folks with respect to geology to make sure our projections were consistent. They may correlate that through reports working with our engineering firm. And then in addition is I like to turn around and have optionality and the optionality is in this thing breaks it down location-wise to have multiple

contractors for tunnelling to keep that competitive edge and also to help us specialize, because this is an unlined tunnel. So the contractor that's doing the tunnelling for the power tunnel has to follow a tighter criteria than somebody that's blasting in the surge and the access tunnel. We just want to make sure that we have a smooth finished power tunnel and we don't have a lot of jagged edges that leave us with other challenges to deal with operationally.

And then the last thing that I think everybody always likes to have an opportunity to talk about is potential cost and scheduling impacts. Well, how we're mitigating that is we did not jump right into a full-fledged contract on engineering right away. What we did is we did a limited noted proceed process. The reason we did that is to allow our engineering firm to get up to speed and really understand the details and the dynamics that are going on with Forrest Kerr, get them (smarter), and then from there moving into a detailed engineering contract that allows us to turn around and do (scope) control. Because when you have problems on a project, whether it's schedule or whether it's cost related, two things typically drive it. 95 percent is somebody missed critical scope somewhere that drives change on, which drives cost, drives schedule slippage. And the other thing is usually don't balance on the commercial terms like the risk/reward balance between the contractors. You've got to make sure you don't have a contractor or contractors or owner were a disproportionate amount of the risk than they should be as it relates to the execution of the project. So all those things will get balanced in here. The other thing we've done too is we've accelerated up the key critical path components. That's the underground civil work, the turbine manufacturing contract as who we're going to buy the turbine contracts from, some of the sub-station transformers. We've pulled those up so we can turn around and accelerate their schedule and that has also allowed us to integrate the constructability and the tunnelling and the design of the turbines optimized with the engineering company to turn around and find avenues and sources of savings and time. One of the things that have come out of this already is we've been able to turn around and shorten the length of our tunnelling that would have been over 5,000, actually close to 5,300 combined metres, down to, I think, it's 4,850 now. And we've been able to do that because we accelerated up and did the integration work in between tunnelling, construction, and engineering. So things are moving in the right direction.

This next slide is really just a spend projection curve. It talks about kind of 2008, 2009. The majority of that cost was really associated with acquiring the project and the permitting and licensing activities to put us in a position to

go forward from a construction standpoint. 2010, the majority of this cost is really right now being spent on engineering and the site prep work. It's the roadwork, the bridges, building the 350- to 400-person camp to be able to support construction activities that are scheduled to really start off in earnest in the first quarter of 2011 but, as I said earlier, we're accelerating some of those aspects with some of the portal work and things we'll be doing in the latter half of October into November timeframe. And then 2011 and 2012 fairly consistent spending, somewhere in that \$160 million to \$180 million projection range. 2011 is mostly associated with tunnelling-based activities. As we move in from the latter half of 2011 and into 2012 that spend will still continue for the first quarter to four months of 2012 for tunnelling but then you're also going to start to pick up some of the cost with intake. You'll be picking up the transmission line activities will start to go there and then of course during that timeframe you're going to have certain milestone payments of your major turbine equipment. And then when we get into 2013, the majority of that spend in 2013, being that, say, \$130 million, \$150 million range, will be associated with turbine equipment delivery, and now you're less or your subcontracts that are key to the project, your mechanical equipment contract, your electrical contract, getting the powerhouse finished up to put yourself in a position starting at the first part of 2014 to move into start-up and commissioning but which the majority of those costs are just finishing up the project, fine-tuning some of the details, and then spending the money to turn around and get a plant commissioned and ready to go into commercial operation.

The next slide, this is really just a great slide. It correlates, as I talked about, the 40 years worth of hydraulic data, um, that turns around and gives you a pretty good idea on a monthly basis what you think the river flow conditions are. And, as you can see, based off of our projection of a 55 percent capacity factor, which really correlates to running at 195 megawatts roughly through the middle of May through about the middle of October, it takes about 252 cubic metres per second of water to support that type of output. And when you look at that, we're using less than half of the total capacity of the river during that timeframe. So, you know, from a standpoint of proven technology, we're not using any prototype technology, flow conditions of the river, Forrest Kerr is uniquely positioned and situated to perform very effectively compared to some run-of-river projects that have a tendency to operate on a very thin margin based off of availability of hydraulics. So this should give, at least from an investor standpoint, an outlook, a very comfortable feeling that we are not even close to the edge of the capacity of the river.

Next slide really just talks about our community involvement. AltaGas has done a tremendous job on a number of fronts and one of them is with respect to the relationship with the Tahltan First Nations. And this project has such expanse and such a requirement as it relates to engineering, construction, supplying contractors and people that will support this project besides just affecting the Tahltan up in Dease Lake and their area, we're going to see tremendous support coming in from Smithers and Terrace, a number of different fronts, services, subcontractors, equipment, and then we're going to have a pretty broad brush of reaching into contractors and suppliers across all of Canada and in some cases well beyond the boundaries of Canada into Europe, Central and South America as well. As I said, the relationship with Tahltan has been a very productive one. We've got a great relationship with them. That has kind of materialized itself into an IBA, which is an impact and benefits agreement, with the Tahltan. And it covers really a couple of general areas. One, it's a revenue-sharing contract as it relates to the operations and the off take in respect to the facility and gives them an opportunity to get direct work contracts on some of the contracts that are associated in the construction and execution of Forrest Kerr. Also keeps them actively involved in the environmental aspects, the hiring aspects, and all the key things that are sensitive to their territory up there, which we believe is a healthy thing and a welcome thing. And in addition it also allows them the opportunity for long-term jobs besides just construction. They will have an active part in the operations of the facility on an ongoing basis over the 60 years under the IBA.

The last slide, this is really just kind of a summary of the key activities of where we currently are and where we need to go and what we need to hit on at the appropriate times to make sure that we stay on pace with delivering COD on 2014. Currently site prep and mobilization is going on. It's actually started a little bit early so that's some good news. From there we're in the process of finalizing our contracting strategy, and for the most part we really have that done. We're going to have a strategy that turns around and draws in an engineering firm that will do the detailed engineering, we'll leverage up their global procurement capabilities and the data management systems to help us with tracking and (trending) the project from a risk management perspective. We're going to do integrated process with the key contactor on construction management. This will help give AltaGas more direct control of day-to-day decision making to make sure things stay on pace and will help us lower the overall costs of the project, which we think is critical.

The other thing we've done is critical path engineering. We accelerated up. The reason for that is some of the components that we're dealing with have very long lead time items and we want to make sure we get on top of those early so we don't get ourselves into a crunch towards the latter half of the project. And, as I mentioned, that's the underground civil work that we're starting to kick off now. We'd like to move forward on the portals hopefully this year. We're going to be in a position in the next month, month and a half to turn around and release the (RFE) the turbine equipment. Shortly there-after we'll release the (RFE) with respect to the under-ground tunnelling, and then some of the other long lead time items and some of the transformers that are involved with the project that we need to actually get the power out and over to Bob Quinn. Those activities will follow suit towards the third and fourth quarter of this year. A turbine contractor will be released. We're down to two right now. We started with three, we're down to two. That will get released by the end of the year, and then the tunnelling will be released and you'll actually mobilize to the site probably sometime around the first part of March and actually start in earnest the heavy lifting with respect to the tunnelling activities. And then major tunnelling and underground civil work should finish up around Q3 of 2012. Substation mechanical completion shortly there-after that. That's starting to get us down to the fine-tuning and completing of the plant.

From there we go into the turbine generator installation, which should go relatively smoothly. We're actually thinking our strategy in that may be a furnish-and-erect type of approach based on the fact we're seeing a very softening in the pricing out there in the market right now. So we may want to take advantage of driving a little bit more scope into the turbine manufacturer, controlling a little bit more of the risk, pushing a little bit more of the risk onto their side of the (house) and preventing maybe some issues with, well, gee, maybe it didn't get installed the right way if we run into potentially some operational issues. So we've still got some dialogue on that but we're kind of leaning towards that direction. Start up and commissioning will kick off probably around the second quarter of 2014 with megawatts starting to come on line about mid-2014. And that's it.

And with that, I believe we are going to turn around and show a video.

Myles Dougan, Vice-President, Communications & Investor Relations

Just before we start the video there, for our participants who are watching the webcast online the video is

published and for those of you who want to see it later it's on our website at AltaGas.ca in the operations section of the website in the power generation area and the Forrest Kerr project page you'll find the video posted there.

Founded in 1994 with the vision of building a major independent midstream company, AltaGas has evolved into a diversified operator and developer of natural gas and electric power infrastructure. We focus on investing in low-risk, high-quality assets that create, move, and hold energy. We invest in renewable energy because it is consistent with our strategy of holding long-term assets that deliver good returns. The Forrest Kerr hydroelectric project is the latest renewable project in our portfolio that will grow and diversify our business. Located in British Columbia, approximately 1,000 kilometres north-west of Vancouver, Forrest Kerr will be a 195-megawatt run-of-river hydroelectric project. At an estimated cost of \$700,000 million, Forrest Kerr will be one of the largest infrastructure developments in north-western British Columbia and is targeted to reach commercial operation in 2014.

Forrest Kerr will capture the immense energy produced by the natural water flow and elevation drop of the Iskut River. It will have minimal impact on the surrounding environment. The sustainable, clean power produced by this project will be delivered to the proposed BC Hydro substation at Bob Quinn and then to the rest of the grid via the proposed 287-kilovolt north-west transmission line. Forrest Kerr will contribute to the province of British Columbia's goal to achieve energy self-sufficiency by 2016. It will also help the province meet its clean energy needs in an environmentally and socially responsible manner by offsetting the use of electricity generated from fossil fuels.

Forrest Kerr is located within the Tahltnan Nation traditional territory. AltaGas has worked and will continue to work closely with the Tahltnan to advance the project through construction and into commercial operation.

The Tahltnan Nation is proud of its agreement with AltaGas because it's going to provide increased economic security for generations to come and it's going to provide the environmental protection as well and it demonstrates a successful relationship between Tahltnan Nation and a company that respects our Tahltnan title and rights. The communities in the immediate vicinity of Forrest Kerr that stand to benefit from the project included the Iskut, Dease Lake, Telegraph Creek, Smithers, and Terrace. AltaGas is committed to working with local communities as well as federal, provincial, and

local agencies to ensure meaningful and open public participation in the development of the project.

At its peak the four-year construction period is expected to create approximately 350 jobs, many to local individuals and contractors. As well, the project will create opportunities for local providers of goods and services during construction and ongoing operations. In all, Forrest Kerr will make a significant contribution to the provincial economy.

The Iskut River has an established database of flow information developed by the water survey branch over 40 years. This information coupled with AltaGas' own studies confirms that Forrest Kerr is an ideal location for a run-of-river hydroelectric project. Today the project has received a provincial environmental assessment certificate that allows the development of a 195-megawatt generation facility.

The project will not impound water behind a dam for water storage; instead, it will use a weir to redirect the water to an intake structure. This structure will be located near the confluence of Forrest Kerr Creek and the Iskut River. After passing through the intake a portion of the flow will be redirected into a 3-kilometre underground tunnel, feeding into an underground powerhouse containing the turbines and generators. This is where electricity will be generated. Because it will be underground, the Forrest Kerr generation site will have a relatively small surface foot-print that will minimize impacts to terrestrial ecosystems.

Even though the generation equipment will be highly automated due to the project's remote location, full-time operations personnel will be employed at the site. A communications (link) will also be installed to provide remote access to monitor and control the plant. The run-of-river nature of this project ensures continual movement of water downstream of the proposed tailrace discharge. During operation, water will continue to flow in the river. This will minimize potential effects on aquatic resources in the area. Locally, the project has the ability to act as an energy source for regional development. Nationally and globally the project will provide a clean, renewable energy source that will help meet Canada's commitment to reduce greenhouse gas emissions.

AltaGas, a leader committed to supplying clean and renewable energy.

Myles Dougan, Vice-President, Communications & Investor Relations

We can take questions if you like now, if there are any?

Nima Billou, Bloom Investment Counsel

Nima Billou, Bloom Investment Counsel. David, within that timeline, how much slack have you provided for things that go wrong, you know, with the contractors? I mean tunnelling is inherently obviously dangerous, you know a heck of a lot more than I would, but I just wanted to get a sense if you build in, you know, two weeks, a month or so for things going wrong, things getting stalled at one point.

David Harris, General Manager, Forrest Kerr Project

Yeah, what's known in the industry as construction float, right? How much float have we built into the schedule? Right now we're dealing with somewhere between 45 and potentially 60 days. And that dictates really when we bring on the first unit. Because one advantage we do have is, ah, as it relates to commissioning, we want to take advantage of max swell conditions towards the latter half of the season so we make sure we get commissioned 195 megawatts and then we can turn around and sequence out from there. But we've got about a 45 to 60 day float built into the schedule right now.

Myles Dougan, Vice-President, Communications & Investor Relations

Are there any other questions?

Great. Thank you, David.

Next is Debbie Stein, our Vice-President, Finance and Chief Financial Officer.

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

I don't have any exciting videos unfortunately.

Good afternoon everyone and, again, thank you for joining us.

As you've heard today, we are continuing to focus on operating and growing our energy infrastructure business to deliver strong returns for investors over the long term. Our business is underpinned by strong long-term economic fundamentals and enhanced by a disciplined risk management and finance strategy. Our current financial metrics position us well to support our ongoing

operations, fund our current committed capital program, and our dividend to deliver long-term shareholder value.

Before I move on I'd just take a few minutes to look at our strong track record. Net income has always been a key performance indicator for AltaGas so our conversion to a corporation has been relatively seamless in that regard. AltaGas has had phenomenal growth, as you can see here, over the last decade, with a net income compound annual growth rate of over 22 percent. In 2008 our net income was at \$163.3 million and driven primarily by especially high realized power prices in our conventional power business. And, as you may recall, we acquired the Northwest project that you just heard David talk about in 2008 where we were able to capitalize on that strong cash flow from our conventional power business to really secure our future, not just as a power business but as a leader in the renewable energy space.

These charts show a similar pattern of strong growth in funds from operations at 17 percent as well as EBITDA at 16 percent and at the end of June this year we reported \$128 million in EBITDA, again well on our way to another strong year on this basis. We have also significantly grown our balance sheet, particularly as you can see on this chart in 2008 when we acquired the Taylor NGL LP and in 2009 when we added our natural gas distribution business as well as brought our Bear Mountain Wind Park into operation. We've always been disciplined in staying within and below our target debt-to-total-capitalization range and we are committed to doing so in the future, with the focus on maintaining a strong balance sheet and an investment-grade rating. As future growth is financed by utilizing our current available liquidity and flexibility we expect to move closer to that targeted capital structure over the next few years.

Moving on to our finance strategy, we are well positioned to deliver on our goal of providing strong returns in the form of stable income and growth to investors over the long term. To meet this goal our finance strategy must support our ongoing operations as well as our growth plans and to do so we have several key objectives: minimizing the cost of capital, ensuring we have adequate liquidity and flexibility, ensuring we have access to the capital markets and been hitting an optimal level of financial risk. More specifically, our financial strategy is driven by some key measures: our credit rating, our leverage ratio, and our mix of floating to fixed interest rates. As you know, in 2009 both S&P and DBRS upgraded AltaGas to BBB and that allows us good access to the debt markets as well as a lower cost of debt. We continue to work with the rating agencies, sharing our business and finance strategy updates and focusing on their key criteria of strong risk management, strong liquidity and cash flow sustainability to ensure we

maintain our credit rating. Following the acquisition of AltaGas Utility Group last year we increased our debt-to-total-capitalization target of 45 to 50 percent range and as a result of the addition of our regulated suite of assets to our portfolio. We protect from interest rate movements by targeting to keep 70 to 75 percent of our interest rates fixed while still maintaining flexibility and exposure to the short end of the curve with 25 to 30 percent of our interest rates floating. Overall, all of the elements of our finance strategy improve our access to capital markets and cost of capital and position us well for the future.

So far in 2010 we have executed on several financing initiatives. In March we issued the \$200 million seven-year MTN at a coupon rate of 5.49% and proceeds were used to reduce our bank indebtedness as well as increase our financial flexibility to support our growth strategy. Upon conversion to a dividend-paying corporation we entered into a new three-year revolving \$600 million credit facility with a syndicate of nine banks. The credit facility replaced the old \$150 million facility and the \$375 million facility that was set to mature in August and September of this year. And in August we further improved our financial flexibility by adding the \$200 million 5 percent preferred shares to our capital structure. Proceeds were used to reduce our outstanding indebtedness under the AltaGas credit facilities, which continues to strengthen our balance sheet and giving AltaGas the financial flexibility to support the growth capital that we have, which is primarily the construction activities related to Forrest Kerr that you just saw from David Harris.

Both the MTN and the preferred shares we issued this year were well oversubscribed and I think it's evidence of the strong support that AltaGas has from the capital markets both on the debt and equity side. And with the issuance of the \$200 million of preferred shares we are well positioned to fund our committed capital program in a cost-effective way. As a result of the financing initiatives we have undertaken not just in 2010 but in some of the actions that we've taken over the past few years we have ample credit facilities available as well as a very manageable debt maturity profile along with a strong balance sheet that gives us the financial flexibility to build the asset base. Just as a reminder, the 2010 August MTN don't show on the slide, those did mature in August, and we don't have any debt maturing until 2012. So, overall, a pretty manageable term debt maturity profile.

Turning to our committed capital, you've heard today so far in 2010 we've had significant progress in creating long-term shareholder value by bringing some of these projects to fruition. We said last year, as Rick mentioned, we were targeting \$2 billion in organic growth over the

next five years and we are well past over the 50 percent mark on those projects. So our current 2010 capital is fully funded and we are focused on funding the committed capital between 2011 and 2014. So if we look at where we are between 2011 and 2014, this slide I think answers the question that Nima had earlier.

Our current expectation for funding on the capital front is about \$850 million between 2011 and 2014. If we looked at our current dividend rate of about \$450 million, we expect to have about \$1.3 billion in funding source over that four-year window between 2011 and 2014. And in the last three years we've averaged about \$200 million in free cash flow. While we do see some downward pressure on power prices potentially affecting that cash flow, what we have seen in the last couple of years and will continue to see as we build out some of the project as Rick talked about, we've added our natural gas distribution business, we've added Bear Mountain, and we'll continue to see the cash flow contributions from some of the expansions that we talked about in the gas business. So, overall, we think that the \$200 million available per year is a conservative estimate. And if you add to that number our DRIP proceeds, which is about \$25 million a year for a total of about \$100 million in that four-year period, and you add to that our current facilities that are available that are in the \$700 million range, we believe that we have about \$1.6 billion in sources of capital to fund that \$1.3 over that four-year period. So hopefully that answers the \$1 million question. So we're pretty proud of being able to stand here today and say that we have \$1.2 billion of our \$2 billion capital program in the bank and based on our estimates we're well funded for that \$1.2 billion.

So, as David said at the beginning of the afternoon, our strategy is rooted in the long-term approach to operating and growing the energy infrastructure business. Our goal is to invest in low-risk, long-life energy infrastructure assets supported by strong long-term fundamentals that generate predictable and sustainable earnings and cash flow. We have always focused on discounted cash flow and earnings accretion as essential financial metrics in the analysis of our business opportunities and we will continue to maintain that discipline as we move forward. We remain focused on providing strong returns in the form of stable income and growth to investors over the long term and, in conclusion, we have ample liquidity to support our strategy going forward.

And with that I will open it up for questions.

Nima Billou, Bloom Investment Counsel

Nima Billou, Bloom Investment Counsel. Thanks for the charts. Excellent by the way. Just a couple quick questions. You had mentioned that your free cash flow averaged \$200 million a year; with the investment on the distribution side you're still keeping it flat at the \$200 million a year. Wouldn't that be rather conservative? Because I would assume distributions would hopefully exceed whatever diminished power pricing would be. So is that might be a bit conservative?

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

That is conservative.

Nima Billou, Bloom Investment Counsel

Okay. On the DRIP program then, are we to draw any conclusions? I think that's an excellent, low-cost way of financing and there's a lot of companies engaging, but are we to draw any conclusions that, you know, the stock is fairly valued to enact that program at these levels?

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

Well those are the levels we're seeing today, so we're fairly comfortable with our historic DRIP participation and what we're seeing since conversion to rely on those numbers.

Nima Billou, Bloom Investment Counsel

If it becomes a high cost of capital can you turn it off?

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

We can. We can.

Nima Billou, Bloom Investment Counsel

Okay. Thank you.

Myles Dougan, Vice-President, Communications & Investor Relations

Are there any additional questions for Debbie?

Petro Panarites, CIBC World Markets

Petro Panarites from CIBC. Can you discuss your current tax situation, what kind of tax pools you have available and when you're going to get cash taxes?

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

So at the end of 2009 we had about \$1.2 billion in tax pools and if you look at the next four to five years we're adding about \$250 million to tax pools and just claiming (CC) between that \$200 million to \$250 million. So right now we're anticipating that we would be cash taxable in the 2015 timeframe. And by the end of 2014 we're looking at about \$1.4 billion in taxes.

Myles Dougan, Vice-President, Communications & Investor Relations

Other questions?

Thank you, Debbie.

David, did you want to make any closing comments for today?

David Cornhill, Chairman & Chief Executive Officer

I just want to thank everyone for coming and on the webcast as well listening in. As you can see, we're excited about our projects and we're excited about the growth we see. Please join us for a reception after as well as you can ask questions from our Treasurer, from our Executive Vice-President, Corporate Development, from Randy Toone, Mr. Gas. Sorry, Randy. That was a compliment. Ray Ritcey from Nova Scotia is here as well.

So thank you for joining us. We're excited about the opportunity and hope that the presentation on Forrest Kerr gave you a better understanding of the project of that magnitude and we're very excited about it. Thank you.