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PRESENTATION

Operator

Good morning ladies and gentlemen and welcome to the AltaGas Income Trust 2009 Fourth Quarter and Year End Conference Call and Webcast.

I would now like to turn the meeting over to Ms. Sheena McKellar of Investor Relations. Please go ahead, Ms. McKellar.

Sheena McKellar, Investor Relations

Thank you, operator. Good morning everybody. Welcome to AltaGas' fourth quarter and year end conference call.

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

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

And one more note: As you may have noticed we have made some changes to our MD&A disclosure, reducing the number of operating segments from five to three. We're now reporting on the basis of gas, power and corporate. The change is resulting from our growth and is an effort to remove some of the redundancies that there may have been in our reporting in the past and ensure it best reflects our business to date. So if you have any questions feel free to call me about it.

I will now turn the call over to David.

David Cornhill, Chairman & Chief Executive Officer

Thank you, Sheena. Good morning.

Today we report a year of solid earnings. Fourth quarter 2009 net income was $32.1 million or $0.40 per unit, including an unrealized loss on risk management contracts of $7.2 million or $0.09 per unit. Excluding the effect of unrealized gains or losses, fourth quarter net income of $39.3 million compares to $33.5 million in the fourth quarter of 2008.

For the full year net income was $141.3 million or $1.80 per unit. We reported operating income and EBITDA comparable to 2008 record year, excluding the effects of unrealized gains on risk management contracts.

It was a year of challenge and opportunities and we faced them head on. AltaGas used the diversity of its assets to ensure stable cash flow in a weak economy. Our 2009 earnings reflect the benefit of reliable operations, diversified power and gas assets, and disciplined risk management.

Today our business lines are geographically diverse across Canada and includes natural gas extraction, transmission, distribution and storage, energy services, and power generation, as well as what AltaGas has historically been known for, field gathering and processing. We have the financial discipline, capacity, and flexibility to pursue our growth strategy while continuing to deliver earnings growth and strong returns to investors.

Today we have $2 billion of organic gas and power growth projects under development, securing a bright future for AltaGas.

In the gas business organic growth includes the Harmattan Co-stream project which, when approved, is expected to significantly increase extraction production by recovering ethane and NGLs that are currently flowing out of Alberta as part of the export gas stream.

In response to producer demand we are proceeding with the expansion of three existing processing facilities: Pouce Coupe, Ante Creek, and Acme. These expansions are expected to cost approximately $40 million and will be in service and adding to earnings in the third quarter of 2010.

We are planning to invest $56 million in the natural gas distribution business property, plant and equipment to grow the average mid-year rate base by roughly $47 million or approximately 20 percent in 2010.

We have recently made an all-cash offer to acquire Landis Energy Corporation, which is expected to close on March 10. Landis is a developer of natural gas storage and their present development portfolio includes a project near Truro, Nova Scotia. These developments fit our strategy to grow our gas infrastructure with long-live, low-risk assets with good, stable returns. The acquisition will strengthen AltaGas' future by adding good quality development projects that are complementary to our gas strategy.

We are also developing a portfolio of run-of-river hydro projects in British Columbia, including the three projects in northwest B.C. The northwest projects have a combined generating capacity of 277 megawatts and are currently subject to discussions with the British Columbia Government.

The discussions included considerations related to the announcement by the Government of British Columbia to upgrade and extend the electrical transmission capability in B.C.'s northwest through the northwest transmission line (or NTL). The NTL upgrade, which will extend the British Columbia Transmission Corporation's (BCTC) transmission grid to within 44 kilometres of the northwest projects.

As we grow we are consciously focused on decreasing business risk and adding low-risk, long-life infrastructure with stable returns such as utilities renewable energy generation underpinned by long-term purchase agreements and extraction transmission infrastructure underpinned by long-term, fee-for-service contracts.

Our hedge position, solid business, and incremental revenue from 2009 capital projects and acquisitions have positioned us to perform well in 2010. Our management team is excited about the future and is clearly demonstrated by the purchases of units in the company.

Before I turn the call over I'll quickly update you on our corporate conversion plan. As previously indicated, we expect to convert back to a corporation in the second half of this year. We have decided to delay our annual general meeting until June 3, 2010 to enable the unitholder vote on conversion.

We will be mailing the documents related to the AGM, including information on conversion, in May, and continue to expect our post-conversion dividend to be in the $1.10 to $1.40 range on an annual basis.

I will now pass the call to Debbie to discuss the financial results.

Debbie Stein, Vice President Finance & CFO

Thank you, David, and good morning everyone.

2009 net income of $141.3 million or $1.80 per unit compared to $163.6 million or $2.38 per unit in 2008. Excluding the effect of unrealized gains on risk management contracts, 2009 net income was $139.7 million and EBITDA was $244.7 million compared to our 2008 numbers for net income of $158 million and EBITDA of $245.4 million.

Fourth quarter net income of $32.1 million compared to $39.6 million for fourth quarter of 2008. Excluding the effective of unrealized losses in fourth quarter 2009, net income was $39.3 million and EBITDA was $66 million compared to 2008 net income of $33.5 million and EBITDA of $61.2 million.

Interest expense for fourth quarter 2009 was $9.3 million compared to $8.1 million in same quarter 2008. Interest expense increased due to our higher average debt balance of $945 million resulting from the acquisitions of our natural gas distribution assets in the fourth quarter, completion of our Bear Mountain Wind Park, and our other growth initiatives.

The average borrowing rate was 4.9 percent in fourth quarter 2009, down from 6.3 percent for fourth quarter 2008. For 2009 interest expense was $31.8 million compared to $27.4 million in 2008.

We reported a fourth quarter income tax recovery of $2.9 million compared to an expense of $6.4 million in the fourth quarter 2008. The decrease was due to lower income subject to tax and the tax impact of financial instruments. For full year 2009 income tax expense of $1.2 million compared to a recovery of $1.6 million in 2008, largely due to a one-time recovery in 2008, partially offset by lower income subject to tax in 2009.

Invested capital for fourth quarter of 2009 was $311.9 million compared to $45.1 million in fourth quarter 2008. Growth capital of $307 million included approximately $260 million for the acquisition of Heritage Gas and AltaGas Utility Group, $30 million to complete the Bear Mountain Wind Park, $6 million for the Harmattan co-generation project, and $7 million at the Harmattan facility. We continue to advance our renewable energy portfolio, investing $2.2 million in the quarter. For 2009 AltaGas invested almost $500 million in growth capital.

Based on projects currently under review the 2010 capital expenditures are estimated at around $225 million, split 70 percent for gas and 30 percent for power, and to date we've committed approximately $80 million.

At year end AltaGas had a total borrowing capacity of $816 million, including the $130 million line of credit or credit facility we acquired with Utility Group. We had more than $260 million available to support our growth strategy.

At the end of the fourth quarter our debt-to-total-capitalization was 49.2 percent, within our target range of 25 to 50 percent. This compares to 37.8 percent at December 31, 2008.

Our revolving credit facilities are coming due this fall and as part of our 2010 financing plan and our corporate conversion process we expect to consolidate our bank credit facilities in the coming months. We have held preliminary discussions with our bank group as well as other prospective participants and they have all expressed keen interest in maintaining and/or increasing their commitments to AltaGas. In 2010 we will also look at terming out some of our debt to better align our debt portfolio with our cash flow profile.

Distributions declared during the quarter totalled $0.54 per unit or $43 million. We will maintain the current distribution level until our planned corporate conversation.

In 2009 AltaGas declared distributions of $2.16 per unit and for income tax purposes 78.8 percent of the distribution will be taxed as income, 17 percent as return on capital, 4 percent as capital gains, and the remainder as dividend income. The detailed breakdown has been filed with CDS and will be available on our website's tax information page today.

I'll now pass the call over to Rick to conclude with a discussion on our operating results and business outlook.

Richard Alexander, President & COO

Thank you, Debbie.

We reported fourth quarter consolidated operating income of $38.8 million, down from $53 million in fourth quarter last year. Excluding gains or losses on risk management, fourth quarter operating income was $46 million compared to $43.4 million in the same period of 2008.

Despite the economic challenges, 2009 operating results of $174.2 million were comparable with $188 million reported in 2008. Excluding gains on risk management, 2009 operating income was $170.5 million compared to $177 million in 2008.

The Gas Segment reported operating income of $32 million in fourth quarter 2009, a 28 percent increase over the same period in 2008. Both the newly acquired natural gas distribution business and the Sarnia storage assets contributed to the higher operating income. The segment also benefitted from increased fee-for-service revenues, higher contracted volumes in the transmission business, and higher extraction volumes processed, in part due to no major turnarounds in 2009.

These increases were partially offset by lower throughput in most FG&P areas due to lower producer activity, shut-in production, and lower fixed price natural gas sales. Amortization increased due to the segment's 2009 growth.

Spot frac spread prices rose in fourth quarter 2009 averaging $27 per barrel, up from $19 per barrel in the same period of 2008. AltaGas realized a frac spread of $26 per barrel compared to $28 per barrel in fourth quarter 2008. In fourth quarter 2009, the 13 percent of extraction volumes exposed to spot frac spreads added $12.8 million of net revenue compared to same period last year when 12 percent of extraction volume exposed to frac spreads added $8.4 million net revenue.

2009 was a good year for the Gas Segment as the impact of AltaGas' 2008 and 2009 capital investments contributed to operating income, helping to offset the challenges faced this year. For the year the Gas Segment reported operating income of $110.3 million, up from $103.6 million in 2008.

During 2009 spot frac spreads averaged $20 per barrel compared to $29 per barrel last year. Due to our hedges in place for 2009 AltaGas realized more than $23 per barrel in 2009, down from the $27 per barrel in 2008.

The Gas Segment is expected to deliver stronger results in 2010 compared to 2009. Earnings are expected to grow with the addition of the natural gas distribution business, a full year of Sarnia Storage, and the expiration of a legacy gas marketing contract. As David mentioned, the natural gas distribution business expects to grow rate base by approximately 20 percent this year.

AltaGas also expects stronger producer activity to have an impact on results as there are capacity expansions currently underway at three existing gas processing facilities.

We anticipate that 13 percent of total extraction volumes will be exposed to frac spread in 2010. We have hedged approximately 50 percent of 2010 frac spread exposed volumes at approximately $21 per barrel and 15 percent of 2011 exposed volumes hedged at approximately $20 per barrel.

The Power Segment reported operating income of $22.9 million in the fourth quarter compared to $32.5 million in the same period last year. Our fourth quarter focus was on the successful completion of the Bear Mountain Wind Park. The 102-megawatt wind park reached commercial operation ahead of schedule and on budget and met management's operating expectations during the quarter.

Contributions from Bear Mountain and our hedging program were more than offset by the low spot price environment in Alberta. The average Alberta pool price was $46/MWh in the fourth quarter, down significantly from $95/MWh in fourth quarter 2008. Our average power price received, which includes hedged and spot sales for both Sundance and gas-fired peaking plants, was $68 per megawatt hour, 21 percent lower than fourth quarter 2008.

Despite AltaGas' strong hedge position and the fourth quarter contribution from Bear Mountain, weak spot prices resulted in 2009 operating income decreasing to $88 million from $117.9 million in 2008. The average Alberta spot price was $48/MWh for the year, significantly lower than the $90/MWh averaged in 2008. We realized $69 per megawatt hour, down from $85/MWh in 2008.

In 2010 almost two-thirds of the power delivered to the Alberta power pool from the Sundance plant is hedged at a price of approximately $72/MWh. Current forward prices, as published in daily broker reports, are in the high $40/MWh range for the balance of 2010. This reflects a temporary oversupply situation in the Alberta power market, which we do not believe is sustainable over the long term.

A large coal unit in Alberta is expected to be retired during 2010 and improved economic conditions are expected to increase power demand in the province. Significant new supply is not scheduled to come on line until the first quarter of 2011.

Offsetting current weakness in the spot market will be impact of a full year's worth of operations at the Bear Mountain Wind Park as well as the anticipated addition of the Harmattan co-generation facility currently expected to be on line in the fourth quarter of 2010.

Our Corporate Segment reported an operating loss of $16.1 million in fourth quarter compared to a loss of $4.5 million in fourth quarter 2008. The increased loss was due to unrealized losses on risk management contracts compared to unrealized gains in 2008, partially offset by investment income and decreased administrative expenses through the cost controlling measures.

The operating loss for the year was $24.1 million compared to $33.5 million for 2008. The reduced loss was mainly due to realized and unrealized gains from investments, higher investment income, and last year's charge for project development costs.

Excluding the impact of mark-to-market accounting, the operating loss for 2010 is expected to be higher than in 2009 as operating and administrative expenses are expected to increase as a result of growth as well as additional costs related to corporate conversion and new financial reporting requirements. Also the Corporate Segment expects to report lower earnings from equity investments as Utility Group is now reported in our Gas Segment.

In spite of the economic challenges that faced our business, 2009 was another good year for AltaGas. The success of our 2008 and 2009 capital programs combined with our disciplined financial strategy have positioned us well for strong performance in 2010 and continued growth in 2011 and beyond.

With that I'll turn the call back to Sheena.

Sheena McKellar, Investor Relations

Thank you, Rick. That concludes the formal part of today's call. David, Rick and Debbie are now available to answer your questions. Operator, I'll turn the call back to you for the Q&A.

Operator

Thank you, Ms. McKellar.

We will now take questions from the telephone lines. If you have a question and you are using a speakerphone, please lift your handset before making your selection. If you have a question, please press star one on your telephone keypad. If at any time you wish to cancel your question, please press the pound sign.

Please press star one at this time if you have a question. There will be a brief pause while the participants register for questions. Thank you for your patience.

The first question is from Nima Billou of Bloom Investments. Please go ahead.

Nima Billou, Bloom Investment Counsel

Good morning.

David, just wanted to talk about the natural gas business a little bit and how to sort of model it going forward. So the petajoule figure that you guys provided, that's equal to one million gigajoules, correct?

David Cornhill, Chairman & Chief Executive Officer

Yes.

Nima Billou, Bloom Investment Counsel

Okay. So would it be better to think of it almost like an EBIT per gigajoule basis? Because you guys have been kind enough to provide the EBIT breakdown.

David Cornhill, Chairman & Chief Executive Officer

I wouldn't do it that way.

Nima Billou, Bloom Investment Counsel

Okay. What would you think is more appropriate? Just trying to get a sense of volumes and cost and profitability for the business.

David Cornhill, Chairman & Chief Executive Officer

For...?

Nima Billou, Bloom Investment Counsel

Gas distribution.

David Cornhill, Chairman & Chief Executive Officer

Gas distribution? Rate base.

Nima Billou, Bloom Investment Counsel

Rate base. Okay.

And for the quarter, I just wanted to make sure, the contribution from the Bear Mountain side of the revenue was $3 million. Is that correct?

David Cornhill, Chairman & Chief Executive Officer

Yes.

Nima Billou, Bloom Investment Counsel

Okay. And when will you be breaking out profitability in terms of either EBITDA or EBIT separately?

Richard Alexander, President & COO

We aren't planning to do that. That was part of the change to the three segments.

Nima Billou, Bloom Investment Counsel

So it's just going to be embedded within overall power then?

Richard Alexander, President & COO

Yes. But what I can add is that, you know, during the fourth quarter, as you know, Nima, the plant came on in the middle of fourth quarter, and on time and on budget, and what I can say is that it did perform as expected throughout the quarter.

Nima Billou, Bloom Investment Counsel

Is there - I realize two-thirds of 2010 is hedged at $72 on the power side and, like you said, hopefully it's a temporary situation with respect to depressed pricing. How much of 2011 do you guys have hedged? Is it 10 or 15 percent or...?

David Cornhill, Chairman & Chief Executive Officer

I think the number is 22 percent. And I can't recall the exact price.

Richard Alexander, President & COO

Yeah, that's about right. It's about 22 percent. And I think the price is around $67/MWh.

Nima Billou, Bloom Investment Counsel

Okay. And that's just as a consequence—you put this on probably a while ago when pricing was still healthy?

Richard Alexander, President & COO

We put some of it on a while ago but we've also continued to put some on through the year through our commercial hedging sales program, because we can receive a higher price from commercial operators who are looking to lock in on a size that's difficult for them to do with other parties.

Nima Billou, Bloom Investment Counsel

Oh, just for that certainty they're willing to pay a premium for a longer term I guess.

Richard Alexander, President & COO

Yes.

David Cornhill, Chairman & Chief Executive Officer

Yeah. And that's what our retail electrical business does.

Nima Billou, Bloom Investment Counsel

When do you guys see potentially the sort of glut disappearing? Is it going to be spurred by heavy activity or just people going to shut down, is it going to come from the supply side to help bring the market in balance?

David Cornhill, Chairman & Chief Executive Officer

Well I think short term it may help with the shutdown of some of the coal and some gas-fired, but longer term it's demand driven and as well as gas price stabilization.

Nima Billou, Bloom Investment Counsel

Final question and then I'll get back in the queue. Thanks very much for the clarity so far.

Just wanted to make sure on the dividend policy, would it be maintained on a monthly basis, David, or has there been a decision made on that yet?

David Cornhill, Chairman & Chief Executive Officer

There's been no decision made yet on that.

Nima Billou, Bloom Investment Counsel

Okay. Well obviously our preference would be that it remain monthly. I think that's a very useful feature of the trust, David.

David Cornhill, Chairman & Chief Executive Officer

Yes. Thank you for your input.

Nima Billou, Bloom Investment Counsel

Thanks very much.

Operator

Thank you. The next question is from Robert Catellier of Clarus Securities. Please go ahead.

Robert Catellier, Clarus Securities

Thank you. Can you provide an EBITDA run rate for the natural gas distribution business on a normalized weather basis? Maybe you can do that by just addressing the full year 2009 as if the acquisitions had been effective January first.

Richard Alexander, President & COO

Yeah, I don't have with me here, Rob, the full year 2009 as we consolidated in the fourth quarter and the ownership structure changed with Heritage. What guidance I could give is that we would expect 2010 to have an EBITDA in the $30 plus million range.

Robert Catellier, Clarus Securities

Including the rate-based investments you're making?

Richard Alexander, President & COO

Yes.

Robert Catellier, Clarus Securities

And do you have a capacity factor you can provide for Bear Mountain, understanding it's only recently commissioned.

Richard Alexander, President & COO

Our expectation is a capacity factor in the mid-20s.

Robert Catellier, Clarus Securities

So still on track for roughly the $18 million in EBITDA?

Richard Alexander, President & COO

On a normal wind year that's our expectation.

Robert Catellier, Clarus Securities

Right. And what strategies are you using to improve the profitability of the field gathering and processing segment? I noticed there was several references to increased rates. Is there any asset rationalization going on there? Change in fee structure? And maybe you can also comment as to whether or not you're seeing the shut-in volumes come back on line.

Richard Alexander, President & COO

Well, as you know, for a number of years we've been working on a fee restructuring program whereby we're trying to move more to operating cost flow through. But as well as we bring on new contracts we're ensuring that they have a fee structure that allows us to be profitable through the future as plant volumes go up and down.

We have seen at the end of the fourth quarter the shut-in volumes come back on stream, so those are but we didn't see the benefit of that in the fourth quarter. We're also seeing higher producer activity right now in a number of areas, which has led to the expansion at Acme, Ante Creek, and Pouce Coupe. So we're getting take-or-pay commitments with those expansions.

So we're seeing that not only has the shut-in volume come in but the producer activity is more than enough to offset natural decline and we're starting to see a slow increase in volumes, which should have a good step-up function as the expansions come on stream. And they should be on stream mostly by the end of the second quarter.

David Cornhill, Chairman & Chief Executive Officer

Rob, the only thing I'd add is if you look at our expansion at Pouce and Ante Creek we moved a substantial amount of equipment from our Doris and Marten Creek, so that will help significantly the performance on ROI.

Robert Catellier, Clarus Securities

Okay. So just a clarification, Rick; you said that at this point producer activity is enough to offset declines, and that's without bringing back in the shut-in volumes?

Richard Alexander, President & COO

That's what we're starting to see in the early part of this year…With the shut-in back on stream.

Robert Catellier, Clarus Securities

Right, so there is... Yeah, okay. And how much of the activity would you say, I know it's hard to quantify but would you characterize any of this increased activity due to horizontal drilling and multi-stage fracs?

Richard Alexander, President & COO

Yes, we're starting to see that technology move to different areas. It's starting to move not just through the Montney but into the Cardium. And although that's an oil play there is associated gas. It's starting to be applied in formations like the Viking and the Pekisko. And so that is starting to move volumes up in central and eastern Alberta.

Robert Catellier, Clarus Securities

In the extraction side, just a quick glance at the production, it looks like the yields were low in Q4. Do you have any comment on that?

Richard Alexander, President & COO

No actually I think our yields were up a little bit during the year. I think in Q4 we had yields of about 32%, for the ethane, about 32 Bbls per mcf versus about 30 in the previous year.

Robert Catellier, Clarus Securities

Okay, I'll scroll back on that one then. And finally my last question is just on the corporate OpEx, there's a lot of movement going on here, you know, so much activity and so much perspective activity, but what is the true, I guess, the cash OpEx run rate, so ignoring the mark to market and the unrealized gains and losses, I guess going forward, but excluding the costs you're going to have to incur for the conversion and IFRS.

Do you have a number for that?

Debbie Stein, Vice President Finance & CFO

Rob, it's around $40 million in 2009. So this is without any revenue or any mark-to-market impact the actual costs are about $40 million on the corporate side.

Robert Catellier, Clarus Securities

Okay, that's the number I was looking for. Thank you. That's all my questions.

Operator

Thank you. The next question is from Matthew Akman from Macquarie. Please go ahead.

Matthew Akman, Macquarie Capital Markets

Thank you very much. First I'm just wondering what the financial impact of the colder than normal weather was on gas distribution in the quarter.

Richard Alexander, President & COO

Less than $1 million. It was minor because it was December, one month, and November was warmer than normal. I'm trying to remember exactly but I can't…It's less than $1 million.

Matthew Akman, Macquarie Capital Markets

Okay, thanks.

You guys are developing a lot of wind projects and I noticed that $2.2 million of development costs for renewable was capitalized in the quarter; how are you treating the development cost for the wind?

Is the capitalized expense related to the hydro stuff or the wind stuff or both?

Just some guidance on how you're going to be treating those costs.

David Cornhill, Chairman & Chief Executive Officer

I'll pass that to Debbie.

Debbie Stein, Vice President Finance & CFO

So, Matthew, what we do is we only capitalize direct cost for developing the projects. That $2.2 is both wind and hydro. I don't have the split right now. But all of our G&A that goes with building out that portfolio of projects is actually in the P&L.

Matthew Akman, Macquarie Capital Markets

How do you determine, I guess, Debbie, when you expense stuff versus capitalize it? I mean if you don't have a PPA on a wind project then it's just sort of under initial development; are you capitalizing that or is that expensed?

Debbie Stein, Vice President Finance & CFO

No, we are capitalizing.

We capitalize up until the point in time when we believe we don't have a project or a viable project. So, if you recall, over the last couple of years we have had some project development cost write offs.

We did it I think in 2008 related to some of our Manitoba wind projects and we did it again in 2007, we had some as well. So we take a pretty hard look at that on a quarterly basis and the business usually has to justify why they believe it's a valid project and we look at the evidence to support it.

As you can well imagine, it's something that our auditors take a close look at. So we don't capitalize those costs just for the sake of capitalizing them; there is a process that we go through internally to substantiate that number.

Matthew Akman, Macquarie Capital Markets

Okay. Can you give any kind of ballpark estimate? Is the $2.2 million kind of a good run rate for 2010 as to how much you'll be capitalizing or is it going to go up a little bit?

Richard Alexander, President & COO

I think it'll go up a little bit in 2010. We're having some increased activity on the wind side, particularly on Walker Ridge, and we have seen an increase in activity on the run-of-river projects, Log Creek, Kookipi as well as, as we try to move forward, discussions on the northwest projects.

Matthew Akman, Macquarie Capital Markets

Okay, thanks for that.

I just had one last question, which is around Harmattan. You're saying hopefully in service by the end of this year. I'm just wondering if you could walk us through the timeline on that, just sort of major milestones as we go through the year.

Richard Alexander, President & COO

You're talking about the co-gen?

Matthew Akman, Macquarie Capital Markets

I thought the co-stream.

Richard Alexander, President & COO

Yeah, the reference to Q4 this year was a co-generation facility we're putting in at Harmattan.

Matthew Akman, Macquarie Capital Markets

Oh, sorry about that. What is the timeline on the co-stream project now?

Richard Alexander, President & COO

Well we're still in regulatory process so we have not been given the regulatory approval to move forward. Once we get that approval we believe we'll have it on stream in probably about 14 months.

Matthew Akman, Macquarie Capital Markets

Any estimate of regulatory approval timing?

Richard Alexander, President & COO

Well we're always hopeful that it'll be soon but I wouldn't presuppose to predict when the regulator would be comfortable that anybody who would like to submit interrogatories for the process would be finished. So it's a regulatory process, Matthew, and...But hopefully, you know, we've been hopeful that it's always a month or two away.

David Cornhill, Chairman & Chief Executive Officer

But our application is complete.

Richard Alexander, President & COO

Yes, that's fair. Our application has been completed.

Matthew Akman, Macquarie Capital Markets

Okay, thanks very much guys. Those are all my questions.

Operator

Thank you. The next question is from Robert Kwan of RBC Capital Markets. Please go ahead.

Robert Kwan, RBC Capital Markets

Great.

Rick, you mentioned just on the power hedging, and just when you look out at 2011 and the roughly 22 percent you're at and where the curve is today, what are your thoughts with respect to changes in the risk management policies to try to kind of take advantage of a better spot price view than where the curve is?

Richard Alexander, President & COO

Well the risk management policy is a board-approved policy, so that would be up to our board, not me. So as long as the board has the policy in place, that's the one that we will manage to.

But the board does review periodically whether or not we should move more aggressively forward or more cautiously forward on the hedging program.

Robert Kwan, RBC Capital Markets

I guess just in terms of your personal view, would you, assuming the curve stays where it is, would you be asking the board for a deviation?

Richard Alexander, President & COO

I don't think I would tell you what I would be asking the board on that. But I'm optimistic that we're going to see power prices move up. When gas prices came off and the demand slowed down we saw lag in the power prices coming down and I think we're going to see the same lag going up.

We have seen gas prices stabilize somewhat in the last few months and we're starting to see demand pick up. So I think that as we move through the year we'll, my personal view is we'll see the forward curve move up and give us a better opportunity to put positions on for 2011.

Robert Kwan, RBC Capital Markets

Okay. And then just turning to the natural gas distribution segment, you have the attractive rate-based growth here. I assume from a regulatory accounting perspective, you know, we'll see earnings growth off of that rate base number. Is it fair to say we can expect cash flow to move accordingly?

Richard Alexander, President & COO

Yes, as the rate base grows we would expect cash flow to go up.

Robert Kwan, RBC Capital Markets

But kind of proportionate or are there going to be any deferral accounts that we need to be thinking about?

David Cornhill, Chairman & Chief Executive Officer

About half of the growth is Alberta, so that's strictly cash flow. We will see an added cash flow in our Heritage but there will be some deferral there. We expect it to be actually cash flow positive for 2010 and it was break even in 2009. So we will start seeing an enhanced cash flow from it as major industrial customers comes on.

Robert Kwan, RBC Capital Markets

Okay. And just my last question, you know, you've got a lot of projects in front of you, mostly on the green field side; can you just kind of update your current thoughts on how you see a larger acquisition playing into the picture, whether that's, you know, just a new business platform or a new geographic platform within your existing businesses?

David Cornhill, Chairman & Chief Executive Officer

We're not looking at this point to move outside our gas and power businesses but we do see the importance of scale in the businesses that we operate.

We think that the scale is the most important part to be able to deal with the various regulatory/governmental and handle the infrastructure that's required. As well as when you look at the size of some of the projects we're working on, we'd like to bea little larger to minimize the overall corporate risk.

So we are looking in Canada and the U.S. for acquisitions but we're quite content with our green field operation right now, that over $2 billion we expect to be building out over the next five years.

Robert Kwan, RBC Capital Markets

Okay. And in the $225 million CapEx budget are there any material acquisitions kind of in that thought process?

David Cornhill, Chairman & Chief Executive Officer

No.

Robert Kwan, RBC Capital Markets

Okay. Great, thank you.

Operator

There are no further questions registered at this time. I will now turn the meeting over to Ms. Sheena McKellar.

Sheena McKellar, Investor Relations

Thank you, operator.

If there are any further follow-ups, please give me a call. My contact info is in today's release.

David Cornhill, Chairman & Chief Executive Officer

Thank you.

Richard Alexander, President & COO

Thanks everyone.

Debbie Stein, Vice President Finance & CFO

Thank you.

Operator

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