



# ALTAGAS

*10 Years of Extraordinary Growth*

June 2004 Equity Offering

# AltaGas Senior Leadership Team



	<u>Title</u>	<u>At AltaGas Since</u>
David Cornhill	Chairman and CEO	1994 (inception)
Gary Holden	President and COO	2003
Patricia Newson	SVP Finance and CFO	1996
Dennis Dawson	VP General Counsel and Corporate Secretary	1997
Kent Stout	VP Corporate Resources	1998
Marilyn Pfaefflin	Treasurer	1998

- The Senior Leadership Team of AltaGas has an average of 23 years of energy industry experience

# AltaGas in the News

- **Entrepreneur of the Year Award Recipient (Ernst & Young)**
- **2<sup>nd</sup> ranked Energy CEO and 30<sup>th</sup> ranked overall CEO (National Post)**
- **Canada's Top 100 Employers (MediaCorp)**
- **Top 30 Fastest Growing Companies in Alberta (Alberta Venture Magazine)**
- **205<sup>th</sup> by profit in the Top 1000 largest publicly traded Canadian corporations (Report on Business)**
- **232<sup>nd</sup> by profit in the Financial Post 500's ranking of Canada's Largest Corporations (Financial Post)**

# Presentation Agenda



- Introduction
- Business Overview
- Investment Highlights
- Financial Review
- Offering Summary

# AltaGas Income Trust on the TSX

- **AltaGas Income Trust effective May 1, 2004**
- **Market capitalization almost \$1 billion**
  - Started in 1994 with \$37,000 of equity
  - Nearly \$1 billion in assets today
- **Included in indexes May 14, 2004**
  - S&P/TSX Capped Income Trust Index
  - S&P/TSX Capped Energy Trust Index
- **Total units outstanding 45.9 million**
  - 33.7 million trust units
  - 12.2 million exchangeable securities
- **Trust units listed on the TSX as ALA.UN**
  - Exchangeable securities do not trade

# Investment Highlights



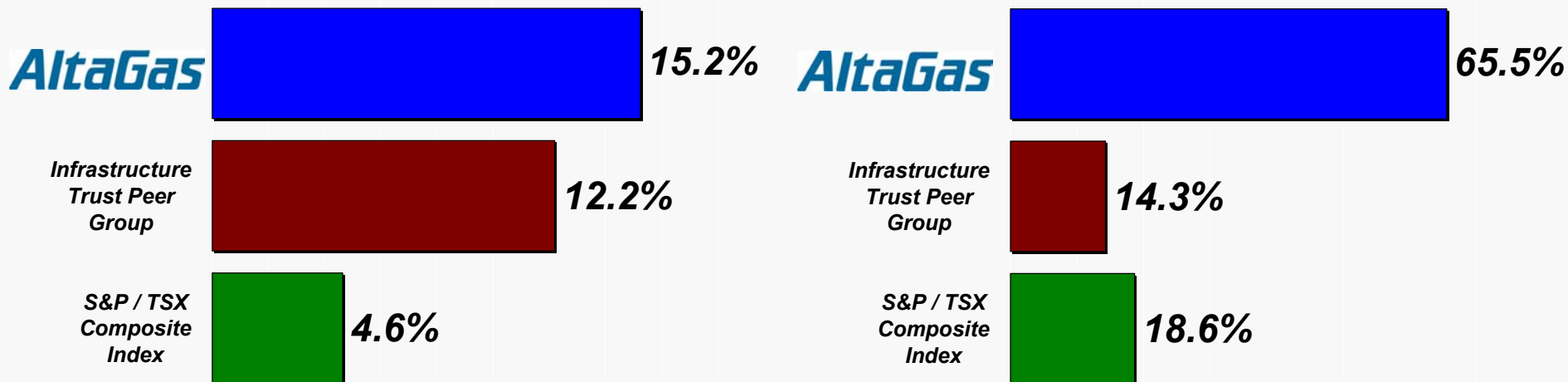
- **Demonstrated track record of exceptional growth and value creation**
- **Integrated energy business with a diversified portfolio of assets and services**
- **Stable long-term cash flow from essential industry services**
- **Strong industry fundamentals provide attractive growth opportunities**
- **Conservative financial management with low ongoing capital requirements**

# Creating Long-Term Value

## Total Per Annum Equity Returns

SINCE ASE LISTING (July 1999)

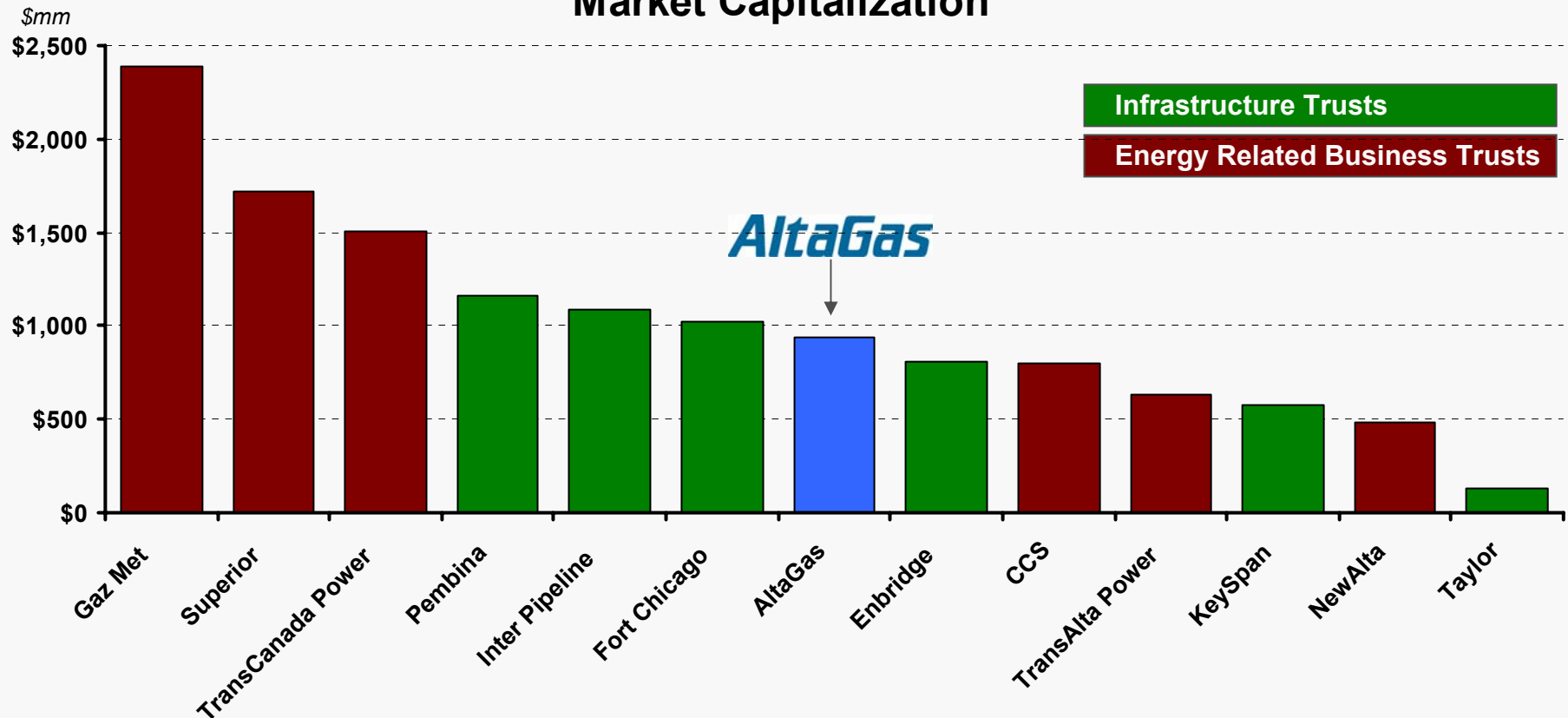
SINCE JANUARY 2003



- AltaGas was Canada's first publicly traded pure-play midstream energy company – and has provided equity holders a 68.9% per annum return since 1994

# Large Cap Liquid Income Trust

## Market Capitalization



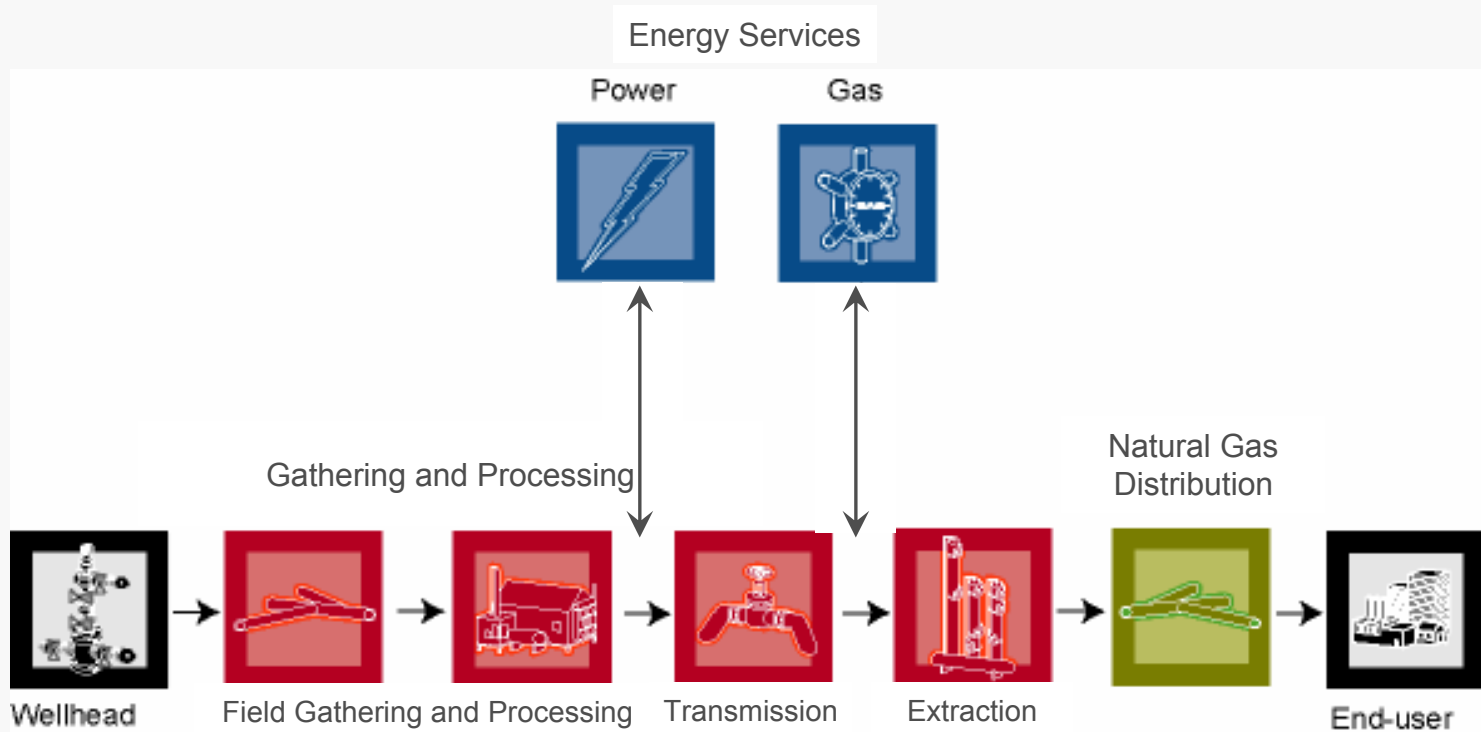
- AltaGas has a market capitalization of almost \$1 billion

**10**

# Business Overview

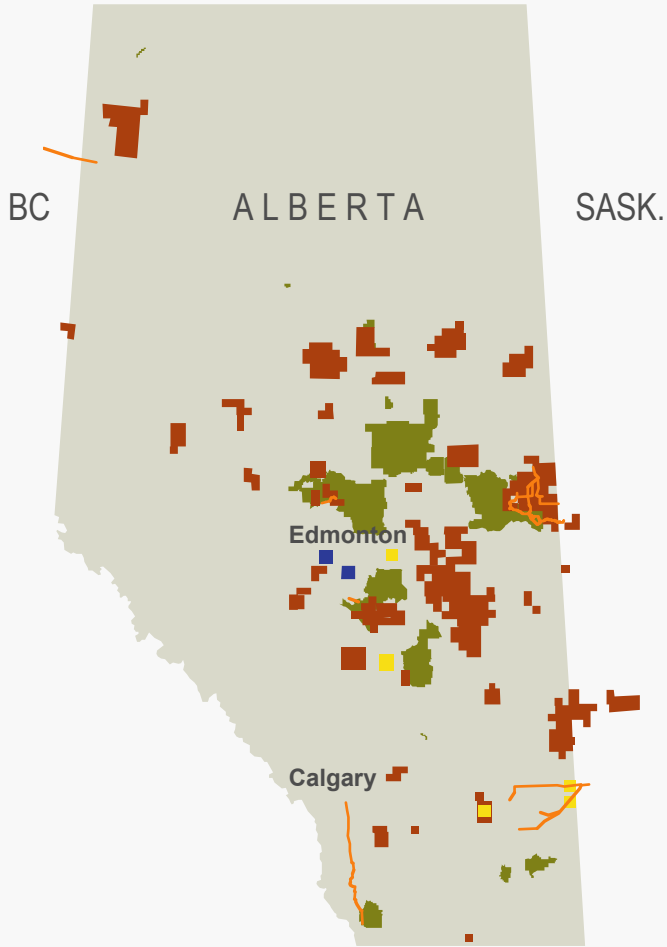


# Midstream Energy Value Chain



- **AltaGas creates value by opportunistically linking all components of the midstream energy business**

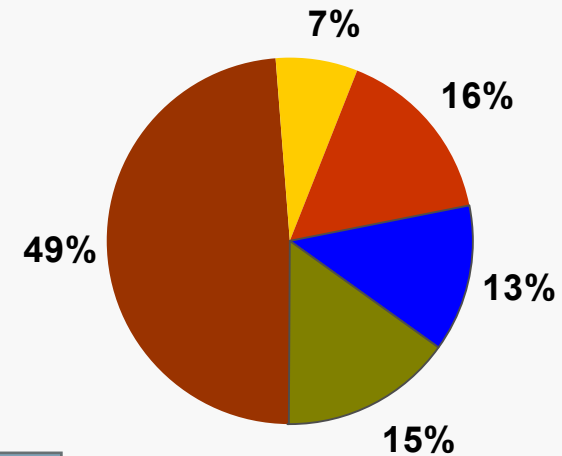
# Five Major Midstream Businesses



- **FIELD GATHERING AND PROCESSING**
- **EXTRACTION**
- **TRANSMISSION**
- **POWER SERVICES**
- **NATURAL GAS DISTRIBUTION**

**NET BOOK VALUE**  
At December 31, 2003

\$ 778.9 million



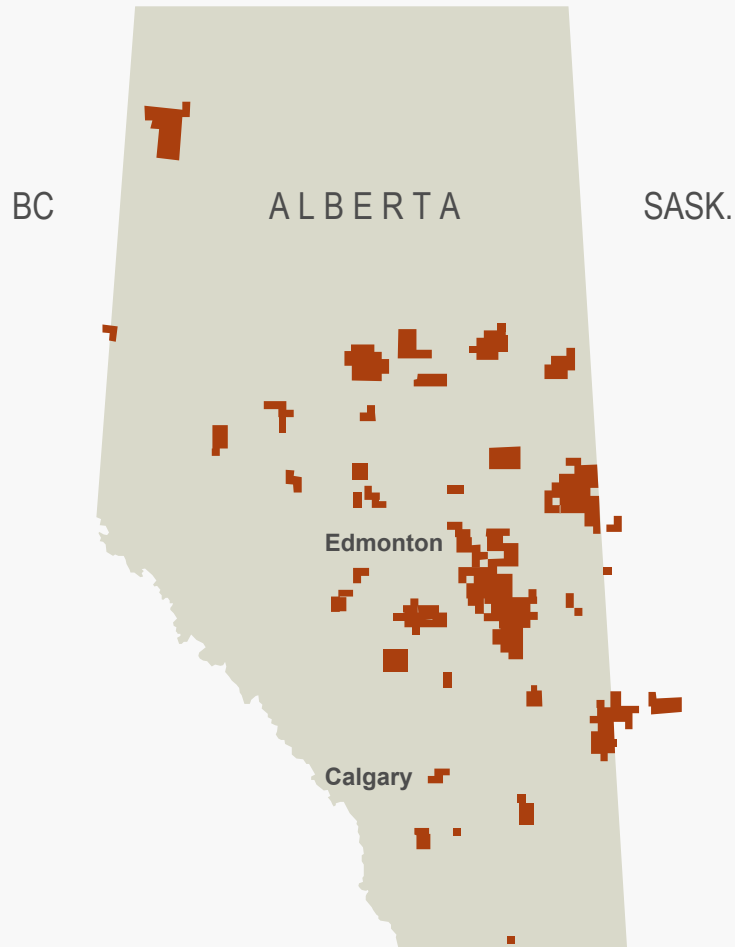
Northwest Territories



Nova Scotia



# Flexible Core Business Line

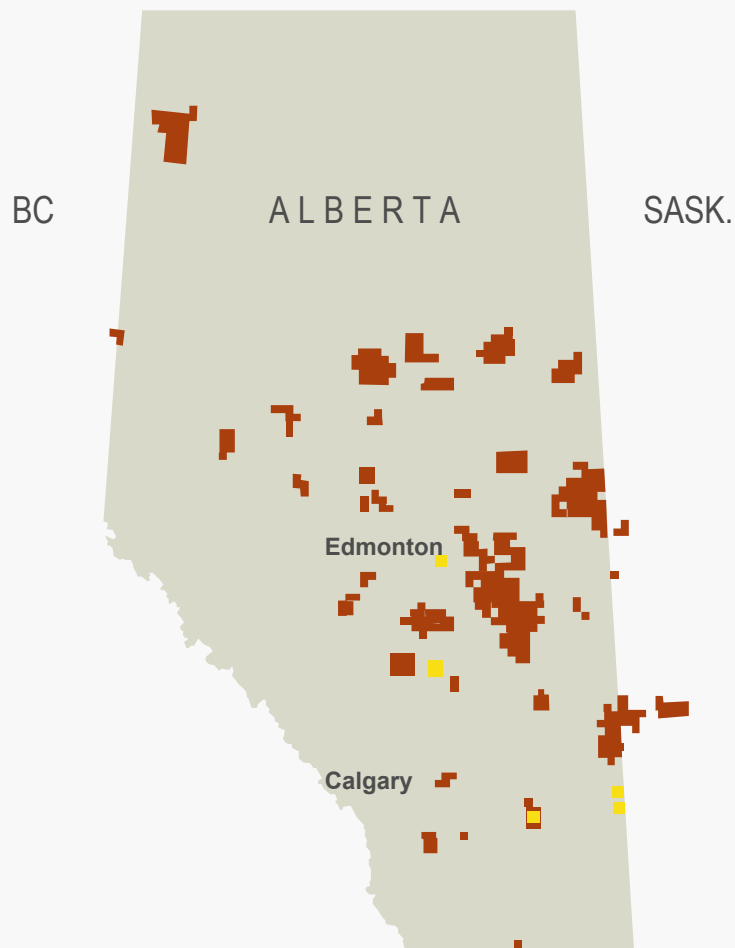


- **FIELD GATHERING AND PROCESSING**
  - 69 facilities with 901 mmcf/d of capacity
  - moveable facilities
  - 62% capacity utilization
  - 40% of revenue from take-or-pay and capital and operating recovery contracts
  - 60% of revenue has geographic franchise and area of mutual interest contractual support

*Sylvan Lake Gas Plant*



# Strategically Located Facilities



## ■ FIELD GATHERING AND PROCESSING

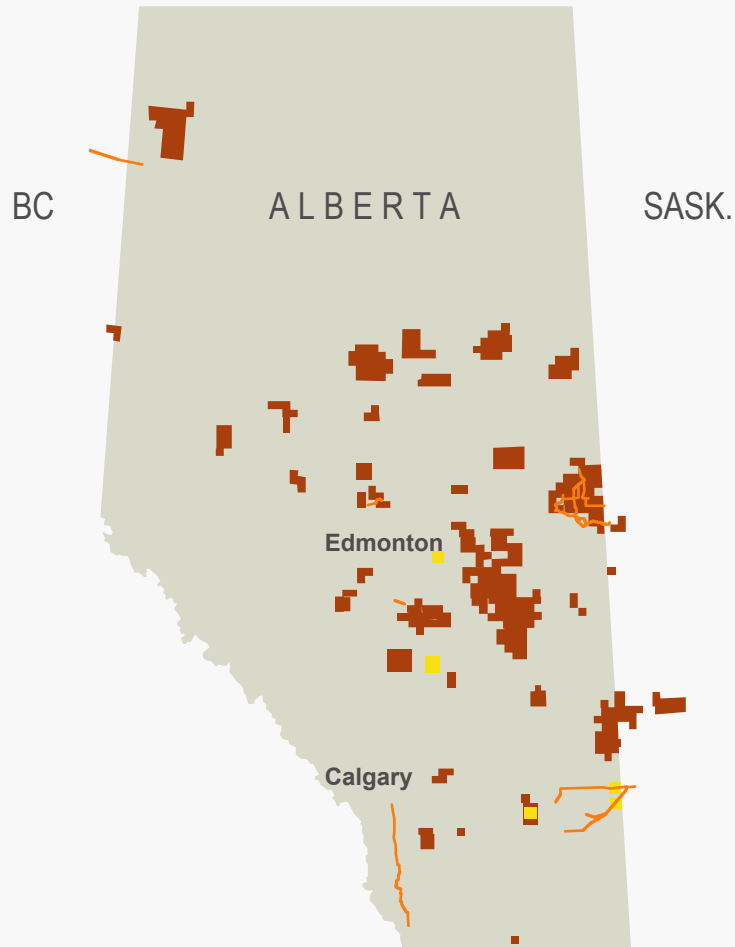
## ■ EXTRACTION

- 4 extraction plants with 539 mmcf/d inlet capacity, including Alberta's newest plant
- one field fractionation plant
- 9,000 bbls/d production in Q1 2004
- 70% of operating margin based on cost of service or fixed fee arrangements

*Joffre Ethane  
Extraction Plant*



# Long Term Stability



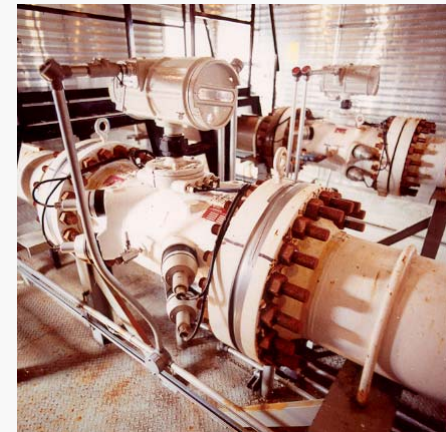
## ■ FIELD GATHERING AND PROCESSING

## ■ EXTRACTION

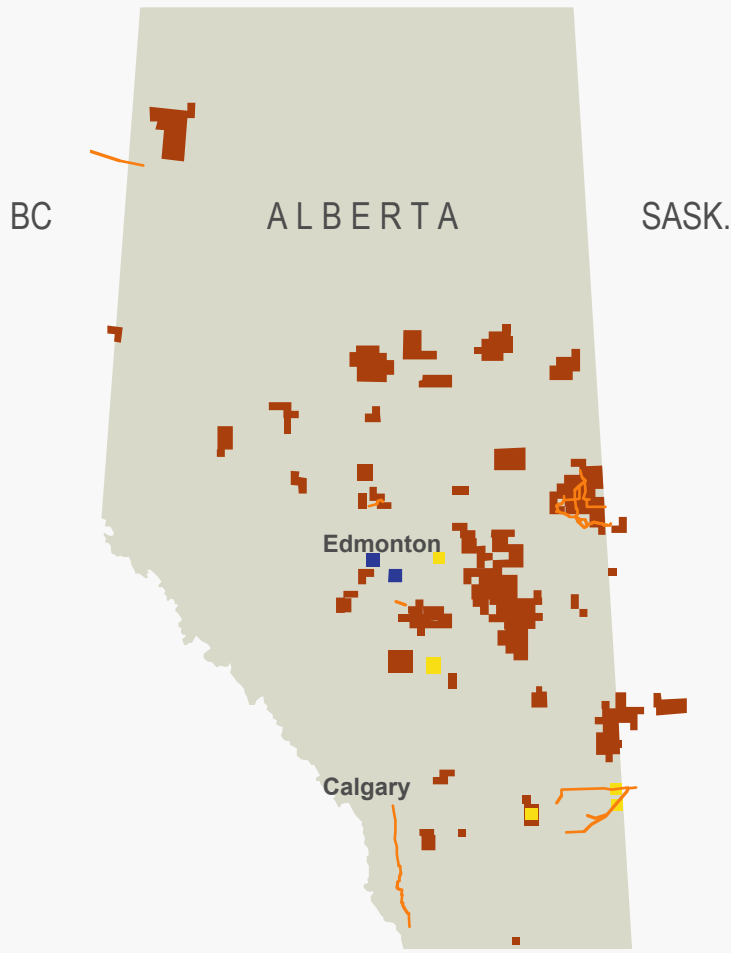
## ■ TRANSMISSION

- 6 transmission pipelines totaling 750 km
- 396 mmcf/d volumes
- attractive cost-of-service assets
- Suffield pipeline backed by long-term transport-or-pay from EnCana

*Suffield Transmission  
Meter Station*



# Adding Value by Managing Risk

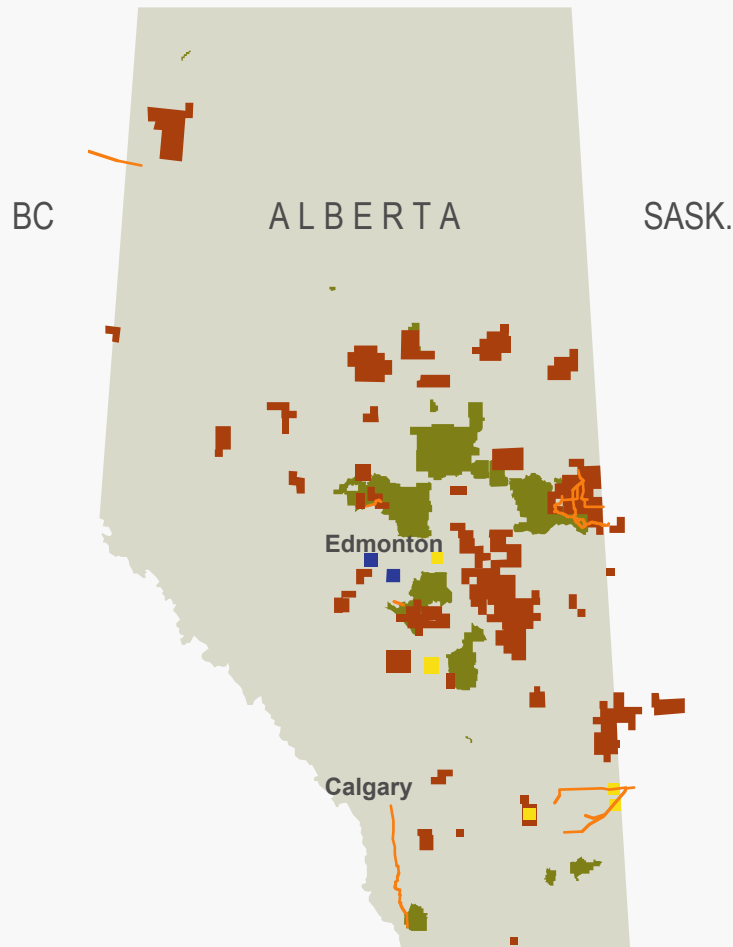


- **FIELD GATHERING AND PROCESSING**
- **EXTRACTION**
- **TRANSMISSION**
- **POWER SERVICES**
  - supply 4% of Alberta's power capacity
  - 3,300 MWh sold at \$47/MWh in 2003
  - predictable cash flows provided by active hedging strategies

*Sundance B  
Power Plant*



# Cost of Service Returns



■ **FIELD GATHERING AND PROCESSING**

■ **EXTRACTION**

■ **TRANSMISSION**

■ **POWER SERVICES**

■ **NATURAL GAS DISTRIBUTION**

- 60,000 customers
- 6% of Alberta natural gas distribution market
- regulated cost of service returns

Northwest Territories



Nova Scotia



# Recent Developments

- **May 26, 2004 – Premstar Energy Canada Ltd.**
  - announced intention to acquire Premstar for \$22 million payable by way of 993,789 AltaGas treasury trust units and \$1.2 million in cash
  - one of Canada's leading energy agency businesses, specializing in the procurement and supply of energy to end use customers
- **March 18, 2004 – Edmonton Ethane Extraction Plant**
  - announced intention to acquire BP Canada Energy Resources Company's 48 2/3% interest for \$46 million
  - 390 mmcf/d inlet capacity (190 mmcf/d net to AltaGas)
- **December 18, 2003 – Rainbow Lake / Mica Pouce Coupe**
  - acquired Gibson's Energy Ltd.'s interests in two natural gas processing facilities and related gathering systems for \$17 million
  - 83 mmcf/d processing capacity (58 net) with 200km of gathering pipelines
- **2004 Year to Date – Organic growth**
  - internal expansion projects at Martin Creek, Doris and Namaka
  - increased natural gas throughput by 15 mmcf/d

# Comparison to Peer Group

	<b>AltaGas</b>	Enbridge Income Fund	Fort Chicago	Inter Pipeline	KeySpan Facilities	Pembina Pipelines	Taylor NGL
Field Gathering and Processing	✓				✓		✓
Extraction	✓		✓				✓
Transmission	✓	✓	✓	✓	✓	✓	
Gas Services	✓				✓		
Power Services	✓						
Natural Gas Distribution	✓						

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# Investment Highlights



# Investment Highlights



- **Demonstrated track record of exceptional growth and value creation**
- **Integrated energy business with a diversified portfolio of assets and services**
- **Stable long-term cash flow from essential industry services**
- **Strong industry fundamentals provide attractive growth opportunities**
- **Conservative financial management with low ongoing capital requirements**

# Exceptional Value Creation



- **Demonstrated track record of exceptional growth and value creation**
  - Canada's first publicly traded pure-play midstream energy business
  - Incorporated in 1994 with an investment of \$37,000
  - Now one of the largest infrastructure based business trusts in Canada's energy sector with a market capitalization of almost \$1 billion
  - Growth achieved by combination of acquisitions and internally generated opportunities
  - Per annum return to equity holders
    - 65.2% since January 2003
    - 15.2% since TSX Listing (July 1999)
    - 68.9% since inception (1994)

# Lower Risk Profile from Integration and Diversification



- **Integrated energy business**
  - Capturing value through all components of the midstream value chain
- **Diversified portfolio of assets and services provides stability**
  - 5 major businesses
    - underlying commodities – natural gas, natural gas liquids, power
    - various industry cycles – often offsetting
  - Extensive geographic footprint and numerous assets
  - Broad customer base with multiple revenue sources
  - Comprehensive range of contractual terms minimize short-term commodity price exposure
    - cost of service and fee based
    - take/transport-or-pay
    - area of mutual interest and life of reserves
    - various tenures

# Lower Risk Profile from Integration and Diversification

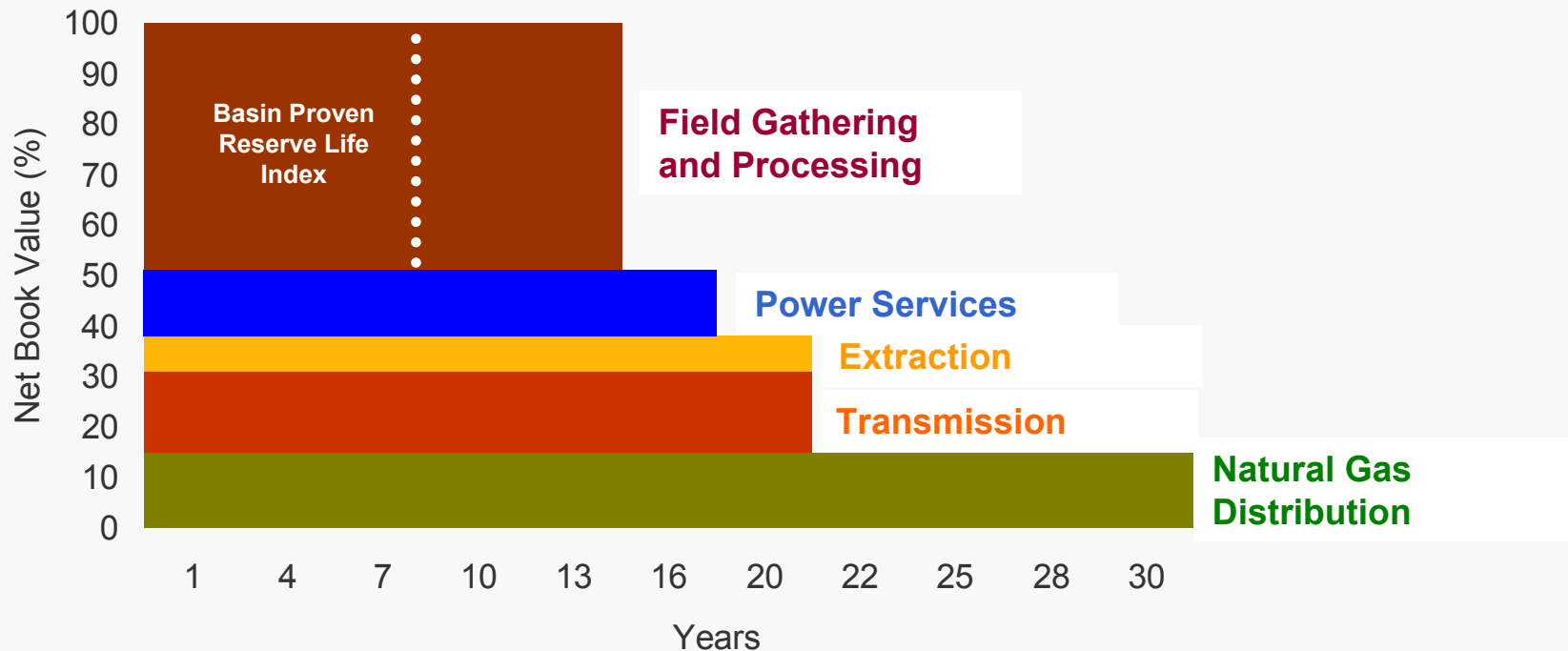


## Cash Flow Horizon 2003

### NET BOOK VALUE

At December 31, 2003

\$ 778.9 million



# Stable Long-Term Cash Flows



- **Stable long-term cash flow from essential industry services**
  - Gathering and Processing
    - substantial revenues from take/transport-or-pay and cost recovery contracts
    - area of mutual interest and life of reserves contracts
  - Energy Services
    - managed commodity price exposure through contracts which lock in a significant portion of power margins
    - long-term conservatively priced power supply contracts from two of the lowest cost coal fired plants in Alberta
  - Natural Gas Distribution
    - regulated cost of service, long-term franchise agreements

# Attractive Growth Opportunities



- **Strong industry fundamentals provide attractive growth opportunities**
  - Gathering and Processing
    - internal growth with low investment combined with accretive acquisitions
    - strong E&P activity expected in 2004 with 192 wells tied in year to date (107 in 2003)
  - Energy Services
    - 453 MW of long term conservatively priced power supply
    - expect to realize \$47 per MWh on power volumes in 2004
  - Natural Gas Distribution
    - existing customer base increasing on average by 2% per year
    - additional expansion through Heritage Gas delivery to first customers in December 2003

# Conservative Financial Management



- **Conservative financial management with low ongoing capital requirements**
  - Long term management to maintain strong balance sheet
  - Debt as a percentage of total capital
    - targeted range – 45% to 50%
    - pro forma – 45%
  - Investment grade credit rating since 1998
  - Maintenance capital requirements of \$16 million in 2003

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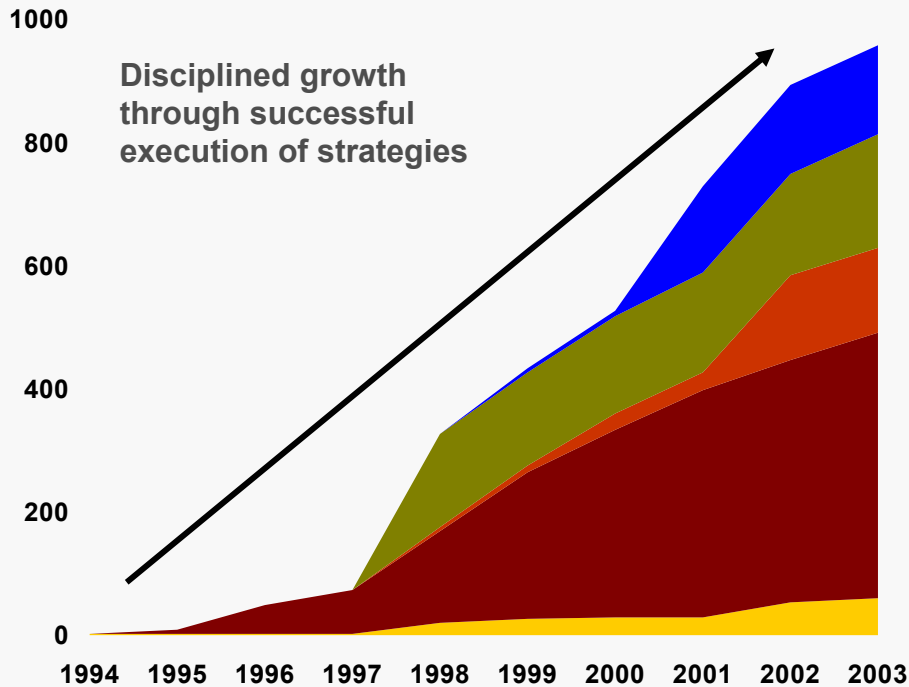
# Financial Overview



# Strength and Diversity

## CAPITAL INVESTMENT (\$ millions)

Approximately  
\$960 million



Energy Services

Natural Gas  
Distribution

Transmission

Field Gathering  
and Processing

Extraction

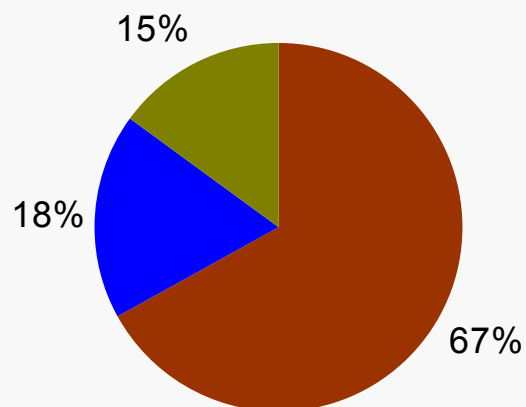
Gathering and  
Processing  
Segment

# Strength and Diversity

## ASSETS

At December 31, 2003

\$ 919.3 million

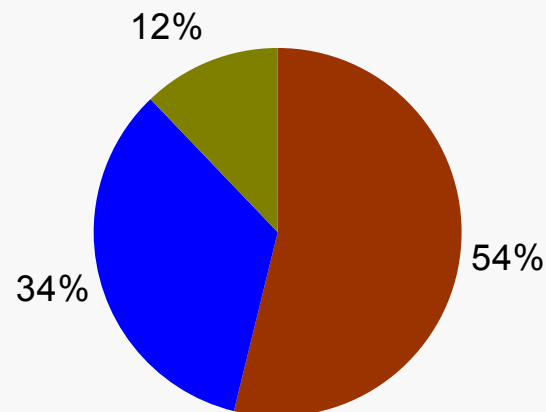


- Gathering and Processing
- Energy Services
- Natural Gas Distribution

## EBITDA

For the year ended December 31, 2003

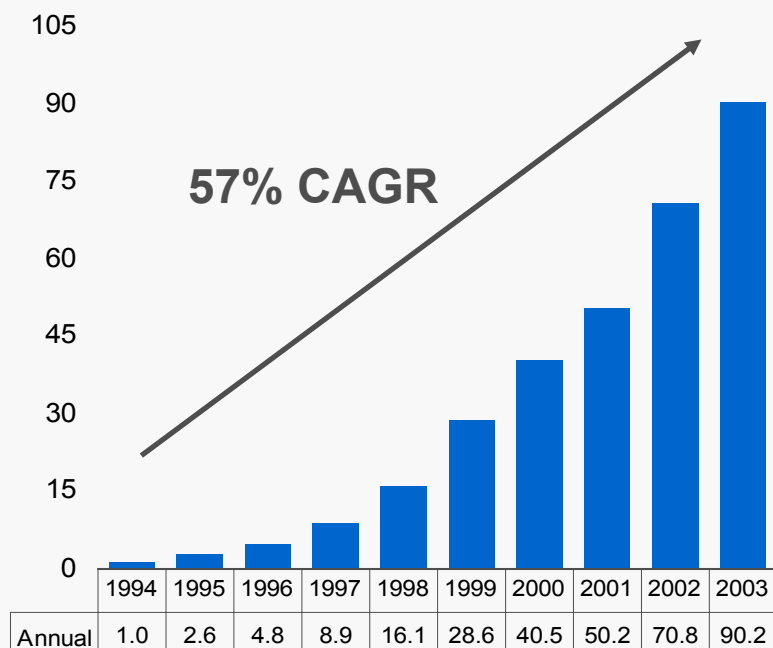
\$ 121.9 million



- Gathering and Processing
- Energy Services
- Natural Gas Distribution

# Financial Stability and Growth

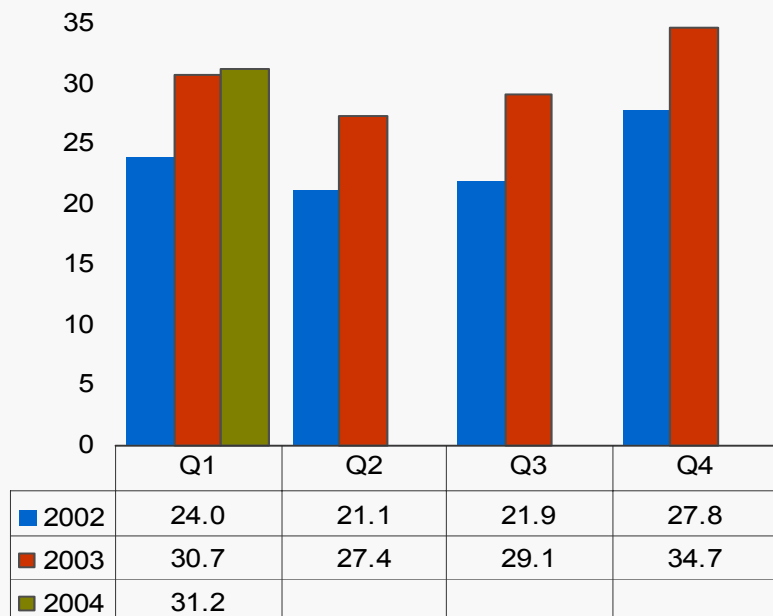
## FUNDS GENERATED FROM OPERATIONS (\$ Millions)



- Exceptional track record of profitable growth
- Annual growth rates since inception
  - Assets: 75%
  - Net revenues: 54%
  - Funds from operations: 57%
  - Net income: 49%
- Low ongoing capital requirements
  - \$16 million maintenance capital 2003
  - \$20 million maintenance capital expected in 2004

# Excellent Outlook for 2004

## EBITDA BY QUARTER (\$ Millions)

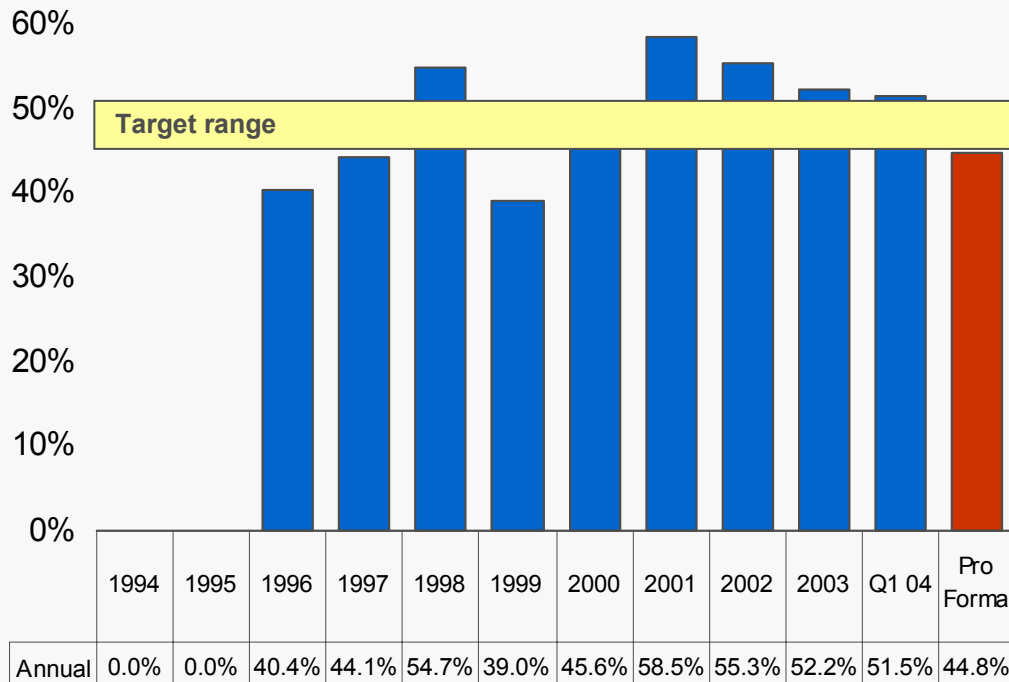


- Strong performance in Q1 2004
- Q2 normally affected by seasonality
- Q2 2004 expected to show year over year growth

# Conservative Financial Structure



**Debt as a Percentage of Total Capital**



- Reaffirmed investment grade rating on medium term notes
  - S&P: BBB-
  - DBRS: BBB(low)
- Move debt as a proportion of the capital structure down over time
  - Historical target 50 - 55%
  - Trust target 45 - 50%
  - Pro forma 44.8%
- Trust stability rating in process

# Income Trust Strategy



- **Pay stable monthly cash distributions to Trust unitholders**
  - Includes both trust units and exchangeable securities
  - Funded from AltaGas' existing operations
  - First monthly distribution is \$0.15 per unit to be paid on June 15, 2004 to unitholders of record at the close of business on May 25, 2004
- **Continue to make accretive acquisitions and expand AltaGas' business with growth financing from**
  - New equity
  - Debt
  - Targeted asset sales
  - Funds from operations
- **DRIP / Premium DRIP / Optional Trust Unit Purchase Plan**

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# Offering Summary

AltaGas

# Comparables



	<u>Unit Price</u>	<u>Market Cap.<sup>1</sup></u> (\$mm)	<u>Enterprise Value</u>	<u>Net Debt<sup>2</sup> / Ent. Val.</u>	<u>Dist. Est.<sup>3</sup></u>	<u>Yield</u>
			(\$mm)	%	%	%
<b>Pipeline and Midstream Trusts</b>						
Pembina Pipeline Income Fund	\$11.41	\$1,142	\$1,833	37.7%	\$1.05	9.2%
Inter Pipeline Fund	\$7.72	\$1,066	\$1,203	11.3%	\$0.72	9.3%
Fort Chicago Energy Partners L.P.	\$9.86	\$1,024	\$2,842	64.0%	\$0.83	8.4%
Enbridge Income Fund	\$10.85	\$788	\$1,874	57.9%	\$0.85	7.8%
<sup>4</sup> KeySpan Facilities Income Fund	\$10.99	\$580	\$873	33.5%	\$1.18	10.7%
Taylor NGL L.P.	\$6.12	\$125	\$142	11.9%	\$0.56	9.2%
	<b>Average</b>	<b>\$788</b>	<b>\$1,461</b>	<b>36.1%</b>		<b>9.1%</b>
<sup>5</sup> <b>AltaGas Income Trust</b>	\$19.30	\$961	\$1,324	27.4%	\$1.80	9.3%

**Notes:**

- 1 Based on share prices as of 05/25/04 and Financial Statements dated 03/31/04, unless otherwise noted.
- 2 Net Debt calculated as Short Term Debt + Long Term Debt + Converts + Capitalized Leases - Cash.
- 3 Current annualized distribution divided by current market price
- 4 Pro forma May 20 \$100 MM Trust Unit financing + \$100 MM convertible debenture issue and \$268.5 MM EnerPro acquisition.
- 5 Pro forma \$46 MM acquisition of interest in Edmonton Ethane Extraction Plant and assumed \$75 MM Trust Unit financing.

# Offering Summary



- **Amount:** Approximately \$75 million  
*(10% over-allotment option)*
- **Issue Price:** Context of the market
- **Use of Proceeds:** Reduce bank indebtedness, which may be redrawn and used for general corporate purposes including AltaGas' ongoing capital program, funding the acquisition of the Edmonton Ethane Extraction Plant and funding future acquisitions
- **Eligibility:** RRSPs, RRIFs, RESPs, DPSPs
- **Distribution:** July 15<sup>th</sup>  
*(record date of June 25<sup>th</sup>)*
- **Pricing:** On or about June 3<sup>rd</sup>
- **Closing:** On or about June 10<sup>th</sup>

# Investment Highlights



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