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OPERATOR: Good afternoon ladies and gentlemen. Thank you for standing by. Welcome to the AltaGas Income Trust third quarter results conference call. At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question and answer session. If anyone has any difficulties hearing the conference, please press \*, 0 for operator assistance at any time. I would like to remind everyone that this conference call is being recorded on Wednesday, November the 10th, 2004, at 3:30 p.m. Eastern Time. And I will now turn the conference over to Marilyn Pfaefflin, Treasurer of AltaGas Income Trust. Please go ahead.

MARILYN PFAEFFLIN (Treasurer): Thank you. Good afternoon everyone. We'd like to welcome you to AltaGas' third quarter conference call. Joining me today is David Cornhill, Chairman and Chief Executive Officer, Gary Holden, President and Chief Operating Officer and Patricia Newson, Senior Vice President Finance and Chief Financial Officer. David will begin by commenting on the results and then we will turn the call over to the conference coordinator for questions. Before David begins I would like to remind you that certain information presented today includes forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions, which could cause actual results to differ materially from those contemplated in the forward-looking statements. These risks and uncertainties include operating performance, regulatory

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and environmental issues, weather and economic conditions, competition and financing availability. For additional information on these and other factors see the report filed by AltaGas with the Canadian Securities Regulators. AltaGas disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information or future events. I'll now turn the conference call over to David.

DAVID CORNHILL (Chairman and Chief Executive Officer): Thank you Marilyn. Our plans today are to talk about the results for the first nine months and the third quarter. We'll also outline our plans and expectations for the remainder of the year. I plan to talk about my personal plans and answer any questions. Patricia Newson, CFO and Gary Holden, Chief Operating Officer will also be speaking to parts of this conference call. This is slightly different than what we've done in the past.

Third quarter results showed that AltaGas posted record results for both income and funds generated from operations. Net income is up 86% to \$70.1 million for the quarter or \$0.33 per unit up 65%. Funds generated from operations are up 36% to \$28.5 million. As well, in the third quarter AltaGas has invested over \$55 million in a number of strategic growth initiatives. The full impact of these investments will be seen in the fourth quarter and into 2005. We expect 2004 will be another exceptional year.

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I'll talk a little more about fourth quarter after, but I'll pass it on to Patricia now.

PATRICIA NEWSON (Senior Vice President Finance and Chief Financial Officer): Thanks David. A few other key numbers that I'll touch on for this quarter include net revenue which is up 15% to \$61 million compared to Q3 of 2003. Our EBITDA is also up 17% over the same quarter last year to \$33.8 million. Operating income has also increased by 22% over third quarter last year to \$23.4 million. Our debt is down \$41.8 million to \$355 million, largely reduced by the equity offering that we did in June offset by capital spending that we've done since then. Our debt to total cap at the end of the September is 44% compared to 52% at December 31<sup>st</sup>, 2003. 44% is below our target debt to total cap of 45 to 50%.

Third quarter was a busy quarter which included a number of projects that we had started earlier on, building on three components of our business. We closed the acquisition of BP's interest in the Edmonton ethane extraction plant. We acquired a 48 and 2/3<sup>rd</sup> % interest in that plant for approximately \$42 million. We also acquired from Maxim Energy Group the rights to 25 megawatts of gas-fired power peaking capacity at four plants located in Southern Alberta. On August 19<sup>th</sup>, we acquired an additional 1.6 million limited partnership units of Taylor NGL Limited

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Partnership. We paid \$6.60 a unit while the units are currently trading at \$7.48. With the additional \$10.6 million investment in Taylor, we now hold 18.9% of that limited partnership. On October the 6<sup>th</sup>, just after the quarter ended that we're reporting today, we closed the acquisition of substantially all of the assets of PremStar Energy Canada Limited. We paid about \$22 million for those assets and the majority of the consideration was in the form of approximately 1 million trust units issued from treasury.

We're also carrying on with our organic growth. We announced during the quarter a \$5.5 million sour gas processing plant in Saskatchewan. It's targeted to be operational by the end of 2004 and it's expected to initially process about a million mmcf/d of solution gas. To the end of Q3 we've invested \$7.9 million in other internal expansion projects in the field gathering and processing component.

In total we've invested just about a \$100 million year-to-date to expand our portfolio of assets and build on our strategic positioning throughout the energy value chain.

Gary did you want to talk about the operational results for the quarter?

GARY HOLDEN (President and Chief Operating Officer): Yes, thanks Patricia. On to the results of each of our business segments. Starting with the G&P segment, we showed solid performance gains with a

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net revenue increase of 18% to \$40.7 million in Q3, 2004 compared to the same period last year. The field gathering and processing and extraction components within the G&P segment contributed to the growth while the transmission component was down slightly due to higher operating cost recoveries in 2003. Throughput increased in all components as a result of strong tie-in activity, and the acquisitions and internal expansion projects Patricia mentioned earlier..

In our field gathering and processing component specifically we have increased volumes to 552 mmcf/d from 514 mmcf/d last year, primarily as a result of two things. First the December 2003 Rainbow Lake acquisition and second the record number of well tie-ins during the period. Tie-ins for the third quarter and the first nine months of 2004 were 81 and 333 respectively. By comparison, tie-ins for all of 2003 were 324 wells. Incidentally, the third quarter as compared to last year was about the same number, about 81 wells. Tie-ins slowed down a little bit in the third quarter because of the wet weather we had, and some scheduled turnarounds and construction projects underway which caused us to slow down slightly, but as I mentioned overall for the year we're up quite significantly. We're on track to exceed one tie-in per day and expect the number of tie-ins for the year to be about 30% above last year.

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In the field gathering and processing component net revenue is \$28.4 million for the third quarter of 2004 compared to \$25.6 million for the third quarter of 2003 and \$83.4 million for the first nine months of 2004 compared to \$74.0 million for the first nine months of 2003.

In the transmission component volumes were strong in the third quarter and for the first nine months of 2004 and will continue to be strong into 2005. Transmission volumes increased by 20% to 417 mmcf/d in the third quarter of 2004 compared to 347 mmcf/d for the same period last year. The net revenue in transmission was \$6.5 million for the third quarter of this year down from \$6.7 for the third quarter of 2003 and \$19.9 million for the first nine months of 2004 up from \$19.4 for the first nine months of 2003.

In our extraction component, we've benefited from higher average production in Q3 2004 of just over 13,000 barrels per day compared to 6,400 barrels per day last year, primarily as a result of the acquisition of the 48 and 2/3<sup>rd</sup>% interest in EEEP, which took effect September 1 of this year. We also completed modifications at the EnCana-operated Empress facility that increased ethane production capability during the third quarter of 2003. Extraction net revenue was \$5.5 million for the third quarter this year compared to \$2.2 million for the same quarter last year and \$12.6

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million for the first nine months of this year compared to \$7.5 for the first nine months of last year.

Our Energy Services segment showed strong performance as well. Power results were influenced by higher generation from the addition of the Genesee Energy Contract in March 2003 and the addition of the 25 megawatts of peaking plant capacity on September 1<sup>st</sup> of this year. In the Energy Services segment, net revenue was \$16.6 million for the third quarter of 2004 compared to \$14.1 million for the same quarter last year. Net revenue in Energy Services was \$41.0 million for the first nine months of 2004 compared to \$36.3 million for the same period last year.

Finally, in our Natural Gas Distribution segment results were stronger in the third quarter of this year compared with the third quarter of last year as a result of growth in AUI's customer base as well as we were fortunate enough to have colder weather compared to the third quarter of 2003. During the first nine months of 2004 results are slightly weaker compared to last year despite the increased customer base as the early part of the year was a little warmer than in 2003 and due to the settlement for 2003 rates that required us to accrue a revenue deficiency to account for customer overpayments during the 2003 year which we took in the first quarter of 2004. Natural Gas Distribution segment's net revenue was \$5.1 million for the third quarter compared to \$4.9 for the third quarter last year

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and \$21.0 million for the first nine months this year compared to \$21.3 for the same period last year.

For Q4 2004 looking forward we expect our growth to continue with Gathering and Processing ahead of the 2003 results, primarily driven by producers' continued strong drilling activity and significant well tie-in activity. We also will have a full quarter impact of the Edmonton Ethane Extraction Plant acquisition and our other internal growth initiatives will be realizing a full quarter. Energy Services is expected to also be ahead going forward as we see the benefits of the 25 megawatts of peaking power capacity and the addition of our PremStar acquisition. Natural Gas Distribution we expect to continue to be flat for the remainder of the year.

I'll now turn it back to David to comment on a few other items.

DAVID CORNHILL: Thank you, Gary and Patricia. The third quarter was the second best quarter ever for AltaGas on a normalized basis as a trust or a corporation and we expect the fourth quarter to be an all-time record quarter. Everything is shaping up for a very strong year.

In August and September of this year, Enbridge sold its 36% interest in AltaGas at an average price of \$19.78. Our units are currently trading well above \$21. We're very pleased with the market response and the successful sale of our units by Enbridge as unitholders continue to see value in AltaGas. Since Enbridge made its initial investment five years ago

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we've tripled our asset base, and grown our market capitalization by six times to over a billion dollars. Enbridge was a good financial investor and received very good total returns for their investment. We are supportive of their disposition and pleased that they have the opportunity to realize value and we have the opportunity to grow and to continue to deliver substantial value to our unitholders. I'd like to thank Bonnie DuPont and Stephen Letwin, who left the Board in late August, for their support and hard work on the Board which for Steve was just over a year and for Bonnie approximately five years.

I would like to take the opportunity to welcome our new employees who joined us through the acquisition of PremStar and the Edmonton ethane extraction plant. We added approximately 77 individuals in Edmonton, Chatham, Oakville and Burnaby and we now have 585 outstanding, dedicated professionals that are critical to the success of AltaGas. It's very important that we recognize the strength of our people and we will be doing that over the next little while.

In July the Report on Business ranked AltaGas as the 11<sup>th</sup> of the top 50 income trusts in Canada. In September, we were ranked 44<sup>th</sup> largest corporation in Alberta by Alberta Venture magazine and most recently Platts announced that we've been selected as one of the eight finalists for Global Energy Company of the Year. The winner of this award will be

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announced in December 2004. It's quite an honor for a little company in Alberta to be recognized on a global basis. It's very flattering to me to be held in the company of the great companies that have also been nominated for this award.

As well, I want to announce today as a part of the continuing corporate governance succession planning, I've informed the Board of Directors that I intend to remain as Chairman and Chief Executive Officer until some time in 2006 at which time I'll relinquish the role as Chief Executive Officer, but plan to continue in the capacity of Chairman of the Board. I have held the CEO and Chairman titles since the beginning of AltaGas in 1994 and am currently in my 11th year. With AltaGas Income Trust we have built one of the best energy infrastructure trusts in Canada. We have predictable and consistent cash flow and we expect to continue that going forward. We have in place the people and the assets to build on the foundation of the last ten years and I'm very excited about looking forward into a new decade. In my continuing role as Chairman, once I step down as CEO, I expect to be very active and be an important part of AltaGas' exciting future.

As well, I would like to point out that you'll see in my insider trading report that last week I donated 3500 units to the United Way as my annual donation. This happens on annual basis so I just wanted to let people

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know that that will be seen over the next week or so in the insider trading report.

I would like to open it now up to questions. Patricia, Gary and I will be happy to answer any questions. Thank you.

OPERATOR: Thank you, one moment, please. Ladies and gentlemen, we will now conduct a question and answer session. If you have a question, please press the \* followed by the 1 on your touchtone phone. You will hear a tone acknowledging your request. Your questions will be polled in the order that they are received. Please ensure you lift the handset, if you are using a speakerphone, before pressing any keys. One moment please, for your first question. Your first question comes from Maureen Howe from RBC Capital Markets. Please go ahead, Maureen.

MAUREEN HOWE: Thanks very much, good afternoon. I'm just wondering of the \$5.5 million in net revenue from extraction, how much is attributable to the higher than average frac spreads during the quarter?

DAVID CORNHILL: I'll give you a rough number and they can correct me later. I'd say about \$800,000.

MAUREEN HOWE: About \$800,000, so to rephrase it, can you tell us what percentage of NGL volumes processed are sensitive to changes in frac spreads and how does that percentage this quarter compare to the historical level?

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DAVID CORNHILL: The volumes are quite consistent in that we haven't really changed our mix. We have just seen increased profitability on the spread.

MAUREEN HOWE: Okay.

DAVID CORNHILL: And we have seen spreads go from about \$4.00 into the teens.

MAUREEN HOWE: Okay, what percentage of NGL volumes processed are sensitive to frac spreads?

DAVID CORNHILL: Just 15%, primarily at our JEEP location.

MAUREEN HOWE: Okay, that's great, thank you. It appeared that there is a \$1.1 million credit from the AESO in the third quarter. Are there any other credits and/or perhaps charges that are expected going forward?

DAVID CORNHILL: I'll let Gary answer that one.

GARY HOLDEN: As is usually the case we tend to be surprised by the numbers because they tend not be very formulaic and therefore hard to predict, so I would hesitate to say whether we'll have a positive or negative impact from the credits at this point. We tend to budget flat and wait for the results to come in.

MAUREEN HOWE: So you really have absolutely no idea what you're going to be presented with?

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GARY HOLDEN: I think we mentioned in the last conference call that AESO was revising their methodology to calculate transmission charges however that hasn't materialized as of yet, although they keep promising that that will be the case. There is a fair amount of pressure to make that calculation forward looking only so that it can be more predictable, but again I would hesitate to say whether that will happen in the next quarter or sometime during next year.

MAUREEN HOWE: Okay, and then just one last question. There is a decline quarter over quarter, not a big one, but a few hundred thousand dollars in transmission revenue and I'm wondering if that is attributable to anything specific. Are we at a run rate now that will continue forward or was there an unusual reason why the revenue has dropped a little?

DAVID CORNHILL: We had lower actual operating cost recovery in 2004 than in 2003.

MAUREEN HOWE: Okay, so, you're recovering less of the operating costs?

DAVID CORNHILL: So, the revenue's less.

MAUREEN HOWE: Okay, okay, that makes sense.

DAVID CORNHILL: And with our transmission business we will continue to grow next year compared to this year.

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MAUREEN HOWE: Okay, well, that's great, that's all my questions, thank you very much.

DAVID CORNHILL: Thank you.

OPERATOR: Your next question comes from Winfred Fruehauf from National Bank Financial. Please go ahead.

WINFRED FRUEHAUF: Thank you. My news release has no page numbers but I think it is page 5 and it deals with the break down of the distributions as between return on capital, of capital, and dividends. Could you please break down the amount or break out the amount of dividends that you expect to be included in distributions for this year?

PATRICIA NEWSON: You're talking about the Trust as a whole then or just the Natural Gas Distribution fees?

WINFRED FRUEHAUF: No, I am just talking about the Trust. For income tax purposes the Trust expects that approximately 70% of the distributions declared in 2004 and so on.

PATRICIA NEWSON: We expect that about 70% will be interest income and then the remaining 30% will be split between capital and dividends, probably the majority of it will be capital, return of capital.

WINFRED FRUEHAUF: Would it be 75%-25% or 60%-40%?

PATRICIA NEWSON: 75%-25%, is probably a good rule of thumb for the split between return of capital and dividends respectively.

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WINFRED FRUEHAUF: And what is your guidance for 2005 of the distributions break down between these three items?

PATRICIA NEWSON: I expect it will be similar.

WINFRED FRUEHAUF: You expect possibly that the return on capital might be a little higher than 70%?

DAVID CORNHILL: Yes because we've structured all the growth outside of the corporate entities, so we'll be working to reduce our taxable income as part of the distribution going forward.

WINFRED FRUEHAUF: Okay, and could you please break down the sales of electricity in the third quarter between the various sources, like Sundance, Genesee, Maxim?

DAVID CORNHILL: You'd like to know the revenue from each?

WINFRED FRUEHAUF: The volumes and revenues.

PATRICIA NEWSON: On a volumetric basis, Win, about 95 megawatts is Genesee, 306 megawatts at Sundance and Maxim was only included in the month of September and it was really insignificant for this quarter, but it's 25 megawatts total, however it won't be running all the time, it's just a peaking plant.

WINFRED FRUEHAUF: Right.

DAVID CORNHILL: And remember it will probably only run a few hours a day during the peak periods.

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WINFRED FRUEHAUF: Peak periods would be summer?

DAVID CORNHILL: No, during the day,

PATRICIA NEWSON: Supper time and breakfast time.

WINFRED FRUEHAUF: Okay. I think Patricia you mentioned that you invested, my notes says, approximately a \$100 million to date in 2004?

PATRICIA NEWSON: Right, not all of it is showing in the financial statements.

WINFRED FRUEHAUF: Yeah, I was looking at that and I was going to ask you for an explanation of the difference?

PATRICIA NEWSON: The PremStar acquisition for example closed in October and we've also got construction under way right now that hasn't been completed so it wouldn't show up in Q3 either. So we expect by the end of December that we will have invested close to \$100 million.

WINFRED FRUEHAUF: Okay good, good. One more question. This is regarding the year 2005, do you expect to add more electric generating capacity, more transmission, more gathering and processing capacity, or what are your plans going forward in terms of what your growth objectives are?

DAVID CORNHILL: We're looking at all. During our budgeting process we saw a very strong suite of internal growth opportunities, those are primarily in the three components in the Gathering and Processing

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segment. We will be looking at other growth opportunities in power but they are not as far along as the ones in the Gathering and Processing segment. As well as you will see growth in our utilities business In the Edmonton area we're seeing significant customer growth as Edmonton grows into our AltaGas Utilities franchise. There is also the build out of Heritage Gas where we hope we will very shortly announce the beginning of natural gas distribution to the town of Amherst in Nova Scotia. We have a lot of internal growth opportunities in place and that does not take away from the fact that we will be looking aggressively at acquisitions, but they have to be accretive from an earnings basis as well as a distribution basis .

WINFRED FRUEHAUF: Okay. Thanks very much. That's all I have.

OPERATOR: Your next question comes from Robert Catellier from Clarus Securities. Please go ahead.

ROBERT CATELLIER: Yes, can you break out under EBITDA, distributable cash flow or operating income the contribution from EEEP and Maxim during the quarter?

DAVID CORNHILL: I will start with Maxim first. I believe it's almost a negligible amount. Remember one of the strategic reasons for Maxim was to back up our Sundance assets or Genesee assets in the event of an outage. There are number of days in which that came into effect, but it

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didn't have a material impact on our EBITDA yet. Primarily because of the small number of hours in which we needed it but also the peaking capacity was included only for the month of September. As for EEEP for the quarter it was \$600 thousand.

PATRICIA NEWSON: We also only had one-month of operations in Q3 for EEEP.

ROBERT CATELLIER: Right.

DAVID CORNHILL: We expect \$500 to \$600 thousand per month as our run rate from EEEP.

ROBERT CATELLIER: On an operating income basis?

PATRICIA NEWSON: Operating margin.

ROBERT CATELLIER: Okay, can you describe the nature of the investments you're contemplating at EEEP to increase its operational performance?

DAVID CORNHILL: There's a couple capital projects, I won't go into great detail because we still need to work with our partner to finalize them, but it's a couple of capital expansion programs that increase ethane and NGL production and we expect those to be underway next year.

ROBERT CATELLIER: Right.

DAVID CORNHILL: We don't have all of the information available for you at this point. As we work through those details then we will

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certainly have it for you when we're more clear on exactly what our partner is willing to do with us on that.

ROBERT CATELLIER: Okay. On the power side, the results obviously look very stable year-over-year, particularly I suspect as a result of the hedging program. Can you give us some color as to what the outlook is for 2005, and specifically I noticed on the balance sheet here, your investment in Hedge contracts is down sequentially from the second quarter, so I just wanted to make sure you're not changing your hedging strategy there?

DAVID CORNHILL: There's no change in hedging policy and we're right on target where we want to be at this point. I think pricing is expected to be in the low \$50's per megawatt hour for 2005.

PATRICIA NEWSON: Rob, you're talking about the Energy Services arrangements and contracts on the balance sheet?

ROBERT CATELLIER: Yes.

PATRICIA NEWSON: That's just amortization of our original historical cost.

ROBERT CATELLIER: Right.

PATRICIA NEWSON: We're not adjusting it in anyway for any hedging. That's the Sundance PPA for the vast majority of it. So, you

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should see a very steady straight line amortization of that over the 19 years remaining at the time we acquired it.

ROBERT CATELLIER: David, first of all congratulations on, I guess I'm a bit sorry to hear, the news about your plans to move on in 2006 but I do want to make sure that that's not the result of shift in strategic direction for the company and that it's in fact a personal decision obviously acknowledging the fact that any future CEO might have a different vision for the company.

DAVID CORNHILL: Yes it is. We also had the Board adopt a five year plan. It's a personal decision. After 2006, I'll have been in the same role for 12 years. I still plan to be very active at the Board level as Chairman and one luxury that Board members have is they can talk about the strategic direction that the CEO wants to take the company and the Board has to endorse it. So, it was clearly a personal decision, the Board supported me in the decision. They weren't, I would say, excited about my decision, but were very supportive of it. I think it's a good time, the Trust's business is very strong. I want to get the information out sooner rather than later that I was thinking and planning this so we can put an orderly plan in place. So we won't see a change in direction. I don't think the Board sees any change in direction and we think we've got a solid strategy going forward. Also, I would like to say that our senior management team at

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AltaGas has totally bought into the direction that we're taking the Trust and they're doing a good job at executing that strategy, so it's more of a personal decision. Wanting to remain active with AltaGas but also wanting to pursue some other challenges.

ROBERT CATELLIER: Okay terrific, thanks.

OPERATOR: Ladies and gentlemen if there are any additional questions at this time, please press the \* followed by the 1. As a reminder, if you're using a speakerphone, please lift the handset before pressing any keys. There are no further questions at this time. Please continue.

MARILYN PFAEFFLIN: If there are no further questions I think we'll conclude the call. Thanks very much and we'll talk to you next quarter.

OPERATOR: Ladies and gentlemen this concludes the conference call for today. Thank you for participating and please disconnect your lines.

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