



# ALTAGAS

*10 Years of Extraordinary Growth*

*March, 2005*

# Presentation Agenda

- Introduction
- Business Overview
- Fourth Quarter and 2004 Financial Performance
- Investment Highlights

Certain information in this presentation is forward-looking. Such information is subject to certain risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated in the forward-looking information. These risks and uncertainties include operating performance, regulatory and environmental issues, weather and economic conditions, competition and financing availability. For additional information on these and other factors see the reports filed by AltaGas with Canadian Securities regulators. AltaGas disclaims any intention or obligation to update or revise any forward looking information whether as result of new information or future events.

# AltaGas Income Trust Profile

- **AltaGas Income Trust effective May 1, 2004**
- **Total units outstanding 53.2 million as at December 31, 2004**
  - 49.8 million trust units
  - 3.4 million exchangeable units
  - Trust units listed on the TSX as ALA.UN
  - Exchangeable units not traded
- **Distributions**
  - stable distributions of \$0.15 per unit per month
  - 2004 - 75% interest, 25% return of capital
  - target in the range of 70 to 80% of distributable cash flow
- **Ratings**
  - stability rating: S&P: SR-3 (stable outlook), DBRS: STA-3 (mid)
  - debt rating: S&P: BBB-, DBRS: BBB (low)

# Our Energy Portfolio

## Gathering and Processing

- Field gathering and processing
- Extraction
- Transmission

## Energy Services

- Power services
- Gas services
- Oil and natural gas production

## Natural Gas Distribution

- AltaGas Utilities
- Heritage Gas
- Inuvik Gas

# Proven Business Strategy

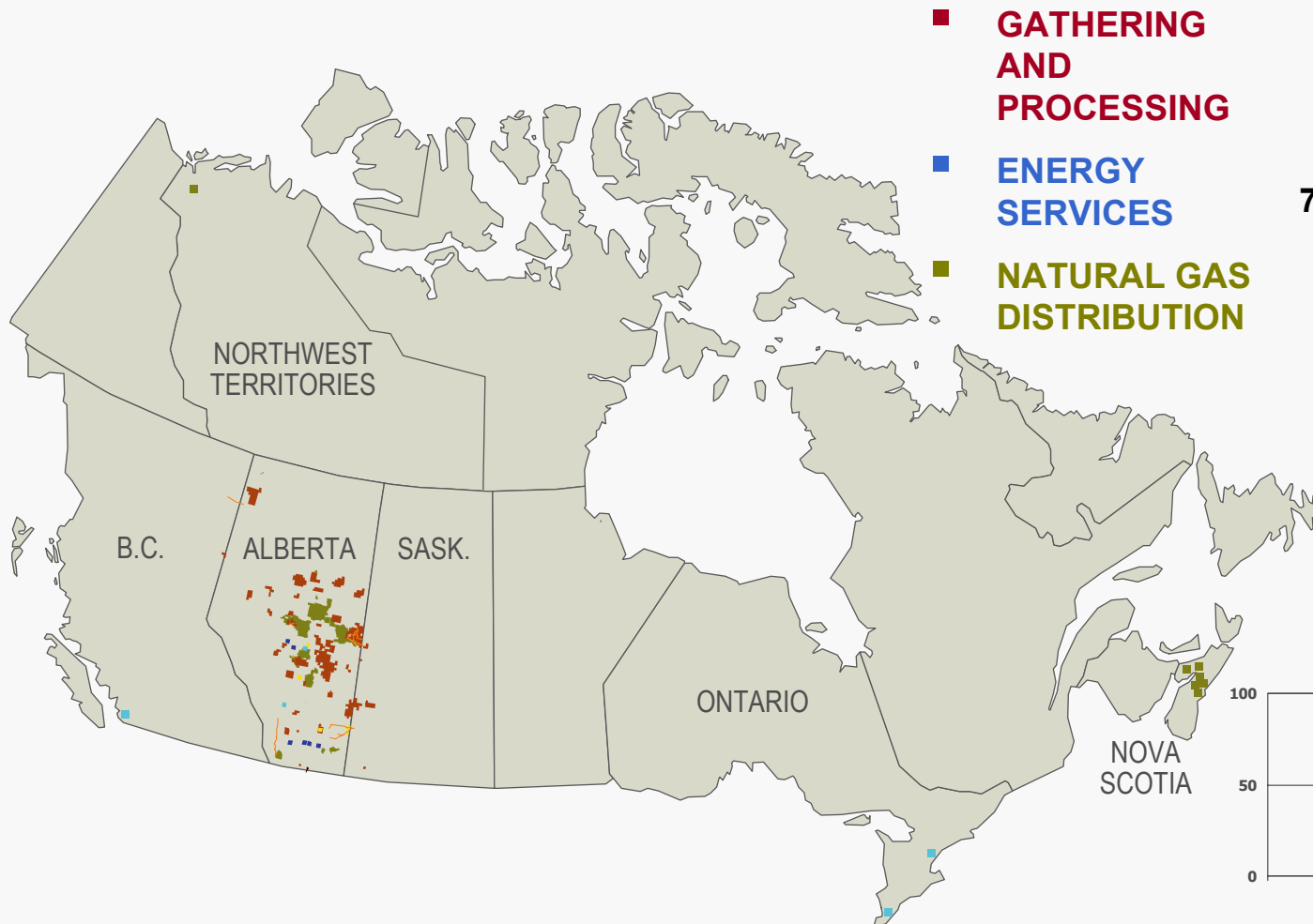
- **Focus on energy infrastructure based assets along the midstream value chain**
- **Diversify our portfolio of assets and services**
  - revenue source
  - contractual term
  - geographic location
  - commodity
- **Extend cash flows to lock in long term value**
- **Manage risk to minimize volatility**
- **Operate efficiently to optimize margins**
- **Manage our balance sheet to capture opportunity**

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# Business Overview



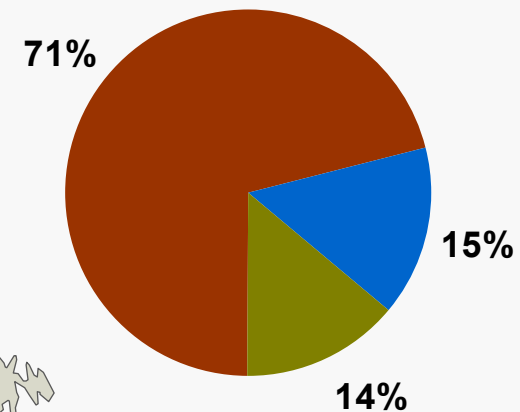
# Three Strong Operating Segments



## Net Book Value

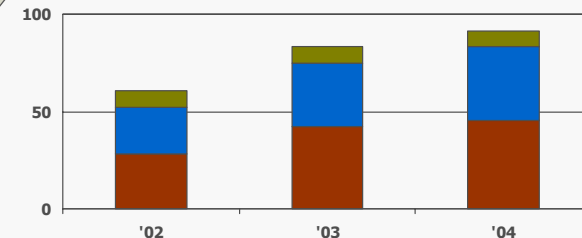
December 31, 2004

\$909 million

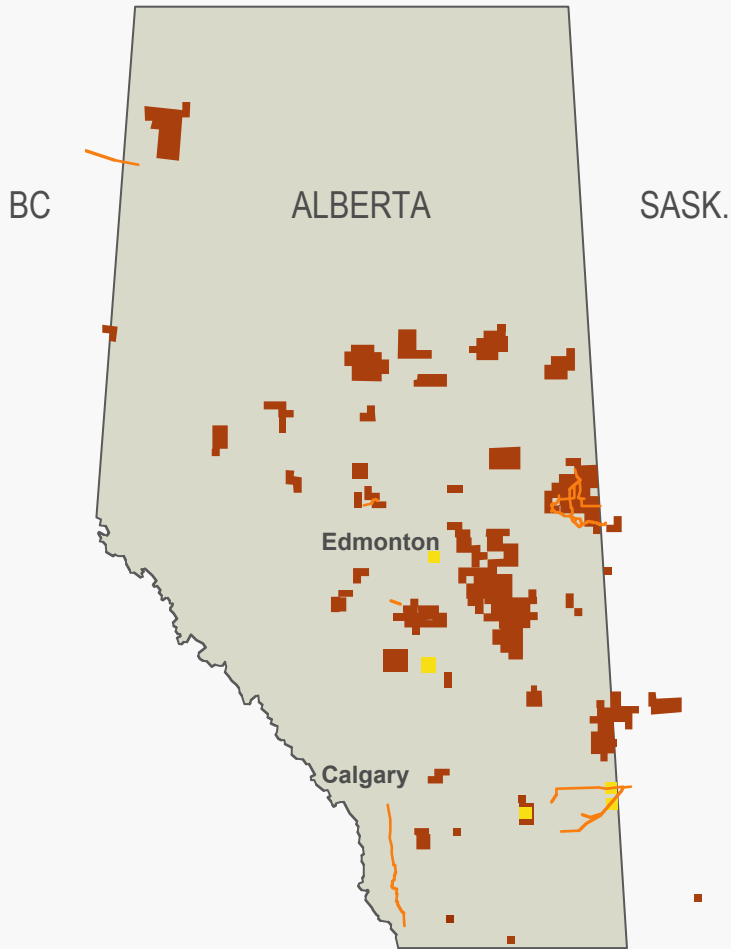


## OPERATING INCOME

(\$ millions)



# Gathering and Processing Segment



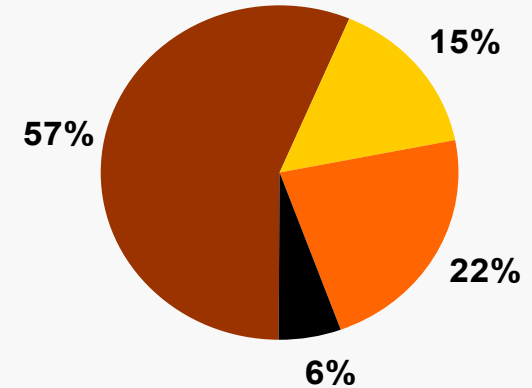
- **FIELD GATHERING AND PROCESSING**
- **EXTRACTION**
- **TRANSMISSION**
- **OTHER**



## Net Book Value

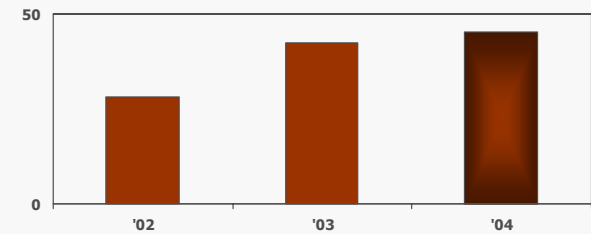
December 31, 2004

\$640 million



## OPERATING INCOME

(\$ millions)



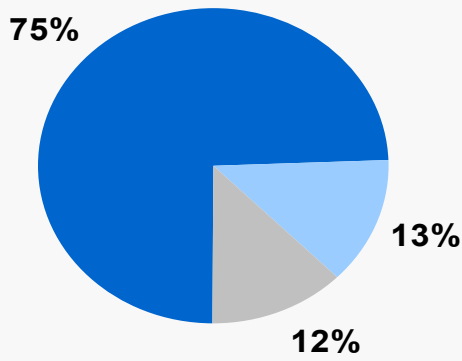
# Energy Services Segment



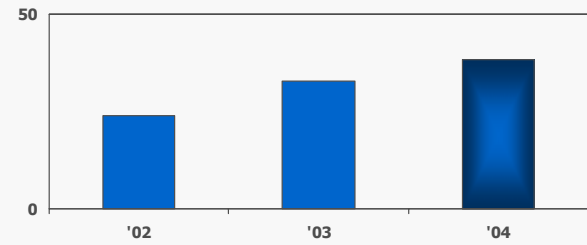
- POWER SERVICES
- GAS SERVICES
- OIL AND GAS PRODUCTION



**Net Book Value**  
December 31, 2004  
\$147 million



**OPERATING INCOME**  
(\$ millions)



# Natural Gas Distribution Segment



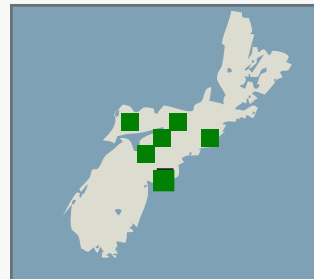
■ **INUVIK GAS LTD.**

Northwest Territories



■ **HERITAGE GAS LIMITED**

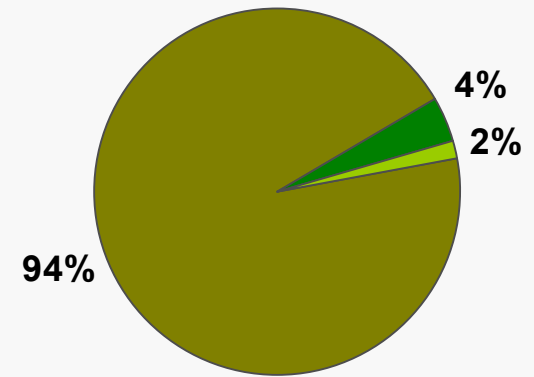
Nova Scotia



**Net Book Value**

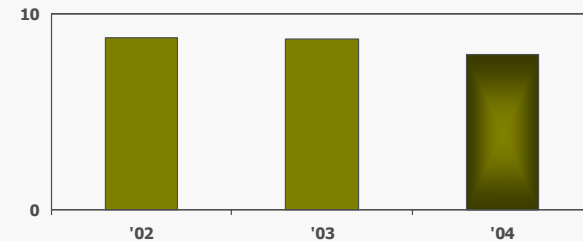
December 31, 2004

\$ 122 million

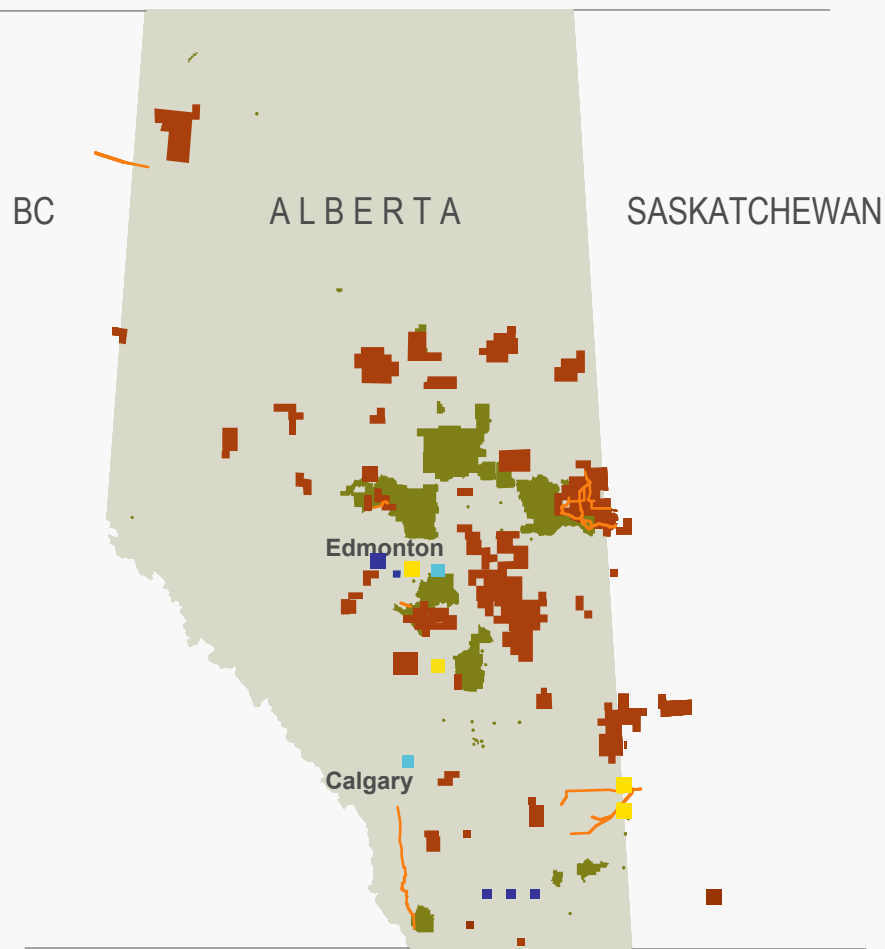


**OPERATING INCOME**

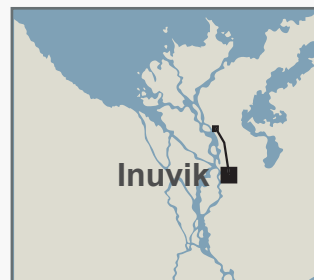
(\$ millions)



# Premier Midstream Assets



Northwest Territories



Nova Scotia



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

# 2004 Operational Highlights



- Acquired 48 2/3 interest in Edmonton Ethane Extraction Plant
- Acquired PremStar – leading Canadian energy agency business
- Leased 25 MW of gas fired peaking facility in Alberta
- Facility expansions at several plants
- 428 well tie-ins

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# 2004 Financial Performance

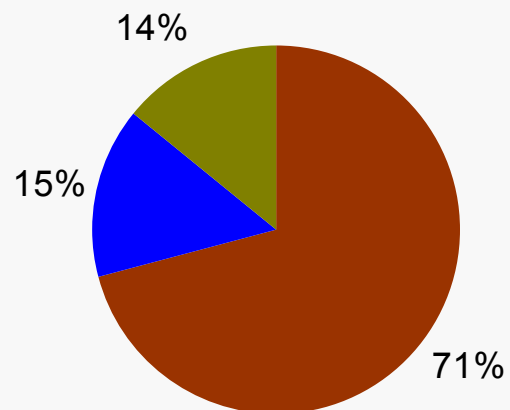


# AltaGas Today: Strong and Diversified

## ASSETS

At December 31, 2004

\$ 1,108.6 million

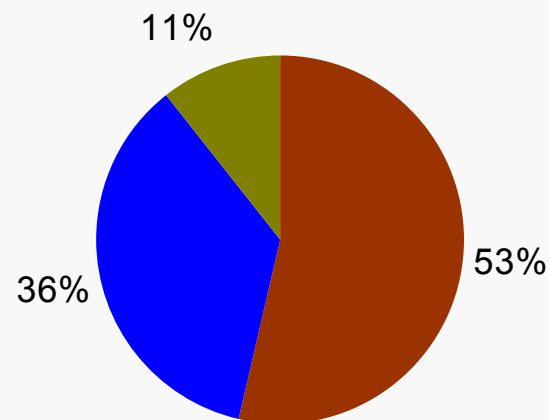


- Gathering and Processing
- Energy Services
- Natural Gas Distribution

## EBITDA

For the year ended December 31, 2004

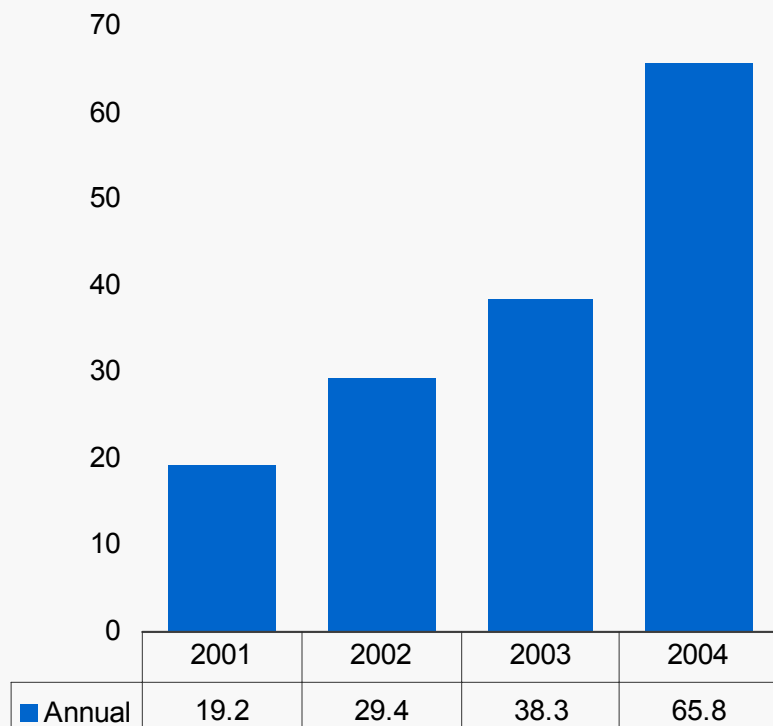
\$ 133.4 million



- Gathering and Processing
- Energy Services
- Natural Gas Distribution

# Net Income

## NET INCOME (\$ Millions)

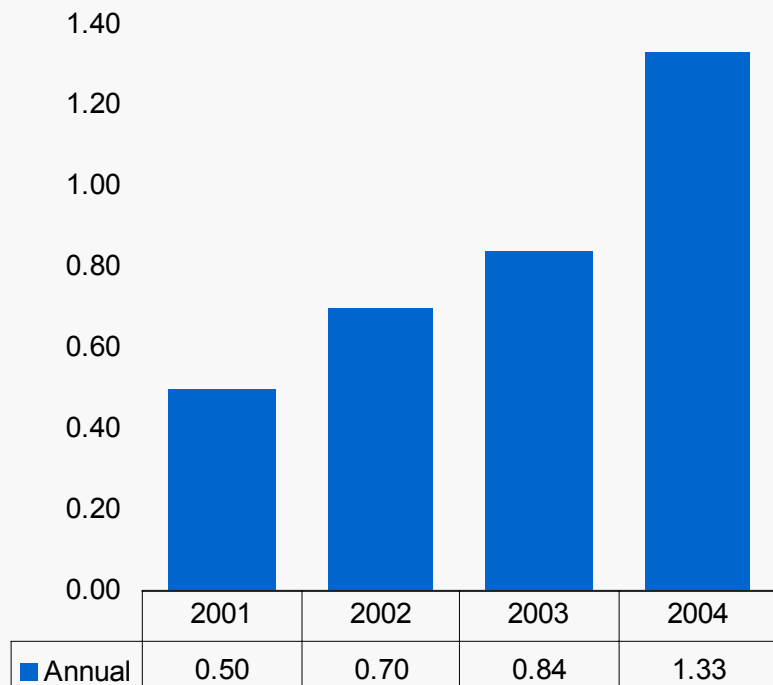


- **2004**
  - \$65.8 million, 72% increase over 2003
- **Fourth Quarter 2004**
  - \$25.8 million, 115% increase over 2003
- **Strong Performance**
  - Gathering and Processing
  - Energy Services
  - Lower income taxes

# Net Income Per Unit



## NET INCOME PER UNIT (\$)

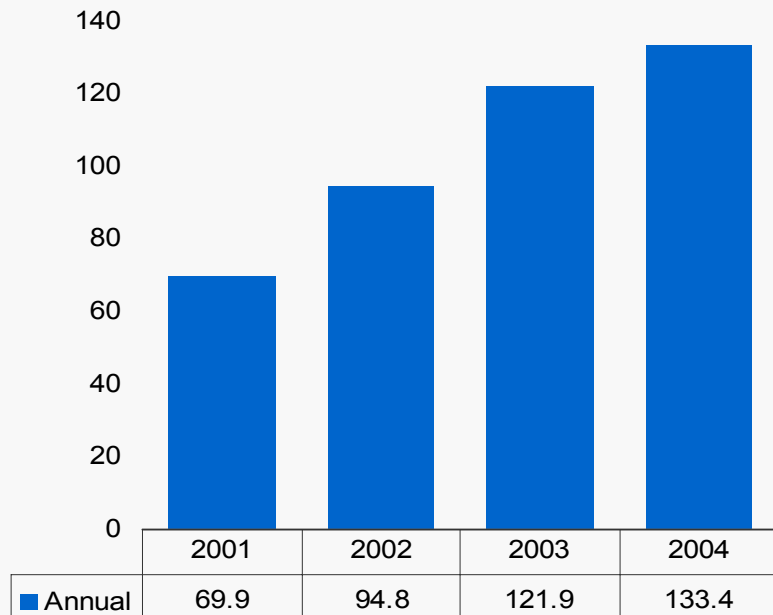


- **2004**
  - \$1.33 58% increase over 2003
- **Fourth Quarter 2004**
  - \$0.49 88% increase over 2003
- **Units Outstanding**
  - 53.2 million (36.7 million 2003)

# EBITDA



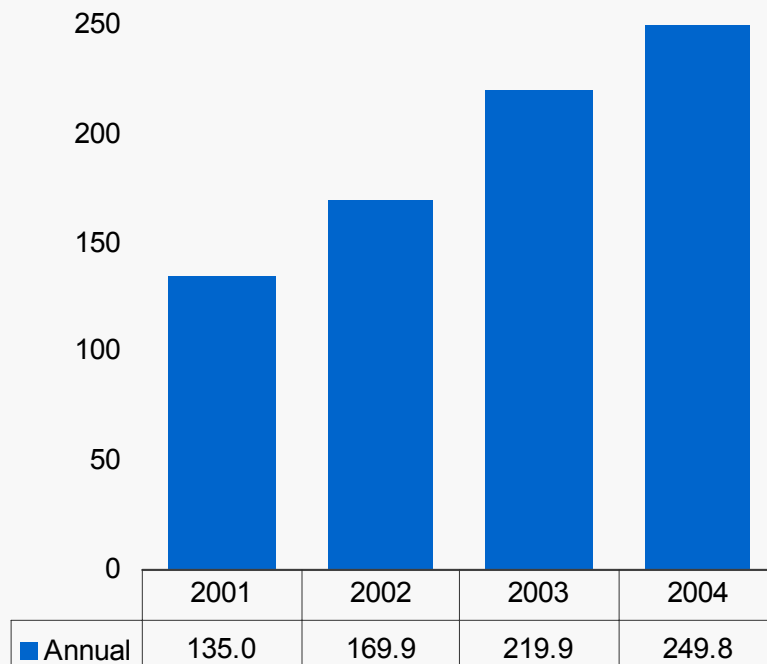
## EBITDA (\$ Millions)



- **2004**
  - \$133.4 million 9% increase over 2003
- **Fourth quarter 2004**
  - \$40.6 million 17% increase over 2003

# Net Revenue

## NET REVENUE (\$ Millions)

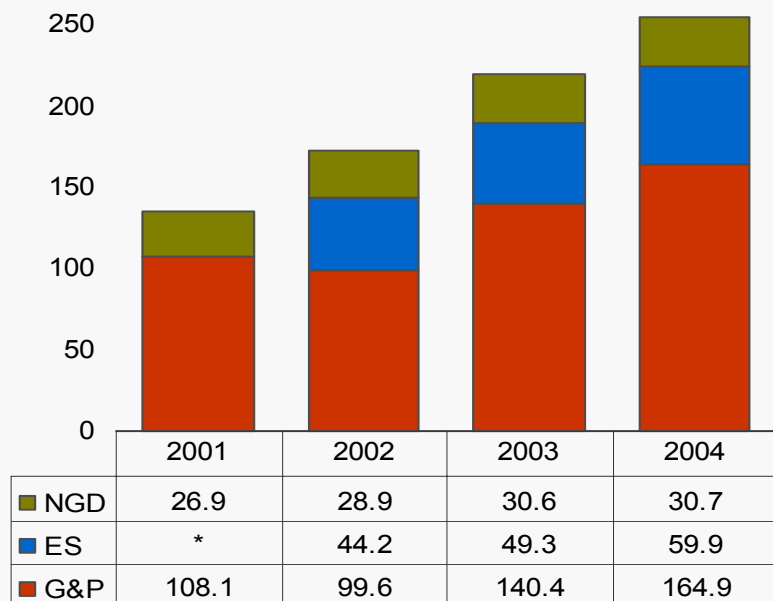


- **2004**
  - \$249.8 million 14% increase over 2003
- **Fourth quarter 2004**
  - \$71.6 million 16% increase over 2003

# Net Revenue by Segment



**NET REVENUE BY SEGMENT**  
(\$ Millions)



*\* Energy Services results were combined with Gathering and Processing in 2001*

- **Gathering and Processing**
  - Increased volumes in all components
  - Acquisitions and expansions
  - Fee increases
  
- **Energy Services**
  - PremStar acquisition
  - Higher power volumes
  - Higher power prices
  
- **Natural Gas Distribution**
  - Increased customer base
  - Offset by warmer weather in 2004 and revenue deficiency accrual

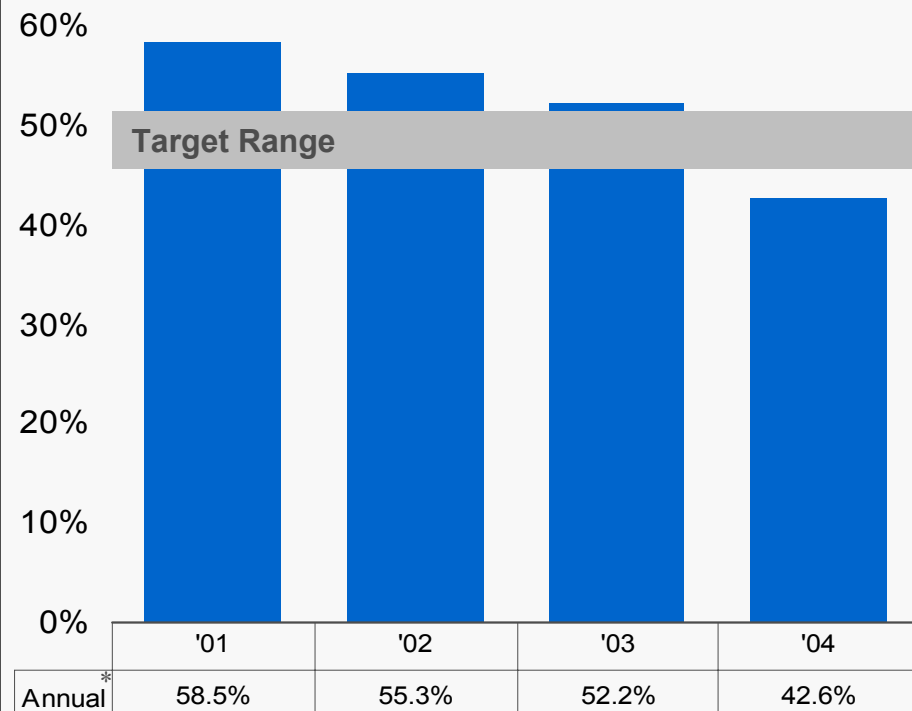
# 2004 Capital Investments



- **\$130 million in invested capital for 2004**
  - \$119 million growth capital
  - \$6 million maintenance capital
  - \$5 million administration capital

# 2004 Financial Structure

## DEBT AS A PERCENTAGE OF TOTAL CAPITAL



\*As at December 31

- **Trust stability rating**
  - S&P: SR-3
  - DBRS: STA-3 (middle)
- **Rating on medium term notes**
  - S&P: BBB-
  - DBRS: BBB (low)
- **Capital structure**
  - December 31, 2004 42.6%
  - Trust target 45 - 50%
  - Historical target 50 - 55%

# Guiding Financial Principles

- **Trust**
  - tax efficient structure
  - manage as a corporate with high payout ratio
  
- **Key Financial Metrics**
  - earnings per unit – investments must be accretive
  - debt ratio – target 45 - 50% total capitalization
  - payout ratio – target 70 to 80% distributable cash flow
  - distribution – stable and sustainable
  
- **Maintain and continue to create long-term unitholder value**

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# Growth Opportunities

The background image shows an industrial facility, likely a refinery or chemical plant. A prominent feature is a tall, cylindrical distillation column with several platforms and ladders. To the right, there is a complex network of metal pipes, valves, and structural steel beams. The overall scene is captured in a blue-tinted, slightly hazy atmosphere, suggesting an overcast day or a misty environment. The ground in the foreground appears to be a concrete or paved surface.

# Positioned for Growth

- **Strong gas prices fueled by increasing gas demand and declining supplies**
- **Forward market for power prices unsustainably low**
- **Gathering and Processing**
  - organic growth with low investment
  - increase facility utilization
  - strong E&P activity (428 wells tied in 2004, 324 in 2003)
  - accretive acquisitions
- **Energy Services**
  - 478 MWs of power generation capacity
  - diverse fuel sources for power generation
  - energy management services
  - accretive acquisitions
- **Natural Gas Distribution**
  - existing customer base increasing on average by 2% per year
  - additional expansion through Heritage Gas

# Acquisition Strategy

- **2 deals announced in fourth quarter of 2004**
  - EBITDA Multiples at 11x to 12x
- **Large producers have announced divestiture plans**
- **Disciplined approach to acquisitions**
  - Earnings accretive
  - Maintain low risk profile
  - Maintain financial flexibility
  - Enhance unitholder value

# Drivers of 2005 Growth

- **Acquisition opportunities**
- **Full year impact of 2004 acquisitions**
  - October 2004 – closing of the acquisition of Premstar Energy Canada Ltd., a leading Canadian energy agency business
  - August 2004 – acquired 48 2/3% of Edmonton Ethane Extraction Plant
  - August 2004 - leased 25 megawatts gas fired power peaking plant
- **Organic growth – gas gathering and processing**
  - internal expansion projects at Marten Creek, Doris and Namaka
  - invested \$16.4 million and added 40 Mmcf/d in throughput volumes
  - \$5.5 million sour gas processing plant with capacity of approximately 1.0 Mmcf/d and 37 kilometres of pipeline
- **Planned expenditures on internal growth - \$40 million**

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# Investment Highlights

The background image shows an industrial facility, likely a refinery or chemical plant. A prominent feature is a tall, cylindrical distillation column with a spiral staircase winding around it. To the right, there is a complex network of metal pipes, walkways, and structural beams. The entire scene is bathed in a cool, blue-toned light, creating a professional and industrial atmosphere.

# Premier Energy Trust

**AltaGas**

Enbridge  
Income  
Fund

Fort  
Chicago

Inter  
Pipeline

Keyera  
Facilities

Pembina  
Pipelines

Taylor  
NGL

Field Gathering  
and Processing



Extraction



Transmission



Gas Services



Power Services

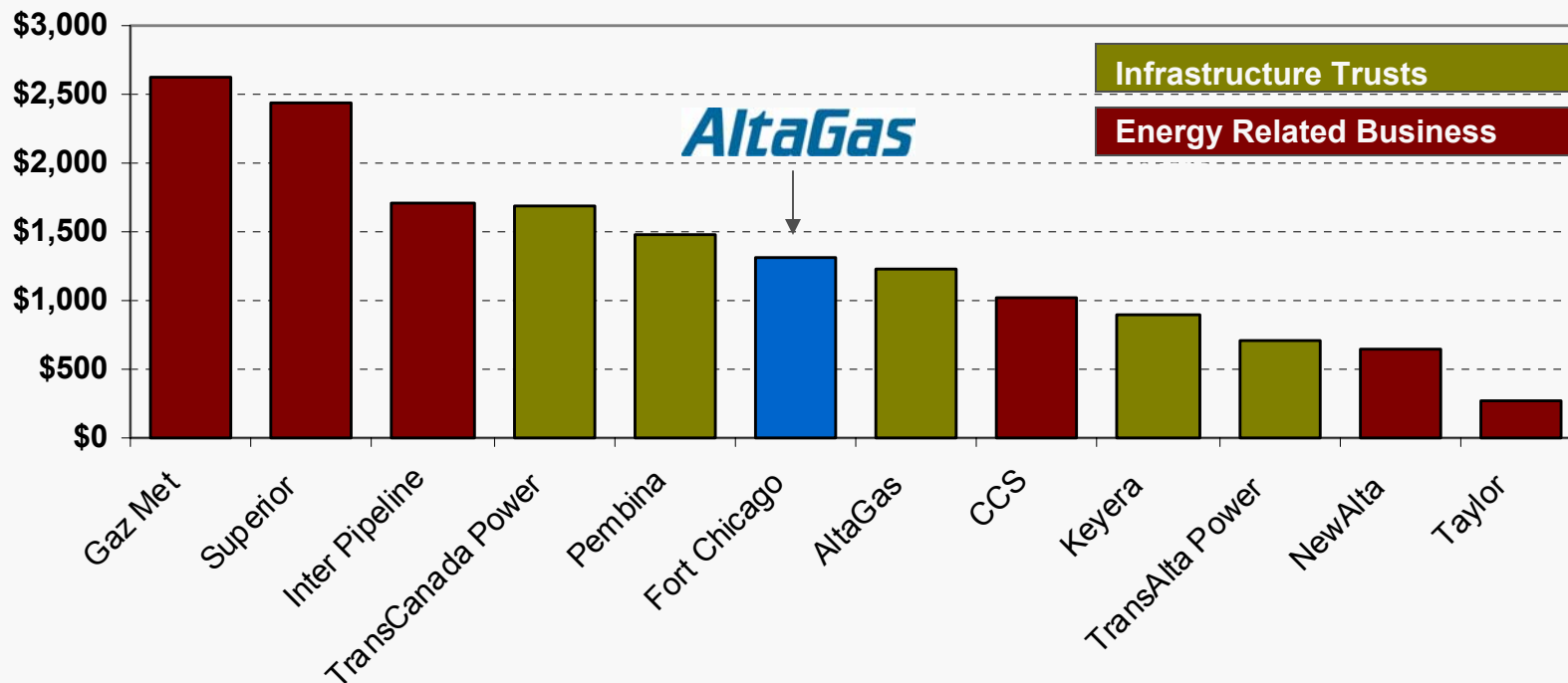


Natural Gas  
Distribution



# Large Cap Liquid Income Trust

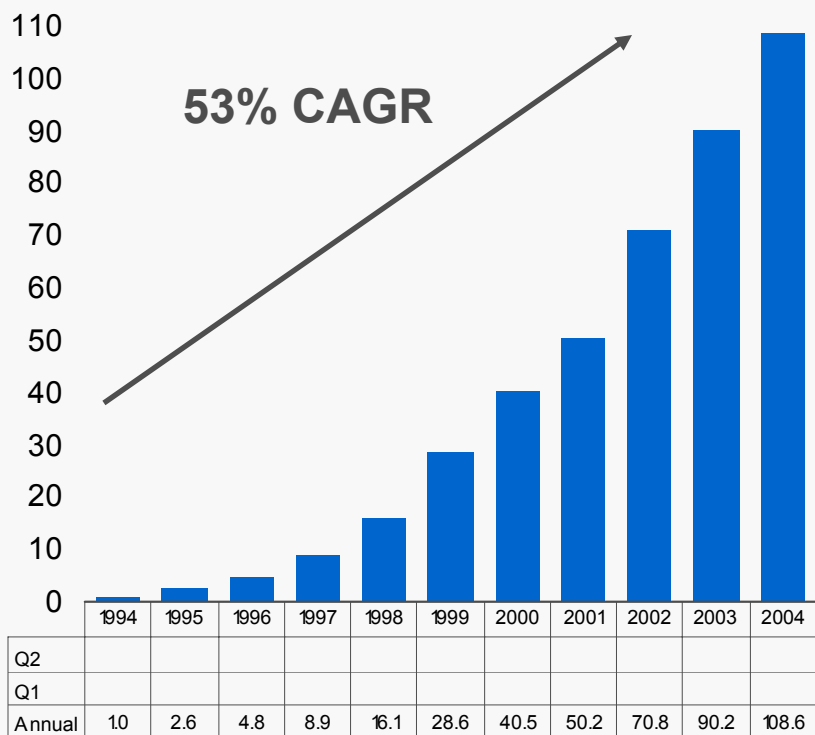
## Market Capitalization



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

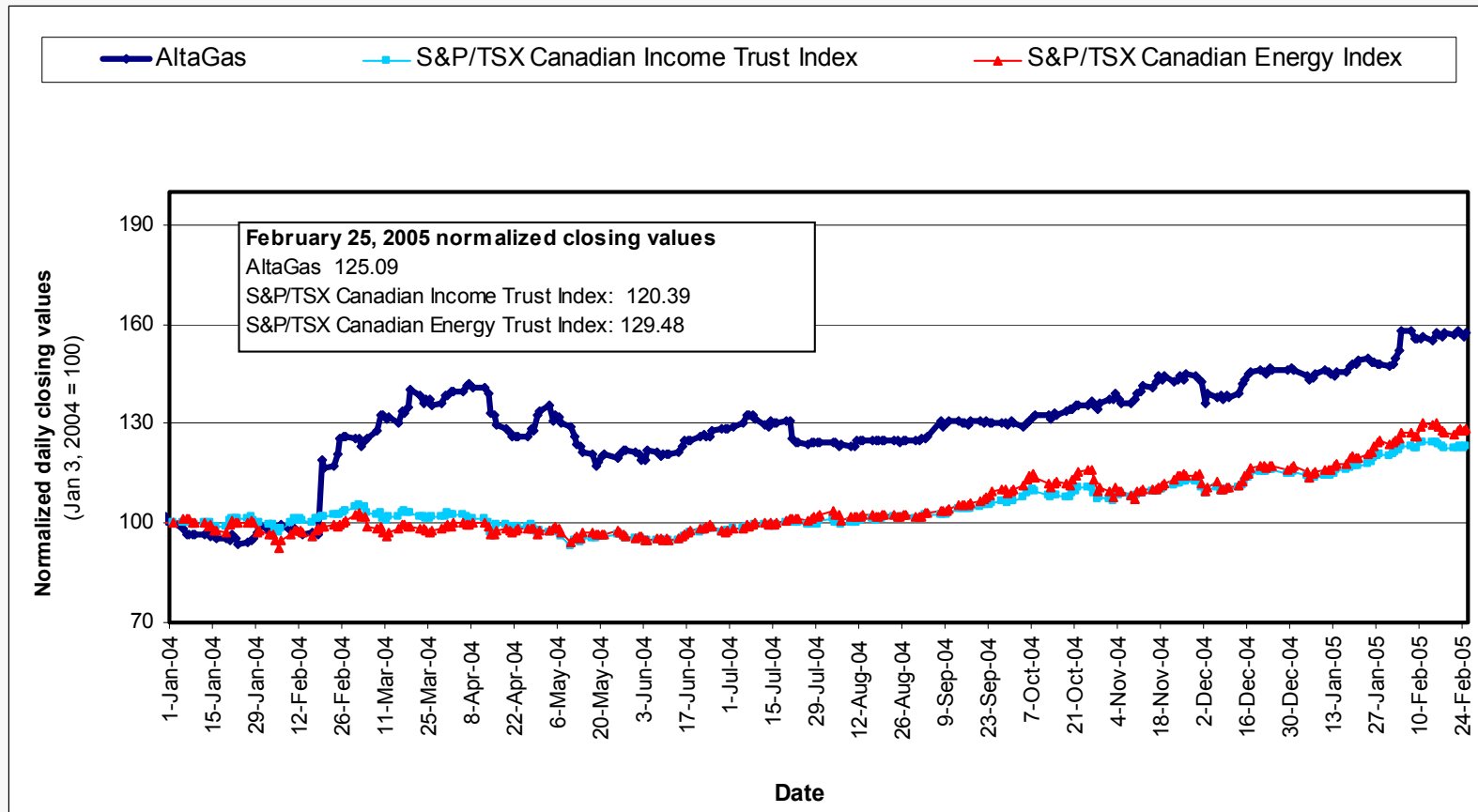
# Exceptional Financial Stability and Growth

## FUNDS GENERATED FROM OPERATIONS (\$ Millions)



- Annual growth rates since inception
  - assets: 69%
  - net revenues: 50%
  - funds from operations: 53%
  - net income: 51%

# Industry Relative Performance



# Experienced Team

- Strong corporate governance focus
- Internally managed
- Incentives based on business performance
- Experienced senior leadership team with an average of 23 years of energy industry experience
- Approximately 600 highly skilled personnel

# 2005 Outlook



- **Expect growth to continue**
  - Gathering and Processing
    - ahead of 2004
    - producers active, significant well tie-in activity
    - impact of acquisitions and expansions
  - Energy Services
    - ahead of 2004
    - power pricing and operations improving
  - Natural Gas Distribution
    - flat year over year

# Investment Highlights

- **Demonstrated track record of growth and value creation**
- **Strong fundamentals driven by natural gas**
- **Integrated energy business with a diversified portfolio of assets and services**
- **Very low risk model**
- **Substantial organic and acquisition growth opportunities**
- **Financial strength**
- **Uniquely well positioned to create and enhance unitholder value**



# ALTAGAS

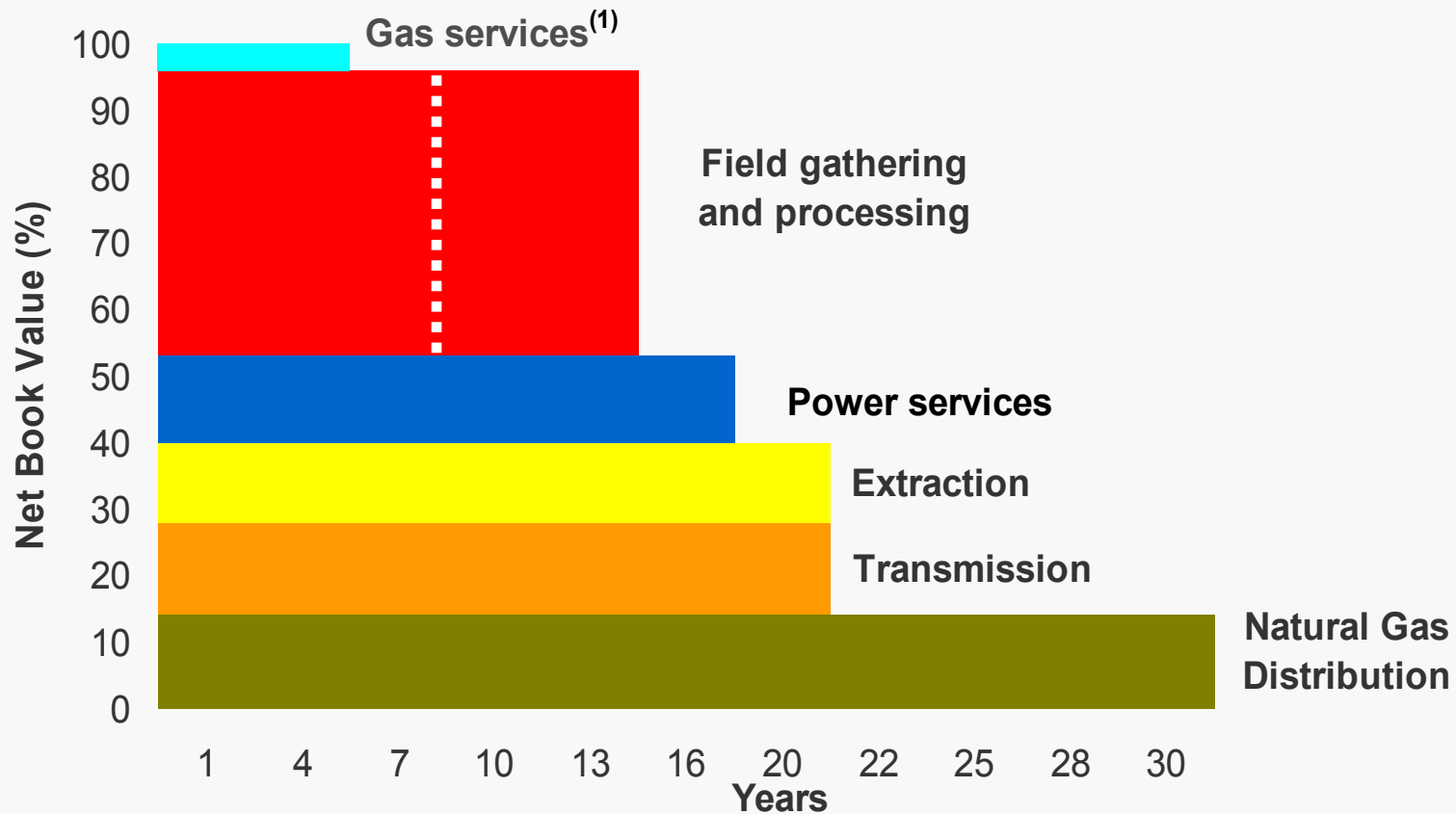
*10 Years of Extraordinary Growth*

*March, 2005*

# Predictable and Stable Cash Flow

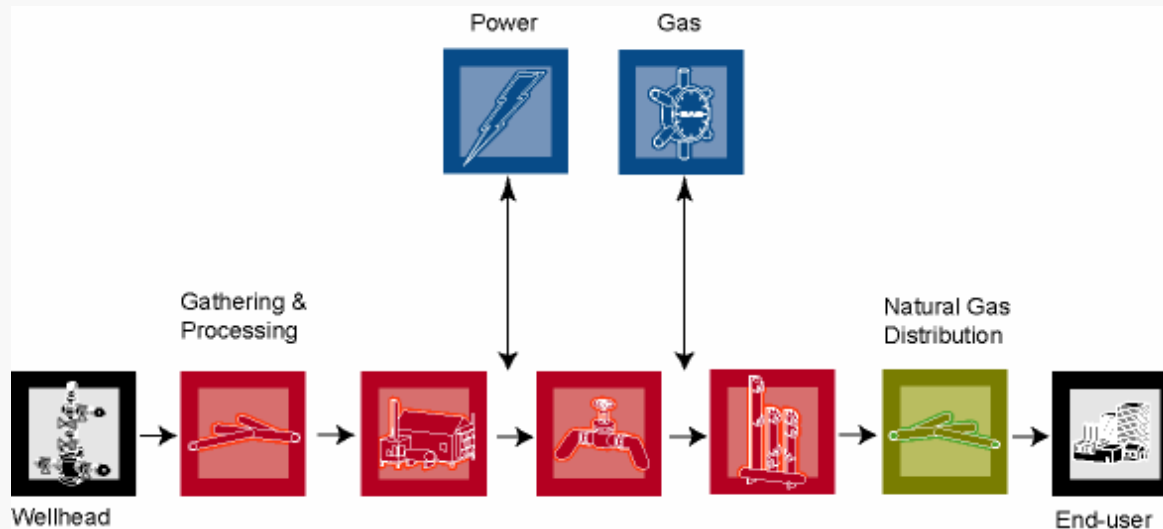


## Cash Flow Horizon - 2004



(1) Gas services includes data for gas services and oil and gas production components

# Midstream Energy Value Chain



## ■ Diversity

- business
- commodity
- geographic location
- revenue source
- contractual terms
- various industry cycles
- cost of service and fee based contracts