

EVENT: ALTAGAS INCOME TRUST - THIRD QUARTER 2005
CONFERENCE CALL & WEBCAST
TIME: 16H00 E.T.
REFERENCE: CNW GROUP - CALGARY
LENGTH: APPROXIMATELY 40 MINUTES
DATE: NOVEMBER 9, 2005

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OPERATOR: Welcome to the AltaGas Third Quarter 2005 Conference Call. At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue up for questions. 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 November 9th at 2:00 p.m. Mountain Time.

I will now turn the conference over to Ms. Debbie Stein, Vice President, Controller. Please go ahead, Ms. Stein.

DEBBIE STEIN (Vice President, Controller): Thank you, Matt. Good afternoon, everyone. I would like this afternoon by welcoming you to our third quarter 2005 conference call, and apologize for the late release of our financial results today.

Joining me today is David Cornhill, Chairman and Chief Executive Officer; Patricia Newson, Senior Vice President and Chief Financial Officer; and Marshal Thompson, Senior Vice President, Gathering and Processing.

Today, David will begin with a few quick comments, followed by Marshal, who will discuss the operational results, and Patricia will follow with a more in-depth discussion of the financial results, and make a few remarks on our outlook for the remainder of 2005 and into 2006, and then turn the call over to David for

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some closing comments. Then David will turn the call over to the Conference Coordinator for your questions.

Before we begin, I would like to remind you that certain information presented today includes forward-looking statements. Such statements reflect the Trust's current views with respect to future events, and are subject to certain risks, uncertainties, and assumptions which could cause actual results to vary materially from those contemplated in the forward-looking statements. 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 reports 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.

David?

DAVID CORNHILL (Chairman and Chief Executive Officer): Thank you, Debbie. Just so that everyone might know, I'm quite sick right now with a bad cold, so Marshal will be doing quite a bit of the talking today, and I will just do a very high-level discussion. I apologize again for being late. Canadian Newswire, we added a couple of edits to the financial statements that took very long to get put in.

They were, I would say, nothing of substance. One was with respect to the federal government's income trust consultation process. The Board felt we

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should have a comment in on that. And the second was that the Board of Directors have requested me to stay on and defer my retirement, and I have agreed to do that. So those were the two edits that delayed us, and took a considerable amount of time to finally get on the wire. So I apologize for the delay, and for you not getting the numbers earlier.

I just want to briefly talk about the quarter and the business. We're quite pleased with the quarter, on an operational basis. I'd like to point out that we did have, as many of you will remember, a Rate Rider C in our past. We had a significant negative adjustment that came in, late in the third quarter, about \$1.5 million that reduced operating income by that much, but you can still see we had strong EBITDA.

We're looking for strong performance in Q4, seeing it being driven by fuel-gathering and processing expansion, well tie-ins, as well as our expansions and turnarounds that we had in Q3 that impacted performance, we'll see in full operation in Q4.

After this conference call, we'll be going back to the Board, meeting to finalize our budget this year, but clearly, we want to give you an indication of what we see in 2006.

We're still targeting single-digit earnings per unit growth, on a reported actual basis. So that gives you a highlight of what we see in 2006.

And I will pass it over to Marshal now. Thank you.

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MARSHAL THOMPSON (Senior Vice President, Gathering and Processing): Thank you, David, and good afternoon, everyone.

Our base business performed well in the quarter, as did the Edmonton Ethane Extraction Plant, which we acquired in August of 2004, and PremStar, acquired in early October 2004.

Strong operational results in the quarter were partially offset by higher costs related to planned facilities turnaround, and higher operating and administrative costs, much of which was due to the costs related to meeting our CEO/CFO certification requirements, as required by the securities regulators.

Energy Services segment operating margin was up 25 percent, quarter over quarter, due to higher prices received for power, while Gathering and Processing segment operating margin was flat, as a result of planned turnarounds and maintenance, which I will discuss shortly.

In our Field Gathering and Processing component, we continued to see significant activity in the quarter, tying in 97 wells, compared to 81 in Q3 04, and 85 last quarter. Year to date, that means that we've tied in a total of 326 wells, down slightly from 334 in the first three quarters of 2004.

We continue to optimize our existing facilities through improvements and upgrades of our gathering systems, and expansions of our existing plant sites.

In the third quarter, we expanded Marten Creek, increasing the capacity of that facility from 35 million a day to 45 million a day.

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The third quarter is traditionally the time we do the majority of our facility maintenance, which we coordinate with producers' maintenance programs when possible. In the third quarter, we incurred about \$800,000 more in repairs than in the same quarter of 2004, primarily due to turnarounds at Rainbow and Sedgewick.

Repairs and maintenance for the quarter resulted in reduced production of approximately 5 million a day, for approximately \$150,000 in operating margin.

Despite the turnarounds and maintenance performed in the quarter, we maintained throughput at our Field Gathering and Processing facilities essentially flat, quarter over quarter and year over year.

In the third quarter and early fourth quarter, AltaGas continued executing its growth strategy by announcing the construction and acquisition of 3 natural gas processing plants, for a total cost of approximately \$30 million, bringing us to our stated goal of \$40 million in internal growth expansions for 2005.

Princess Gas Plant is a sour-gas facility being built near Brooks, Alberta, which will ultimately have 20 million a day in capacity. That plant leverages off our existing operations at Bantry, and expands our presence in the area. Fifteen million a day of that capacity is expected to be in service by the end of the year.

The \$15 million a day sweet gas facility near Clear Prairie in northwest Alberta was announced in early October. This plant expands our operations into northwest Alberta, and will be commissioned in mid-December.

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In early October, we also announced the purchase of the 24-million-a-day Blair Creek sweet gas plant near Fort St. John, British Columbia. The plant, which is our first in B.C., went into service on October 30th. It provides much-needed processing capacities to producers in the area, and gives us access to an area with significant growth potential.

There was a two-week shutdown of the Empress EnCana facility in early July, due to severe weather conditions on June 21st, which we discussed last quarter. As we mentioned then, the operational flexibility at Empress, and contracting arrangements in place, resulted in minimal impact on operating margin in Q3.

The spring floods of 2005 impacted our Porcupine Hills pipeline in two locations: the Willow Creek and the Sheep River crossings. The high water levels changed the river paths, and exposed the pipeline. Repairs were completed in the quarter for a total cost of \$1.15 million, which was recovered through our transportation arrangements.

Now to the Energy Services segment. The Energy Services segment continued to perform well this quarter. In our Power Services component, average price received on the sale of power was up more than \$6.00 per megawatt-hour over the same quarter last year, to \$55.40.

In our Gas Services component, PremStar continues to generate cash flow and earnings in line with expectations, and in the third quarter, we signed up

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new customers that included a national hotel chain, a major Canadian brewery, and a major merchandise retail chain.

Although regulatory changes in the Ontario power market resulted in a decrease of 35 active contracts serving end-use customers at the end of the third quarter, from the second quarter of this year, new contracts mentioned above that were signed in the third quarter are expected to have an overall positive impact on the results for the remainder of 2005 and into 2006.

Finally, we closed the iQ2 acquisition on November 3rd. iQ2 marks our entry into the Alberta retail power market, and enhances our capability to grow our end-use retail energy business across Canada.

I will now turn the discussion over to Patricia Newson, to discuss our financial results in more detail.

PATRICIA NEWSON (Senior Vice President, Finance, and Chief Financial Officer): Thanks, Marshal. I'd rather talk about our new customer, the brewery, right now, but I plan to try and provide a bit of colour around the financial results that we talked about in our third quarter MD&A, and I'll try to not repeat all the numbers that appear in that report, and stay at a fairly high level. You can find the report on our web site, if you have not already received it.

Before I begin, I'd just like to announce that Debbie Stein, who joined AltaGas as Vice President, Corporate Risk, accepted the position of Vice President, Controller at the end of the third quarter. Stephanie Labowka-Poulin,

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our Manager, Investor Relations, continues to report to Debbie. Congratulations, Debbie, on your new role.

Overall, third quarter net income was \$17.2 million, or \$0.32 a unit. This is about on par with net income of \$17.1 million reported for the third quarter of last year. Net income per unit did decline by \$0.01 to \$0.32 a unit as a result of the weighted average number of units outstanding increasing by 3 million units, to 54.2 million units. We have a DRIP program in place, and we have also had significant option exercises over the last year or so.

For the 9 months of 2005, we reported net income of just under \$64 million, or \$1.19 per unit, up 60 percent from the \$40 million, or \$0.83 a unit reported in 2004. This increase in net income is based on consolidated net revenue for the quarter being up 8 percent, to \$65 million.

Year-to-date results, we got a strong performance from our assets, as well as from lower interest expense due to lower debt balances and lower income tax expense from our conversion to an Income Trust in May 2004.

The year-to-date net income included some non-recurring items, the main one being, of course, the \$7.9 million in after-tax gains related to our reduction of our ownership in the Taylor NGL Limited Partnership in the first quarter of this year.

In addition, net income for 2004 includes approximately \$4.4 million in pre-tax costs related to our conversion to an income trust.

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As Marshal discussed, our results in the quarter were impacted by the planned turnarounds in maintenance, as well as CEO/CFO certification compliance costs. To date, expenditures incurred to meet the requirements of CEO/CFO certification have been approximately \$500,000 in consulting fees, and we're expecting our compliance costs for 2005 will reach approximately \$1 million of third-party costs, and we expect that 2006 will have similar third-party costs.

We allocate all of our corporate G&A costs to our business segments, so it's only fair for me to point out that the increases in some of the costs that Marshal and Jim reflect in their operating segments are coming from these higher G&A allocations.

Income tax expense was \$623,000 for the third quarter, resulting in year-to-date income taxes of almost zero. We expect to pay approximately \$3 million in current taxes in 2005, which includes Large Corporations Tax and current taxes for AltaGas Utilities.

Moving on to the segmented financials, net revenue in the G&P segment increased to almost \$45 million in the third quarter of 2005, up from just under \$40 million in the same quarter last year. The increases were due to the addition of the Edmonton Ethane Extraction Plant, higher operating cost recovery in the Field Gathering and Processing component, and for the Porcupine Pipeline. These costs impact both revenue and operating costs, and so do not impact operating margins.

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Operating and admin costs in G&P were up almost \$6 million, related primarily to the fact that EEEP was operational for only one month of the 2004 quarter, and of course, the full 9 months for 2005; and to the planned turnarounds in maintenance in the FG&P component that we have already discussed, as well as the higher administrative costs allocated to the segment.

In the Extraction component, less than 6 percent of third quarter was exposed to frac spreads. These volumes contributed approximately \$900,000 in operating margin, compared to \$1.1 million in the third quarter of 2004. There was a slight decline in the volumes exposed to frac spread from third quarter 2004 volumes, as well as lower frac spreads in 2005. Frac spreads were \$1.10 [correction: \$11.10] a barrel this quarter, compared to \$14.51 a barrel in the third quarter of 2004.

Our Energy Services segment once again showed strong performance in both the Power Services and the Gas Services components. Net revenue in the segment increased by \$4 million to almost \$21 million when compared to the third quarter of 2004. Net revenue in the Power Services component in the quarter was up 8 percent to 15 million, compared to the third quarter of 2004. The increase was mainly due to average power prices received that were 13 percent higher than in Q3 04. This was partially offset by higher transmission costs, and the \$1.5 million charge from the Alberta Electric System Operator to true up on transmission charges.

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This true-up charge was \$2.3 million higher than the true-up credit that we received in the third quarter of 2004. AESO is entitled to recover or refund variances between revenues collected through transmission charges and the expenses that they incur. They calculate this true-up and charge it on a quarterly basis.

I'd now like to spend a few minutes talking about our Natural Gas Distribution spin-off which we believe will enhance unitholder value.

Last week, we successful completed the marketing of AltaGas Utility Group. That's why David's under the weather now -- we've run him into the ground, I think. We did achieve a \$7.50 share price for the new corporation, and we're expecting that it will start trading on the TSX on November 17th. All regulatory approvals have been received and AltaGas Utility Group filed its final prospectus on Friday, November 4th, and with, as I'd mentioned, closing expected on the 17th of November.

As stated in the news release that was issued on the 4th, one AltaGas Utility Group share will be distributed to unitholders for approximately every 14 AltaGas Income Trust units held on November 14th, which is the record date. We had been talking about an exchange ratio, so to speak, of 1 to 7, and I just want to clarify that there will be about 7 times the number of units outstanding, compared to the number of shares outstanding in the corporation, but since we're distributing only half of the shares, in fact, it's 1 to 14 that you will receive, of the new AltaGas Utility Group units, if you are a Trust unitholder.

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The Trust will retain about a 25 percent interest in AltaGas Utility Group. Where we end up exactly depends on how much of the over-allotment option the underwriters exercise. Although we initially said we would not own any of the spin-out company, as we progressed with our analysis through the transaction, it was determined that we would hold an interest in the new corporation.

After the spinout is completed, our ownership interest in Utility Group will be accounted for using the equity method. Our share of Utility Group net income will be shown in the "Other" component, which currently rolls into the Gathering and Processing segment, along with our other equity investments. The investment on the balance sheet will be increased by the same amount, and any dividends received in the future will reduce the carrying value of the investment on the balance sheet.

I will now discuss the quarter's results from a balance sheet and cash flow perspective.

Funds generated from operation increased over \$31 million, which was 9 percent higher than in the third quarter last year. Year to date, funds generated from operations increased \$18 million to almost \$93 million from the first 9 months of 2004. The increases are mainly due to improved business performance.

As you are aware, our medium-term notes issued in 2000 came due in early October. On August 30th, we issued \$100 million of new MTNs, with a coupon of 4.41 percent. These MTNs will expire on September 1st, 2010. Given

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the 287 basis-point difference between the new issuance and the one that matured in early October, interest expense on the \$100 million of term note debt will decrease by about \$2.9 million per year.

At September 30th, 2005, total debt outstanding was \$406 million, up from just under \$360 million at year-end. The increase, of course, largely reflects the fact that we did have two issues of \$100 million MTNs outstanding for a period of 35 days.

Our balance sheet remains strong. At the end of the third quarter, the Trust debt to total cap ratio was 45 percent, up from 44 percent on September 30th, 2004, and from 42.6 percent at the end of 2004, again due to having two sets of MTNs for a period of a few days.

If cash and short-term investments had been used to pay down debt on the last day of the quarter, the total debt outstanding would have been just under \$335 million, and the debt to total cap ratio would have been 40.3 percent.

On completion of the spinout, we expect to reduce the Trust debt by approximately \$85 million, and further reduce our debt to total capitalization ratio to the mid-30s. Based on our new target ratio of 40-45 percent without Natural Gas Distribution in our consolidated balance sheet, AltaGas will have significant balance sheet capacity to pursue its growth strategy.

Third quarter 2005 distributions declared were \$0.47 per unit, or \$25 million, a payout ratio of 84 percent of distributable cash, which we define as consolidated cash from operations before changes in non-cash working capital,

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but after providing for maintenance capital expenditures. For the year to date, our payout ratio is also 84 percent.

Providing a few comments on our capital expenditures to date in 2005, I'd like to point out that in the first 9 months of the year, we have spent approximately \$39 million on capital investment; \$31 million for growth; \$5.4 for maintenance; and \$2.4 million on administrative capital. With the three processing plants we recently announced, we will spend approximately \$40 million for the year on growth capital expenditures.

In the fourth quarter this year, and in 2006, we continue to expect AltaGas to benefit from the expansions and acquisitions undertaken in 2004, and the ongoing expansion activity that we have under way in 2005. We anticipate continued high gas prices and drilling activity through the final quarter of 2005 and into 2006, resulting in many new tie-in opportunities at our existing facilities, and the potential for further new greenfield plant opportunities.

We continue to see excellent growth opportunities in B.C. and in Alberta west of 5 and 6. Record drilling is also occurring west of 4, and we see growth opportunities there, some driven by drilling success in conventional gas and some in coal-bed methane.

Energy Services will close 2005 much ahead of 2004, due to the full-year impact of PremStar and higher prices on hedged power volume. When we purchased the Sundance PPA in 2001, we committed to the Board to take a conservative approach to managing our power portfolio. We hedged a significant

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portion of our portfolio, and in recent months, we have seen some lengthening in the market, and have been able to enter into some hedges for longer terms than we were able to in the past. We continue to expect power and gas prices to remain strong into 2006.

AltaGas will continue to capitalize on significant internal growth opportunities and to pursue acquisition opportunities to build on our strong portfolio of assets across the energy value chain. We maintain a disciplined approach to our growth, using traditional financial metrics and evaluating our growth opportunities, and will grow our asset base in order to deliver stable and predictable distributions to our unitholders. Our target is to grow earnings and distributions per unit in the low double-digit range for both this year and next.

In conclusion, I'd like to brag a little bit about the people at AltaGas. I'm pleased to report that MediaCorp has declared AltaGas to be one of Canada's top 100 employers for the fourth year in a row. In September, the Alberta Venture Magazine declared us the 43rd largest corporation in Canada. And lastly, AltaGas and its Calgary employees are proud to say that they raised more than \$200,000 for the United Way of Calgary and Area, earning AltaGas its 10th Platinum Award for campaign participation.

This concludes my prepared remarks, and I will turn the call over to the Operator. I just do want to point out, though, for anyone wanting to call in management with questions after -- David and I will be rejoining the Board meeting to review our 2006 budget plans, so we won't be available by telephone.

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If you call Debbie Stein or Stephanie Labowka-Poulin, you'll probably get a faster response.

Operator, I'll turn things over now to you for formal questions.

OPERATOR: Thank you. One moment, please. Ladies and gentlemen, we will now conduct the 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 they are received. Please ensure you lift the handset, if you're using a speakerphone, before pressing any keys. One moment, please, for your first question.

Your first question comes from Fai Lee of RBC Capital Markets. Please go ahead.

FAI LEE: Thank you. I just have a question with respect to the net revenue booked for Energy Services this quarter. The average price received looks like it's significantly higher than in the second quarter of this year, but net revenue is only about \$1.1 million higher. And I know that you mentioned that transmission credit adjustment, but is there anything else that would have affected net revenue this quarter? Just based on my estimates, it looks like the difference in the price alone should have contributed about \$4.7 million of additional net revenue.

JIM BRACKEN (Senior Vice President, Energy Services): It's Jim Bracken speaking. The only significant other factor in there was the \$1.5 million charge that we got from AESO. That would offset some of the gains that we got on the power price.

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FAI LEE: Now, did you see any higher... Are there higher costs this quarter, compared to the second quarter?

PATRICIA NEWSON: Jim, do you have--

JIM BRACKEN: No. No, nothing else of any significance.

PATRICIA NEWSON: I think generation costs were up a little bit, Fai -- I think \$1.5-2.0 million, if I remember correctly.

FAI LEE: Okay. Maybe that's it, then.

PATRICIA NEWSON: That might be what it is.

FAI LEE: Thank you.

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

ROBERT CATELLIER: Yes, I'd like to clarify the EPS growth. The guidance you've given as to 2006 EPS growth on a reported basis, you were saying, David -- does that include the gain from Taylor?

DAVID CORNHILL: Yes.

ROBERT CATELLIER: So we include the gain from Taylor as a base on which to compute the 2006--

DAVID CORNHILL: I'm talking single-digit earnings growth. If you want to normalize, it will be clearly in the double-digit.

ROBERT CATELLIER: Right. I just wanted to clarify the base that we compare that off of.

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DAVID CORNHILL: Yes, that's why I said reported, as everyone normalizes differently.

ROBERT CATELLIER: Right. Can you quantify the turnaround costs in the quarter, and would you consider any portion of that to be unusual or non-recurring?

MARSHAL THOMPSON: Well, normally, we incur turnaround costs about once every 3 to 4 years, and in our business, this quarter, we incurred about \$800,000 more than the same time last year.

ROBERT CATELLIER: Just a question of timing -- there's nothing unusual in the nature of the amount spent?

MARSHAL THOMPSON: Not at all. In fact, if you look at our history, we do the majority of our repairs and maintenance, including turnarounds, in the summer months.

ROBERT CATELLIER: Right.

MARSHAL THOMPSON: And as I say, we usually coordinate that with either downstream transmission work, or upstream producer work on the wells.

ROBERT CATELLIER: How would you characterize the progress you're making on moving to more of a cost recovery fee schedule?

MARSHAL THOMPSON: It's working... it's going, really, according to plan. I'd say we're in the high 20 percentage in terms of flowing through our operating costs.

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ROBERT CATELLIER: Okay. Just in terms of the relatively high price of natural gas currently, what impact does that have on your ability to raise the fees, in addition to moving to the cost recovery model?

MARSHAL THOMPSON: For FG&P? Just so I'm clear. Okay. There's an opportunity potentially to move it forward, but generally, the fees are a function of the capital expenditures spent, and a producer always has the option, if it's a new producer coming to your facility, they always have the option to build the facility themselves. So you have to consider that in the context of pricing your product. But having said that, we are looking at a number of different ways of pricing the product, and being more flexible in pricing it, to provide some other services -- interruptible service, moving to firm service, for example, and those kinds of things. It's certainly a focus, as we go forward in 2006.

ROBERT CATELLIER: Okay. Could you break out the operating income for each of the transmission and extraction components?

PATRICIA NEWSON: We don't normally go down that far in the income statement by component, Rob.

ROBERT CATELLIER: Okay. Just on the Energy Services, to what degree are you hedged for 2006? Sounds like the market's deepening. What progress have you made towards your 2006 goal of hedging your power book? Are you 50 percent there, or some other figure more reliable?

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PATRICIA NEWSON: We're on track with our normal hedging policy, Rob, and as you know, we don't normally give exact status or targets, because it's a very small competitive marketplace here in Alberta.

ROBERT CATELLIER: So you can't even quantify it in quartiles, if you're a quarter there... 50 percent?

PATRICIA NEWSON: No. We plan on entering a calendar year substantially hedged, and when we bought the PPA, we had suggested to our Board that probably 2/3 would be a reasonable amount, and we're not too far off.

ROBERT CATELLIER: Okay, thank you.

PATRICIA NEWSON: Now, obviously, we're sitting here and 6 weeks from year-end, we think we're on target.

ROBERT CATELLIER: Okay. And can I assume all the income tax expense in the quarter relates to the Natural Gas Distribution business?

PATRICIA NEWSON: The current income tax expense you see is either Natural Gas Distribution income tax, or Large Corporations Tax.

ROBERT CATELLIER: So small amounts for the LCT?

PATRICIA NEWSON: By the end of the year, it would be about \$2 million for the Large---... pardon me, about \$3 million for Large Corporations Tax, depending on capital growth, and \$2 million or so... What are we at? Actually, I think we're expecting to spend \$4 million in total for the year. So probably 50/50, Rob, would be a safe bet.

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ROBERT CATELLIER: Okay. And just to expand on your retirement plans, David, how long do you plan on deferring those plans? And I guess, related to that, what are your plans for recruiting additional bench strength at the senior executive level?

DAVID CORNHILL: I thought you were going to ask how long I plan to be retired. Once I get over the cold, I'll consider that. In discussion with the Board, we've just agreed to defer it, and there's no set timeline at all. And I haven't expressed anything other than I have deferred my planned '06 retirement.

There are a number of things that I'd still like to see AltaGas accomplish, over the next couple of years, so that's kind of where we're at. No different than anyone else, at this point. There's no set date or plan.

With respect to bench strength, I don't think we need to recruit additional bench strength, looking at the capability that we have at the operating level, and the financial level. I think that there's no lacking of bench strength there. Clearly, as Patricia spends more of her time as CEO of the AUGI, there will be a need to replace that void, because at the end of the day, there's only so many hours, and the shareholders of AUGI will expect her to put them first, as they should. So that will be something that, clearly, we've been in discussion with, but that is for a future event.

ROBERT CATELLIER: Okay. Finally, what degree of clarity would you need from the federal government's consultation process before you consider changing your distribution policy? Specifically, I'd like you to address the

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likelihood of a distribution increase if there was merely a change in government, as opposed to finalization of the consultation process.

DAVID CORNHILL: I'll take that loaded question. Yes, if they started to tax trusts, which would then result in cash leaving the trusts before it gets distributed to the unitholders, that would have an impact directly. So I can't really say. It depends on what tax load they may apply, and whether or not the tax credits also flow to the trust holders.

So it's impossible for me to say. I'd clearly say that, looking at where we are on distributable cash, and our cash flow from operations, we have lots of room. So, clearly, we've targeted that for growth, and to grow our business. So we're not at the edge, and we could withstand some tax without changing our distribution policy. Whether or not we do that as prudent is another question, but clearly, we have the capability, when we're only at 80 percent per se of distributable cash, and operating cash flow around 75 percent -- and those are round numbers. And I know that I'm not totally clear today, so those numbers may be slightly wrong. And I can't remember the rest of your question, Rob.

ROBERT CATELLIER: Well, the question wasn't about your ability to withstand any sort of tax impact. I think you are in a better position than most. The question is, what happens if we're left in that sort of middle ground, where there's no real finality, or maybe a perceived lack of finality and certainty on the ultimate measures that might be taken, because of the fact that there might be an election, or other events?

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DAVID CORNHILL: Well, I think that... I guess I'll make the assumption that any impact on trusts will be a go-forward, rather than retroactive. So it would have no impact on if we determine at some point to increase our distributions, under a period, still, of uncertainty. If the Board decided that was prudent, based on our growth profile, and what we see, based on the current tax regime, we would then make those changes, and react to the tax changes when they occurred.

ROBERT CATELLIER: Okay. Thank you.

OPERATOR: Your next question comes from Chris Bolton of BMO Nesbitt Burns. Please go ahead.

CHRIS BOLTON: Hi. I was wondering about the Genesee power contract, and your intention to renew that -- do you have any thoughts on if that's possible, when that comes up in March of next year?

JIM BRACKEN: It's Jim Bracken speaking. The Genesee contract, as you know, does expire in March of next year. We are looking at a couple of different ways to increase our capacity again to replace that, either replace it or actually go some additional volumes beyond that. As you know, there are some auction processes in Alberta...

CHRIS BOLTON: Right.

JIM BRACKEN: ... one of which is currently under way, and another one that we would expect in the spring. So those are some options for us. But in the

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meantime, even absent replacing Genesee, our earnings in '06 for power will be significantly higher than they have been in the past.

CHRIS BOLTON: Okay. And secondly, the spinout of AUGI, is there a reason why you decided to change and hold 23-27 percent now, versus getting rid of all of it?

PATRICIA NEWSON: When we analyzed shareholders, our U.S. holdings, and realized the impact of withholding taxes, and also talked to a number of our Trust unitholders, to get a better idea of what their propensity was to hold or transfer into other funds, we just decided that it would be prudent for the Trust to hold some for a period of time, at least, to support and get more stability in the after-market. And the other quite frank perspective is that we think it will be a good investment for the Trust and its unitholders, over the long haul. So we have plans to continue to hold, maybe a little bit like David's retirement -- we have no plans to not continue to hold.

CHRIS BOLTON: All right, good. Thank you.

PATRICIA NEWSON: Thank you.

OPERATOR: Your next question is a follow-up question from Fai Lee of RBC Capital Markets. Please go ahead.

FAI LEE: Thanks. Patricia, with respect to those higher generation costs that you saw in the third quarter, are they expected to persist, going forward?

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PATRICIA NEWSON: I'll defer to Jim, in terms of their nature. I think we've mentioned them in the quarterly report, and quite honestly, I can't recall whether they were one-time or general increases. Jim?

JIM BRACKEN: I don't think they are something that will go forward. They are generation-related costs. I was checking my notes, since you raised this question. But no, we don't see those having negative effects on margins, going forward.

FAI LEE: Okay. And in terms of the transmission adjustments, my perception seems that they seem to come out of nowhere, and I'm just wondering if there's any way to predict these adjustments, going forward.

PATRICIA NEWSON: Our perception is very similar to yours, Fai.

JIM BRACKEN: It is a deferral account mechanism that the AESO has. It's sort of a rolling true-up, so they're basically adjusting for year-to-date expenses as well as projections through to the end of the year. There are a couple of reasons why that will become much more stable for us next year. One is that, currently, the mechanism adjusts to try to achieve a zero balance at the end of each quarter. Next year, they're shifting to a different methodology which will try to achieve a zero balance by the end of the year. So the quarterly adjustments will be much less significant.

Another factor is that, within those adjustments, we have the transmission costs, the costs that the AESO pays to the wire companies. Those costs are

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shifting next year, such that those will be the responsibility of load rather than generators. So we won't be exposed to that, or the variability around it.

So, I think, going forward, these things will be much more stable, and hopefully, the AESO will become more adept at forecasting.

FAI LEE: Okay, great. 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. Ms. Stein, there are no further questions at this time. Please continue.

DEBBIE STEIN: Thanks, Matt. Thank you for joining our call today, and if you have any questions, Stephanie and I will be available. Thank you.

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

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