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OPERATOR: Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to the AltaGas First 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 May 11, 2005, at 2:30 p.m. Mountain time.

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

DEBBIE STEIN (Vice President, Corporate Risk): Thank you, Mark. Good afternoon, everyone. We would like to welcome you to our first quarter 2005 conference call. Joining me today is David Cornhill, Chairman and Chief Executive Officer, and Patricia Newson, Senior Vice President and Chief Financial Officer.

David will begin by providing an overview of the financial and operational results, and Patricia will follow with a more in-depth discussion of the quarterly results. David will conclude with a few remarks on our outlook for 2005, and will then turn the call over to the Conference Coordinator for your questions.

Before I 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 the 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 environment issues, weather and economic conditions, competition and financing availability. For additional information on these and other factors, see the 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.

I will now turn the call over to David.

DAVID CORNHILL (Chairman and Chief Executive Officer): Thank you, and good afternoon, everyone. I apologize for the late hour, to the people in Eastern Canada. We had a very long Board agenda, and I wanted to make sure I made the conference call.

We are pleased to report our second-strongest quarter in our history. We reported net income for the first quarter of 2005 of $27.6 million, or $0.52 per unit, an increase of 150 percent, from $11 million, or $0.24 per unit, reported for the same quarter of last year.

The increase included a pre-tax gain of $4.8 million on the sale of 1.4 million units of Taylor NGL Limited Partnership, and a $4.4 million dilution gain resulting from the Taylor's equity issuance, which we did not participate in.

Excluding the one-time after-tax gain of $7.9 million related to Taylor, our financial performance was strong, with net income for the first quarter of 2005 of $19.7 million, or $0.37 per unit, an increase of 54 percent over the same quarter in 2004. This increase was primarily due to our acquisitions in the latter half of 2004, that being the Edmonton ethane extraction plant (EEEP), and PremStar, both of which are performing as expected in the quarter; as well as lower income tax expense due to our conversion to an income trust in May 2004.

The increases were partially offset by higher operating and administrative expense resulting from our acquisitions, as well as lower prices received for unhedged power volumes sold in the first quarter of 2005.

In addition to our incremental contributions from our acquisitions, all of our business segments delivered strong results in the quarter.

In our field gathering and processing component we continued our program of internal expansions by installing additional compression to increase processing capacity in four of our facilities, and recently committed over $7 million to do this. The volume increases from these expansions were offset by the sale of the majority of AltaGas' Winefred assets, where production had been reduced by the AEUB decision on gas over bitumen issue.

Well tie-ins were strong, with 139 completed in the first quarter of 2005, compared to 155 in the first quarter of 2004. The increase in throughput volumes was offset by temporary third-party volume restrictions and the sale of the majority of our assets in the Winefred area, which were identified as being non-core to our operations. While the disposition had a small income statement impact, approximately $18,000, the sale provided approximately $4.8 million in proceeds that we are able to redeploy and grow our asset base. As well, the sale will result in a positive income statement impact, going forward.

Throughput at our field gathering and processing facilities declined slightly as a result of cold-weather-related downtime in January, and a short turnaround for routine maintenance at the Bantry facility.

In the extraction component, average daily production more than doubled to approximately 21,000 barrels per day in the first quarter of 2005, compared to 10,000 barrels per day for the same period last year, due to the EEEP acquisition.

In the Energy Services segment, PremStar's financial performance was in line with our expectations when we made the acquisition last year, and the majority of the revenues earned by PremStar are based on fees earned for energy delivered.

The power services component performed well, with higher power prices received on our hedged volumes and fewer outage days in the first quarter of 2005 compared to the same period last year, which was partially offset by lower pool prices received on unhedged volumes.

I'd like to now turn the discussion over to Patricia Newson to discuss our quarterly results in more detail.

PATRICIA NEWSON (Senior Vice President Finance and Chief Financial Officer): Thanks, David, and good afternoon, everyone.

As David highlighted we had another strong quarter here at AltaGas. On a consolidated basis, our net income for the three months ended March 31, 2005, was $27.6 million, compared to $11.0 million for the same period last year. As David referred to, on February 7, 2005, we sold 1.4 million units of Taylor, reducing our ownership interest to 4.0 million units, or about 14 percent. The sale of the units resulted in a pre-tax gain of $4.8 million, or approximately $3.5 million after tax.

On March 22 this year, Taylor offered partnership units for sale in a public offering, in which AltaGas did not participate, resulting in a reduction in our ownership interest in Taylor to approximately 10 percent. This reduction resulted in a dilution gain of $4.4 million.

Excluding these one-time gains related to our investment in Taylor, the increase in net income that we experienced this quarter was due to increased net income from operations of $4.4 million and $4.3 million in lower taxes as a result of our conversion to a Trust in May of last year.

Tax expense for the first quarter of '05 included the current tax expense for AltaGas Utilities of $1.1 million, and Large Corporations Tax of about $300,000. Earnings in the subsidiaries within the Trust structure are generally shielded by inter-corporate interests and available tax pools, other than that of AltaGas Utilities.

Consolidated net revenue, excluding the pre-tax gains associated with our Taylor investment, was $68.8 million or an increase of $11.6 million over last year. This is a 20 percent increase over the first quarter of 2004.

EBITDA for the first quarter of 2005 is $46.3 million, as compared to $31.2 million in the first quarter of 2004.

I'll now discuss the contribution from each of our segments.

In the first quarter of 2005, the operating income in the G&P segment included the $9.2 million in pre-tax gains recorded as a result of the sale of the Taylor units and the dilution gain resulting from the reduction in our ownership interest at the time of Taylor's equity issuance.

Excluding the gains resulting from the reduction in our ownership interest in Taylor, the G&P segment net revenue increased to $44.6 million in the first quarter of '05, compared to $37.8 million in the same quarter last year.

Net revenue in the field gathering and processing component was $29.9 million for the first quarter of 2005, an increase of 13 percent from the same period in 2004. This net revenue increase was mainly due to increased processing fees and higher operating cost recovery revenue in the component.

The increase in net revenue was offset by higher repairs and maintenance costs as a result of the scheduling of these expenses in the first quarter of '05, compared to the same quarter in 2004, as well as higher administrative costs related to growth in the segment.

Extraction net revenue increased 104 percent, to $7.2 million, compared to $3.5 million in the first quarter of 2004. This higher net revenue and operating income in the extraction component were due to higher volumes processed due to the acquisition of our 48 2/3 percent of EEEP in August of last year.

In the first quarter of 2005 approximately six percent of the production from the extraction component was exposed to fractionation spreads, contributing approximately $1.2 million in net revenue compared to 15 percent in the first quarter of 2004 when the contribution was about $900,000. Frac spreads in the first quarter this year averaged $10.24 per barrel compared to $7.02 per barrel for the same period last year.

Operating margin in our transmission component for the first quarter of 2005 was the same as first quarter 2004. Revenues in this component are based on take-or-pay or cost-of-service type fee structures and actual volumes transported generally do not impact revenues or operating income.

Our Energy Services segment showed strong performance in both the power services and the gas services components in the first quarter of 2005. Net revenue was $16.5 million compared to $9.8 million for the first quarter of 2004. The power services component generated higher net revenue as we received higher prices on our hedged volumes. We also had fewer outage days in the first quarter of 2005 compared to the same period last year, which was partially offset by lower power pool prices received this quarter on unhedged volumes. And of course, there are less days in the quarter this year, because we had a leap year in 2004.

The gas services component contributed net revenue of $4.1 million for the first quarter of 2005, compared to $400,000 in the same quarter in 2004. As David mentioned, this increase was due to the fees earned by the PremStar business for their energy and procurement services business. The increase in net revenue from PremStar was partially offset by G&A costs of approximately $2 million.

In the Natural Gas Distribution segment, first quarter net revenue increased 21 percent to $11.8 million, compared with the same period in 2004, as a result of anticipated rate increases partially being offset by warmer weather in the AUI operating areas in the first quarter of 2005.

Also, in the first quarter of 2004, there was a charge to net income of about $0.5 million, as a result of a regulatory adjustment related to 2003 business.

The Trust had a strong quarter from a cash flow perspective as well. Funds generated from operations for the first quarter of 2005 were $31.3 million, or $9.0 million higher than the same period last year due to higher net income and lower income tax payments.

I would like to point out that funds generated from operations is based on cash from operations before working capital changes and is not impacted by investing activities. The proceeds of disposition of $12.8 million received for the sale of 1.4 million units of Taylor on February 7, 2005 is appropriately reported as an investing activity, and further contributed to our liquidity for the quarter.

Distributable cash for the three month period ending March 31, 2005 was $29.7 million, compared to $20.8 million for the three month period ending March 31, 2004. Distributable cash is based on cash from operations net of the change in non-cash working capital and maintenance capital expenditures. It is not impacted by any changes to cash resulting from investing or financing activities, and hence, distributable cash does not include the $12.8 million in proceeds from the sale of the Taylor units.

First quarter 2005 distributions declared were $0.45 per unit, or $24.1 million, a payout ratio of 81 percent of distributable cash, which we define as consolidated funds generated from operations before changes in non-cash working capital and after providing for maintenance capital expenditures.

Distributions are determined giving consideration to the ongoing sustainable distributable cash flow as impacted by the consolidated net income, maintenance and growth capital requirements and the debt repayment requirements of the Trust.

Our balance sheet remained strong, with a total debt to capitalization ratio of 41.1 percent as at March 31, 2005, down from 42.6 percent at December 31, 2004, and down from the 51.5 percent reported as at March 31, 2004.

During the first quarter 2005, we were able to reduce our operating loans with strong funds generated from operations as well as the proceeds received on the sale of assets. At March 31, 2005, total debt outstanding was $345.7 million, down $13.8 million from our year-end balance of $359.5 million.

Based on our target debt to capitalization ratio of between 45 and 50 percent, AltaGas has significant balance sheet capacity to pursue its growth strategy.

During the first quarter of 2005, we continued to invest in AltaGas' future, with $6 million spent on growing and maintaining our portfolio of assets. We spent $3.9 million for growth capital which included facility expansions in the Gathering and Processing, and Natural Gas Distribution segments. We also spent $1.4 million for maintenance capital and $700,000 for administrative capital.

On April 29, 2005, AltaGas filed a Universal Shelf Prospectus with the Canadian Securities Commission under which we may issue, over the next 25 months, up to an aggregate of $500 million of trust units and debt securities. This filing provides AltaGas with the flexibility to raise funds quickly to meet our needs for additional financing in the future.

On April 5 of this year, S&P revised its outlook on the Trust to "stable", from "negative," and reaffirmed its BBB- long-term corporate credit and senior unsecured debt ratings. S&P said that the ratings reflect the improvement in the Trust's financial profile from reduced leverage through the June 2004 equity issuance, and subsequent higher funds from operations. Consequently, our cash flow protection measures improved.

On May 3, 2005, DBRS assigned an issuer rating to the Trust of BBB (low), with a stable trend, and confirmed the Medium-Term Notes rating of AltaGas Operating Partnership at BBB (low), with a stable trend. DBRS said that their ratings are supported by the continued strong financial and operating results since the conversion to an income trust, in addition to the minimal changes in the Trust's fundamental characteristics and the Trust's continued demonstration of its ability to manage the various risks associated with acquiring and integrating new businesses.

David, will now discuss the outlook for the remainder of 2005.

DAVID CORNHILL: Thank you. Over the remainder of 2005 we expect AltaGas to continue to benefit from the acquisitions undertaken in 2004 and ongoing expansion activity in 2005.

In the Gathering and Processing segment we expect continued strong drilling activity resulting in significant well tie-in activity and opportunities for further internal expansions.

During the first quarter of 2005 AltaGas participated with another producer in the construction of a large gathering line near the Rainbow Lake plant which is expected to result in increased volumes processed and improved financial performance at the facility.

We are still on track for investing over $40 million in internal expansion opportunities in 2005.

Energy Services is also expected to be ahead of 2004 as a result of the full-year impact of the addition of PremStar and the additional 25 megawatts of power peaking capacity acquired in September 2004.

Favorable pricing on hedged power volumes and reduced cost of power are also expected to have a positive impact on power results this year.

Financial results in the Natural Gas Distribution segment are expected to be relatively flat. AltaGas continues to pursue expansion opportunities in the Heritage Gas Ltd. franchise but the impact on the financial results of AltaGas will not be evident until later years.

On the acquisition front, we continue to pursue acquisition opportunities, but we will do so only if they meet our investment criteria, of being net income and return on equity accretive.

We continue to capitalize on significant internal growth opportunities and pursue acquisition opportunities to continue to build on our strong portfolio of assets across the energy value chain.

We will continue to pursue our disciplined approach to pursuing acquisitions and organic growth to continue to enhance shareholder value.

We maintain a conservative payout ratio and manage our balance sheet to ensure we can continue to grow our asset portfolio and deliver stable and sustainable distributions to our unitholders.

I'd like to now turn the call over to the Operator and open the call for your questions. Thank you.

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 the keys. One moment, please, for your first question.

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

FAI LEE: Thanks. David, I was just wondering if you could maybe elaborate a bit more on your Shelf Prospectus, and I guess, in terms of the amount of your shelf, the $500 million, if there's anything that we can read into that, in terms of acquisitions, as well as required flexibility in terms of your ability to raise the funds quickly, if you can sort of talk about that as well. Thanks.

DAVID CORNHILL: I'll try. There's nothing magical about the number -- it was a nice, round number. We think it's fitting for a Trust of our size to have that flexibility for both debt, refinancing of long-term debt, as well as new equity issuance. In terms of the timelines, it gives us the ability to reduce the normal time by about 50 percent, my understanding, in issuing equity going forward. It gives us more flexibility in the marketplace on financing acquisitions.

FAI LEE: And I guess, in terms of a more specific question, EnCana is obviously interested in selling, I guess, its straddle plants, and I'm just wondering if you have any sort of interest in those type of assets, where... I'm not sure what the risk profile or how that would fit in with your current strategy.

DAVID CORNHILL: We've consistently looked at extraction facilities in the last 2 years; have added the JEEP facility as well as the Edmonton ethane, so it's an important part of our business that we know and know how to operate. So the extraction business is a growth business for us.

FAI LEE: Okay, thank you.

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

ROBERT CATELLIER: Hi. I'm wondering if you could detail your capital spending plan of $40 million, specifically whether or not that's gross or net of both the Taylor disposition and the Winefred asset disposition. And also, if you could break out the amount of that spending specifically related to Natural Gas Distribution.

DAVID CORNHILL: With respect to the $40 million, those are primarily, I believe, focused on the Gathering and Processing segment, excluding the Natural Gas Distribution segment.

ROBERT CATELLIER: So the Natural Gas Distribution is on top of that?

DAVID CORNHILL: On top of that. And those numbers are gross; they're not net, for dispositions.

ROBERT CATELLIER: Okay. With respect to the gathering line near Rainbow Lake, can you give me a sense of the amount of money that's been committed to that project, and what volume outlook you have for that expenditure?

DAVID CORNHILL: It's a couple of million dollars. Due to the location of Rainbow, to optimize that, totally optimize that, will not happen until late this year, until, we need to say, freeze-up. We're just coming into spring, and snow yesterday. But when winter comes, we need to do a little expansion to realize the total value there, and it could be in the 30 percent increase in volumes at the Rainbow Lake facility.

ROBERT CATELLIER: And what base is that off of? I can't remember the current--

DAVID CORNHILL: About 30 million a day... 32.

ROBERT CATELLIER: Okay. I'd like to dig into PremStar a little bit more. You allude to the excellent customer retention at that acquisition. I was wondering if you had a specific figure, and also if you can comment on the renewal rates, whether or not there's been any change in the economics there. And I'd further like to know about whether or not there's been any customer growth since it's come under your ownership.

DAVID CORNHILL: The renewal rate is running around 95 percent, from information I've seen, and that there have been new business opportunities. I can't give you, off the top of my head, a customer count, whether it's grown. But I can tell you they are meeting all their targets, and have a substantial portion of 2006 and 2007 already booked. So it's in very good shape, for long-term stable and growing EBITDA.

ROBERT CATELLIER: Can you characterize the outlook for the Power book for 2006?

DAVID CORNHILL: Current indicative pricing for 2006 is around $55, so I would say a reasonable book in 2006, at this point, would be in the $50-plus range.

ROBERT CATELLIER: When you say "indicative", is it... Have you not had a chance to book any hedges at this point for '06?

DAVID CORNHILL: I didn't say that. I just said the indicative price, going forward in the marketplace.

ROBERT CATELLIER: Right, okay. Thank you. And just finally, how much of the $40 million of your capital spending, your growth spending, has been identified... In other words, how many identified projects do you have?

DAVID CORNHILL: Right now, in terms of identified projects, we have a multiple of the capital, but when we risk adjust those, not all of them will happen. So we feel very comfortable that we'll go over the $40 million mark.

ROBERT CATELLIER: Terrific. Thank you.

OPERATOR: Your next question comes from Fai Lee of RBC Capital Markets Please go ahead.

FAI LEE: Hi. David, I was just wondering if I could just follow up on Robert's question about outlook for Power next year. If I understand correctly, the Genesee contracts expires, I guess, in the second quarter, and I'm just wondering what sort of impact you expect from that contract expiring at this point.

DAVID CORNHILL: It will have a modest impact. It is our highest-cost power source. So it will have a modest impact on our Power business in 2006. From preliminary numbers, though, there will be opportunities to increase our power purchases next year, as well as looking at a stronger overall power price next year. So we're bullish on 2006 for the Power business.

FAI LEE: Now, when you say "increase your power purchases," are you talking new opportunities?

DAVID CORNHILL: There were a number of other similar type map 1 and 2 auctions, ... which will be coming up in 2006, late 2005, 3-year terms, that will become available, that maybe we may have the opportunity to replace our Genesee with.

FAI LEE: And what type of power? Is this coal-fired, is this gas-fired, probably?

DAVID CORNHILL: It's coal.

FAY LEE: Is it coal?

DAVID CORNHILL: Coal.

FAY LEE: Okay.

DAVID CORNHILL: Base load power.

FAY LEE: Great, thank you.

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

ROBERT CATELLIER: One last question. I just wanted to follow up on your comment with respect to moderating costs for the power. Can you elaborate on the nature of that moderating cost?

DAVID CORNHILL: Some of the costs, as we have anticipated in the power... our cost structure of operations, are lower than we had originally forecast them coming in at. So you're seeing improved performance there.

ROBERT CATELLIER: So that's operating costs and not coming from the generator?

DAVID CORNHILL: That's right. And from transmission.

ROBERT CATELLIER: Oh, okay. Thank you.

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

CHRIS BOLTON: Hi. I was wondering if you could comment a little bit about the seasonality of PremStar, the marketing business. Is it pretty flat, across the year? Is it somewhat cyclical... or seasonal?

DAVID CORNHILL: It's generally flat over the year. I guess the only seasonality is gas years. The business starts in November 1.

CHRIS BOLTON: Okay.

DAVID CORNHILL: New business usually starts November 1, rather than in the summertime.

CHRIS BOLTON: All right, that's great. Thank you.

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 the keys. Ms. Stein, there are no further questions at this time. Please continue.

DEBBIE STEIN: Thank you. Mark. And thank you, everyone, for joining us today. If you have any further questions, please don't hesitate to call, and have a good evening. 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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