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LENGTH: APPROXIMATELY 48 MINUTES
DATE: MARCH 1, 2006

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OPERATOR: Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to the AltaGas fourth quarter and annual 2005 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. 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 March 1st at 2:00 p.m. mountain time and will now turn the conference over to Ms. Debbie Stein, Vice-President and Controller. Please go ahead, Ms. Stein.

DEBBIE STEIN (Vice President, Controller, AltaGas Income Trust): Thanks, John. Good afternoon, everyone. We'd like to welcome you to AltaGas's fourth quarter 2005 conference call.

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

David will begin with a few remarks on the fourth quarter and 2005, followed by Marshal, who will discuss some details related to the operational results. Patricia will follow with a more in-depth discussion of some of the drivers of the financial results, and then we'll turn the call over to David for some closing comments and then proceed on to our question-and-answer period where David, Patricia, Marshal and Jim will be available to answer 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

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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, President and Chief Executive Officer, AltaGas Income Trust): Thank you and good afternoon, everyone, and thank you for joining us.

2005 was another record year for AltaGas. As we grew earnings for the twelfth consecutive year, net income increased by 37 per cent to over $90 million and net income per unit went up 26 per cent to $1.67 per unit. The different growth rates are a result of there being an average, almost 5 million more units outstanding in 2005 than 2004.

The total unitholder return for the year was more than 31 per cent as a result of almost $5 in unit price appreciation, $1.84 in cash distributions received during the year, as well as $0.54 per unit of value from the AltaGas Utility Group's share distribution in November.

In August 2005, the board of directors increased the monthly distribution by 7 percent to $0.16 per unit, or $1.92 per unit per year.

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As I've said before, we believe earnings growth must remain ahead of distribution growth to ensure that we maintain unitholder equity and the ability to sustain distributions over the long term. We maintain our financial flexibility to respond to growth opportunities.

As we announced in our news release earlier today, the board approved a 3-per-cent increase in distributions effective for the April 17th payment. AltaGas will now distribute $0.165 per unit, per month which will result in an annualised distribution of $1.98 per unit, per year. That's not easy to say.

The board felt that AltaGas' overall strength, in addition to the expected performance of our base business in 2006, supported the increase. The board will review again at its traditional time in August, taking into account the facts in place at that time.

I would like now to spend a few minutes discussing what happened in our business during 2005. Our field gathering and processing capacity grew by 49 Mmcf/d in 2005 and by another 35 Mmcf/d early in 2006 as two of the projects we announced in the fourth quarter went into service. We plan to continue to grow this segment by using a three-pronged approach – by expanding in existing areas such as the expansion of our Marten Creek facility, by extending into areas adjacent to existing facilities, such as our Princess plant in Southern Alberta, and by moving into new areas with projects like the Clear Prairie gas plant in Northwest Alberta and the Blair Creek gas plant, AltaGas' first gas plant in British Columbia. In 2006, we expect to spend more than $40 million on these type of projects.

Owning the Edmonton Ethane Extraction plant for a full year added to 2005 Extraction and Transmission results. Extraction volume increased by 44 per cent to over

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19,000 barrels per day. The magnitude of our volume increase was somewhat muted by a three-week shutdown due to severe weather we experienced in June and to the re-injection of volumes due to unfavourable frac spread in the fourth quarter. Due to operational flexibility and contractual arrangements in place, the majority of this decrease in volumes did not impact our operating margins.

Our Energy Services segment results included a full year of PremStar compared to a part year in 2004. The business also grew in 2005 by the addition of new customers as well as the acquisition of assets and liabilities of iQ2 Power in early November, which added electricity and gas management services to end-use customers in Alberta.

Our Power Generation results increased as a result of strong pricing. Gas-fired peaking plants also added to earnings in 2005.

In the power generation segment, fourth quarter net income [note: should be net revenue] was up by $5 million, or 38 per cent as a result of the average price received increasing by almost $15 per megawatt-hour, to $65 from $50 per megawatt in the fourth quarter of 2004.

The impact of the increase in price received was somewhat offset by the increased transmission costs, a significant portion which is tied to the average Alberta Power Pool price. In the fourth quarter, average price was over $116 per megawatt, tracking high natural gas prices.

The Alberta Electrical System Operator true-up adjustment also impacted transmission costs in the fourth quarter as it was a $1.3 million charge compared to a refund of $400,000 in the fourth quarter of ‘04.

Beginning January 1, 2006 a change in the transmission tariff resulting from government regulations is expected to reduce transmission costs.

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We spun out the Natural Gas Distribution segment in the fourth quarter of 2005. The fourth quarter results usually are the second highest quarter in the natural gas distribution business due to the seasonal nature.

Patricia will discuss the impact of the spin-out on the fourth quarter in more detail.

Please note that since the Utility Group has not yet released their results, we will focus on the impact of the Trust rather than the Utility Group results.

With that, I will now turn the call over to Marshal.

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

I'll provide some detail around the drivers that impacted the Field Gathering and Processing and Extraction and Transmission segments' results in the fourth quarter.

As David already mentioned, our field gathering and processing capacity expanded by 49 million cubic feet per day in 2005, most of it in the fourth quarter.

The capacity increases included the 14 million cubic feet per day expansion of Windfall that went into service in late June, the 31 million cubic feet per day expansion of Marten Creek that was completed October 1st, as well as the 24 million cubic feet per day Blair Creek plant acquisition which began to process gas October 30th.

These increases in capacity were offset slightly by the redeployment and sale of assets from the Winefred facility early in the year.

As a result of the additional capacity and having no major turnarounds in the fourth quarter, average throughout increased by an average of 15 million cubic feet per day compared to the fourth quarter of 2004 when we had a large turnaround at our Rainbow Lake facility.

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In the last couple of years we have seen a trend towards increasing operating costs. As we've discussed previously, AltaGas has been moving towards recovery of more operating costs in our Field Gathering and Processing business and by the end of 2005 approximately 32 per cent of our throughput included some type of operating cost recovery. This shows up as an increase in both our net revenue and our operating and administrative expenses.

We also saw an increase in processing fees in the fourth quarter of 2004 compared to the fourth quarter 2004.

The FG&P and Extraction and Transmission segments incurred $800,000 more in power costs in the fourth quarter of '05 compared to the fourth quarter of '04 and $1.6 million more year over year as a result of the increased power usage and higher average Power Pool prices. These numbers are net of cost recoveries since the vast majority of these power costs flow through the customers.

On a segment basis, we hedge almost all of our power needs. However, we are subject to variability in these costs when actual power usage differs from the hedged amount.

Fourth quarter and year also saw other higher operating costs, some of which will be recovered from the customers in 2006.

Repair and maintenance costs increased by approximately $700,000 in the fourth quarter of 2005 as compared to the same time in 2004. Scheduled maintenance at Thornbury, Cold Lake, Alder Flats and Ante Creek were partially offset by the reduced costs we experienced in 04 at Rainbow Lake.

In our extraction business, the majority of production is not exposed to commodity prices and provides AltaGas with stable cash flows. AltaGas does have a

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limited amount of total extraction volumes that are exposed to frac spread. In the fourth quarter the number was about 5 per cent. These volumes contributed approximately $600,000 in net revenue compared to $1.7 million in the fourth quarter of 2004 based on a similar percent of volumes exposed to frac spread in both quarters.

Frac spreads during the fourth quarter 2005 were low compared to the same period in 2004 and were negative on several days. On average, they were approximately $6.50 a barrel while in 2004 frac spreads were over $15 a barrel.

Due to the nature of the contracting arrangements we have in place, AltaGas is able to reinject NGLs from frac spreads that are unattractive, protecting us from downside risk.

We did so for a total of 24 days in the fourth quarter which reduced our volumes. In the fourth quarter of 2004, we lost nine days production in Empress EnCana due to an operational shutdown.

On an annual basis, frac spreads were $9.30 a barrel compared to $10.50 per barrel in 2004 and our net revenues due to volumes exposed to frac spread was $3.6 million as compared to $4.5 million in 2004.

In the fourth quarter we also experienced slightly reduced ethane recovery efficiencies at our Edmonton ethane extraction facility which should be rectified this month. Together with the re-injection, this resulted in extraction volumes that were down about 9 per cent from the fourth quarter in 2004. For the year, total extraction volumes were up 44 per cent primarily due to the full year addition of the Edmonton extraction facility.

Our transmission business performed as expected in the quarter, providing solid results. High net revenues are a result of higher committed volumes and the recovery of

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repair costs for the Porcupine Hills pipeline associated with remediation activities due to the floods that occurred in June. However, this was more than offset by the late billing of 2003 NEB cost recovery charges which resulted in an increase in operating and admin charges of approximately $700,000 from 2004. We expect these costs to be cut in half in 2006.

Higher activity in Field Gathering and Processing in 2005 is continued into 2006. The Princess sour gas plant, which has a licensed capacity of 20 million cubic feet per day, began processing on January 24th. Clear Prairie, the new gas plant in Northwest Alberta, went into service on February 9th and the impact of these increases in capacity will start to be seen in first quarter results and beyond.

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

PATRICIA NEWSON (Senior Vice-President Finance, and Chief Financial Officer, AltaGas Income Trust): Thank you, Marshal, and good afternoon, everyone.

My plan this afternoon is to highlight some key financial results and drivers that we've discussed in our Q4 news release. The full details would appear in the release and I'm going to try not to repeat too much.

Overall, the fourth quarter net income was $26.4 million. This is up from net income of $25.8 reported for fourth quarter last year. Net income per unit did decline by $0.01 this quarter to $0.48 per unit, from $0.49 per unit in the fourth quarter last year as a result of weighted average number of units outstanding increasing by 1.6 million units to 54.5 million units.

For 2005, as David discussed, we reported net income of $90.3 million, or $1.67 per unit, up 37 per cent from the $68 million, or $1.33 per unit reported in 2004.

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You no doubt noticed the change in our reporting segments in today's news release. I call tell you our accounting staff have noticed them too. As a result of the spin-out and the growth of our Energy Services business, we have re-segmented our results starting in 2005.

The former Gathering and Processing segment has been split into two segments. Field Gathering and Processing is now on its own and Extraction and Transmission are combined into another segment.

Our power purchase arrangements and gas peaking plants previously included in our Energy Services segment will now be reported as the Power Generation segment while the Energy Services segment will continue to include the energy management, gas services and oil and gas production businesses.

The Natural Gas Distribution segment will appear only as a comparable beginning in 2006 due to the spin-out of this part of the business.

Finally, we have added a Corporate segment that includes our equity interests in the Taylor Natural Gas Limited Partnership and in AltaGas Utility Group Inc., as well as the cost of operating corporate functions and some administrative costs.

It's not practical to separate the results for this Corporate segment from the 2004 Gathering and Processing and Energy Services results due to the sharing and allocation of certain costs in 2004. As a result, historical segmented information has not been restated to conform with the presentation of the new segments for the year ended 2005. We have, however, provided the 2005 results using both the old and new segmentation in the segmented note in today's news release.

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The 2005 old segments have been aligned as a basis of comparison with our 2004 discussion and results. We do believe that the re-segmentation will provide better visibility of our results for upcoming quarters.

I'd like to walk through the impact of the Natural Gas Distribution segment spin-out on November 17th. The spin-out resulted in AltaGas retaining a 26.7 percent ownership interest in Utility Group, which is now a separate publicly traded corporation. For the period from November 17th to December 31st, '05, the contribution from the ongoing equity investment in the Utility Group and the interest saving from the reduction in debt levels as a result of the spin-out was approximately $1 million.

Since Utility Group won't report its 2005 results until later this month, we cannot provide specific information on the equity income we have accounted for.

There was an $800,000 pre-tax gain on the sale of 1.7 shares of Utility Group and a $100,000 pre-tax dilution gain related to Utility Group's initial public offering of 390,000 shares. However, the after-tax impact of the spin-out on the Trust, as anticipated, was minimal, a net loss of about $100,000 after-tax impact for some of the steps in the restructuring.

The spin-out resulted in an $85.4 million decrease in our debt levels made up of $10.7 million of net proceeds from the secondary market sales of Utility Group's shares and $74.7 million of debt repayment to the Trust by Utility Group.

As a result, AltaGas's debt balance at December 31st, 2005 was $269 million and our debt-to-total-cap ratio was 36 per cent, down from 42.6 per cent at the end of 2004.

This capitalization places AltaGas in a strong position to grow our business. We can spend up to $100 million on acquisitions over 2006 without having to go to the equity

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markets and will still stay within our target debt-to-total-cap range of about 45 per cent – 40 to 45 per cent.

Also, as a result of the spin-out, unitholders of record on November the 14th also received a $0.54 per unit value in the form of shares of Utility Group, based on that IPO share price of $7.50.

As David pointed out, the fourth quarter and December in particular, is one of the strongest quarters for this utility business. The seasonality of the Natural Gas Distribution business will impact the Trust's quarterly results in 2006 in different ways. First quarter results will be less than 2005's first quarter since we own only 26.7 per cent, not 100 per cent of this business. The second and third quarter results should be positively impacted because of a combination of the drag on earnings that occurred in these warmer quarters with the seasonal utility business and the interest savings from having paid off more than $85 million in debt with the proceeds from the spin-out.

Quarter-over-quarter operating and administrative costs at the Trust increased by $5.3 million. This was driven by several factors, most of which Marshal has already addressed.

The fourth quarter also included a $600,000 write-down of an investment in the shares of a private company that we invested in as part of our G&P operations business.

As well, like all energy companies in Alberta, we are experiencing increased labour costs. AltaGas was vigilant in managing costs over the year and continued to work effectively to mitigate the effect of price escalation for industry related goods and services that has accompanied Western Canada's sustained energy bill.

As was the case in Q3, our results in the fourth quarter were impacted by CEO/CFO certification compliance costs. In the quarter, expenditures incurred to meet

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the requirements of the certification were approximately $500,000, for a total of about $1 million spent in 2005. These costs for 2006 are expected to be higher.

For the year, operating and administrative costs were up almost 21 per cent to $141.4 million, mainly due to the full-year impact of the EEEP and PremStar acquisitions in 2004.

Expansions and acquisitions in 2005 also added to the increase in addition to the other factors that I've already discussed with respect to cost increases.

Amortization costs in the fourth quarter of 2005 decreased by approximately $400,000 from the same quarter in 2004. The 3-per-cent decrease was due to higher amortization due to the new FG&P capacity and iQ2 being more than offset by the spin-out of the Natural Gas Distribution segment.

For the year, amortization expense was up $5.5 million, or 13 per cent due to acquisitions and expansions in both late 2004 and 2005 and to higher depletion expense related to the Trust's oil and gas properties.

As previously discussed in August of '05, we issued $100 million in unsecured medium-term notes maturing in September of 2010. We used the proceeds of that $100 million to repay bank debt.

These new MTNs bear almost 300 basis points lower annual interest than the ones that they replaced in October of 2005. Our $100 million MTNs issued in 2000 were repaid.

On an annualised basis, the interest savings from the lower interest on the MTNs of approximately $2.9 million per year, or approximately $0.05 per unit, will go directly to the Trust's bottom line and add to the distributable cash in 2006.

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Income taxes recovered for the fourth quarter were $1.3 million compared to $1.8 million in the fourth quarter of 2004. In its first full year as an income trust, AltaGas saw income tax recoveries of $1.3 million compared to income tax expense of $4.6 million for 2004, when it was a corporation for part of the year and a trust for part of the year. In 2005, income tax expense was impacted by a full year as an income trust as compared to about eight months in '04.

Current income tax expense was recorded as a result of the Natural Gas Distribution segment which operated as a regulated corporation under utility board regulation until its spin-out in November of 2005. We also had current income tax expense for Large Corporations Tax for all the Trust's subsidiaries.

Finally, in regards to cash flow, funds from operations for the quarter were up 5 per cent to $35.6 million, while they were up 18 per cent to $128.2 million year over year.

Fourth quarter 2005 distributions declared were $0.48 per unit, or $26 million, a payout ratio of 79 per cent of distributable cash. For 2005, our payout ratio, based on this measure, was under 83 per cent.

I will now turn the call back to David, who would like to make a few closing remarks.

DAVID CORNHILL: Thank you. Before ending this afternoon's prepared remarks, I'd like to discuss our expectations for 2006.

First, as you are all aware, Patricia, who is Senior Vice-President of Finance and Chief Financial Officer of AltaGas, was appointed Utility Group's founding CEO. Patricia has helped guide AltaGas growth over the past nine years and we are confident she will bring the same level of discipline and expertise to the Utility Group.

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During 2006, Patricia will step down as CFO of AltaGas to focus her attentions on her new role with Utility Group.

We believe that 2006 will see growth in performance and are working hard to meet expectations. Our current expectations for growth in net income for 2006 continue to be in the high single digits when compared to reported earnings. On a normalized basis, this growth would, of course, be significantly higher.

As I mentioned in my earlier remarks, we plan to spend more than $40 million to grow our Field Gathering and Processing business on both sweet and sour gas plants. Today, more than a quarter of our processing capacity is sour.

Several of AltaGas' core service areas are located in the main coal bed methane production areas. This natural gas requires dehydration and compression, both core competencies of AltaGas and tends to have a slower decline profile which is ideal for the Field Gathering and Processing business.

We see coal bed methane as a growth opportunity and continue to work to bring more into our system. By the end of 2006, as much as 10 per cent of our field gathering and processing throughput could come from this form of natural gas.

In 2005, our energy management business saw contract renewal rates over 95 per cent and service contracts almost tripling while gas volumes marketed by the Energy Services segment increased by 26 per cent. We expect the energy services business to continue to grow as we build on our current success, generating fees with a conservative, low risk manner.

As I have mentioned before, we anticipate higher Power Generation segment results even if the Genesee PPA is not renewed when it expires at the end of March due to power price with hedges we already have in place.

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In addition, we believe that the Power Generation business presents further growth opportunities for AltaGas. We intend to expand this part of our business by acquiring, building and operating assets, including renewable generation such as our initial investment in the proposed Bear Mountain wind project near Dawson Creek, British Columbia, announced earlier in 2006. We see significant potential for wind power in Western Canada and northern U.S. and are actively working on developing these types of opportunities in the near future.

This concludes my prepared remarks. I will now turn the call over to the operator for your questions.

OPERATOR: Thank you. 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 this 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.

The first question comes from Linda Ezergailis, of TD Newcrest. Please go ahead.

LINDA EZERGAILIS: Thanks. Just a question on your new segmentation. When I add up the new segmentation amortizations and EBITDA, it’s a little bit different in the old segmentation versus the new, with the biggest difference being in G&P. Am I missing something?

PATRICIA NEWSON: No. Marshal has always complained that G&P has borne an unfair share of allocated costs and the reason that your two EBITDAs will be different is that your old segmentation includes allocated corporate costs.

LINDA EZERGAILIS: Okay.

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PATRICIA NEWSON: And your new segmentation does not have those costs.

LINDA EZERGAILIS: Okay. Thank you. And then you might want to change the sign on your non-cash change in working capital.

PATRICIA NEWSON: Linda, thank you. I should have pointed that out. The cash flow statement in the fourth quarter release for the three months ended December 31st, '05, net change in non-cash working capital related to operations should have brackets around it.

LINDA EZERGAILIS: Okay. And then your 40…

PATRICIA NEWSON: Stephanie's mad.

LINDA EZERGAILIS: I'm sorry.

PATRICIA NEWSON: Stephanie's mad. She missed the brackets.

LINDA EZERGAILIS: The $40 million all in, our capital expenditure number for 2006, is that including maintenance and admin capital or is that just growth?

DAVID CORNHILL: That's just growth.

LINDA EZERGAILIS: Just growth. Okay. And then the maintenance and administrative capital, kind of a good run rate, would 2005 be something that you would expect to continue or do you expect inflation creep or scope change or anything like that?

DAVID CORNHILL: Year over year, I think you could use a number around $10 million for maintenance capital.

LINDA EZERGAILIS: Um-hmm.

DAVID CORNHILL: It will be down from historic levels because the utility has significant maintenance capital. So $10 million would be a very conservative maintenance capital number.

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LINDA EZERGAILIS: Okay, and then your admin capital, is that baked into that maintenance number? Would I see something on top of that?

DAVID CORNHILL: There would be something on top of that.

LINDA EZERGAILIS: Like a 4 million number or something like that?

DAVID CORNHILL: Two 2 to 4 million.

PATRICIA NEWSON: Yes.

LINDA EZERGAILIS: Two to 4 million. Okay, and then the final question, I guess this would probably be included in the 10 million maintenance number. Your EEEP repairs in the first quarter of 2006, what is the nature of them and the cost? I guess the cost being lost production as well as cost, cost?

MARSHAL THOMPSON: Yes. Well, first of all, the costs will likely be expensed rather than capitalized. They're not that high, I would say, in the quarter of $1 million range.

LINDA EZERGAILIS: Okay.

MARSHAL THOMPSON: And in terms of lost income, I would say below $100,000.

LINDA EZERGAILIS: Okay. And then the nature of the repairs?

MARSHAL THOMPSON: I'm just trying to get the right terminology. We ran one of the towers and it needs to be really retrayed a little bit to increase the efficiencies. Some of the weather created some havoc inside one of the trays and we froze off a portion of it, so we need to warm it up.

LINDA EZERGAILIS: Okay. All right, and so have you checked all your other towers in the rest of your systems or this is a non-systemic things, right?

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MARSHAL THOMPSON: Yes, this is just a one timer and we'll fix it. What we try and do is organize and coordinate our maintenance with the customer.

LINDA EZERGAILIS: Okay, thanks.

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

FAI LEE: Thanks. I'm just wondering about your hedging policy. In the third quarter we saw prices of about $67 flat. I'm just wondering, did you head into the fourth quarter trying to hedge more power because of the higher price that you were seeing?

DAVID CORNHILL: We were slightly more. We also acquired some iQ2 and we must remember as well that our open position also covers transmission, so there's a combination. But we were not substantially more hedged in Q4; slightly more but not significantly.

FAI LEE: Okay. And for '06, you mentioned hedging. I guess, you should be able to offset any negative impact from I guess the expiry of the Genesee contract. And I'm just wondering, is that a function of a higher price or, you know, having more hedges in place or how does that work?

DAVID CORNHILL: '06 is consistent with how we've been managing over the last several years. We have just seen our position being higher, hedge pricing being higher for 2006 than 2005.

FAI LEE: Okay, all right. So it's higher prices then.

DAVID CORNHILL: Yes.

FAI LEE: Okay, thank you.

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

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ROBERT CATELLIER: Just following up on the power questions, as you begin to, or as you extend your hedge book for 2007, how do the year-over-year prices compare to 2006?

DAVID CORNHILL: Right now, they would be at or slightly higher than 2006.

ROBERT CATELLIER: All right.

DAVID CORNHILL: And 2006 has come off somewhat on the fourth quarter because of the gas price decline.

ROBERT CATELLIER: Okay. Just looking forward to the changes in the way the transmission administrator is going to operate, what impact do you think that'll have on the cost, on a per megawatt-hour basis?

DAVID CORNHILL: Down substantially. I think the major thing that I know I'll miss and I'm sure everyone listening will miss is rate rider C adjustments go away. But I think it's about half, isn't it Jim?

JAMES BRACKEN (Senior Vice-President, Energy Services, AltaGas Income Trust): It's a significant reduction in our expense. Not half, but very significant.

ROBERT CATELLIER: Do you care to elaborate what that might mean on a per megawatt-hour basis?

JAMES BRACKEN: I don't have that on a megawatt basis, sorry.

ROBERT CATELLIER: Just given the results in the power segment, is it safe to assume you had substantially more power generated from the peaking plants in the quarter than you did in Q4-04?

DAVID CORNHILL: Yes, we saw more volatility in pricing in Q4 even though we also saw record gas prices. So it was kind of higher gas prices made it, required higher price, pool price before the peaking plants were economic, but…

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ROBERT CATELLIER: Right.

DAVID CORNHILL: … we did see more hours run.

ROBERT CATELLIER: Okay, on the field gathering and processing, I just want to make sure I understand. Take the investments you've made in the right context. It looks like there's $78.1 million spent during the year to add 84 Mcf a day even if some of that production only came on line in '06. Is that the right way to look at it?

DAVID CORNHILL: Marshal?

MARSHAL THOMPSON: Actually, your capital number sounds a little high; but, yes, there's some expenditures that we have occurred in 2005 related to the Princess facility and the Clear Prairie facility.

ROBERT CATELLIER: Oh, right. So the actual… right, I see. So the 78 is actually a little bit high. But basically you spent close to 80 to add 84 MCF a day.

MARSHAL THOMPSON: That would be the 49 and the…

ROBERT CATELLIER: And the 35.

MARSHAL THOMPSON: 35. Yes, and then that would be right.

ROBERT CATELLIER: That…

MARSHAL THOMPSON: And net actually because also we did lose 14 million a day when we sold off our Winefred asset. So in fact, the net capacity related to the capital is 14 more than that.

ROBERT CATELLIER: All right, that's what I'm trying to get at. It seemed a little bit high on the per-unit basis.

Just with respect to the increased volumes you're seeing in the opportunity in CBM, how would you compare the returns versus conventional field gathering and processing?

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DAVID CORNHILL: What is conventional? I would say the returns are much higher than some of the sour because of the capital volume ratio. You need a lot less capital and operating costs are significantly lower. So we have seen some pretty attractive returns there.

ROBERT CATELLIER: Okay. Also, it would seem to me with opportunities to deploy 40 million just in field gathering and processing and some of the other opportunities you're talking about, particularly in power, it would seem to me your growth capital budget is somewhat modest.

DAVID CORNHILL: I would say that it's conservative.

ROBERT CATELLIER: Right, so there… there… you know, if you do hit some of the projects in the calendar year, then that number, you know, there's room for that number to be ratcheted up depending on success, obviously?

DAVID CORNHILL: Up significantly.

ROBERT CATELLIER: Yes. And lastly, can you identify the nature of the private company that was written down?

PATRICIA NEWSON: What we had done is a few years ago had a choice, Rob, of whether to pay consulting fees for some software development for field data capture or to make an equity investment. So we thought that there might be some upside so we made an equity investment. So what it was is a trade-off between operating cost expense. So now we're booking it this year instead of few years ago.

ROBERT CATELLIER: Right. So it should be in the op cost line then.

Finally, obviously there was some very volatile natural gas pricing between the fourth quarter and the first quarter. How has that impacted the business, particularly business development in Field Gathering and Processing?

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MARSHAL THOMPSON: We're seeing an incredible amount of opportunities in Field Gathering and Processing. So we haven't… I think people still believe and producers still believe in strong natural gas prices going forward and at $7 or $8 should still… I mean, Alberta's still not… not bad. So we have seen a lot of expansion. We are seeing some restrictions at the producer and in our inability to get suppliers and equipment and timelines and also some concern on the producers' side, ability to find breaks, to actually get drilling done.

As you probably also know, it's been quite warm here so there has been limitation in ability for winter drilling and access in the winter-only places.

ROBERT CATELLIER: Right, but I guess it's the volatility of the pricing that is of concern to me. I know the weather, and it makes it a little harder to drill in the winter access-only areas but are the producers maybe a bit more risk averse because of the volatility?

MARSHAL THOMPSON: I think they're at such a high level when they hit the peaks, $15-ish, that they didn't take that mindset, that they just…

ROBERT CATELLIER: Right.

MARSHAL THOMPSON: … assumed it was a windfall, a short-term windfall for them.

So they're still having, from what I've seen, very active drilling and capital programs and strong cash flows.

PATRICIA NEWSON: The current pricing still looks very appealing.

ROBERT CATELLIER: Right, so no more windfall but still very attractive pricing, so their attitudes haven't changed.

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DAVID CORNHILL: I think from my perspective, the more important issue is that we didn't see the $25 price in the U.S. and we probably didn't see as much demand destruction of natural gas that we might have if we had seen, had a cold winter this year.

ROBERT CATELLIER: Okay, thank you.

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

CHRIS BOLTON: I was just wondering, in terms of constructing these new facilities, are you having trouble finding labour or cost pressures to the actual capital costs of the Princess plant, for example?

MARSHAL THOMPSON: We haven't had trouble particularly with labour. We have seen some cost creeps absolutely on the capital side. As David mentioned earlier, the other thing that we're seeing is longer lead times on major equipment, such as compressors and towers. So the activity level is high and so the lead time to get the plant on is taking a little bit longer. I think part of one of the advantages we see though of course is the fact we're able to move assets around and so we're able to respond to our producers with a much shorter timeline. That's been our recent experience.

CHRIS BOLTON: All right. Is there any other major maintenance work planned on any of the major extraction plans or field gathering and processing coming up over the next year or so?

MARSHAL THOMPSON: We're not planning anything this year major in the extraction side of things. We have an ongoing repair and maintenance program, particularly around our compressors that runs on a, depending on usage and type of machine and everything, on a three- to four-year cycle. But we don't have anything planned that's major.

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CHRIS BOLTON: So there's nothing out of the ordinary kind of thing? Would that be fair?

MARSHAL THOMPSON: No, not at this point.

CHRIS BOLTON: All right, great. Thank you.

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

FAI LEE: Hi. Just a couple follow up questions I guess. One is transmission costs, I know that there was a rider adjustment in the fourth quarter, but I guess there was also another component in the transmission costs increase, is that correct?

DAVID CORNHILL: Yes, it's because of the power loss and we have to supply for transmission.

FAI LEE: Right, and do you have an estimate of how much transmission costs actually increased say over in the third quarter on an absolute basis, due to transmission, that portion of transmission?

JIM BRACKEN: With the increase over the third quarter?

FAI LEE: Or last year. Do you have some relative measure of how much transmission costs per line losses went up in the fourth quarter?

JIM BRACKEN: Line loss is (inaudible). The total transmission costs are up about $6 million over the last quarter.

FAI LEE: Six million over third quarter or the fourth quarter?

JIM BRACKEN: The fourth quarter over the third quarter, but the majority of that is with these rate rider catch-up in the fourth quarter.

FAI LEE: Okay, so about four and a half of line losses then?

JIM BRACKEN: That would be about right.

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FAI LEE: All right, and I know that you don't have the decrease on a per-megawatt basis, but do you have some sort of ideas say relative to the fourth quarter how much you expect transmission costs to be down in the fourth quarter?

JIM BRACKEN: Actually, since I got the question, I just did a quick calculation. It's just over $4 a megawatt-hour. We see it as a reduction in the costs that we get charged.

FAI LEE: Okay.

JIM BRACKEN: And that's effective Jan 1.

FAI LEE: And is that $4, it's on an absolute basis, right? We can apply that to the fourth quarter costs?

JIM BRACKEN: Yes, pretty much.

FAI LEE: Okay, and I think there's been some talk in Alberta about I guess I can't remember, I think it may be mercury reduction or there might be some additional costs related to that. Is that…do you expect an impact? Have you done any sort of estimates on potential impact for your PPA?

DAVID CORNHILL: We includeD the original costs looking out 2008 to 2010 timeline. We're working with the industry groups and the government on studying what can be done to reduce mercury emissions up the stack and we have an ongoing program and funded studies that have been expensed, nominal dollars at this point, to work with the government to address those.

FAI LEE: And do you think that will have a material impact on your costs, or maybe a material…?

DAVID CORNHILL: It'll have an impact. It's not viewed to be, if you use a standard definition of material, no.

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FAI LEE: Okay, all right, great. And finally, the re-segmentation in terms of comparative quarters for first to third quarter, will you have those released before the first quarter or is that just going to come as we go along?

PATRICIA NEWSON: The annual MD&A file requires eight comparative quarters, so that's on a full-year basis. Now, we'll be doing them on a roll-out basis, aren't we, Stephanie? Yes.

FAI LEE: Okay.

DAVID CORNHILL: We can see if we can do…

DEBBIE STEIN: We'll look at that.

PATRICIA NEWSON: What we'll try… Yes, I was just going to say what we'll try and do is do a restate and get it on to our website if we can, but we'll keep you posted we can let everyone know.

FAI LEE: Okay, well, that would be great because I think it'll make it easier going forward.

PATRICIA NEWSON: Yes.

FAI LEE: 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.

Your next question comes from Steven Weimer, of Westwind Partners. Please go ahead.

STEVEN WEIMER: Thanks. I'm not sure if I missed it during the call, but I was just wondering if you guys have some guidance for your future income tax going forward. It looks like you had recoveries in both ‘04 and ‘05.

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PATRICIA NEWSON: Steve, the best I can say is we expect at this point to continue to have recoveries.

STEVEN WEIMER: Okay. Do you think the magnitude is going to change very much?

PATRICIA NEWSON: Not really. It's partly dependent on how successful we are with our power prices, for example, if you've got higher earnings and your recoveries come out as being less, so it's a bit of a Catch-22 there.

STEVEN WEIMER: Okay, thank you.

OPERATOR: Again, 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, John. Thanks, everyone, for joining our call today, and if you have any further questions, don't hesitate to call Stephanie or I. 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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