



# AltaGas Income Trust Annual and Special Meeting Conference Transcription

**Date:** Thursday, April 26, 2007

**Time:** 3:00pm MDT

**Speakers:** **Mr. Dennis Dawson**  
Vice President General Counsel and Corporate Secretary

**Mr. David Cornhill**  
Chairman, President and Chief Executive Officer

DENNIS DAWSON: I would like to welcome all of you to the Annual and Special Meeting of AltaGas Income Trust - both those of you here today and those of you who are listening to our webcast. My name is Dennis Dawson, AltaGas General Partner Inc.'s Vice President General Counsel and Corporate Secretary. Mr. David Cornhill, Chairman, President and Chief Executive Officer of AltaGas General Partner Inc., will act as Chairman of the Meeting. Mr. Cornhill has requested that that I administer the formal part of these proceedings as well as act as Secretary of the Meeting.

First of all, as safety is our number one value, I want to make a note to you that once you exit the room to the left and to the right are emergency exits from the building.

So, following the formal part, Mr. Cornhill will make his presentation about AltaGas. So I will now move to the formal part of the Annual and Special Meeting of the unitholders of AltaGas Income Trust. We'll call that meeting to order.

Laura Leong and Patricia Selby of Computershare Trust Company of Canada will act as scrutineers today. And for your information and in order to expedite the meeting, I have asked certain unitholders to make certain motions at the appropriate time.

Voting on all motions shall be by a show of hands where each person present and entitled to vote, shall have one vote, unless, for any reason a vote based on the number of votes attached to all outstanding trust units and the Special Voting Unit entitled to be voted at the meeting, has requested or required, in which case a poll will be conducted. Individually votes shall be recorded and totaled in favor or against, will be tallied by the scrutineers.

I have before me a true copy of the Notice of the Annual and Special Meeting of the unitholders of AltaGas Income Trust, together with the Statutory Declaration of Computershare Trust Company of Canada as to the mailing of the Notice of the Annual and Special Meeting, together with the management information circular, and the Form of Proxy for the

trust unitholders and the voting instruction form for the exchangeable unitholders.

The Statuary Declaration indicates that all documents were mailed within the time periods required by the declaration of trust and the Voting Trust Agreement regarding the rights of the holders of exchangeable units to participate in the meeting, as well as applicable legislation.

I will file a Statuary Declaration with the minutes of the meeting. I've received the report of the scrutineers with respect to the attendance at the meeting, which report states that the quorum requirement has been met.

Accordingly, I declare that a quorum is present for the Annual and Special Meeting of the unitholders of AltaGas Income Trust and that the meeting is duly called and properly constituted for the transaction of business. I direct that the scrutineers' report on attendance be annexed to the minutes of the meeting as well.

The first item of business is the presentation by the Directors of AltaGas General Partner Inc., on behalf of the Trust of their Annual Report to the unitholders, which report consists of the consolidated financial statements of the Trust for the fiscal year ended December 31, 2006 and the Auditor's Report thereon.

The consolidated financial statements, the Auditor's Report thereon, and management's discussion and analysis with respect thereto are included in the Trust's Annual Report that has been mailed to the holders of trust units and exchangeable units of record on March 1, 2007. There are extra copies of the Annual Report available on request to holders of trust units and exchangeable units and there are some outside as well.

In addition, a report with respect to business of the Trust and its affiliates will be provided after the conclusion of the formal part of the meeting. Is there any discussion today regarding the Trust's consolidated financial statements?

Accordingly, I'll move to the next item of business which is to consider the nominees standing for election as Directors of AltaGas General Partner Inc., and to direct Computershare Trust Company of Canada as trustee of the Trust, to cause the appointment of those nominees as Directors of the General Partner and could I please have a motion to direct Computershare Trust Company of Canada as trustee of the Trust to fix the number of the Directors of AltaGas General Partner Inc. at seven?

JIM BRACKEN: I would make that motion Mr. Chairman.

JEFF PERRY: I second the motion.

DENNIS DAWSON: Thank you Jim, thank you Jeff. You've heard the motion and the motion is now open for discussion. All those in favor of the motion please raise your hands. Opposed, if any? I declare the motion carried.

I declare the meeting open for nominations for the persons that Computershare Trust Company of Canada as trustee of the Trust will be directed to cause to be appointed as Directors of AltaGas General Partner Inc., and I'd ask Marshal Thompson to place the names of the persons nominated by management of the Trust before the meeting.

MARSHAL THOMPSON: I nominate David Cornhill, Allan Edgeworth, Denis Fonteyne, Daryl Gilbert, Robert Hodgins, Myron Kanik, David Mackie.

DENNIS DAWSON: Thank you Marshal. All the nominees have filed their consents to act as Director of AltaGas General Partner Inc. Are there any further nominations? I declare the nominations closed. Could I please have a motion that the persons nominated to be the Trust's nominees for the Directors of AltaGas General Partner Inc., and that Computershare Trust Company of Canada as trustee of the Trust, be directed to cause the appointment of those nominees as the Directors of AltaGas General Partner Inc.?

NANCY ANDERSON: I would make that motion Mr. Chairman.

DENNIS DAWSON: Thank you Nancy.

MARSHAL THOMPSON: I second the motion.

DENNIS DAWSON: Thank you Marshal. You've now heard the motion. The motion is now open for discussion. All those in favor of the motion, please raise your hands. Opposed, if any? I declare the motion carried and I declare that Computershare Trust Company of Canada as trustee of the Trust is hereby directed to cause the persons nominated to be appointed as the Directors of AltaGas General Partner Inc.

The next item of business is the consideration of the appointment of auditors of the Trust and the authorization of AltaGas General Partner Inc., to fix the remuneration of the auditors. Could I please have a motion to appoint Ernst & Young LLP as the Auditors of AltaGas Income Trust until the next Annual Meeting of the unitholders of the trust or until a successor is appointed, and that the remuneration of such auditors be fixed by AltaGas General Partner Inc.?

RICK ALEXANDER: I make that motion.

DENNIS DAWSON: Thanks Rick.

DEBBIE STEIN: I second the motion.

DENNIS DAWSON: Thank you Debbie. You've heard the motion and the motion is now open for discussion. All those in favor of the motion, please raise your hands. Opposed, if any? I declare the motion carried. The next item of business is the consideration of the reappointment of the Computershare Trust Company of Canada as trustee of the Trust for an additional three-year term. Could I please have the motion to appoint Computershare Trust Company of Canada as trustee of the Trust for an additional three-year term?

DAVID WRIGHT: I would make that motion Mr. Chairman.

DENNIS DAWSON: Thank you David.

RANDY TOONE: I second the motion.

DENNIS DAWSON: Thank you Randy. You've heard the motion and the motion is now open for discussion and...almost left out the time for discussion. All those in favor of the motion, please raise your hands. Opposed, if any? I declare the motion carried.

Final item of business was to have been the consideration of the approval of amendment to the Trust Unit Option Plan; however, management has withdrawn this motion from the agenda. So no vote will be required or taken. Accordingly, is there any further business to come before this meeting? As there is no further business, I would like to call for a motion terminating the meeting.

JEREMY BAINES: I'll make that motion.

DENNIS DAWSON: Thank you Jeremy.

DEBBIE STEIN: I second the motion.

DENNIS DAWSON: Thank you Debbie. All those in favor of the motion, please raise your hands. Opposed, if any? I declare the motion carried and the formal part of the meeting at an end, and so I would like to take this opportunity to introduce the AltaGas Directors in attendance this afternoon and I have asked that they please rise so that everyone can see them.

David Mackie, Denis Fonteyne, Daryl Gilbert, Myron Kanik and Alan Edgeworth. And of course Mr. David Cornhill who is Chairman of the Board, President and Chief Executive Officer who will now make his presentation and the question and answer session will follow.

CJ will come around with a microphone, if you have a question for David, and I would ask that you please wait until he comes to you with the microphone so the people on the webcast can hear the question to Mr. Cornhill. With that I'll ask David to come to the podium and make his presentation. Thank you.

DAVID CORNHILL: Thank you Dennis. Good afternoon everyone and thank you for attending AltaGas' Annual and Special Meeting today. I was quite impressed how quickly Dennis got through the meeting - I was timing it. I think it was seven minutes and if there were fewer less partnership and trustees, I think he couldn't have done it faster.

I like to extend a welcome to those joining us on our webcast and also to our Board of Directors who are able to attend this afternoon. It is good to see so many familiar faces this year. Now we'll find out if I'm technically challenged, I am.

Before I begin my presentation, please note the legally required disclaimer. Some of the information I will be providing may constitute forward-looking information.

2006 was a great year for AltaGas - extremely pleased with the results and our team did a great job.

In 2006, our annual net income broke the \$100 million threshold for the first time ending the year at a 114.5 million or \$2.06 per unit. This was a 27% increase from 2005 which was itself a record year. AltaGas increased distributions to unitholders twice in 2006, for an annual increase of 6%. We now have an annual pay out of \$2.04 per unit.

Our net income growth surpassed our distribution growth in 2006. We distributed less than a 100% of our net income on a per unit basis.

Our balance sheet continues to be strong. At 33% our debt-to-total capitalization remains well below our target range of 40 to 45, providing us with significant financial flexibility.

We are pleased to say that our credit ratings were reaffirmed by S&P and DBRS. DBRS increased the trend on our medium-term notes from stable to positive after we issued our medium-term notes in January of this year.

We exited 2006 well-positioned to continue growth and deliver strong, sustainable earnings to our unit holders.

Our 2006 EBITDA illustrates the balance of our gas and power business. Our Power Generation segment contributed 49% of the total EBITDA. Field Gathering and Processing and Extraction and Transmission contribute 47%.

For our 13<sup>th</sup> consecutive year we again had record earnings in 2006. This slide shows our five-year growth on a per unit basis. From 2002 to 2006 net income almost tripled, funds generated from operations increased by 35% and EBITDA grew by 39%.

We have an outstanding track record of growth. We have repeatedly demonstrated our ability to manage growth and that's something I'm quite proud of.

Our average return on equity also continued to grow. The increase in the last few years has been driven by power and the Extraction and Transmission segment.

I like to focus on our outlook for 2007 before moving on to tell you how AltaGas is planning to grow.

In 2007, we expect our base business to remain strong and each of our four operating segments to perform at or above 2006 levels. The fundamentals for 2007 are looking good. AltaGas has its projects in place to grow.

As I've said, our base business is strong. We expect 2007 to start off slowly and then ramp up over the second half. In Power, we are expecting power prices to remain strong and are currently seeing forward prices in the \$80/MWh range. We are currently seeing reduced drilling in the basin and spring breakup occurred almost three weeks earlier than usual. These factors have impacted throughput in our Field Gathering and Processing business, however volumes have remained steady.

Given the lower gas price we believe producers are more interested in focusing their efforts on drilling and are more likely to sell processing assets. AltaGas is well positioned to take advantage of these opportunities. We continue to see growth in BC, Alberta West of 4, West of 5 and West of 6. All of our new and expanded facilities are backstopped by take-or-pay and areas of mutual interest provisions, which mitigates risk of lower than expected volumes.

In 2007, NGL frac spreads are expected to return to more normal levels softening from the historic highs in 2006. However, the impact from a lower frac spread is anticipated to be offset by the following: increased ownership and utilization at our Empress facilities; increased throughput at our Edmonton Ethane extraction plant; and the Orion Project, which begins operation in May. In 2007, we also expect to expand our energy services business.

Many people are interested in the news of hearing about Greenhouse gas legislation. The Alberta Government recently introduced the first legislation in Canada to reduce greenhouse gas emission intensity. The Federal government is considering enacting similar legislation and the Ministry of Environment is speaking today on the subject.

The Alberta Climate Change and Emissions Management Amendment Act is aimed at individual facilities emitting more than 100 kilotonnes of greenhouse gases. It requires these facilities to reduce the emission intensity by 12% starting July 1<sup>st</sup> of this year.

We can say today that our 50% interest in the Sundance B PPA is our only facility that exceeds the current threshold of 100 kilotonnes per year. None of our Field Gathering and Processing or Extraction facilities exceeds the 100-kilotonne threshold. Several of our competitors are facing the threshold challenges.

We expect the Pouce Coupe sour gas plant expansion to be well below the threshold as a result of the acid gas injection capability. Both CO<sub>2</sub> and sulphur will be re-injected into reservoirs in the area. Assuming no mitigation, which we believe is unlikely; the increased operating cost for

our share of the Sundance B PPA will be approximately \$2.5 million in 2007 and \$5 million per year.

We are beginning to offset these costs by the following actions: the owners and operator of the Sundance plant is working on increased efficiency of the plant in reducing CO<sub>2</sub> emissions; and our Field Gathering and Processing and Extraction segments are working on improved operating procedures and process changes. We have identified near-term opportunities to mitigate 25% of the cost from actions taken by our gas inter-structure business.

However, significant uncertainty continues regarding the final form in the Alberta legislation that will be enacted. AltaGas is participating in the Alberta government consultation process and intends to participate in similar consultation processes initiated by the Federal government.

AltaGas has the energy to grow. And let me tell you how we plan to do so. On top of our base business, AltaGas has growth opportunities in all parts of the integrated gas and power business. We intend to allocate our investment capital evenly between gas and power infrastructure over the medium and long-term. As it has been our case over 13 years existence, we will continue to take a disciplined business approach using traditional financial metrics.

Highlights on the map show our current AltaGas operating areas; some potential growth areas are noted by colored stars.

We have recently announced several near-term opportunities that will involve investing approximately \$225 million over the next 24 months. This is a growth in our asset base of 20 percent over two years before any additional growth opportunities, which we fully expect to have. All these projects are expected to be in service by mid-2009. These projects are expected to be financed by internal resources without the need to go to the equity markets.

The growth is split almost evenly between gas and power infrastructure in keeping with our strategy to grow AltaGas' power and infrastructure business equally over the medium and long-term.

On April 10<sup>th</sup>, we announced the new Noel pipeline in Pouce Coupe sour gas plant expansion project. This is a great example of AltaGas' ability to grow. Here you see a map of our existing facilities in the Western Canadian basin; I have circled the location of the project, which goes from the Noel region in B.C. approximately 65 kilometers from Dawson Creek to the existing Pouce Coupe processing plant in Northwest Alberta.

The pipeline will be able to transport 90 Mmcf/d of sour gas and will be approximately 90 kilometers long. A 90 Mmcf/d sour processing facility will be added at the site of the existing sweet gas facility at Pouce Coupe. And the associate carbon dioxide and sulphur will be reinjected into the reserves in the Pouce Coupe area.

We are pleased to provide Devon with the solution to get their gas to market from an area that currently does not have sufficient facilities to support the activity taking place. This is an area of high potential development and Devon has active development plans for drilling wells within the gathering area of the pipeline system.

Our project is significantly underpinned by Devon and the project will be built to take into account the growing needs in the region. The project is expected to cost \$90 million with 50 to 60% of the capital spent in 2007 and the remainder in early 2008 with operations targeted to commence in April 2008.

We expect an internal return on investment in the low double digits and once the project is in operation we expect that our Field Gathering and Processing throughput will increase by more than 10%.

As a result of our 2004 acquisition of PremStar and ECNG business, which are, now integrated into the Energy Services business, AltaGas has developed a strong base of knowledge in Ontario energy market. We are expecting to invest approximately \$25 million in Ontario's natural gas storage and pipeline infrastructure in the short-term. We believe that the ownership of these assets will fit well with our existing assets.

In addition to the specific projects we have discussed, there are other opportunities for AltaGas in 2007 and beyond. On the gas side of the business, which includes our Field Gathering and Processing and Extraction business segments, we plan to grow in a number of ways.

In 2007 we are expected to spend more than \$50 million on this part of the business over and above the Noel Pouce Coupe project. There are significant opportunities to acquire processing assets from producers' interested in monetizing non-core assets to help fund drilling. We expect to be able to complete several deals before the end of the year.

We plan to continue optimized facilities to increase efficiency and product recovery as we did with EEEP last year. We believe there is a project to enhance ethane recovery potential at our extraction plants. We also have potential to increase the size of the Pouce Coupe plant, beyond what is currently planned; the Noel region is underdeveloped with significant potential reserves making such an expansion feasible.

Moving to growth on the power side of our business, earlier this week we announced that AltaGas has increased its gas-fired power generation capacity by more than 55% for a total of just over 39 megawatts or 10% of our power portfolio.

In addition to increasing our power capacity under operation the new generation will be run in conjunction with our current gas generation. We acquired a total of 14.4 megawatts of capacity from six 2.4-megawatt gas-fired units. To put that in context, that is enough power to serve more than 14,000 average size households.

These units will be installed by the end of the year and will be located in Southern Alberta. We expect some of the units to be located at our existing AltaGas Field Gathering and Processing sites, for example Bantry.

Once in service AltaGas will operate the facilities using Field Gathering and Processing personnel. We will dispatch these facilities from the

control center at the Edmonton Ethane Extraction Plant as we do for the existing plants in Southern Alberta. Integration of the assets is expected to be straightforward given that dispatch and accounting systems are already in place. When operational, the projects are expected to be immediately accretive to net income and cash flow.

I want to talk about our first wind power development project, the Bear Mountain Wind Park in Northeast B.C.

The Electrical purchase agreement with B.C. Hydro for the output from this project is for 25 years - a long-term contract with a creditworthy counter party signed in August of last year. The project continues to progress and I am pleased to announce that the Board of Directors today approved the execution of the wind turbine purchase arrangement with Enercon, a leading manufacturer of gearless turbines.

AltaGas is currently finalizing project development and an optimization plan and expects that the project costs will be approximately \$200 million.

As we have indicated in the past AltaGas continues to prefer ownership in several wind projects. The Bear Mountain project is likely to include one or more additional investors. We are on track to begin construction later this year, with the project scheduled to be in service in 2009.

In addition to the Bear Mountain and Alberta gas-fired peaking plant, AltaGas has other potential for growth in the power side of our business. Diversification of our power portfolio is one of our goals. We plan to diversify by geographic location and fuel type. All our generation capacity currently is located in Alberta in a split of 93% coal and 7% gas. By the end of the year, the percentage of gas-fired generation should increase to 10% as I mentioned earlier. With the projects currently in place we expect by 2009 the split to be closer to 80% coal, 9% gas and 11% wind, with 89% of the generation located in Alberta and 11% in British Columbia.

We continue to pursue similar investments in gas-fired generation and renewable generation including wind and hydro as well as more contract rights to existing coal generations capacity like our Sundance B PPA.

One specific example that we are pursuing is our intent to bid three projects totalling 250 megawatts, into the Manitoba Hydro RFP process with our partner GreenWing Energy Management. Bids are due July 17<sup>th</sup>. Our expectation is that a selected project could be in service by mid 2009 assuming construction begins mid 2008.

We believe that AltaGas is ideally positioned to grow our business and long-term unitholder value. As a result of the recent announcement we have a clear visible growth.

We have a strong base business today with significant opportunities to build all parts of our integrated gas and power business. We have the energy to grow and we are here for the long haul.

I'd like to introduce a few people and that's the formal part going a little off script here. I would like to first recognize Scott Sarjeant, who's here, who helped me found AltaGas and I just wanted to welcome him. I want to introduce the officers in attendance and I think I hope I have the right list here, I am only aware of one who was unable to make it today. And if you could remain standing while I get through all of them so everyone can see them all.

Rick Alexander, Executive Vice-President Chief Operating Officer and Chief Financial Officer. That is the second longest title I think. David Wright, Executive Vice-President; Max Fantuz Vice President and President of PremStar; Jim Bracken, Senior Vice-President Energy Services & Power; Marshal Thompson Senior Vice President External Relations and Corporate Risk; Patricia Newson, Senior Vice President; Nancy Anderson, Vice President Business Development. I think this might be the longest. Dennis Dawson who you have already met is Vice President General Counsel and Corporate Secretary; Debbie Stein, Vice President, Finance; Jeff Perry Divisional Vice President Field Gathering and Processing; Randy Toone, Divisional Vice President of Extraction

and Transmission. Marilyn Pfaefflin, Divisional Vice President Transmission; Greg Aarssen, Divisional Vice President Energy Management, Jeremy Baines Treasurer. So, thank you very much and...he is not on my list. Kent Stout Corporate Resources.

Please sit down. I would like you all to take back to each one of your organizations the gratitude from the Board and I hope I can assume gratitude from the unitholders on the tremendous effort that was put in 2006 this year to all employees. It was a tremendous year and I hope you take that back - the thanks from the Board and the unitholders.

The other one problem with that you always know as you have a great year, you always have to do better the next year, so that challenge you can take back as well. And I'm sure the unitholders will support me on that. That's the end of my formal presentation and CJ is available if you wish to ask questions and please wait for the mic because of our webcast. Seeing that there is no question...

QUESTIONER:

Is the Halloween announcement about the Income Trust, what's your present thinking about what you plan to do with that?

DAVID CORNHILL:

No, I shouldn't, I won't say that. When our strategy was always conservative in financial metrics and our balance sheet was already strong and we have significant tax pools. Assuming it's a lot of...we don't know the rules yet but assuming that you can go back to a corporate and not accrete tax for our unitholders, at the end of the day I suspect we will convert back to a corporation, but not early. There is no point doing that.

If it's going to cause tax for our unitholders, we're comfortable staying as a Trust. We'll still invest, we ran ourselves as a corporate in a Trust. So, we don't see an urgency and we have significant tax pools coming forward, through our planned capital expenditures. So, it was annoying from a shareholder or unitholder value perspective but it really didn't change our strategy.

Thank you very much.