

## **CORPORATE PARTICIPANTS**

### **Marshal Thompson**

*Senior Vice President External Relations*

### **David Cornhill**

*Chairman, President and Chief Executive Officer*

### **Richard Alexander**

*Executive Vice President, Chief Operating Officer  
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### **David Wright**

*Executive Vice President*

## **CONFERENCE CALL PARTICIPANTS**

### **Robert Catellier**

*Clarus Securities*

### **Matthew Akman**

*CIBC World Markets*

### **Fai Lee**

*RBC Capital Markets*

### **Nima Billou**

*Bloom Investment Counsel*

### **Chris Bolton**

*BMO Capital Markets*

## **PRESENTATION**

### **Operator**

Good afternoon, ladies and gentlemen, and welcome to the AltaGas Income Trust 2007 First Quarter conference call and Webcast. I would now like to turn the meeting over to Marshal Thompson, Senior Vice President External Relations and Corporate Risk. Please go ahead, Mr. Thompson.

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### **Marshal Thompson**

Thank you, Melissa. Good afternoon, everyone, and welcome to AltaGas' first-quarter conference call. David Cornhill, Chairman, President and Chief Executive Officer will begin with a few remarks on the results for the quarter. He will then discuss AltaGas' plans for growth. Richard Alexander, Executive Vice President, Chief Operating Officer and Chief Financial Officer, will then discuss our operating and financial results as well as give

our outlook for the rest of the year. We'll conclude with a question-and-answer session.

I understand we've experienced a technical delay in getting our news release across the wire, and my apologies.

Before I begin, I remind you that certain information presented today may constitute forward-looking statements. Such statements reflect the Trust's current expectations, estimates, projections and assumptions. These forward-looking statements are not guarantees of future performance and are subject to certain risks which could cause actual performance and financial results in the future to vary materially from those contemplated in the forward-looking statements. For additional information on these risks, please see the Trust's Annual Information Form under the heading "Risk Factors". I'll now turn the call over to David Cornhill.

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### **David Cornhill**

Thank you, Marshal, and good afternoon. Today we announced net income for the first quarter of \$24.6 million or 43 cents per unit compared to \$28.6 million or 52 cents per unit in the first quarter of 2006. As we stated in our year-end conference call and at the annual meeting, 2007 started slowly. Our power extraction and transmission businesses had a strong first quarter.

The first quarter's results were slightly stronger than expected and ahead of budget. Our base businesses are strong and we expect to show improved earnings in the FG&P segment, Field Gathering and Processing segment, as the year progresses. We expect that in 2007 all segments will meet or exceed 2006 operating results.

In addition to our strong base business, we have recently announced several near-term opportunities that will involve investing approximately \$225 million over the next 24 months. These projects and opportunities include a new pipeline to transport 90 million cubic feet a day of natural gas from the Noel region of British Columbia to a 90-million-a-day sour gas expansion of our Pouce Coupe facilities in northwest Alberta. This project is anticipated to cost approximately \$90 million.

Also includes an addition of 14 megawatts of gas-fired peaking capacity in southern Alberta. The six units are expected to cost \$8 million, including installation. They are expected to be placed on two of our existing fuel-gathering processing sites, Parkland and Bantry. They will be operated and dispatched in conjunction with our

25-megawatt gas-fired capacity. We also expect to make an additional investment of approximately \$25 million in Ontario, natural gas storage and pipeline infrastructure assets in the short term.

Finally, we have the Bear Mountain Wind Park in northeast B.C. which is underpinned by a 25-year contract with BC Hydro. We are close to securing our turbines and are talking to potential investors. The wind park is expected to cost about \$200 million.

All these projects are expected to be in service by mid-2009. They are expected to be financed by internal resources without the need to go to the equity markets.

What I have just described is about 20% growth in our asset base over the next two years. We fully expect to have additional projects as we continue to pursue growth opportunities.

Our balance sheet is strong and we have great access to capital markets should we need it. Our growth is split equally between gas and power infrastructure in keeping with our strategy to growth both our gas and power businesses equally over the mid to long term.

We believe that AltaGas is ideally positioned to grow our business and long-term unitholder value. As a result of recent announcements, how we will grow is now more visible. We have a strong base business today with significant opportunities to build all parts of our integrated gas and power businesses. We have the energy to grow and we are in the business for the long haul. I'll now pass the discussion over to Rick Alexander.

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**Richard Alexander**

Thank you, David, and good afternoon, everyone. I'd like to first highlight the key operating and financial results discussed in our first quarter news release which you can find on our Website. I will then talk about our outlook for the various segments for the remainder of 2007.

As David said, the first quarter began slowly as we had anticipated. Our first quarter net income was \$24.6 million or 43 cents per unit. This is down from our net income of \$28.6 million or 52 cents a unit reported in the first quarter last year. The weighted average number of units outstanding increased by 1.9 million units year over year to 56.7 million, mainly due to our DRIP.

The Field Gathering and Processing segment experienced slower throughput and utilization in the first

quarter 2007. This was due to the slowdown in producer well tie-in activity that began in the last half of 2006, and to natural declines. Well tie-ins were down 40% to 89 from 148 in the first quarter of 2006. While our new and expanded facilities contributed to higher throughput, the increases were more than offset by the declines at our existing facilities. Average throughput in the quarter was 552 million cubic feet per day, down 18 million cubic feet per day from levels in the first quarter of 2006.

Average utilization declined to 54% from 57% in the first quarter of 2006. However, both these measures were consistent with the fourth quarter.

In the shallower South district, the new Princess facility added 11 million cubic feet per day of throughput compared to the first quarter of 2006. This partially offset the impact of natural decline resulting in district throughputs that was four million cubic feet per day lower than in the first quarter last year.

In the North district, volumes processed decreased by 14 million cubic feet per day. The new Clear Prairie and Clear Hills gas plants and the expansion at Prairie River increased throughput by 13 million cubic feet per day in the quarter. These increases were more than offset by natural declines and lower producer activity. In particular, the Wabasca winter-only access drilling area saw volume declines of 12 million cubic feet per day as fewer wells were drilled than in the same quarter last year.

While the North district has recently experienced higher declines than the south, we believe that it is still an area with potential opportunities to increase throughput from expected higher producer activity. Our recently-announced plan to build a new pipeline to transport natural gas from the Noel region of British Columbia to a 90-million-cubic-feet-per-day sour gas expansion of the Pouce Coupe facility in northwest Alberta supports this outlook to the area. Once in service in April 2008, this project is expected to increase FG&P throughput by more than 10%.

Operating income in the Field Gathering and Processing segment was \$4.2 million in the quarter compared to \$6.9 million in the first quarter of 2006. Operating income increased by \$1 million as a result of new facilities and another \$1.2 million due to higher rates and other revenues. These increases were the direct result of AltaGas' strategy to manage the risk of volume declines. However, the increases in operating income in the quarter were more than offset by the lower throughput I just discussed, the lower contribution from minimum volume contractual provisions which tend to show up in our results in an uneven fashion, and adjustments related

to prior-period activity. We also had additional amortization expense related to maintenance capital.

Moving to the Extraction and Transmission segment, operating income was \$8.5 million in the first quarter, up slightly from \$8.3 million last year. The increase was mainly due to higher volumes processed as a result of the recent Edmonton extraction plant's enhanced ethane recovery project, higher utilization at one Empress plant and an increased ownership interest in the other Empress plant.

Overall, extraction volumes were up 3,200 barrels per day, or 17% quarter over quarter. Operating income was reduced by a \$200,000 revenue deferral related to the Suffield Pipeline System as well as increased costs due to the additional production capability and variable costs associated with increased extraction plant utilization.

Frac spreads were almost \$12 in the quarter compared to \$13 per barrel in the same period of 2006. Just under 8% of our volumes were exposed to frac spread in the quarter and added \$1.9 million to net revenue. In comparison, in the first quarter of 2006 the 6% of volumes exposed to frac spreads added \$1.4 million to net revenue.

Our Power Generation segment started off 2007 with another strong quarter. Our average price received on the sale of power, which includes hedged and spot sales for both Sundance and the gas-fired peaking plant was more than \$66 per megawatt hour, up \$5 from the same quarter last year. In comparison, the average Alberta Pool price was just under \$64 per megawatt hour, up almost \$7 from the first quarter of 2006.

At \$22.1 million, the first quarter 2007 operating income in the Power Generation segment was only \$700,000 lower than in the first quarter of 2006, even though the Genesee PPA expired at the end of March 2006. Higher hedge and spot prices and earnings from peaking facilities added an incremental \$3.4 million to operating income. This offset much of the lost \$4.1 million in operating income contributed by the Genesee contract in Q1-06.

I should note that on March 15<sup>th</sup> AltaGas began operating and servicing its gas-fired peaking plants in addition to dispatching them. By the end of the year, we will be operating 39 megawatts of gas-fired peaking capacity in southern Alberta.

Moving to the Energy Services segment, first quarter operating income was \$500,000, down slightly from \$600,000 in Q1 2006. We had a higher contribution from

our back-to-back buys and sells of gas in addition to increased transportation revenue from expanding gas services activities. We also had growth in earnings from our expansion in the Ontario electricity market and national brand strategy.

These positive developments in Energy Services were impacted by lower contributions from our non-core oil and gas production business and by lower revenue as a result of non-recurring earnings in the first quarter of 2006 from some energy management contracts.

Both the number of energy management service contracts and average gas volumes marketed were up compared to the first quarter of 2006. Please keep in mind however that the wholesale volumes include volumes transacted on behalf of the other operating segments and volumes sold in gas exchange transactions, in addition to volumes that are marketed directly. As a result, increased volumes do not necessarily impact the Energy Services segment results proportionally.

While this operating segment is our smallest, it is an important element in increasing the value of our assets. In the first quarter of 2007, the Energy Services segment arranged for gas supply to the extraction facilities that increased net revenue in the Extraction and Transmission segment by half a million dollars, up from \$200,000 in the first quarter of 2006. This is an example of the integration of our businesses.

The Corporate segment had an operating loss of \$6.3 million in the first quarter compared to a loss of \$3.6 million in the same period in 2006. The increased cost to the segment was primarily due to compensation costs that were up \$1.5 million, \$600,000 of lower costs allocated to the operating segments, \$500,000 in higher general corporate overhead as well as a \$500,000 positive adjustment relating to our investment in Taylor that took place in the first quarter of 2006.

\$600,000 of the \$1.5-million increase in compensation costs related to the first quarter of 2006 that were recorded in the fourth quarter of that year. The higher corporate loss was partially offset by a one-time gain of \$400,000 from unwinding interest rate swaps as a result of the \$100-million medium-term note issued in January.

Effective January 1, 2007, AltaGas adopted new accounting standards that requires a fair value of all financial instruments to be reflected on the financial statements. This standard was applied prospectively and we have therefore not restated prior periods. As a result of these new standards, our financial statements now

include a consolidated statement of comprehensive income and accumulated other comprehensive income.

You will also see additional line items specific to risk management on all of our financial statements. Given AltaGas' corporate approach to risk management, we are showing the income statement impacts in the Corporate segment. When the impacts of financial instruments are realized, they will be included in the appropriate operating segment, as has always been the case. The impact of the new standards on first-quarter results is not material.

Now that I've discussed the results in each of the segments, I'll move to a discussion of consolidated numbers. Amortization expense for the first quarter was \$12.2 million compared to \$11.1 million in the first quarter of 2006. The \$1.1-million increase was primarily due to new and expanded facilities and maintenance capital in the FG&P business.

Our average debt balance was \$18 million lower and combined with a slightly higher interest rate resulted in interest expense of \$3 million in the first quarter of 2007 compared to \$3.3 million in the same quarter in 2006.

Income tax expense was \$1.4 million, less than half the \$3.1-million income tax expense in the first quarter last year. The \$1.7-million decrease was due to lower net income before tax and to the large corporation's tax reported in first quarter 2006 which was later repealed, partially offset by a \$600,000 impact from unrealized gains recorded as a result of the new accounting standard for financial instruments.

While I'm on the subject of income tax, I wanted to remind you that the second quarter of 2006 included a \$6.6-million non-cash future income tax benefit due to the reduction in federal and Alberta corporate income tax rates that took place last year. Keep in mind that this will negatively impact our quarter-over-quarter net income comparison for the second quarter.

Invested capital in the quarter totalled almost \$7 million compared to \$18.5 million in the first quarter of 2006. Growth capital spent in the quarter was \$4.5 million, most of which was spent in the Fuel Gathering and Processing and Extraction and Transmission segments. The invested capital tables in our news release give you a detailed view of where we spent our capital.

With respect to our balance sheet, total debt on March 31<sup>st</sup> was \$255 million, \$10 million lower than at the end of 2006. Our total debt-to-cap ratio was 32.3%, down from

33.4% at year-end and still well below our target of 40 to 45%.

In regards to cashflow, funds from operations in 2006 were down 7% to \$38 million. The change was mainly due to lower net income this quarter. Distributions declared in the first quarter were 51 cents per unit or \$29 million. This resulted in a payout ratio of 76%, up from 65% of funds from operation in the first quarter of last year. We were in line with our target payout ratio which is 70 to 80% of funds from operation.

I'll now move on to our outlook for 2007. We continue to focus on the profitability of the Field Gathering and Processing business in order to offset softness in throughput and improve the return on investment. We are adding new facilities, implementing rate increases, increasing flowthrough operating costs to producers and ensuring that new plants are backstopped by take or pay commitments. We expect FG&P segment results to improve over the remainder of the year.

In the first quarter we saw some strengthening in the natural gas prices in North American markets and reduced inflationary pressure on drilling and operating results. Given this trend, producer drilling activity is expected to increase, resulting in higher FG&P throughput and operating income. We also expect to see increased opportunities to expand, construct and acquire processing facilities as producers focus capital investment on drilling. AltaGas expects to spend \$50 million in FG&P this year over and above the Noel/Pouce Coupe project we announced on April 10<sup>th</sup>.

Our outlook for the Extraction and Transmission segment is for the base extraction business to do better than last year. This is due to the additional volumes from the Edmonton enhanced ethane recovery project and the increased interest in one of the Empress plants. This growth will be somewhat offset by frac spreads that have declined from the historically high levels seen in 2006. Frac spreads for the remainder of the year are expected to be similar to the level we saw in the first quarter. Note that in the second quarter last year average frac spread were \$22 per barrel.

We have two turnarounds planned at our extraction facilities later this year. The first is taking place this month at one of the Empress facilities and the second will be at Edmonton in September. The turnarounds are expected to cost a total of less than \$500,000 and to have minimal impact on operating income.

Results for the Transmission business are also expected to increase this year mainly as a result of the 18-million-

cubic-feet-per-day Orion gas transmission pipeline which is an extension of the Cold Lake system. The project started generating revenue on May 1<sup>st</sup>.

In Transmission, we expect to defer approximately \$400,000 of revenue related to the Suffield Pipeline system in 2007, and this is down from \$800,000 in 2006. There will be no cash impact in 2007 related to the deferral.

Operating income in the Power Generation segment is expected to be higher in 2007 than in 2006. This is due to the fact that we have hedged approximately two-thirds of our Sundance PPA output at approximately \$66 per megawatt hour, which is around \$6 per megawatt hour higher than last year's hedge price. Even if spot prices end up slightly lower than they were in 2006, we believe operating income will increase this year.

We expect to continue to see strong power prices in Alberta as a result of continued economic and power demand and the lack of any significant new capacity additions planned for the medium-term. Current forward market power prices are approximately \$85 per megawatt hour for the remainder of 2007 and approximately \$80 for 2008. This is positive for growth in our Power Generation. We also anticipate the additional 14.4 megawatts of gas-fired peaking capacity will be up and running by the end of the year which should immediately be accretive to earnings and cashflow, although the impact on 2007 will likely be small.

Before I move on to the Energy Services segment outlook, let me take a moment to briefly discuss recent federal and Alberta government greenhouse gas announcements and their anticipated impact on AltaGas.

Based on the draft Alberta legislation, 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 FG&P or E&T facilities exceed the 100-kilotonne threshold. On April 26<sup>th</sup>, the federal government announced its plan to enact similar legislation, although the details are not expected to be available for some time. It is therefore difficult to estimate the impact of the potential federal legislation on the Trust.

If enacted, the Alberta regulation is expected to increase operating costs for our share of the Sundance PPAs by approximately \$2.5 million in 2007 or \$5 million per year. To the extent that these costs can be recovered through higher power pool prices, or by the reduction of emissions or the creation or acquisition of offsets, the impact of the increased costs would be mitigated.

In the meantime, the owner and operator of the Sundance plant is investigating opportunities to increase plant efficiency that are more economical than the current proposed cost of \$15 per ton.

In Energy Services, the energy management business is expected to grow based on continued expansion into electricity supply management in Ontario and a focused national accounts strategy in targeted sectors. The gas services business is also expected to grow as a result of locking in back-to-back buy-and-sell gas contracts that are expected to produce fixed margins for terms of up to five years.

Over the past several years, AltaGas has accumulated a portfolio of oil and gas production assets in connection with larger acquisitions of gathering and processing facilities. We held and produced these assets primarily as a hedge to a long-term natural gas sales contract. As we mentioned in our year-end conference call, late in 2006 we fixed the price of this long-term natural gas commitment with a third party. We continue to consider alternatives for maximizing the values of these non-core assets which have been experiencing production declines due to minimal capital expenditures over the past few years.

For 2007 as a whole, we expect the operating loss in the Corporate segment to be slightly higher than in 2006. Revenues from our equity investments will likely be relatively flat and we expect lower operating and administrative expenses due to lower ongoing costs to meet CEO/CFO certification requirements. These lower costs will be offset by higher compensation costs and higher amortization costs related to increased investments in technology to support growth of the Trust. They will also be offset by lower costs allocated to the operating segments.

To conclude, I'll reiterate that our outlook for 2007 is to meet or exceed 2006 operating results. We have the assets and the people to continue to deliver value to our unitholders. In addition, we are currently pursuing growth opportunities that we expect will add another \$50 million to our asset base in 2007 in addition to the \$225 million in projects we expect to deliver on and in the next 24 months.

Our disciplined approach to growth, strong balance sheet and cashflow and access to the capital markets should we need it position us well for the future. With that I'll now turn the call back to Marshal.

**Marshal Thompson**

Thank you, Rick. That completes the formal part of the conference call this afternoon. David and Rick as well as David Wright, Executive Vice President, are now available to answer your questions. Melissa, I will now turn the call back to you for the question-and-answer session.

**QUESTION-AND-ANSWER SESSION**

**Operator**

Thank you. We will now take questions from the telephone lines. If you would like to ask a question, please press star 1 on your telephone keypad. If you are using a speakerphone, please lift up the handset and then press star 1. If at any time you wish to cancel your question, please press the pound sign. Please press star 1 at this time for any questions or comments. The first question is from Robert Catellier from Clarus Securities. Please go ahead.

**Robert Catellier, Clarus Securities**

Hi. Am I to take your guidance statement today as being an improvement over the guidance statement we had during the last conference call? It seems to me it's a little bit more bullish to suggest that you're going to meet or exceed operating income from all segments.

**David Cornhill**

It's David. I would say it's consistent. I thought it was pretty consistent with what we talked at the annual meeting and that's what we see at this point.

**Robert Catellier, Clarus Securities**

Okay. Just in the Field Gathering and Processing segment, as you look towards drilling and service costs, maybe abating somewhat, is that outlook pretty much widespread or are there regional specific influences there, and if so are you relatively well positioned to benefit from cost trends?

**Richard Alexander**

We're seeing that. It's Rick Alexander. We're seeing that trend throughout the western basin which is really the area that we're focused on. So we would expect to benefit in both the north and the south regions of our business.

**David Cornhill**

Just a slight addition. What we're seeing is fairly strong activity, are hearing about fairly strong activity in the southern part, in the plains area right now.

**Robert Catellier, Clarus Securities**

And why is that?

**Richard Alexander**

Well, what we're seeing and hearing is that producers are... and we have seen this a little bit... You can see, by the way, our throughput developed over the quarter, that producers have shifted their focus somewhat to the shallower quick tie-in operations so that they can maintain production and cashflow in the short term and away from the higher cost fee per gas.

**Robert Catellier, Clarus Securities**

Okay. With respect to the turnarounds at the extraction plants, how much offline time do you anticipate that will involve?

**Richard Alexander**

About two weeks each time.

**Robert Catellier, Clarus Securities**

Two weeks each?

**Richard Alexander**

Yes.

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**Robert Catellier, Clarus Securities**

Okay. And are you going to begin accruing for the environmental obligations starting on July 1st? Are you going to start accruing against that \$2.5 million?

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**Richard Alexander**

It'll start on July 1st, yes.

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**Robert Catellier, Clarus Securities**

And what level of confidence do you have that the operator of those generators can find ways to reduce their emissions or otherwise how confident are you that the Trust can find ways to mitigate that expense?

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**David Wright**

It's David Wright. Naturally, the legislation is still draft, so we've got to see how it eventually looks. But the environmental costs are a natural cost to producing the power and one would naturally expect to see some inclusion of that in the price. As well, in working with the operator, in our case TransAlta, we're very much looking to having improvements in the plant in the near term.

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**Robert Catellier, Clarus Securities**

Okay. Those are my questions. Thanks.

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**Operator**

Thank you. The next question is from Matthew Akman from CIBC World Markets. Please go ahead.

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**Matthew Akman, CIBC World Markets**

Thanks. The questions are on the Field Gathering and Processing business, and maybe Rick or someone, if you could expand on the \$50 million of capital you plan on putting into the business this year. What kinds of things are you doing and I guess what kinds of returns on capital can we expect from that?

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**Richard Alexander**

What we're looking at is we're seeing opportunities from, particularly from producers who would like to see an independent third party spend the capital to add either new facilities or to sell existing facilities, and for both gathering lines and processing plants and that's what we're looking at adding throughout the year. So it'll be lumpy as its incurred but we would expect to get double-digit returns, low double-digit returns from that.

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**Matthew Akman, CIBC World Markets**

And I guess it sounds like you're banking on some acquisitions then in this number. This isn't organic, right?

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**Richard Alexander**

It's a combination.

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**Matthew Akman, CIBC World Markets**

And when you say double-digit returns, what do you mean? Can you talk in terms of return on capital employed?

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**Richard Alexander**

Return on investments.

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**Matthew Akman, CIBC World Markets**

So return on equity you're talking double digit or...?

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**Richard Alexander**

Well, return on capital, cash-on-cash returns, and income.

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**Matthew Akman, CIBC World Markets**

So cash-on-cash returns, you're talking double-digit returns you'd look for?

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**Richard Alexander**

Yes.

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**Matthew Akman, CIBC World Markets**

After tax or pre-tax? I guess it doesn't matter to you guys right now, so...

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**Richard Alexander**

Well, it matters. We always like both pre-tax and after tax. As you know, Matthew, we've always looked at investment opportunities as if we were a corporate. So we will look at after tax as well.

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**Matthew Akman, CIBC World Markets**

I'm just asking these questions because obviously we've seen a reduction in operating income from this business despite pretty significant investments, so I just want to get your views generally on how you see returns from these investments and maybe why we're not seeing them so far.

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**Richard Alexander**

Well, we have seen deteriorating returns and all I can tell you is we have an ever-increasing focus on the operating efficiencies within the business and where and how we're charging revenues to producers, and we've got a number of initiatives underway, some of which we've talked about: for example, increasing the flowthrough costs.

We're looking at what costs should be appropriately flowthrough, what other fee opportunities are there, as well as cost initiatives to see if we can operate more efficiently. So we have a number of things underway to drive and improve return on investment in this segment, which includes, as we've talked about, additional facilities which would have more attractive returns going forward.

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**Matthew Akman, CIBC World Markets**

And the returns on the \$90-million expansion around Pouce Coupe, is that similar kinds of returns as you're looking at on your expansion?

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**Richard Alexander**

Yes.

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**Matthew Akman, CIBC World Markets**

Okay. How do you get comfort with that number, that cap-ex number? That sounds just a little bit – I mean there's a fair bit of activity and construction there, it's a long pipeline. How do you get comfort on \$90 million given cost of installation on all energy infrastructure?

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**David Cornhill**

It's based on engineering reviews and third-party independent pricing and then a significant contingency to that.

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**Matthew Akman, CIBC World Markets**

Do you have a lot of those costs tied down in contract or are you guys at risk for that?

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**David Cornhill**

We have some in our contract flexibility around the capital costs, so we have anticipated flexibility there.

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**Matthew Akman, CIBC World Markets**

I'm not sure what that means. You are at risk or you're not?

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**David Cornhill**

We're not at risk over a reasonable price forecast; if prices go to \$500 million, the projects wouldn't go forward.

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**Matthew Akman, CIBC World Markets**

Okay, but if it goes over budget by 20 or 30%, is that your risk?

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**David Cornhill**

We have structured something to minimize that risk.

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**Matthew Akman, CIBC World Markets**

Okay. Okay. Thanks.

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**Operator**

Thank you. The next question is from Fai Lee from RBC Capital Markets. Please go ahead.

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**Fai Lee, RBC Capital Markets**

Thanks. David, I was just wondering about this \$225 million that you expect to spend and how that relates to I guess Bear Mountain and your assumption there for the ownership. It looks like it's about 60% that you're assuming. Is that correct in terms of \$225 million or 60% ownership in the Bear Mountain project?

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**David Cornhill**

Our working assumption is 50.

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**Fai Lee, RBC Capital Markets**

Fifty? Okay. And in terms of working assumptions, do you still need to find some additional investors to get to 50 or is that... right now is that sort of the minimum?

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**David Cornhill**

We're currently in discussions with investors that would allow us to maintain the 50.

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**Fai Lee, RBC Capital Markets**

Okay. Thanks.

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**Operator**

Thank you. Once again, please press star 1 for any questions or comments. The next question is from Nima Billou from Bloom Investment Council. Please go ahead.

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**Nima Billou, Bloom Investment Counsel**

Good afternoon, gentlemen. A quick question. With respect to Alberta power prices, I know you mentioned you'd hedged two-thirds of your volume, so you're well protected. But the spot prices seem to be easing a little bit. Do you, I mean looking out at the near term despite your healthy overall demand, do you see spot prices declining at all over 2007?

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**Richard Alexander**

We don't. When you look at the forward curve for 2007 and there is a fairly good forward curve, it would suggest that prices will be in that \$80 to \$85 range for the balance of the year. Obviously, there are spots where the prices are lower and right now the price is lower than that. But it's expected to increase quite dramatically through the latter part of the year.

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**Nima Billou, Bloom Investment Counsel**

So Q1 is just represented as some sort of short-term anomaly in terms of spot prices in the 60 range?

**Richard Alexander**

No, it's just the normal cyclical weakness. If you look at the patterns you'd see that prices tend to be higher in the third and fourth quarter and softer in the first and second quarter.

**Nima Billou, Bloom Investment Counsel**

Yeah, but as you said, looking out at the forward curve, still healthy, still solid pricing going forward?

**Richard Alexander**

Yeah, so we would expect that for the medium-term.

**Nima Billou, Bloom Investment Counsel**

Okay. And the other question I had, you said some of the initiatives you're going to undertake I guess through negotiation, greater recovery from take-or-pay contracts, but some of that contribution diminished this quarter. Is it because of contracts rolling off or a change in the terms of specific contracts? I just want to get a sense of that, why there was a decline in contribution.

**Richard Alexander**

Well, it was a number of things. We had, as mentioned, the lower throughput. We also had some take or pay payments that were made in the first quarter last year as well as in the fourth quarter last year, which are an uneven process which we didn't have in the first quarter of this year.

**Nima Billou, Bloom Investment Counsel**

Gotcha. Okay, that's it. Thanks.

**Operator**

Thank you. The next question is from Chris Bolton from BMO Capital Markets. Please go ahead.

**Chris Bolton, BMO Capital Markets**

Hi, Nima sort of answered the question but you mentioned lower throughput, lower contribution from your take or pay contracts in prior-period adjustments, in the FG&P segment. I'm just wondering which is more significant or if you can give dollar amounts for those risk factors.

**Richard Alexander**

The more significant were the lower throughput and the take or pay differential.

**Chris Bolton, BMO Capital Markets**

That was my question. Thank you.

**Operator**

Thank you. There are no further questions at this time. I would now like to turn the meeting back over to Mr. Thompson.

**Marshal Thompson**

Thank you, Melissa. If anyone has any follow-up questions, please give Stephanie or I a call. Thanks.

**Operator**

Thank you. The conference has now ended. Please disconnect your lines at this time. Thank you for your participation and have a nice day.