

CORPORATE PARTICIPANTS

Stephanie Labowka-Poulin
Manager, External Relations

David Cornhill
Chairman, President & Chief Executive Officer

Richard Alexander
Executive Vice President, Chief Operating Officer & Chief Financial Officer

David Wright
Executive Vice President

Deborah Stein
Vice President, Finance

Randy Toone
Divisional Vice President, Extraction & Transmission

CONFERENCE CALL PARTICIPANTS

Nima Billou
Bloom Investment Counsel

Robert Catellier
Clarus Securities

Linda Ezergailis
TD Newcrest

Fai Lee
RBC Capital Markets

Matthew Akman
CIBC World Markets

PRESENTATION

Operator

Good afternoon ladies and gentlemen and welcome to the AltaGas Income Trust 2007 Second Quarter Conference Call and Webcast.

I would now like to turn the meeting over to Ms. Stephanie Labowka-Poulin, Manager of External Relations. Please go ahead, Ms. Labowka-Poulin

Stephanie Labowka-Poulin, Manager, External Relations

Thank you, Colleen. Good afternoon and welcome to AltaGas Income Trust's Second Quarter Conference Call.

David Cornhill, Chairman, President and Chief Executive Officer, will begin with a few remarks on results for the quarter. He will then discuss AltaGas' outlook for the remainder of 2007. Richard Alexander, Executive Vice President, Chief Operating Officer and Chief Financial Officer, will then discuss our operating and financial results. We'll conclude with a question and answer session.

Before we 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, see the Trust's Annual Information Form under the heading "Risk Factors."

I'll now turn the call over to David Cornhill.

David Cornhill, Chairman, President & Chief Executive Officer

Thank you, Stephanie and good afternoon. Welcome to our second quarter conference call.

We are pleased to announce that AltaGas had a strong second quarter with solid operating results from all of our businesses. Net income for the second quarter was \$13.1 million or \$0.23 per unit. This includes a \$14.5 million non-cash charge we were required to record for the new tax on income trusts that will be effective September—December 2010, effective 2011. I always want to get September for some reason. It compares to \$29.9 million or \$0.54 per unit in the second quarter of 2006.

On a more normalized basis, which excludes the charge of \$14 million in the second quarter and the non-cash tax benefit of \$6.6 million recorded in the second quarter of last year, net income for the quarter was \$27.6 million. It was up 18 percent from the \$23.3 million in the same period 2006. On a per unit basis, net income was \$0.48, up from \$0.42 in the second quarter of 2006.

We continue to review and consider alternatives for the most efficient legal structure for AltaGas and will continue to work to create shareholder and unitholder value.

We are extremely pleased with our operating results this quarter and are on track for another solid earnings growth year. As I have discussed in our last two quarterly conference calls, we expect to meet or exceed 2006 operating results in 2007. Our underlying businesses are strong and despite the non-cash charge related to the new tax on income trusts we continue to deliver solid unitholder value.

The second quarter results reflect the success of our business strategies and continue to focus on profitability of the Field Gathering and Processing business. Weak gas prices and the slowdown in drilling have continued to impact throughput but we have been able to mitigate their effects through our contracting strategy. We have been seeing lower declines and less impact from the slowdown in the shallower South and Central areas of the basin than in the Northern areas due to a lower drilling cost in the shallower areas. We continue to believe that the Northern district is an area of potential opportunity to increase throughput with higher producer activity.

Our commodity diversification strategy has also worked well. Although gas markets have weakened, Alberta power markets and frac spreads have remained strong, resulting in robust performance in our Power Generation and Extraction and Transmission segments. We also continue to expect current gas market conditions to yield opportunities to expand, construct, and acquire processing facilities as producers continue to focus on capital investment on drilling opportunities. These opportunities are likely to materialize in the later part of the year.

Forward natural gas prices at the end of 2007 are currently in the mid-\$6 and low-\$7 range. These expected higher prices along with lower operating costs and lower cost of land acquisition suggests that drilling may increase in the next several months. The forward power curve is also strong, with prices around \$100 per megawatt hour for the remainder of 2007 and approximately \$90 per megawatt hour for 2008 and 2009. These are positives for growth in our power generation segment.

With new gas-fired generation coming on stream and the potential for higher prices in 2008 than this year's hedge price of approximately \$66 per megawatt hour. Our expectation for frac spread is that they will continue to be high compared to historic levels for the remainder of

2007. Frac spreads are currently in the mid-\$20 per barrel range for the remainder of the year.

Our Extraction and Transmission results for 2007 are anticipated to be similar to 2006 levels. The expansion of the Cold Lake transmission system along with the enhanced ethane project at the Edmonton extraction facility and the increased interest in one of the Empress facilities will help offset lower frac spreads in the first half of the year.

Energy Services results are expected to be below those of 2006, mainly as a result of non-recurring earnings in 2006. This will be partially offset by the \$1.5 million gain from the sale of the Cedar oil and gas assets. The Energy Services segment is an important element in increasing value of our assets in our other segments.

We continue to work to grow AltaGas' gas and power infrastructure to create unitholder value in the long-term. To support this we recently established a major projects group responsible for ensuring successful completion of our growth initiatives on time and on budget.

On the power side, we announced today that AltaGas has assumed the sole leadership role of the Bear Mountain wind project in British Columbia. We are focused on moving the project forward, are finalizing wind turbine purchase and services agreements with Enercon and expect to begin construction in the fall. Once all major contracts are in place we will focus on meeting with potential third-party investors. AltaGas plans to maintain a major ownership position in the wind park - approximately 50 percent. On July 17, 2007 we submitted three non-binding project bids into the Manitoba Hydro 300-megawatt Wind Request for Proposals. We expect to hear back in September.

We also expect to have the previous announced \$14.4 megawatts of gas-fired peak capacity installed at current Field Gathering and Processing locations in southern Alberta in late 2007 and early 2008. We have expanded the scope of the project to provide the units more operating flexibility. This generation is now expected to cost \$10 million. Like the existing gas-fired assets, the new units will be operated remotely from our Edmonton extraction plant, resulting in minimal increased cost.

On the gas side, we continue to optimize the Noel project with Devon, including structure and scheduling, and we'll provide a more detailed update once that is finalized.

The Acme gas plant is on track to begin service in the fourth quarter and is now expected to cost \$13 million as a result of an expansion in scope to construct laterals to

Ember's well sites from the main gathering lines. In addition, AltaGas continues to expect to spend approximately \$50 million in capital in Field Gathering and Processing in 2007, which includes the Acme project.

Over the past several years AltaGas has accumulated a portfolio of oil and natural gas production assets in connection with larger acquisitions of gathering and processing facilities. As of June 1st AltaGas had divested the majority of these assets, which were in the Cedar Energy Partnership. Last week we announced that effective July 1, AltaGas Utility Group Inc. purchased our interest in the Ikhil Joint Venture, thus completing the divestiture of these non-core oil and gas production assets. Together these asset sales will allow us to further reduce our debt levels by approximately \$21 million.

I am pleased to announce that we have crossed a major milestone in AltaGas' history. Yesterday we announced our 50 percent interest in the Sarnia Airport Pool Storage Project. This is our first energy infrastructure investment in Ontario and allows us to leverage the strong natural gas market knowledge we have in the east. We have been working on gas storage projects for many years and are very pleased with this first small step.

We are also pleased to announce an increase in AltaGas' monthly distribution, the fourth since we converted into a trust in 2004. Our Board has reviewed our distribution level and given the sustainability of our cash flow has approved an increase of the monthly distribution levels to \$0.175 per unit from \$0.17. This will be payable on September 17th to unitholders of record on August 27th. On an annual basis this increase will result in a distribution of \$2.10, up from \$2.04 per unit.

In addition, the September distribution will include a special distribution of one AltaGas Utility Group share for every 100 units of the trust, of trust units held. This will result in the Trust owning slightly less of 20 percent of the total shares outstanding.

I'll reiterate that our outlook for 2007 expects to meet or exceed 2006 operating results. I believe that the opportunities to grow AltaGas are better than they have ever been. We have the assets and the people to continue to deliver value to our unitholders. Our disciplined approach to growth, strong balance sheet and cash flow and access to capital markets, should we need it, positions us well for the future.

One closing comment. I stepped down from the Board of Directors of Taylor effective August 7th. I would like to thank Taylor for the opportunity to serve on the board.

Taylor has a strong business, a talented management team, and very solid board members. This step will provide Taylor and AltaGas more flexibility to each execute their future business plans.

I will now turn it over to Rick. Rick will now discuss the details of our operations and financial results.

Richard Alexander, Executive Vice President, Chief Operating Officer & Chief Financial Officer

Thank you, David and good afternoon everyone. I will now highlight the key operating and financial results discussed in our second quarter news release, which you can find on our website.

As David has mentioned, net income in the second quarter was \$13.1 million, or \$0.23 per unit. Adjusted for the non-cash charge related to the tax on income trusts recorded this quarter and a non-cash tax benefit of \$6.6 million recorded in second quarter 2006, net income in second quarter 2007 was \$27.6 million or \$0.48 per unit. This was up from \$23.3 million or \$0.42 per unit in the same period of 2006. For the six months ended June 30, 2007, net income was \$37.6 million or \$0.66 per unit. With the adjustments previously discussed, net income for the period was \$52.1 million or \$0.92 per unit, in line with the \$51.9 million or \$0.94 per unit in the first six months of 2006.

As David said, second quarter operating results were strong across all of our segments.

Operating income in the Field Gathering and Processing segment increased in the second quarter. The segment continued to experience lower throughput and utilization in second quarter 2007 as a result of the slowdown in producer drilling that has continued since the latter half of 2006 and to natural declines.

Well tie-ins in the second quarter were up 31 percent to 80 from 61 in the second quarter of 2006. However, throughput did not increase in conjunction with the tie-ins due to the fact that the tie-ins this quarter were lower volumes ones in our Central area. Year to date well tie-ins were 169, a 19 percent decline from 209 tie-ins in the first half of 2006.

Average throughput in the quarter was 534 million cubic feet per day, down 31 million cubic feet per day from levels in the second quarter of 2006. In the shallower South district, where volumes decreased by 12 million cubic feet per day, the effect of natural declines was partially offset by 4 million cubic feet per day from new

wells at South Foothills. In the North district volumes processed decreased 19 million cubic feet per day. While the new Clear Hills gas plant did add 7 million cubic feet per day in the quarter, this increase was more than offset by natural declines and lower producer activity.

Despite lower throughput and utilization, operating income in Field Gathering and Processing was \$6.4 million in the quarter, up from \$4 million in the same period in 2006. Operating income increased by \$3.5 million as a result of higher rates, routine equalization adjustments, and the new Clear Hills facility. These increases were the direct result of AltaGas' strategy to manage the risk of volume declines. \$800,000 of the increase in operating income was due to lower costs allocated to the segment. The increases were partially offset by \$2.1 million due to lower volumes.

In the first half of 2007 the decline due to lower volumes and lower take-or-pay adjustments was mostly offset by new and expanded facilities, higher rates and lower allocated costs. This resulted in Field Gathering and Processing operating income of \$10.6 million, down less than 3 percent from the first half of 2006.

Moving to the Extraction and Transmission segment, operating income was \$8.8 million in the second quarter, down slightly from the \$9.4 million last year. The decrease was primarily due to lower frac spreads, which decreased operating income by \$500,000. While Q2 frac spreads remain strong at \$18 per barrel, this was still \$5 per barrel lower than in the second quarter of 2006. The expansion of the Cold Lake transmission system, which began contributing to income in May, and an increased ownership interest in one of the Empress facilities helped offset the impact of the lower frac spread.

A scheduled turnaround took place at one of the Empress facilities in May, but even so, average volumes processed at this facility were higher than in the same quarter in 2006. Overall, extraction volumes were up 900 barrels per day or almost 5 percent quarter-over-quarter. Volumes were also up in the transmission business as a result of higher volumes moved on the Suffield system.

Operating income in the Extraction and Transmission segment for the first half of 2007 was \$17.3 million, down 2 percent from the same period in 2006, mainly due to lower frac spreads.

There are a couple of things I'd like to point out about Extraction and Transmission year to date results. First, \$400,000 of Suffield transmission system revenue was deferred in the first half of the year and we do not expect

to defer any further revenue for Suffield in 2007. Second, approximately \$6.7 million in operating costs or more than 70 percent of total extraction operating costs were recovered through contractual arrangements and hence is included in net revenue. This is \$1 million higher than in the first half of 2006.

In the second quarter of 2007, the 8 percent of volume exposed to frac spread added \$2.5 million to net revenue. This was down only slightly from the \$2.6 million in net revenue brought in by almost 7 percent of volumes exposed to frac spread in the second quarter of 2006. In both the quarter and first half of 2007, higher total extraction volumes and a higher percent of volumes being exposed to frac spread offset the impact of lower frac spreads.

The Power Generation segment continued to produce strong results in the second quarter. Our average price received on the sale of power, which includes hedged and spot sales for both Sundance and the gas-fired peaking plants, was almost \$63 per megawatt hour. This was up more than \$2 from the same quarter last year and was almost \$13 higher than the average Alberta Pool price, which was \$50 per megawatt hour.

At \$20.6 million, second quarter 2007 operating income in the Power Generation segment was 11 percent higher than in the second quarter of 2006. This was despite the lower average spot prices seen in the second quarter. Higher hedge prices and lower costs contributed the majority of the increase, partially offsetting lower revenue from unhedged volumes as a result of lower spot prices. Year-to-date operating income in the Power Generation segment was up \$1.4 million from the first half of 2006 to \$42.7 million; this in spite of the fact that \$4.1 million was contributed by Genesee in the first quarter of 2006.

Moving on to the Energy Services segment, second quarter operating income was \$1.7 million, up \$1.3 million from the second quarter of 2006. Operating income increased as a result of a one-time gain of \$1.5 million from the sale of Cedar oil and gas production assets. These assets, which made up about 85 percent of our total production assets, were sold effective June 1st and the two-month impact of these assets decreased operating income by approximately \$200,000 from the second quarter of 2006.

Results in the quarter were positively impacted by increased margin in the gas services business, partially offsetting the increased operating income or lower contributions from the energy management business due to non-recurring earnings that were reported in 2006. Year-to-date operating income in the Energy Services

segment was up \$2.2 million, up from \$1 million in the same period in 2006. The disposition of the oil and natural gas production assets is expected to positively impact energy services operating income in the second half of the year. In the last six months of 2006 the segment had an operating loss of \$200,000 from these assets.

Moving to our final segment, Corporate had an operating loss of \$6.3 million in the second quarter, the same as in the second quarter of 2006. The loss increased primarily due to compensation costs that were up \$300,000 and \$1.4 million of lower costs allocated to the operating segments. This increased loss was partially offset by \$400,000 related to equity income adjustments related to our investment in Taylor and AltaGas Utility Group. The unrealized gain reported as a result of accounting for the change in fair value of natural gas marketing contracts was \$400,000.

Note that due to David's resignation from the board of directors of Taylor Limited Partnership, AltaGas has reduced its level of influence over Taylor. As a result, we changed from accounting for our 9.5 percent interest in Taylor using the equity method and began using the cost method. The impact on the operating loss of this change was negligible in both the quarter and the first half of the year. However, the unrealized gain on the Taylor investment is recorded in other comprehensive income under the recently introduced accounting standards for financial instruments.

Now that I have discussed results in each of the segments I'll move to a discussion of some consolidated numbers.

Amortization costs for the second quarter of 2007 was \$12 million, up \$400,000 from the same period of 2006. The 4 percent increase was primarily due to new and expanded facilities in the FG&P business. This was partially offset by lower amortization as a result of the disposition of the oil and gas production assets.

A \$38 million lower average debt balance resulted in interest expense of \$3 million in the second quarter of 2007, \$400,000 lower than in the same period of 2006.

Income tax expense was \$15.1 million for the second quarter of 2007 compared to an income tax recovery of \$7.3 million for the same period in 2006. As previously mentioned, the increase was primarily due to the substantively enacted SIFT tax impact this quarter and the non-cash tax benefit recorded in second quarter 2006. This large increase was partially offset by a future

income tax recovery of \$600,000 from the sale of the Cedar oil and natural gas production assets.

We continue to have a UCC pool totalling more than \$600 million, two-thirds of which are Class 41, which has a 25 percent declining balance.

Invested capital in the quarter totalled almost \$23 million compared to just over \$15 million in the second quarter of 2006. Growth capital spent in the quarter was \$8 million, most of which was spent in the Power Generation and Field Gathering and Processing segments. The invested capital tables in our news release give you a detailed view of where we spent our capital in the quarter.

Year-to-date we have invested almost \$30 million compared to close to \$34 million in the same period of 2006. The majority of the \$32 million of disposals year to date is due to the disposition of the Cedar oil and gas production assets in the Energy Services segment.

With respect to our balance sheet, total debt on June 30th was \$230 million, \$36 million lower than at the end of 2006. Our total debt-to-cap ratio was an even 30 percent, down from 33.4 percent at year-end and still well below our target of 40 to 45 percent. Given our low debt-to-cap and our preference to actively manage our issuance of equity and to better match it to capital spending, AltaGas suspended the premium distribution component of our dividend reinvestment program effective with the August payment. The regular component of the DRIP will remain in effect and will continue to support our financing strategy. The suspension of the premium DRIP will reduce monthly equity sales by approximately 60 percent. This will result in approximately 270,000 fewer units being issued each quarter and will somewhat lower dilution, which you will note was 2 million units between second quarter 2007 and second quarter 2006.

In regards to cash flow, funds from operations for second quarter 2007 were up 10 percent to \$39 million. The change was mainly due to stronger operating results for the first half of 2007. Funds from operation were up slightly to \$77.4 million from \$76.7 million for the same period in 2006.

Distributions declared in the second quarter were \$0.51 per unit or \$29 million. This resulted in a payout ratio of 74 percent, down from 77 percent of funds from operation in the second quarter of last year. We remain in line with our target payout ratio, which is 70 to 80 percent of funds from operation.

To conclude, I'll reiterate that our outlook for 2007 is to meet or exceed 2006 operating results. We continue to move forward with announced projects and to pursue additional growth opportunities. AltaGas' ability to grow is supported by our financial discipline and the flexibility of our balance sheet, positioning us well for the future.

With that I will now turn the call back to Stephanie.

Stephanie Labowka-Poulin, Manager, External Relations

Thank you, Rick. That completes the formal part of our conference call this afternoon. David, Rick, along with David Wright, Executive Vice President, are now available to answer your questions. Colleen, 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 have a question, please press star one on your telephone keypad. If at any time you wish to cancel your question, please press the pound sign. If you are using a speakerphone, please lift the handset and then press star one. Please press star one at this time if you wish to ask a question. There will be a brief pause while participants register for questions. Thank you for your patience.

The first question is from Nima Billou, Bloom Investment Counsel. Please go ahead.

Nima Billou, Bloom Investment Counsel

Good afternoon. Just wanted to ask first off about the shelf prospectus, you filed a \$500 million shelf prospectus. Does that mean now that you're willing to go alone on the wind projects as prior to this you'd mentioned that you were looking for financial partners and to sort of diversify your risk geographically.

David Cornhill, Chairman, President & Chief Executive Officer

It was actually just a housekeeping - our existing shelf of \$500 million had expired and we just renewed the

existing shelf. So there's no change in strategy, it's just a renewal of the expired shelf prospectus.

Nima Billou, Bloom Investment Counsel

And the second question I had, you mentioned that you were able to offset some of the declines in terms of natural gas processing through the recovery of costs passed through; is there any pushback from the producers given the fact that natural gas drilling and activity is down? Do you see them starting to push back in terms of the cost recovery?

David Cornhill, Chairman, President & Chief Executive Officer

It's always a negotiation but as a percentage of total price our fees that come dramatically down from over 30 - 35 percent when we started the business in 94 to approximately under 15 percent now. So from a total share of the natural gas price our fees have come down dramatically. We've been one of the most efficient portions of the natural gas infrastructure. But Rick can give you a little more colour on that.

Richard Alexander, Executive Vice President, Chief Operating Officer & Chief Financial Officer

Sure. Having said that, obviously at \$5 AECO these are also, these are difficult times for the producer industry and, as you would expect, they don't openly welcome increased rates. So there is some pushback, but they understand, at least so far, that we have hurdle rates we need to meet as well to be in this business and it's really more of a partnership and we need to find ways to work together. And so far this year we've been successful in moving that forward, but it's not without some resistance.

Nima Billou, Bloom Investment Counsel

And I guess finally, what sort of costs, has it been labour or materials that you're trying to recover? Which has been the greatest pressure?

Richard Alexander, Executive Vice President, Chief Operating Officer & Chief Financial Officer

Well we're trying to recover all costs through our flow-through strategy, really transfer that production risk back

to the producers, which is their business, so it is a combination of both hard assets and labour costs.

Nima Billou, Bloom Investment Counsel

Thanks very much.

Operator

Thank you. Our next question is from Robert Catellier, Clarus Securities. Please go ahead.

Robert Catellier, Clarus Securities

Hi. I have a number of questions. I'll start with AUI. I'm curious as to why the Trust has decided to divest only a portion of its interest rather than the full amount.

David Cornhill, Chairman, President & Chief Executive Officer

With discussion we determined that it was a more appropriate level for us to hold. We continued to view the Utility Group as a hold in support of their success so we just felt it was a minor tinker...done that earlier with our Taylor investment and better fit where we felt we should hold an ownership best for Utility Group and the Trust.

Robert Catellier, Clarus Securities

I'm still now clear on it. I guess the question is what's changed to cause you to make that change, because clearly the financial structure you have now, without even considering the shelf prospectus, you certainly don't need the receipts or to get it off the books in any way.

David Cornhill, Chairman, President & Chief Executive Officer

Well we just distributed more income to our unitholders. And I don't think that's a bad thing Rob.

Robert Catellier, Clarus Securities

What about the admin. agreements between the two entities? What happens there?

David Cornhill, Chairman, President & Chief Executive Officer

There's discussion going on on an extension of some of those admin. agreements. I'm not up to speed on details. There's termination—I think their first agreement had a two-year term with renewals after that mutually agreed.

Robert Catellier, Clarus Securities

Okay, so there is some discussion going on there and it sounds like your intention might be to keep those agreements in place.

David Cornhill, Chairman, President & Chief Executive Officer

Well I think there's discussions whether everything, but I would suspect there'll be less because the Utility Group is two years operation and they were put in place where there was no infrastructure with respect to Utility Group.

Robert Catellier, Clarus Securities

Okay. And then what is the impact of restructuring Bear Mountain partnership mean to going to the royalty structure from your previous structure?

David Cornhill, Chairman, President & Chief Executive Officer

Economically very little. From an operational perspective it streamlines process considerably and allows us to target construction beginning the fall of this year.

Robert Catellier, Clarus Securities

And that wouldn't have any impact on your ability to bring in another partner.

David Cornhill, Chairman, President & Chief Executive Officer

Actually it would simplify it.

Robert Catellier, Clarus Securities

Right. And then just, we're hearing a lot about labour strikes in Alberta, not just the access to labour but conflicts and strikes at the trade level; has that had any impact on your operations to date? And what impact do you foresee that might have on operations and executing your growth projects?

David Cornhill, Chairman, President & Chief Executive Officer

Rick can answer that.

Richard Alexander, Executive Vice President, Chief Operating Officer & Chief Financial Officer

We have not experienced any labour strikes or been directly impacted by any of that and not foreseeing at this point any impact in the near future.

Robert Catellier, Clarus Securities

And on the Field Gathering and Processing, you know, when I look at the quarter's results it was a good outcome in context of what's going on in the industry, but can you characterize how much of the fee structure was take-or-pay or cost flowthrough? I didn't catch that amount in your discussion.

Richard Alexander, Executive Vice President, Chief Operating Officer & Chief Financial Officer

I think the flowthrough was about 41 percent of our operating costs that are flowed through. Is that what you're looking for?

Robert Catellier, Clarus Securities

Yeah. And is the take-or-pay on top of that or is there...

Richard Alexander, Executive Vice President, Chief Operating Officer & Chief Financial Officer

There's take-or-pay on top of that, yes.

Robert Catellier, Clarus Securities

Do you have the relative amount?

Richard Alexander, Executive Vice President, Chief Operating Officer & Chief Financial Officer

It's several hundred thousand in the quarter. I don't remember the exact number.

David Cornhill, Chairman, President & Chief Executive Officer

We can get back to you, Rob.

Richard Alexander, Executive Vice President, Chief Operating Officer & Chief Financial Officer

Stephanie will follow-up with you on that.

Robert Catellier, Clarus Securities

And my final two questions are how is the scope of the Acme plant changed?

David Cornhill, Chairman, President & Chief Executive Officer

We expanded some of the gathering lines that we were going to pay for rather than the producer.

Robert Catellier, Clarus Securities

Okay, that's a good outcome. And then what about the, what should our expectations be for a throughput decline for the year given your discussions with your customers? Should we expect the same degree as we experienced in Q2?

David Cornhill, Chairman, President & Chief Executive Officer

You tell me your price forecast and capital being raised... We're working basically flat. That's what our operations people are seeing right now.

Richard Alexander, Executive Vice President, Chief Operating Officer & Chief Financial Officer

With the slight pick up in well tie-ins in the second quarter as we go into the winter program we're anticipating that

drilling should be just enough to hold the line on where throughput is today, but, as David said, you know, the producers are currently trying to determine what their drilling plans are for the fall and winter and until they finalize that we won't really know.

Robert Catellier, Clarus Securities

Okay, I'll get back in the queue for my remaining questions.

Operator

Thank you. Our next question is from Linda Ezergailis of TD Newcrest. Please go ahead.

Linda Ezergailis, TD Newcrest

Thank you. Now I didn't get a chance to go through the whole release but maybe you can help me do the math in terms of what AltaGas' holdings in the Utility Group are going to with this special distribution.

David Cornhill, Chairman, President & Chief Executive Officer

I'll ask Debbie to...

Deborah Stein, Vice President, Finance

It's just under 20 percent.

Linda Ezergailis, TD Newcrest

From 23 percent?

Deborah Stein, Vice President, Finance

No, from 26.7.

Linda Ezergailis, TD Newcrest

Okay. And what do you consider to be the minimum threshold of Utility ownership to support the Utility Group?

David Cornhill, Chairman, President & Chief Executive Officer

We feel that in the high teens, where we are now, is the level that's appropriate.

Linda Ezergailis, TD Newcrest

Okay. And are there any other non-core assets or business that you would consider divesting?

David Cornhill, Chairman, President & Chief Executive Officer

Not at this point.

Linda Ezergailis, TD Newcrest

Okay. Moving on to your quarter, now the equalization adjustment in Field Gathering and Processing, can you let us know how much it affected year-over-year change in revenue? I think in the release you gave a \$2.8 million number, but that was tied in with recovering of operating costs and I think some other items.

Richard Alexander, Executive Vice President, Chief Operating Officer & Chief Financial Officer

It was about \$1.8 million.

Linda Ezergailis, TD Newcrest

So is that some sort of a timing thing? Is that something that would result in less equalization payments in the second half of the year?

Richard Alexander, Executive Vice President, Chief Operating Officer & Chief Financial Officer

Yes. Typically the equalization payments take place during the first six months of the year, so they really are like a 13-month adjustment for estimated costs for the year.

Linda Ezergailis, TD Newcrest

Okay. All right.

And then I guess my final question would be related to your power business and I'm just wondering if you've started entering into any hedges for 2008 and at what levels.

David Cornhill, Chairman, President & Chief Executive Officer

We have and we're working towards our target of two-thirds and we're comfortably down the road and we're looking at opportunities into 2009 as well.

Linda Ezergailis, TD Newcrest

Okay. Thank you.

Operator

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

Fai Lee, RBC Capital Markets

Thanks. David, could you comment on your change with Aeolis? Is that something that was contemplated all along or is this a change in strategy?

David Cornhill, Chairman, President & Chief Executive Officer

We've been in discussion for a number of months on how to best structure there go-forward and we came to the agreement that this was the simplest way to go forward to bring other parties in and to move forward quickly on the project.

Fai Lee, RBC Capital Markets

And will they still have some say in how the development goes in terms of, or will—

David Cornhill, Chairman, President & Chief Executive Officer

They have a board seat.

Fai Lee, RBC Capital Markets

Okay. And with respect to Taylor and your resignation from the board, does AltaGas still have the right to appoint one board member to the Taylor board if it chooses to do so in the future?

David Cornhill, Chairman, President & Chief Executive Officer

I believe we still own one share that we acquired when we acquired our original interest from Keyspan and that's still in place.

Fai Lee, RBC Capital Markets

And with respect to your—last question. With respect to your 08 hedge prices, do you see that being significantly higher than in 07? Like this year I think it's \$66/MWh, looking at your swaps disclosure it looks like it could be a value of \$80/MWh. Is somewhere in-between kind of the way to look for 08?

David Cornhill, Chairman, President & Chief Executive Officer

I think you've probably got some colour with this year and your \$80 is a good number. There'll be materially higher than this year that we expect at this point with what we have in place.

Fai Lee, RBC Capital Markets

Okay. So the hedge price next year will be materially higher than this year. Great. Thank you.

Operator

Thank you. Once again, should you have a question, please press star one on your telephone keypad.

Our next question is from Matthew Akman, CIBC World Markets. Please go ahead.

Matthew Akman, CIBC World Markets

Thanks. Guys, do you see a potential for growth in the power business from building new plants in Alberta?

David Cornhill, Chairman, President & Chief Executive Officer

We're constantly in discussions with partners with respect to those opportunities. I would say nothing more than discussions have happened to date, other than our smaller type peaking facilities.

Matthew Akman, CIBC World Markets

Why wouldn't that be an area of bigger focus than, for example, building or developing something totally different like storage in Ontario, when power is your core business and you know the Alberta market so well? And clearly there's a need there.

David Cornhill, Chairman, President & Chief Executive Officer

From our perspective looking at the current pricing, when we look at the requirements for gas-fired and the concerns on gas supply versus coal, we would not have the capability to focus or develop a coal project on our own. We need leadership or be partners with someone who has operations capability. We see the ability to expand our peaking plants as our key core capacity with our experience in Field Gathering and Processing and rotating equipment. So we see good opportunity in that field right now and integrating it with field operations. So that's why we have focused where we have on the Alberta power.

Matthew Akman, CIBC World Markets

So you do see—could you do gas-fired stuff on your own or do you need a partner?

David Cornhill, Chairman, President & Chief Executive Officer

We would probably partner but we'd feel quite comfortable with gas-fired on our own.

Matthew Akman, CIBC World Markets

Okay. And in terms of the storage project, I don't think you disclosed the financial commitment you have in developing that or what you paid for for the rights. Do you have any comments on that?

David Cornhill, Chairman, President & Chief Executive Officer

I would like to but we have commitments to our partner that won't allow us to at this point. So I guess I just would like to point out that we have a very talented team in Chatham who has extreme, a lot of experience in operating and maximizing value from storage with their Union Gas experience and it's a natural fit for us.

Matthew Akman, CIBC World Markets

It sounds like you see growth maybe beyond this project for yourselves in that area.

David Cornhill, Chairman, President & Chief Executive Officer

I hope so. It's only taken me eight years to get the first gas storage project so I'm quite happy to see this one.

Matthew Akman, CIBC World Markets

Okay. Okay, thanks. Those are my questions.

Operator

Thank you. Our next question is from Robert Catellier of Clarus Securities. Please go ahead.

Robert Catellier, Clarus Securities

Can you tell us the timing and duration of the current Sundance outage?

David Cornhill, Chairman, President & Chief Executive Officer

No.

Richard Alexander, Executive Vice President, Chief Operating Officer & Chief Financial Officer

No.

David Cornhill, Chairman, President & Chief Executive Officer

You can look on the website and see overall market knowledge there.

Robert Catellier, Clarus Securities

Yeah, tell them to take as long as they need.

How long is the Empress turnaround going to be and what impact—or, sorry, how long was it and what impact was it on your actual Q2 NGL production volumes?

David Cornhill, Chairman, President & Chief Executive Officer

Randy why don't—

Randy Toone, Divisional Vice President, Extraction & Transmission

The Empress shutdown was 23 days in May but overall it didn't impact our Q2 production volumes.

Robert Catellier, Clarus Securities

Well volumes were down sequentially; it must have had some impact.

Randy Toone, Divisional Vice President, Extraction & Transmission

Volumes are down but we put more utilizations through on the other two months, so versus last year the production was higher.

Robert Catellier, Clarus Securities

So the 19,000 barrels is what we can expect on a normalized basis?

Randy Toone, Divisional Vice President, Extraction & Transmission

Higher.

Robert Catellier, Clarus Securities

Okay. And what about the EEEP turnaround? What are you expecting there? How long will that outage be?

Randy Toone, Divisional Vice President, Extraction & Transmission

Eight to fourteen days. We're hoping to be closer to ten days.

Robert Catellier, Clarus Securities

And finally, I'm a little bit surprised the volumes weren't higher in the power business given that you do have peaking plants and there was a spike in price. I know they're not dissimilar to what you saw in Q2 of last year but you have capacity to deliver more volume.

Richard Alexander, Executive Vice President, Chief Operating Officer & Chief Financial Officer

Yeah, but you have to remember spot was lower average, so we did have some spikes but it wasn't like you could run them all the time. A lot of the spiking as well was in July.

Robert Catellier, Clarus Securities

And just finally on the Taylor, I know you mentioned the gain is on the other comprehensive income but can you specify the gain? I didn't catch the amount that was related to Taylor.

Deborah Stein, Vice President, Finance

The gain related to Taylor?

Robert Catellier, Clarus Securities

Yeah.

Deborah Stein, Vice President, Finance

Was pre-tax 11.4 and after-tax 10.8.

Robert Catellier, Clarus Securities

And that was all in Q2?

Deborah Stein, Vice President, Finance

Yes.

Robert Catellier, Clarus Securities

Yeah, okay. Thanks.

Deborah Stein, Vice President, Finance

And that's unrealized gain in the other comprehensive income.

Robert Catellier, Clarus Securities

Thank you.

Operator

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

Fai Lee, RBC Capital Markets

Just a quick question regarding the Sundance outage. Have you done any hedging around the outage? I know you're getting the 30-day pricing, but have you tried to hedge the impact in case you get a big spike in pricing?

David Cornhill, Chairman, President & Chief Executive Officer

We can't talk about short-term but we're quite comfortable with our operation there. We can't talk about short-term strategy; it could impact the market.

Fai Lee, RBC Capital Markets

Okay. Thank you.

Operator

Thank you. There are no further questions registered at this time. I would like to turn the meeting back over to Ms. Stephanie Labowka-Poulin. Please go ahead.

Stephanie Labowka-Poulin, Manager, External Relations

Thank you, Colleen.

If you have any follow-up questions, please feel free to give me a call. Thanks very much.

Operator

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