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PRESENTATION

Operator

Good afternoon ladies and gentlemen and welcome to the AltaGas Income Trust 2008 First Quarter Conference Call and Webcast. I would now like to turn the meeting over to Ms. Stephanie Labowka-Poulin, Manager, Investor Relations. Please go ahead, Ms Labowka-Poulin.

Stephanie Labowka-Poulin, Manager, Investor Relations

Good afternoon everyone and welcome to AltaGas' First Quarter 2008 conference call.

David Cornhill, Chairman and Chief Executive Officer, will open with a few remarks on results for the quarter and AltaGas' growth strategy. Richard Alexander, President and Chief Operating Officer, will then discuss our operating results for the quarter and outlook for 2008. Debbie Stein, Vice-President, Finance and Chief Financial Officer, will close this presentation by reviewing our financial results and will conclude with a question and answer session.

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 to vary materially from those contemplated from the forward-looking statement. For additional information on these risks, please see the Trust's annual information form under the heading Risk Factors.

Please note that we had a technical glitch and lost the operating and admin number for the corporate segment in the PDF we sent out before noon. The corrected PDF is now available on our website and we do apologize for any inconvenience this may have caused.

I'll now introduce David Cornhill, Chairman and Chief Executive Officer.

David Cornhill, Chairman & Chief Executive Officer

Thank you, Stephanie. Good afternoon and welcome to our first quarter conference call.

I am happy to report net income of \$0.58 per unit in the first quarter 2008, above market expectation. That's earnings per unit growth of 35 percent quarter over quarter or a record \$37.6 million. These results are solid proof that our growth strategy is working. They show the value of the acquisition of Taylor.

At a high level, our record earnings in the first quarter are driven by four things: first, our base business is larger, solid and providing long term and growing earnings. Second, our extraction business is significantly larger. Approximately 80 percent of the increase in earnings was due to the Taylor assets, which are mostly in our extraction and transmission business. The addition of these assets has resulted in a better balance in earnings between our gas and power businesses. Third, our new assets met our expectations with strong operational and financial results. And fourth, we continue to have favourable results from our effective commodity hedging and risk mitigation strategies. These were further complimented by strong spot power prices and frac spreads in the quarter.

AltaGas is growing in 2008 and beyond. We are actively creating opportunities to grow our businesses and our excellent track record of execution will serve us well going forward. Today we are building on the Taylor acquisition, creating opportunity to realize the full potential of those assets. For example, we recently announced \$55 million of growth and efficiency initiatives at the Harmattan Complex that will be in service by the fourth quarter of this year.

At RET Processing Complex we just completed a turnaround adding inlet booster compression, which increased our volumes at the facility by about 15 percent. And at Younger we expect to create opportunities for growth that will benefit from the strong drilling activity in Northeast BC.

In addition, we continue to grow the rest of our gas business in line with our strategy. We are focused on active gas production areas in Northeast BC and Northwest Alberta. We are currently working on an expansion of the existing Pouce Coupe Facility that will be capable of processing 20 million cubic feet per day of sour gas from the Montney play. And we are pursuing new gas opportunities with our move into gas storage. Our first gas storage project in Sarnia, Ontario will be online in mid 2009 and we are exploring another large storage opportunity in Michigan.

We are growing our power business this year with the addition of gas-fired peaking in the second quarter and with 174 megawatts of potential renewable energy

projects in British Columbia. We are growing our renewable energy capability in the power business for the long term. The Bear Mountain Wind Project is under construction and will be in service at the end of 2009. We hope to have several run-of-river hydro generation projects online beginning in 2010.

In total we had announced \$125 million in capital expenditures for 2008 and a further \$250 million in 2009. We are increasing our CapEx forecast to \$150 million for 2008, mainly as a result of additional gas opportunities we have recently announced. We continue to expect to finance the 2008 CapEx program with cash from operations and proceeds from our DRIP.

We are working hard to ensure AltaGas' continued growth in 2008 and beyond. Looking ahead to the rest of 2008 we are on track to exceed our estimated mid-single digit earnings per unit growth as our assets continue to perform strongly and we expect this earnings growth, despite significant turnarounds in our gas business planned for the second and third quarter of 2008.

We now expect the Taylor acquisition to be accretive to both earnings and cash flows per unit this year. In addition, we are seeing strong commodity prices in 2009. We continue to lock in favourable frac spreads and Alberta power prices for 2009 based on current market conditions. We expect our hedge position going into 2009 to be as strong as 2008.

Growth in earnings is expected to continue in 2009 and 2010 as we grow and enhance our base business with projects like at Harmattan. Furthermore, projects such as Bear Mountain and Sarnia Storage will come online in 2009, also adding to earnings.

Before I turn the call over to Rick, I'll briefly touch on the transition to 2011 taxable environment. AltaGas is well positioned and prepared to undertake a corporate conversion by 2011, assuming the legislation allows us to do so on tax deferred basis. As I said at the annual meeting about two weeks ago, I believe the characteristics of leading corporations are strong earning growth, a low payout ratio, low effective tax rate so you can reinvest cash flow to grow the business, growth in capital spending, and investment-grade credit rating. AltaGas is well positioned on all these fronts.

We have always been an earnings focused organization and have a track record of growth. Earnings have almost tripled in the past five years. We have a conservative payout ratio of 65 to 70 percent of funds from operations and aim to grow earnings faster than distributions. Clearly we have done this in the first quarter. We have

over \$750 million worth of tax pools and expect to spend approximately \$400 million over the next two years adding to our pools. And we are committed to maintain our investment-grade credit rating.

Before I wrap up, I'd like to make some off the cuff comments, which will get my people very nervous. I'd just like to point out to some of the analysts that are thinking or have asked the question of why, for a Trust that they know are taxable are using the distributable cash flow metric when all normal businesses, which I believe we are, use earnings cash flow metrics to PE's and such forth. I think it is imperative that analysts start focusing on trusts from an earnings basis and preparing the investor for the change in 2010/2011. So I have clearly asked them to start looking at that and measuring comparables on an earnings basis.

AltaGas is well positioned to continue growth and strong performance in 2008 and beyond. Our balanced asset base and strong outlook are complimented by projects in both the gas and power businesses that will come in service over the next few years. The first quarter is just the first step.

Rick Alexander will now discuss our first quarter operating results and our business outlook for 2008.

Richard Alexander, President & Chief Operating Officer

Thank you, David. Good afternoon everyone.

I'll spend the next few minutes highlighting the key operating results discussed in our first quarter report, which you can find on our website. I'll also discuss our outlook for the rest of 2008.

With operating income of \$47.6 million, our segments delivered a record quarter. Overall, our gas business had very strong results, mainly due to the addition of the Taylor assets. Today our extraction and transmission business is slightly larger, contributing 45 percent of operating income in the first quarter.

Our Field Gathering and Processing business is now a smaller piece of AltaGas' business. This quarter FG&P contributed 8 percent of business operating income. Our Extraction and Transmission segment performed impressively in the first quarter of 2008. The addition of both extraction and transmission assets from Taylor drove 90 percent of the increase in segment operating income. All extraction facilities, with the exception of Edmonton, increased volumes approximately 5 percent

over first quarter 2007. Continued strong frac spreads as well as increased extraction volumes exposed to frac spread also added to results.

At \$27 per barrel realized frac spreads in the first quarter were more than double the \$12 per barrel realized in the first quarter 2007. While the majority of our extraction volumes are underpinned by long-term cost of service or fixed fee arrangements, in 2008 approximately 12 percent are exposed to market prices. As part of our risk mitigation strategy and to lock in profits from historically high frac spreads, AltaGas continues to hedge a significant portion of these exposed volumes. To date we hedged 40 to 45 percent of the exposed volumes at over \$20 per barrel for the remainder of 2008 and more than \$25 per barrel for 2009. The current forward curve indicates that frac spreads are in the low to mid \$20 per barrel range for the remainder of the year and around \$25 per barrel for the next few years, which should continue to provide upside to our E&T business.

Results in the E&T segment are expected to continue to be strong for the remainder of the year. The segment has grown significantly with the addition of the new assets from Taylor and is expected to contribute around 40 percent of business operating income this year. 2008 results will be moderated by four extraction plant turnarounds planned for this year. A 23-day turnaround is currently taking place at Harmattan and is expected to cost approximately \$4 million in direct cost and lost operating income. In third quarter we expect a total of 48-days for turnarounds at Younger and both Empress facilities, with a total cost of approximately \$1.8 million in direct costs and lost operating income. Volumes are also expected to increase this year as a result of opportunities to optimize and upgrade the infrastructure, as well as through consolidation of extraction facilities, which will increase utilization and results.

As David mentioned, two weeks ago we announced \$55 million in initiatives at the Harmattan Complex, including a project to consolidate processing volumes from the Carstairs Gas Plant. The projects are expected to increase volumes at this facility by around 30 percent by the end of the year. Additionally, the arrangement to utilize an unused portion of the ethylene delivery system is complete and is expected to contribute to higher results beginning in the second quarter of 2008.

Moving to the second component of our gas business, first quarter results in the Field Gathering and Processing segment were essentially flat quarter over quarter. We were mainly impacted by lower throughput compared to the same quarter of 2007, which offset the higher, offset the impact of higher rates and the addition of new

facilities. The decrease in throughput was driven by decreased drilling activity as well as the increased declines we saw in the first half of 2007 and some unscheduled shutdowns. Average throughput in the quarter was 542 million cubic feet per day, down slightly from the first quarter 2007; however, throughput was up 32 million cubic feet per day from fourth quarter 2007 levels, due mainly to the addition of the new facilities including RET, Acme and Corbett Creek.

The quarter was negatively impacted by 12 million cubic feet per day of gas that was shut in due to the fire that took place at Clear Hills in February and an unscheduled plant shut down at Princess. Despite the decline, we have been seeing some successes in different areas of our FG&P business. For instance, our recently acquired RET Complex in Southern Alberta is now processing 15 percent higher volumes due to some improvements we made at the end of the quarter. In order to minimize downtime we moved up a planned turnaround to coincide with tying-in an inlet booster compressor to increase throughput. The turnaround took seven days and cost \$500,000 and resulted in lower than anticipated throughput at RET during first quarter.

In the Birch Wavy area, new wells have been tied in, increasing volumes by 400 million cubic feet per day or 5 percent. In addition, we are working on a project that will connect the under utilized Sedgewick Facility to the fully utilized Iron Creek and Killam Facilities to allow increased total throughput for the three facilities. This project is currently under construction.

Well tie-ins in the first quarter 2008 were 89, down slightly from 92 in the first quarter 2007 but 19 percent higher than the 75 wells tied-in during fourth quarter 2007. We are starting to see an increase in drilling activity and higher gas prices currently in the \$9 to \$10 gigajoule range for the rest of 2008 will encourage more producer certainty and activity. While we are not ready to call it a turnaround, we are cautiously optimistic.

In 2008 AltaGas expects higher results from the Field Gathering and Processing segment, mainly due to the addition of RET, a full year of operations at Acme and Corbett Creek, and our contracting strategy to increase rates and flow through operating costs. Current throughput volumes have been around 555 million cubic feet per day. We expect volumes to increase by 20 million cubic feet per day as gas behind pipe comes back on-line. The Princess volumes have already started to come on-line and the Clear Hills Plant is expected to begin processing volumes in the next 24 hours. A major turnaround is expected at our Rainbow Lake Facility in the second or third quarter. The turnaround is expected

to decrease throughput by approximately 20 million cubic feet per day for two weeks. The majority of the costs are expected to be recovered by contractual arrangements with producers.

Our growth strategy in FG&P also includes focusing on prospective areas and unconventional sources of supply. Currently there is approximately 25 million cubic feet per day of coal bed methane gas flowing through nine of our facilities in Central Alberta. As Acme and Corbett Creek ramp-up over the year, coal bed methane volumes will increase.

Moving to the smallest part of our gas business, results in Energy Services were down quarter over quarter. 2008 increased gas infrastructure acquired through the Taylor acquisition is expected to provide additional opportunities for the energy service business to enhance earnings from these assets. Excluding this potential, we expect the Energy Services segment's results to be slightly lower than 2007 results, excluding the gain on sale of the oil and gas production assets. Recent increases in natural gas prices and market volatility may provide increased opportunities for this part to the gas business. In the meantime, the segment continues to provide services and market knowledge to the other segments that contribute a higher utilization rate and revenue.

The Power business produced strong results in the first quarter of 2008, due mainly to higher hedged and spot prices. Our average power price received, which includes hedged and spot sales for both Sundance and the gas-fired peaking plants, was \$78 per megawatt hour. This was up almost \$12 from the same quarter last year. Average Alberta spot prices were \$77 per megawatt hour compared with \$64 per megawatt hour in first quarter 2007. Our peaking plants also contributed more quarter over quarter. We continue to expect 2008 operating income from the Power Generation segment to increase from 2007 levels. We have hedged approximately two-thirds of the Sundance 2008 production at \$76 per megawatt hour, \$10 per megawatt hour higher than our 2007 hedge price.

The current forward market price for the remainder of 2008 is averaging the mid \$80 per megawatt hour. We are on track to hedge two-thirds of the Sundance 2009 production by the end of the year and to date expect our 2009 average hedge price to be similar to our 2008 hedge price.

We will be adding 14.4 megawatts of gas-fired peakers to our Power business by the end of the second quarter. The new power generation capacity will be located at our Bantry and Parkland FG&P sites. We expect that these

gas peaking plants will yield similar returns to our existing peaking facilities, providing both energy and ancillary services to the grid and partially backstopping our PPAs.

Moving to the outlook for our final segment, the corporate operating loss is expected to be higher in 2008 than it was in 2007. This is mainly due to the acquisition of Taylor and additional costs related to activities to support AltaGas' growth strategy. To date, AltaGas has identified approximately \$2 million in costs savings of the \$8 million in normalized costs incurred by Taylor in 2007. The segment's revenue will decrease as a result of no longer recording investment income from Taylor and to our decreased interest in AltaGas Utility Group.

We are well positioned for what's next. We had a record first quarter and we expect to continue to deliver strong returns to our investors, maximizing the profitability of our existing assets, including the new assets from our recent acquisition, growing and diversifying our energy infrastructure base, and delivering value to our customers.

Debbie will now discuss our financial results in more detail.

Debbie Stein, Vice-President Finance & Chief Financial Officer

Good afternoon everyone. Today I will complete our prepared remarks with a review of our first quarter 2008 financial performance.

Our first quarter net income was \$37.6 million, or \$0.58 per unit, up from \$24.6 million, or \$0.43 per unit, in first quarter last year.

In our gas business, operating income in the Extraction and Transmission segment was \$24.8 million in first quarter, almost triple the almost \$8.5 million reported in the first quarter last year. Approximately 90 percent of the increase was due to the addition of new extraction and transmission facilities as a result of the Taylor acquisition with the remainder due to higher frac spreads and higher market-exposed volume.

13 percent of our extraction volumes were exposed to market prices in the first quarter 2008, adding \$12.5 million of net revenue. This contrasts with first quarter 2007 when just under 8 percent of volumes exposed to frac spread added \$1.8 million to net revenue. The large variance is a result of increases in both realized frac spreads, which were \$15 per barrel higher, and higher volumes exposed to market prices.

Due to the addition of the new extraction assets, our volumes exposed to market prices have more than tripled quarter over quarter. Our strategy is to hedge some of these volumes and based on current forward prices we have been able to lock in margins at strong prices for approximately 40 to 45 percent of the volumes exposed.

Operating income from Field Gathering and Processing was \$4.3 million in the quarter, similar to the \$4.2 million reported in the same period in 2007. Operating income increased due to the new RET Facility and the two new CBM facilities that we added in late 2007 as well as higher rates and lower operating costs. These increases were offset by the impact of the lower throughput that Rick discussed earlier.

In first quarter 2008, Energy Services segment reported an operating loss of \$200,000. This was a decline from operating income of \$500,000 in first quarter last year. The segment's operating loss the result of lower fixed priced gas and transport sales and a one-time cost related to commissions paid to a trade association. These decreases were partially offset by lower compensation costs.

Moving to the Power business, first quarter 2008 operating income was \$25.9 million, an almost a \$4 million increase over first quarter 2007. The growth in operating income was due to higher average spot prices, which added \$4.2 million, and higher hedge prices, which added another \$3.5 million. These increases were partially offset by \$2.2 million in higher PPA costs, \$1.2 million in higher environment compliance costs, and about \$1 million in higher transmission costs.

Moving to our final segment, Corporate had an operating loss of \$7.2 million in the first quarter, up from \$6.3 million in the same quarter of 2007. The increased loss was the result of higher compensation and administrative costs as well as lower income, as we no longer report investment income from Taylor, which is now fully consolidated in the operating segments. Net revenue in the corporate segment was flat year over year. While AltaGas is no longer recording investment from Taylor in the segment, that decrease was offset by higher unrealized gain on risk management.

I'll now highlight a few of our key consolidated numbers.

On a corporate basis, amortization expense rose \$4 million to \$16 million in first quarter due the addition of the recently acquired assets, partially offset by the sale of our non-core oil and gas assets in mid 2007.

Interest expense in first quarter of 2008 was \$7 million, up from \$3 million in first quarter last year. The increase was due to the higher average debt balance of \$577 million. In the first quarter of 2007, the average debt balance was \$256 million. At 5.1 percent, the average borrowing rate was unchanged from the same period last year and of course our average debt balance went up because of the Taylor acquisition.

Income tax expense in the quarter was \$3 million compared to \$1.4 million in the same period last year. The higher expense was primarily due to more income subject to tax.

During the quarter, invested capital totalled \$654 million compared with the \$7 million in the same quarter as last year. The majority of the \$654 million of growth capital, or \$651 million of the growth capital, was for the Taylor acquisition. \$34.7 million was also spent on the Bear Mountain Wind Park. The invested capital tables in our MD&A provided a detailed breakdown of our capital spending.

Due to the acquisition of Taylor, total debt at March 31st was \$640 million, up from \$221 million at year end. This resulted in a total debt to total cap ratio of 45.1 percent versus the 27.4 reported at the end of 2007, at the top end of our target range of 40 to 45 percent. Debt to total cap at the end of the quarter is lower than our estimated 46 percent when we contemplated the Taylor acquisition. We currently have approximately 67 percent of our debt at fixed interest rates, slightly below our target fixed interest percentage of 70 to 75 percent.

On April 3rd, we filed a perspective supplement to the Short Form Base Shelf prospectus dated August 8, 2007. The supplement establishes AltaGas' medium term notes program and prepares us to access the Canadian medium term note market when required.

At quarter end, AltaGas has or had 66 million units outstanding. As a result of the Taylor acquisition closing on January 10th, the weighted average units for the quarter were 65.1 million, up from 56.7 million from the first quarter of 2007.

With respect to cash flow, funds from operations were \$56.3 million in the first quarter of 2008, up 47 percent from \$38.2 million in the same quarter of 2007. The change was mainly due to stronger operating results driven by the acquisition of Taylor.

Distributions declared in the first quarter were \$0.525 or \$34.6 million. Our payout ratio, which is based on funds from operations, was 61 percent in the quarter, below our

target of 65 to 75 percent of funds from operations and significantly below the 76 percent in first quarter of 2007. Our strong financial results resulted in AltaGas paying 92 percent of net income this quarter.

As David discussed, we are well positioned for the transition to a corporation. As you know, the rules and regulations have not been provided and we continue to work under the assumption that we can convert to a corporation on a tax-deferred basis. Our strong balance sheet, commitment to our investment-grade credit rating, and financial flexibility position us for continued growth and strong performance in 2008 and beyond.

In early April, we secured a new \$250 million credit facility. It replaced the \$130 million Taylor credit facilities that were set to expire in June and provides us with more liquidity. We now have \$750 million in liquidity with approximately \$270 million of current credit available on our various facilities.

Our investor value proposition for the future is strong. We have a solid foundation of energy infrastructure assets, diversified along the energy value chain and under pinned with long-life contracts and strong counter parties. We have opportunities to grow and enhance our current asset base for the long term. We are currently in the process of constructing and developing new assets that will add to future earnings growth.

We are well positioned to convert to a corporation, as we have substantial tax pools, and expect to benefit from lower effective tax rates and lower payout rates and reinvest for the future. And finally, our access to the debt and equity markets provides us with financial capability and flexibility and we are committed to our investment-grade credit ratings.

And with that, I turn the call back over to Stephanie.

Stephanie Labowka-Poulin, Manager, Investor Relations

Thank you, Debbie.

That completes the formal part of our conference call this afternoon. David, Rick, and Debbie are now available to answer your questions.

Mary, 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 any questions, please press star one on your telephone keypad. If you are using a speakerphone, please lift the handset and then press star one. If at any time you wish to cancel your question, please press the pound sign. Please press star one at this time if you have a question. There will be a brief pause while participants register. Thank you for your patience.

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

Nima Billou, Bloom Investment Counsel

Good afternoon. Quick question: with respect to the extraction segment, I know that 12 percent is exposed to the market, um, just over 13, close to 14 percent this quarter; what is the frac spread for the fee-for-service or cost-of-service? Do you disclose that?

Richard Alexander, President & Chief Operating Officer

No, we don't disclose that number. It's Rick Alexander. That is basically a pass-through of costs and a specified return with the customer.

Nima Billou, Bloom Investment Counsel

But that \$27, that's not the average realized price for your total volumes, that just represents what was the average frac spread posted in the quarter, correct? Almost the market price?

Richard Alexander, President & Chief Operating Officer

That's correct.

Nima Billou, Bloom Investment Counsel

Okay. So if we wanted to, you just kind of go back and try to calculate given the gross profit contribution, what the fee for service margin is?

Richard Alexander, President & Chief Operating Officer

You could do that, yes.

Nima Billou, Bloom Investment Counsel

Okay. With respect to cost recovery on the FG&P side, have you disclosed the percentage now that you're up to with respect to your contracts? Is it towards the 40 to 45 percent range that have these flow-through provisions?

Richard Alexander, President & Chief Operating Officer

It's in the 40 to 45 percent range, yes. It continues to come up more slowly than we would ideally like, but that's about where we're at today.

Nima Billou, Bloom Investment Counsel

So despite the gas price environment they're still managing to push back on that cost recovery then?

Richard Alexander, President & Chief Operating Officer

They have and they are. As I mentioned, although we are seeing some increased drilling, I think it's a bit premature to say that the segment's turned around, and we'll have to see more sustained drilling by the producers to feel that comfort.

Nima Billou, Bloom Investment Counsel

Do you see that recovery far more quickly in producers exposed to shallow gas? The parts of the basin that you're exposed to?

Richard Alexander, President & Chief Operating Officer

Yes we do.

Nima Billou, Bloom Investment Counsel

Okay. That's my question for now, thank you.

Operator

Thank you. The following question is from Robert Catellier from Clarus Securities. Please go ahead.

Robert Catellier, Clarus Securities

Thank you, very good quarter. I'd like to focus on the guidance. It looks to me like you've extended your single-digit earnings growth to 2009 and 2010, is that correct?

David Cornhill, Chairman & Chief Executive Officer

What we're saying is that we're expecting growth. We haven't quantified the amount. Clearly I could speak to my board and they would clearly put those objectives before us, but at this point it is more based on factual situations, strong commodity prices, hedge prices, new capital is starting to contribute going forward and assumption of some steady credit environments at this level.

So from that you can conclude that we should see earning growth over the next two years and the board will be sitting down in June and later in the year to set those targets for us. But consistently they have always increased our target over the actual performance year over year, so I think it's a fair assumption, but we haven't given a percentage at this point.

Robert Catellier, Clarus Securities

Okay, thanks for that clarification. Just on the 2008 numbers, what tax rate is your EPU growth guidance based on?

David Cornhill, Chairman & Chief Executive Officer

Historical tax performance as a trust, assuming that we stay as a trust until 2010.

Robert Catellier, Clarus Securities

And do you have an estimated commissioning date for the Pouce Coupe sour gas expansion?

David Cornhill, Chairman & Chief Executive Officer

Most optimistic is late fourth quarter. We don't necessarily—if we could just build it we could get on and do it, but through the regulatory process there is certain timelines that are out of our control. So optimistically end of the fourth quarter.

Robert Catellier, Clarus Securities

And I noticed from TransAlta's results they mention a plant increase in efficiency and output at one of their Sundance generators. I think the numbers they gave were \$75 million for a 53 megawatt hour increase. Now I know it's not the generators that back up the Trust PPA, but is a similar opportunity available on units three and four?

David Cornhill, Chairman & Chief Executive Officer

Actually they—TransAlta has upgraded Sundance four and we receive a contribution (inaudible) overriding in royalty on that production that started in the fourth quarter of last year I believe. So Sundance four has been upgraded to like 406 megawatts, around there.

Robert Catellier, Clarus Securities

And what about unit three; is there a similar opportunity there?

David Cornhill, Chairman & Chief Executive Officer

There is a similar opportunity. A lot depends on timeline. From an operations perspective it is possible, maybe some regulatory issues around it.

Robert Catellier, Clarus Securities

And finally with the weather so far this year, has that had any impact on your turnaround activity? Or is it delaying things, resulting in cost creep or anything like that?

Richard Alexander, President & Chief Operating Officer

Well, the weather did impact us in our FG&P business in the first quarter. There was a cold spell, an extended

cold spell here in Alberta and it dropped quite significantly our throughput for a few weeks. That's back. The weather today, with the biggest turnaround we have going right now is Harmattan, which is currently on time and on budget and has been unaffected by the weather. So to date, none of the turnarounds have had a material impact from the weather.

Robert Catellier, Clarus Securities

Just two last questions on the extraction business side. When we talk about consolidating facilities leading to growth in that business, are you referring to the Carstairs consolidation into Harmattan or are there other consolidation opportunities available?

David Cornhill, Chairman & Chief Executive Officer

Yes.

Richard Alexander, President & Chief Operating Officer

Both.

Robert Catellier, Clarus Securities

And just, ah, I noticed the yields on the natural gas liquids extraction were relatively high this quarter; is there, do you view that as sustainable or are these yields we should be looking at for making estimates?

Richard Alexander, President & Chief Operating Officer

I think we're optimistic we can see these levels sustained. We have seen, as there is more drilling picking up and there's strong demand in the province. We continue to struggle, as we mentioned, at Edmonton a little bit, after the Selanese plant closed last year, but we do expect to see the stronger utilizations through the year.

Robert Catellier, Clarus Securities

Okay, thank you.

Operator

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

Fai Lee, RBC Capital Markets

Thank you. I just had a question regarding the Field Gathering and Processing results as throughput was higher than in Q4 but the results are a little bit lower and I was just wondering what was behind that? Is it the Clear Hills and Princess shutdowns or is there something else behind that?

Richard Alexander, President & Chief Operating Officer

It was a combination of things. Fai. It was most significantly the turnaround at the RET Complex, which was about \$0.5 million. But also the Clear Hills fire cost us half a quarter worth of volume there. We also had the weather issues that I talked about earlier and then we had the unplanned downtime at Princess. So it was a combination of things that flowed through there.

Fai Lee, RBC Capital Markets

So going forward we should expect results to improve, I guess, just based on what you've said?

Richard Alexander, President & Chief Operating Officer

I do.

Fai Lee, RBC Capital Markets

Okay. And the second question I had was with respect to Harmattan now that it's included under the Extraction and Transmission segment. What were the processing volumes there? Were they fairly similar to historical levels or had there been any decline or increase there?

David Cornhill, Chairman & Chief Executive Officer

There's actually been an increase in—with the consolidation we expect about a 30 percent increase on current levels.

Fai Lee, RBC Capital Markets

And is that sort of around, I don't know, maybe 120 mmcf a day?

David Cornhill, Chairman & Chief Executive Officer

I believe it was close—10 higher than that.

Fai Lee, RBC Capital Markets

Sorry, I didn't hear you, David.

David Cornhill, Chairman & Chief Executive Officer

About 10. 127, 130, somewhere in there.

Fai Lee, RBC Capital Markets

130? Okay. And you expect that to increase by about 30 percent after you've invested \$55 million?

David Cornhill, Chairman & Chief Executive Officer

That's what I'm being told

Fai Lee, RBC Capital Markets

Okay, thank you.

Operator

Thank you. The next question is from Matthew Akman from Macquarie. Please go ahead.

Matthew Akman, Macquarie Capital Markets

Thanks. First just an accounting question. Debbie, what would the accounting tax rate look like for AltaGas as a corporation do you think?

Debbie Stein, Vice-President Finance & Chief Financial Officer

Are you looking for the effective tax rate for the quarter?

Matthew Akman, Macquarie Capital Markets

No. If you turn back into a corporation, as David said when he got you guys all in trouble, what accounting tax rate would you anticipate AltaGas would be using?

Debbie Stein, Vice-President Finance & Chief Financial Officer

Well that would depend on our CCA claims, so—

David Cornhill, Chairman & Chief Executive Officer

But for book purposes it's an effective rate—

Debbie Stein, Vice-President Finance & Chief Financial Officer

Yeah.

David Cornhill, Chairman & Chief Executive Officer

Which would be going down by 2011 to about 25 percent.

Debbie Stein, Vice-President Finance & Chief Financial Officer

Right.

Matthew Akman, Macquarie Capital Markets

Okay.

Debbie Stein, Vice-President Finance & Chief Financial Officer

But on an effective rate, I mean if you look back at when AltaGas was a corp, I think the average effective rate was around 10 percent.

David Cornhill, Chairman & Chief Executive Officer

That we paid cash tax.

Debbie Stein, Vice-President Finance & Chief Financial Officer

For cash tax.

Matthew Akman, Macquarie Capital Markets

No, no, I am not asking cash. I am asking for accounting tax. So you are saying probably around 25—

Debbie Stein, Vice-President Finance & Chief Financial Officer

So it would be—yeah, it would be a statutory rate.

Matthew Akman, Macquarie Capital Markets

Okay. Could you make some comments on the—this is a different question now, not sure who it is for, maybe Rick or David—some comments on the Alberta Power market and given the volatility, I mean, does that increase your appetite for building merchant gas fired generation in the province?

David Cornhill, Chairman & Chief Executive Officer

We've increased from a peaking perspective. We could look at small additional gas fired in the province, but not huge scale from our perspective. We've never been that type of company and so I don't see us taking a huge leap in that. We have identified opportunity that could be merchant, the co-gen operation at Harmattan, but that would also have the opportunity of reducing costs and be a very attractive steam host for the Harmattan process. So that is one area you could see us moving in over the next little while.

Matthew Akman, Macquarie Capital Markets

Okay. And my last question is is there some kind of update on the Harmattan co-stream project?

Richard Alexander, President & Chief Operating Officer

Well the project is on schedule. We're finalizing all the G&P agreements with the producers.

Debbie Stein, Vice-President Finance & Chief Financial Officer

No in the Harmattan. The co-stream.

Richard Alexander, President & Chief Operating Officer

Oh, the co-stream. I'm sorry. With co-streaming, well, we are still working through the regulatory process. As you know, Matthew, it's been held up due to the NGL inquiry and that's still where it stands.

Matthew Akman, Macquarie Capital Markets

Okay. Any expectation on timing for that?

Richard Alexander, President & Chief Operating Officer

Very difficult to say. The inquiry has been moved around and we are trying to push with the regulator but, you know, like David said, on some issues it is not totally in your control.

Matthew Akman, Macquarie Capital Markets

Okay. Okay, I'll leave it at that, thank you.

Operator

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

Chris Bolton, BMO Capital Markets

Hi. I was just wondering in terms of wind power, outside of Bear Mountain is there other projects sort of moving along? I know Manitoba had an RFP that didn't generate appropriate returns for you. Just wondering what else is going on in wind power?

David Cornhill, Chairman & Chief Executive Officer

We are still developing some projects and seeing some movement in our North Dakota project as well as our Wyoming project in the U.S. Probably more a developer

in those projects. We're looking for some additional projects in Ontario, smaller projects. So we're moving some of those forward, but the focus right now is to get Bear up and running and on time, on budget.

Chris Bolton, BMO Capital Markets

All right, great. In terms of the DRIP, do you have pro forma participation now that you have had a couple months of Taylor?

Debbie Stein, Vice-President Finance & Chief Financial Officer

In the first quarter it was around 30-25 or 25 percent. It stayed fairly consistent. We didn't see any significant change.

Chris Bolton, BMO Capital Markets

Okay, perfect. Those are all my questions, thank you.

Operator

Thank you. Once again please press star one, if you have a question.

The following question is from Tony Courtright from Scotia Capital. Please go ahead.

Tony Courtright, Scotia Capital

Two questions, one of them Bear Mountain: Have you extended your FX hedge on your euro procurement costs?

Richard Alexander, President & Chief Operating Officer

We have not at this time, no.

Tony Courtright, Scotia Capital

Right. And the second question is more a general question it terms of admonitions to analysts to look at this as a corp. What is the view of AltaGas vis-à-vis what it

wants to be when it reconverts into a corp? A high yield entity or a growth entity?

David Cornhill, Chairman & Chief Executive Officer

I think way you look at it we will pay an attractive dividend and we intend to grow. So you can decide what that is. We think that we've got a track record of growing and we will continue to pay an attractive dividend.

Tony Courtright, Scotia Capital

But in terms of what investor base you're interested in attracting, do you have any guidance there as to—or are you going to suffer a recycling if you have to reduce your distributions?

David Cornhill, Chairman & Chief Executive Officer

Well, I think if you look at our base right now, they are income focused, whether they have significant holdings in companies like TransCanada, Enbridge, TransAlta, so I would think that we would be becoming, as infrastructure, fit into that group of companies. So you could use those as metric peers. We do have the advantage of a strong tax pool, so we expect low cash taxes coming into that for cash to reinvest. So I would say that those are the peers that we would be moving towards, energy infrastructure companies.

Tony Courtright, Scotia Capital

Comparable then dividend payout ratios of about 60-65 percent of earnings per share?

David Cornhill, Chairman & Chief Executive Officer

I think consistent with those, those peers, and it could very depending on some growth prospects, so I can't say absolutely, but it would be consistent with that environment.

Tony Courtright, Scotia Capital

And would you need to consider having a better credit rating to achieve those growth objectives then?

David Cornhill, Chairman & Chief Executive Officer

We just need the bond raters to realize what our true credit rating should be.

Tony Courtright, Scotia Capital

Well and if they don't?

David Cornhill, Chairman & Chief Executive Officer

We continue to look to increase our credit rating consistent with prudent balance of growth and risk and reward.

Tony Courtright, Scotia Capital

All right. Thank you.

Operator

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

Linda Ezergailis, TD Newcrest

Thank you. I guess in terms of turnarounds, I appreciate the guidance for 2008; can you give us a sense of what sort of turnarounds we might see in 2009 and potentially 2010 if you have the information?

David Cornhill, Chairman & Chief Executive Officer

I'll speak and then I will get corrected by Rick.

From an extraction perspective we are doing four this year and they average around every five years, so nothing in the near term. On the FG&P we are doing a major sour facility this year, at least a couple, and they average, three to four, every three to four years, so the timeline, so that's where we are. And then we continuously turnaround small equipment but that's just normal business.

So this year's an extraordinary coincidence to having extraction, all the extraction plants as well as two major sour coming on in one year.

Linda Ezergailis, TD Newcrest

Okay, that's great to know. And just moving back to Bear Mountain, can you give us an update on where you're at as terms of bringing in a partner and at what point you might consider keeping a 100 percent interest?

David Cornhill, Chairman & Chief Executive Officer

We are still in discussion with a number of people. For some people the credit crunch has deferred their capability to participate. Long term we want to have interest in a number of wind projects and diversify our wind risk. Could we end up with higher ownership over the short term at Bear? That's a possibility. But clearly our objective, as we stated earlier, is to get around 50 percent of the project.

Linda Ezergailis, TD Newcrest

Okay, so even if it is brought into service under 100 percent ownership, at some point you'd consider monetizing part of it—

David Cornhill, Chairman & Chief Executive Officer

Or using it to create more opportunities elsewhere for a diverse portfolio.

Linda Ezergailis, TD Newcrest

Okay. Thank you.

Operator

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

Stephanie Labowka-Poulin, Manager, Investor Relations

Thank you, Mary.

If you have any follow up questions, please give me a call at 403-691-7136 and have a good afternoon.
