

## **CORPORATE PARTICIPANTS**

**Stephanie Labowka-Poulin**  
*Manager External Relations*

**David Cornhill**  
*Chairman & Chief Executive Officer*

**Richard Alexander**  
*President & Chief Operating Officer*

**Debbie Stein**  
*Vice President Finance & Chief Financial Officer*

**Bob Pritchard**  
*Taylor NGL Limited Partnership*

**Randy Toone**  
*Divisional Vice President Extraction & Transmission*

## **CONFERENCE CALL PARTICIPANTS**

**Nima Billou**  
*Bloom Investment Counsel*

**Robert Catellier**  
*Clarus Securities*

**Tony Courtright**  
*Scotia Capital*

**Winfried Fruehauf**  
*W. Fruehauf Consulting*

**Chris Bolton**  
*BMO Capital Markets*

**Linda Ezergailis**  
*TD Newcrest*

**Fai Lee**  
*RBC Capital Markets*

## **PRESENTATION**

### **Operator**

Good afternoon ladies and gentlemen and welcome to the AltaGas Income Trust 2007 Fourth Quarter and Year End 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.

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### **Stephanie Labowka-Poulin, Manager External Relations**

Good afternoon and welcome to AltaGas' fourth quarter and year end 2007 conference call.

David Cornhill, Chairman and Chief Executive Officer, will open with a few remarks on results for the quarter and year and what's next for AltaGas in 2008 and beyond. Richard Alexander, President and Chief Operating Officer, will then discuss our operating results for 2007 and operating outlook for 2008. Debbie Stein, Vice-President, Finance and Chief Financial Officer, will close this presentation by review our financial results. We'll conclude with a question and answer session.

Before we begin, please note that Gregory Aarssen, formerly our Divisional Vice President Energy Services, is now Vice President Corporate Affairs. He is responsible for overseeing the investor relations, external communications and government affairs portfolios.

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 can cause actual performance and financial results 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 introduce David Cornhill, Chairman and Chief Executive Officer.

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### **David Cornhill, Chairman & Chief Executive Officer**

Thank you, Stephanie. Good afternoon and welcome to our fourth quarter and year end conference call for 2007 results.

At this time last year I told you that 2006 had been a record year for AltaGas, our fourteenth in a row. I also said that beating those results was going to be difficult, but that our core businesses were strong and our team was going to do their best. Today I am proud to say that 2007 was another very strong year. Our diversified gas and power infrastructure business proved effective. Strength in hedged power prices and frac spreads helped offset greater than expected weakness in Field Gathering and Processing and lower spot prices in Alberta.

AltaGas delivered strong results in a year of many challenges. These challenges included changes in the Alberta royalty regime, new clean air legislation, a higher Canadian dollar, and tight labour markets in Alberta. I wish to thank all the employees for their contributions to our results.

Our net income totalled \$108.8 million or \$1.90 per unit compared to \$114.5 million or \$2.06 per unit in 2007. On a before-tax basis these results were \$114.7 million or \$2 per unit in 2007, essentially flat to 2006's \$113.4 million or \$2.04 per unit. The fourth quarter net income was \$31.8 million or \$0.55 per unit, up from \$27.3 million or \$0.49 per unit in fourth quarter of 2006.

In my letter to unitholders in last year's annual report I said AltaGas' goals in 2007 were to grow our business, to grow our asset base, and to enhance performance drivers that we control. I said that we would grow where we see value and could add value that we saw opportunities to deploy capital on each of our business segments but would continue to be guided by our mandate to create long-term shareholder value.

At Investor Day in September I expanded on our growth strategies. I told you that we would grow our energy infrastructure business with an equal focus and balance between gas and power, that we would increase our focus on renewable energy, and that while we grew and diversified our business we would maintain our financial discipline and our focus on traditional financial metrics such as earnings per unit and return on equity.

In 2007 AltaGas met its stated goals. First we grew and initiated growth in both the power and gas business. On January 10<sup>th</sup> we completed the acquisition of Taylor NGL Limited Partnership; we began the acquisition in November 2007. This acquisition is a great example of AltaGas' ability to execute on its strategy. It improves the balance between our power and gas business and the new assets improve the diversification of our businesses, doubling extraction volumes and reducing Field Gathering and Processing's overall impact. They also

improved our commitment to renewable by adding run-of-river hydro to our project portfolio.

In 2007 we expanded our gas business adding our first infrastructure asset in our Energy Services segment by taking a 50 percent interest in the Sarnia Airport Storage Pool Project in Ontario. We believe that natural gas storage will play an increasingly important role in the North American gas market. As a result, we are currently pursuing additional natural gas storage asset opportunities in Michigan.

In the Field Gathering and Processing business we said we'd focus on coal bed methane and opportunities in Northwest Alberta and Northeast B.C. We did this, adding 15 million cubic feet a day coal bed methane processing plant capacity in the Horseshoe Canyon and Manville coal bed methane plays and 15 million cubic feet per day gathering pipeline in Northwest Alberta; however, we fell short of our \$50 million target for growth capital in this segment.

The proposed Harmattan co-streaming project is expected to bring natural gas from TransCanada's Alberta system to the Harmattan Complex for processing to recover ethane, propane, butane, and condensate. Once we receive approval we will begin construction of the co-streaming project, which is expected to take 12 months.

On the power side of the business we've purchased 14.4 megawatts of new gas fired peaking capacity in 2007, which is currently being installed at two of our field gathering processing sites. In addition, as of early 2008, AltaGas has a portfolio of approximately 175 megawatts of clean renewable power projects in British Columbia that will be in service over the next few years. Besides the Bear Mountain wind project, which began construction in late 2007, we are developing two run-of-river projects. We also recently acquired four new run-of-river hydroelectric projects with the potential to add additional 50 megawatts of hydroelectric power generating capacity near Hope, B.C. Of these, the 14-megawatt Rainy River project is in advanced stage of development and we hope to bid the project into B.C.'s next call for power.

Second, as we grew we continued to focus on financial targets. Today our target payout ratio was reduced from 70 to 80 percent of funds from operation to 65 to 75 percent of funds from operations. This level is in line with our payout over the past couple of years and strikes a proper balance between providing sustainable distribution to our unitholders and allowing us to invest for the future. We will determine in August if we should increase our

distribution above the \$2.10 per unit we are currently paying.

At December 31<sup>st</sup> our total debt-to-cap ratio was 27.4 percent, substantially below our target of 40 to 45 percent. As planned, with the acquisition of Taylor that ratio has moved within our target range. Our balance sheet remains strong and both S&P and DBRS have confirmed our investment-grade credit rating since the announcement of the Taylor acquisition.

Before I move on I'd like to address the view held by some that we overpaid for Taylor. We believe we did not. Taylor's results for the fourth quarter, which are included at a high level in today's press release, shows the value of the acquisition. Taylor had a record quarter and a strong 2007. Taylor's adjusted fourth quarter EBITDA was \$19.9 million, up 58 percent from Q4 2006 and its 2007 adjusted EBITDA was \$59.6 million, up 11 percent from 2006. In short, we bought Taylor for ten times its 2007 EBITDA, including our existing ownership of around 9 percent, a reasonable valuation for assets that fit so strongly with our existing assets. And that number does not include the growth opportunities that are included in the acquisition. We did this while remaining within our financial target metrics. We expect this transaction to be neutral to accretive in earnings per unit and accretive to cash flow per unit in 2008.

We also expect the historic strong frac spreads to continue. We have locked in approximately 45 percent of exposed volume for 2008 at \$21/Bbl and recently locked in 15 percent of 2009 exposed volumes at \$23/Bbl.

As I have demonstrated AltaGas met its 2007 goals. We came out of 2007 with momentum and the ability to achieve what's next: future growth in 2008 and beyond.

In 2008 we will continue to execute our financial strategy with the focus on earnings, return on equity, and maintaining our investment-grade credit rating as we grow our business. To support this, all executives and employees' bonuses continue to be based on growing earnings per unit, improving ROE, and delivering value to our investors and customers.

Our board has approved capital expenditures of \$125 million in 2008 on currently announced projects with another \$250 million planned for 2009. This capital will be split approximately 60 percent gas and 40 percent power infrastructure projects that I have mentioned.

As we move forward to 2011, our profitable growth and increased size improves our ability to compete as a corporation. We expect to see increased earnings and

cash flow per unit this year and into the future. Based on our planned projects and business environment we see today, we are targeting earnings per unit growth in the mid-single digits based on 2007 reported earnings of \$1.90 per unit. This outlook is based on our current view of Alberta power prices and frac spreads, which Rick will discuss. We also see stable environment for field gathering and processing, current borrowing costs being stable, and no significant changes in regulatory or tax rules, which I highly doubt.

I am excited to lead AltaGas to the next level, moving beyond the \$2.3 billion enterprise we are today. And AltaGas will be more balanced, more diversified, and have higher value energy infrastructure businesses that will meet the growing and evolving needs of our customers and investors.

Rick will now discuss our 2007 operating results and our current operating outlook for 2008.

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**Richard Alexander, President & Chief Operating Officer**

Thank you, David, and good afternoon. I'll spend the next few minutes highlighting the key operating results discussed in our fourth quarter news release, which you can find on our website.

As David said, 2007 was a strong year for AltaGas. The power business performed very well. The gas business also did well, although results were a bit lower than we thought at the time of our Q3 conference call. The diversification provided by strong extraction results within the gas business coupled with another record year in our power business allowed us to meet the challenges in Field Gathering and Processing. Our Extraction and Transmission segment performed exceptionally well in the fourth quarter, driven mainly by higher frac spreads, higher volumes, and greater utilization at our extraction facilities and the contribution from the expanded Cold Lake transmission system.

Frac spreads were very strong in the fourth quarter at \$29 per barrel, more than double the \$13/Bbl in Q4-06. In 2007 frac spreads were \$21/Bbl, again above the historical high of almost \$18.50/Bbl realized in 2006. For 2008 approximately 12 percent of 2008 extraction volumes are exposed to frac spreads. We have hedged about 45 percent of those volumes at approximately \$21/Bbl for 2008. Given the continued high frac spreads, AltaGas is taking the opportunity to continue locking in some of our cash flow at these historically high levels. The current forward market indicates that frac spreads

are in the low to mid-\$20/Bbl range, which bodes well for our extraction business.

Earnings in the Extraction and Transmission segment are expected to increase materially in 2008. We anticipate that this segment will account for approximately 40 percent of business segment operating income this year, up from 25 percent in 2007. The acquisition of Taylor added approximately 1 Bcf/d of inlet capacity, 23,500 Bbls/d of NGL production, and 140,000 Bbls/d of NGL transportation capacity, doubling the size of our extraction business and substantially increasing the capacity in our transmission business. Volumes are also expected to increase as a result of opportunities to optimize and upgrade the infrastructure and through consolidation of extraction facilities, increasing utilization and therefore results. Additionally, an arrangement to utilize an unused portion of the ethylene delivery system is complete and is expected to contribute to higher results in 2008.

There are four extraction plant turnarounds planned for 2008. A 23-day turnaround is planned for Harmattan in the second quarter with an expected cost of \$4 million in direct costs and lost operating income. In Q3 we expect a total of 48 days of turnaround at Younger and both Empress facilities with a total cost of approximately \$1.8 million.

In the final quarter of 2007 our Field Gathering and Processing segment continued to realize reduced throughput in utilization due to reduced producer activity and natural declines. Well tie-ins in the fourth quarter were 75, down 11 percent from 84 in the fourth quarter of 2006. For 2007 well tie-ins were 304, a 21 percent decline from 2006.

Average throughput in the quarter was 511 Mmcf/d, down 7 percent from fourth quarter of 2006 but in line with third quarter 2007 volumes. Throughput in the North district declined by 21 Mmcf/d and was down 17 Mmcf/d in the South district. Our new Acme coal bed methane facility came into service on November 18<sup>th</sup> and is ramping up, so it did not add significantly to throughput in the quarter.

In 2007 our total operating cost flowthrough was 39 percent, similar to that in 2006, since many of the larger contracts we renegotiated took place later in the year and some don't kick in until late this year; however, we expect to see benefit of higher operating cost flowthrough provisions of between 45 and 50 percent as we continue to re-contract in 2008.

In 2008 AltaGas expects higher results from the Field Gathering and Processing segment. Volumes in FG&P

are expected to grow from 2007 year-end levels, mainly due to the additional volumes from the 150 Mmcf/d RET Complex. These facilities had gross throughput of 57 Mmcf/d in Q4-07.

AltaGas anticipates its strategy to re-contract at higher rates, optimize existing facilities, and increase the flowthrough of operating costs as well as the increased volumes from its new facilities will enhance FG&P segment results in 2008.

We are working with our producer customers to optimize underutilized assets. As an example, the underutilized Sedgewick facility is expected to be connected to the fully-utilized Killam and Iron Creek facilities in south central Alberta. This will allow gas to be diverted to Sedgewick, thereby allowing additional gas to flow through the Killam and Iron Creek facilities, increasing total throughput through the three facilities.

We also expect to increase our gas gathering and processing infrastructure in 2008 through the acquisition and development of new facilities as producers reallocate capital for processing to the core activity of exploration and production. These dispositions have taken longer than we anticipated but we continue to believe that industry consolidation will occur. We have been having an increasing number of conversations with producers, increased drilling activity and producer activity in the coal bed methane areas. Northwest Alberta and Northeast BC area is also expected to provide opportunities for expansion, acquisitions, and development. We have included \$50 million in our 2008 capex for this optimization and growth. We expect producer activity to rebound in 2008 due to declines in average operating costs, natural gas prices that are currently in the high \$7/GJ range, and the completion of the Alberta royalty review, which should bring more certainty to the industry. As a result we expect demand for gathering and processing facilities to increase, thereby mitigating the impact of natural declines.

I should note, however, that the extreme cold weather experienced in January impacted production volumes and related throughput at our facilities. In addition, our 10 Mmcf/d Clear Hills facility has been out of service due to a fire on February 13<sup>th</sup>. The plant is expected to be off-line for four to six weeks. As the wells return to normal production and the Clear Hills facility returns to service, we expect throughput to return to 2007 levels.

The Power Generation segment continued to produce strong results in the fourth quarter, albeit lower than in Q4-2006, due to spot power prices in Alberta that were half the \$117/MWh realized in 2006. Our average power

price received, which includes hedged and spot sales for both Sundance and the gas-fired peaking plants was \$68/MWh. This was down more than \$15 from the same quarter last year. Last year I said that realized power prices would be consistent with 2006 and this was indeed the case, with prices in both years close to \$69/MWh. Higher hedged prices in 2007 offset the decrease of almost \$14/MWh in the spot power price.

We expect the 2008 operating income from the Power Generation segment to increase. Consistent with our hedging policy we have hedged two-thirds of the Sundance 2008 production at \$76/MWh, which is a \$10/MWh increase from the 2007 hedge price. At this point forward market prices are indicating that Alberta power prices will remain in the low to mid-\$70 range until 2012, which bodes well for continued strong results from these assets.

We are expecting the Alberta greenhouse gas cost to increase to approximately \$5 million in 2008 as a result of bearing the cost for the entire year compared to a half year in 2007.

Our 14.4 MW of new gas-fired capacity is expected to be installed at the Parkland and Bantry FG&P sites and should be operational in the second quarter. We expect that our gas peaking plants will have an average utilization rate of approximately 20 percent in 2008 and that they will also provide ancillary services to the grid, which generate revenue without delivering power.

In 2008 the increased gas infrastructure acquired through the Taylor acquisition is expected to provide additional opportunities for the Energy Services business to enhance the earnings for 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. This expected reduction is due to the low gas and electricity commodity price environment in Eastern Canada.

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 expected growth through acquisitions and the expansion of current facilities. 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 Inc.

The integration of the Taylor people and assets is moving along smoothly. Our first focus has been on the people and I'm happy to say that 100 percent of the Taylor

employees are now part of the AltaGas team. Brad Mattson, former CFO at Taylor, is now our Vice President and Corporate Controller, and the remaining four-person senior management team is committed to working with us to integrate the assets and move projects forward in the long term.

While Debbie will provide a high-level overview of Taylor's Q4 and 2007 financial results, please know that Taylor had record fourth quarter 2007 results. These results were driven by higher volumes of NGL sales, a record of almost 22,000 barrels per day, up from 20,400 barrels per day in Q4-06, and by higher frac spreads. Gas volumes processed for 457 Mmcf/d in the quarter, up from 452 in the fourth quarter of 2006. Taylor also had very strong results for 2007 as a whole. NGL sales averaged just over 21,000 Bbls/d in 2007, up 3 percent from 2006, again setting a new Taylor record. Gas volumes processed were 443 Mmcf/d in 2007 compared to 452 in 2006.

I will now update you on some of our projects and capital expenditures.

AltaGas' strategy is to grow our gas and power energy infrastructure business in a way that adds measurable value to our investors and our customers. Our growth capex budget 2008 is \$125 million, which will be financed with internal cash from operations and our DRIP. I'll spend a few minutes outlining where we spent our capital in 2007, as well as on our spending plans for 2008.

Growth capital spent in the fourth quarter was almost \$32 million and was mainly for the Acme and Corbett Creek coal bed methane gathering and processing facilities and the Bear Mountain Wind Park. In 2007 we invested a total of \$56 million on growth, approximately \$36 million or almost two-thirds of this was in our gas business. We invested \$23 million in FG&P, including \$6.5 million to upgrade and expand existing facilities, as well as \$8 million on the Sarnia storage project. We also invested almost \$22 million to grow our power infrastructure.

We began construction on Bear Mountain in the fourth quarter and expect the wind park to be in service by November 2009. We have also signed agreements with Enercon to supply and install the gearless turbines under a fixed-price EPC contract and to operate and maintain the turbines under a long-term service agreement. AltaGas has hedged approximately 21 percent of the total euros required for the project. The entire project is expected to cost \$55 million in 2008 and \$120 million in 2009; however, our capital investment assumptions for these years reflect the fact that we continue to expect to own approximately 45 percent of this project.

We also continue to work with our partner GreenWing on new wind power projects. We were informed in late 2007 that we were not one of the winning bidders in the Manitoba wind RFP process but are pursuing several other opportunities in western North America.

We are well positioned for what's next. 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 customers.

Debbie will now discuss our financial results in more detail.

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**Debbie Stein, Vice-President, Finance & Chief Financial Officer**

Thank you, Rick, and good afternoon everyone. I'll complete our prepared remarks with a review of our fourth quarter and 2007 financial performance and I will also recap our financial position both at year end and following the acquisition of Taylor.

Our 2007 net income was \$108.8 million or \$1.90 per unit compared to the \$114.5 million or \$2.06 per unit in 2006. Both 2006 and 2007 results included significant one-time tax impacts. Specifically, we had a non-cash tax benefit of \$6.6 million in 2006 and another \$6.1 million non-cash tax benefit in the fourth quarter of 2007, both the result of lower enacted income tax rates. We also had the \$5.4 million impact from the SIFT tax, which we recorded in 2007, and the SIFT tax was adjusted downwards by \$600,000 in the quarter as a result of lower corporate taxes.

Given the many non-cash tax adjustments over the past couple of years we believe that net income before tax is more reflective of our underlying business. In 2007 this number was \$114.7 million or \$2 per unit, essentially flat to 2006's record of \$113.4 million or \$2.04 per unit.

Fourth quarter net income was \$31.8 million or \$0.55 per unit, up from \$27.3 million or \$0.49 per unit in the fourth quarter of 2006.

Income before tax was \$26 million, down from \$28.7 million in the fourth quarter of 2006. On a per unit basis the numbers were \$0.45 in Q4-07 versus \$0.51 in Q4-06.

At the segment level, operating income from Field Gathering and Processing was \$4.5 million in the quarter,

down from \$7 million in the same period in 2006. Lower throughput led to \$2.1 million of the decline. In the quarter the positive impact of our re-contracting at higher rates and increasing our operating costs recovered was obscured by the negative effect of \$1.7 million in routine equalization adjustments that we recorded in 2006. The decreases in operating income were partially offset by \$1 million of lower operating and administrative expense as well as \$600,000 write-off of goodwill associated with a non-core investment which we recorded in the fourth quarter of 2006.

For the year Field Gathering and Processing operating income was \$18.2 million, down from \$25.4 million in 2006. The decrease was mainly due to throughput that was 5 percent lower than last year and was partially offset by \$2.7 million contributed by our new plan and by higher rates and other revenues of \$2.4 million.

Operating income was \$11.9 million in the Extraction and Transmission segment in the fourth quarter, up 68 percent from \$7.1 million in 2006. The increase was primarily due to higher frac spreads, higher frac spread exposed NGL volumes as a result of our increased ownership in one of the Empress facilities, higher utilization at both of our Empress facilities, lower revenue deferral recorded in the Transmission business, and the expansion of the Cold Lake transmission system.

The total revenue deferral in Transmission was \$900,000 in 2007, similar to last year's \$800,000 deferral, but it should be noted that the deferral has no cash impact and in 2007 the deferral was accounted for evenly throughout the year whereas in 2006 the \$800,000 was recorded in the fourth quarter.

The 9 percent of extraction volumes exposed to frac spread in the fourth quarter added \$5.3 million to net revenue. This was almost triple the \$1.8 million of net revenue realized when we had 7 percent of our volumes exposed to frac spread in the fourth quarter of 2007.

Operating income in the Extraction and Transmission segment for 2007 was up 11 percent to \$39.1 million. The increase was mainly due to higher frac spreads, higher frac spread exposed volumes, and the expansion of the Cold Lake transmission system. Almost 9 percent of total extraction volumes were exposed to frac spread in 2007, up from 7 percent in 2006. These volumes contributed net revenue of \$13.6 million, up from \$9.1 million in the prior year. The increase was a function of both the higher frac spreads and the higher volumes exposed to frac spread.

In the Power Generation segment, fourth quarter 2007 operating income was \$20.4 million or \$5.1 million lower than in the fourth quarter of 2006. Higher hedge prices, lower PPA costs, and lower transmission costs partially offset the impact of the lower spot prices and the \$1.3 million in costs incurred to comply with Alberta's Specified Gas Emitters Regulation. For the year however, operating income in the Power Generation segment was up \$3.7 million from the previous year to \$94.6 million, mainly due to the higher hedge prices and lower PPA and transmission costs. This was despite the fact that the Genesee contract contributed \$4.1 million to operating income in the first quarter of 2006 and average spot prices for the year, which were down almost \$14/MWh, and an additional \$2 million paid to comply with the Alberta greenhouse gas legislation. In 2007 the gas-fired peakers contributed \$4.3 million to net revenue, in line with the \$4.4 million in 2006, mainly due to lower heat rates.

In the fourth quarter the Energy Services segment broke even. This was a decrease from operating income of \$200,000 in the fourth quarter of 06, and the segment saw higher revenues from the gas services business and benefited from the sale of the Cedar oil and gas assets, which reported an operating loss in Q4-06. However, these increases were more than offset by lower non-recurring earnings in the energy management business and higher gas costs to meet a natural gas supply contract that expires in 2009. Operating income in the Energy Services segment in 2007 was \$2 million, down from the \$2.8 million recorded in 2006. This included the \$1.5 million from the gain on sale of the Cedar oil and gas assets as well as \$1.4 million in additional costs to supply a natural gas contract.

Moving to our final segment, Corporate had an operating loss of \$7.9 million in the fourth quarter, in line with the \$7.8 million operating loss in the same quarter 06. Low administrative costs and a slight increase in interest revenue were offset by lower income from our investment in AltaGas Utility Group due to the lower ownership interest, a one-time write-off of \$400,000 related to a development project, and \$500,000 of unrealized losses related to the accounting for financial instruments. The 2007 operating loss in the Corporate segment was \$27.3 million, again in line with the loss in 2006. The annual number included a \$1.1 million unrealized gain related to accounting for financial instruments.

As Taylor NGL Limited Partnership is a wholly-owned subsidiary of AltaGas and won't be filing a separate quarterly report, I'll spend a few moments on the stand-alone results for Taylor to help provide you with the

insight into the financial impact of these new assets on our results.

Net income in the fourth quarter for Taylor NGL Limited Partnership was \$14.5 million, up from \$7.7 million in the fourth quarter of 2006. Adjusted for an income tax recovery of \$6.7 million in the fourth quarter, the impact of the mark-to-market valuation of financial instruments in both years and approximately \$1 million in higher compensation costs related to the acquisition, net income more than doubled to \$13.5 million from the \$6.1 million normalized in the same period in 2006.

For 2007 as a whole, Taylor recorded a net loss of \$42.1 million compared to the net income of \$28.7 million reported in 2006. Adjusting for the SIFT tax impact of \$69.1 million, again the impact of mark-to-market accounting on financial instruments and the compensation costs, net income was \$33.9 million in 2007, up 22 percent from the \$27.9 million in 2006.

In 2007 Taylor recorded approximately \$8 million in corporate costs net of the impact of the acquisition and AltaGas has realized approximately \$2 million in cost savings of the total \$3 million that were identified at the time of the announcement of the transaction, and we expect these to show up in the corporate segment.

Now for the AltaGas balance sheet. As you know, we reported relatively low debt to total cap since the spinout of the Natural Gas Distribution business in late 2005.

Total debt on December 31<sup>st</sup> was \$221 million, almost \$45 million lower than the end of 2006. This resulted in a total debt-to-capitalization ratio of 27.4 percent at year end, down from 33.4 percent at the end of 2006, well below our target of 40 to 45 percent.

Total interest paid in 2007 was \$11.9 million, down almost 11 percent from 2006. Again the decrease was due to the lower average debt balance but was partially offset by slightly higher borrowing rates in 2007 versus 2006.

As a result of our low debt-to-total capitalization ratio at the end of 07, we were well positioned to grow and were able to finance the \$256 million related to the Taylor acquisition by drawing on our credit facilities while remaining within our stated targets. Following the Taylor transaction our total debt is approximately \$600 million and debt-to-total cap ratio on a pro forma basis is about 45 percent. We currently have approximately 74 percent of our debt at fixed interest rates within our target fixed interest rate percentage of 70 to 75 percent.

In December, following the announcement of the Taylor acquisition, S&P affirmed its BBB- corporate credit and senior unsecured debt ratings on AltaGas with a stable outlook. In January, after we closed the acquisition, DBRS also confirmed AltaGas' medium-term note and stability ratings at BBB low and a stability rating of STA-3 (middle) also with a stable outlook. Both rating agencies are comfortable with the Taylor acquisition, our growth strategy and financial targets, and recognize that our business fundamentals and credit metrics continue to be strong and that we are committed to our finance strategy, a key element of which is to maintain our investment grade credit rating.

The Taylor acquisition was completed on January 10, 2008 for an aggregate purchase price of approximately \$599 million. Final consideration was \$256 million in cash and 7.7 million AltaGas units valued at \$199 million, including approximately 200,000 exchangeable units. We assumed debt of \$132 million including \$22 million in convertible debentures and expect total transaction costs of approximately \$11 million. Note that we will be filing the Taylor business acquisition report on or around February 29<sup>th</sup> and this report will include consolidated but not segmented pro forma numbers for 2007 and fourth quarter 2007.

As a result of the Taylor transaction and units issued under our DRIP program, AltaGas had 65.9 million units outstanding at February 8<sup>th</sup>, following the closing of the compulsory acquisition and was up 13 percent from our year end units outstanding of 58.1 million.

On a cash flow basis funds from operations were almost \$38 million in the fourth quarter of 2007, down from \$41 million in the same quarter of 2006. This change was mainly due to lower operating results. Funds from operations increased slightly in 2007 as a whole to \$163 million from \$162 in 2006.

Distributions declared in the fourth quarter were \$0.525 per unit or \$30.5 million. In 2007 we declared \$2.065 or almost \$119 million. For tax purposes, these distributions are expected to be taxed as follows: 70 percent as property income and 29 percent return of capital, with the remaining 1 percent being made up of dividend income and capital gains, and the more specific details will be in the press release and we'll be filing this information on CDS in the next couple of days.

AltaGas currently has a UCC pool of approximately \$750 million, the majority of which are class 41 with a 25 percent declining balance amortization rate.

In Q4 our payout ratio, which is based on funds from operations per unit, was 80 percent. This brought our 2007 payout ratio to 73 percent of funds from operations, up slightly from 69 percent in 2006 and within our new target of 65 to 75 percent. With the addition of the Taylor assets we expect the payout ratio to be at the low end of the new range.

As we execute our business strategy we will continue to execute our finance strategy, focusing on traditional metrics of earnings per unit and return on equity and maintaining our investment-grade credit rating. Our cash flows and earnings are underpinned by long life, low risk assets, underpinned with long-term contracts and strong counterparties, and with our business profile that provides us with opportunities to benefit from strong commodity prices that further enhance investor returns and cash flows.

And just to reiterate, we do plan on filing the BAR and the annual MD&A and full financial statements with notes on or about February 29<sup>th</sup> and we'll issue a press release when we do so.

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

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**Stephanie Labowka-Poulin, Manager External Relations**

Thank you, Debbie.

That concludes the formal part of our conference call this afternoon. David, Rick and Debbie, as well as Bob Pritchard, are now available to answer your questions.

Jenny, I'll now turn the call back to you for the question and answer session.

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**QUESTION AND ANSWER SESSION**

**Operator**

Thank you.

We will now take questions from the telephone lines. If you have a question and you are using a speakerphone, please lift your handset before making your selection. To register, please press star one on your telephone keypad. 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 the participants register for their questions. Thank you for your patience.

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

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**Nima Billou, Bloom Investment Counsel**

Good afternoon.

Just wondering more on the Field Gathering and Processing side, the 39 percent operating cost recovery seems pretty low and you had said you'd begun to recover extra costs; is that where you thought you would be by this point in the year or is it more a sense of lower drilling activities that really caused the disappointment in the quarter for this segment?

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**Richard Alexander, President & Chief Operating Officer**

It is a bit lower than we expect it to be at this time. We believe we're now close to the 45 to 50 percent range where we had hoped to be in the fourth quarter of 2007.

But it's a combination of lower producer drilling as well as it took longer to re-contract some of those agreements than we had anticipated. And I think that was just a reflection of market conditions for the producers.

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**Nima Billou, Bloom Investment Counsel**

So when do you anticipate seeing some of the benefit of this operating cost flowthrough? Is it going to be by the end of 2008?

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**Richard Alexander, President & Chief Operating Officer**

We should start to see that in the first quarter of 2008 and will continue to build through the year.

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**Nima Billou, Bloom Investment Counsel**

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

**Operator**

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

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**Robert Catellier, Clarus Securities**

Hi. A lot going on here, so I have a few questions. I'll start with the growth outlook. I noticed the number was increased to \$125 million for 2008 versus \$100 million in your most recent investor presentation, so I'm wondering where that new money's being spent and how you would attribute it between new projects and cost increases.

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**David Cornhill, Chairman & Chief Executive Officer**

It's all new projects, Rob, and it's being spent on the gas side of the business.

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**Robert Catellier, Clarus Securities**

Are these projects identified primarily from the Taylor acquisition?

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**David Cornhill, Chairman & Chief Executive Officer**

It's a combination of Taylor projects and our own business development group, so it's pretty well equally spread out.

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**Robert Catellier, Clarus Securities**

Okay. And then just on the reported results, you were in line with our estimates but a trend we're noticing is lower maintenance capital; in fact, it was almost trivial in the quarter. So I'm wondering if you're expensing more of the maintenance related expenses.

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**David Cornhill, Chairman & Chief Executive Officer**

I think it's just an abnormality in terms of the quarter. We still are looking at it consistent with our historical spend and I'm not aware of any significant change – we haven't made a change in our accounting policies.

**Robert Catellier, Clarus Securities**

All right. And then finally, Bear Mountain, the \$190 million, that's your 100 percent interest, correct?

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**David Cornhill, Chairman & Chief Executive Officer**

Yes.

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**Robert Catellier, Clarus Securities**

And I was wondering if you could give us some clarity on the source of the unusually strong volumes that Taylor's experiencing with a view to the sustainability.

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**David Cornhill, Chairman & Chief Executive Officer**

I'll speak quickly and then I'll punt it to someone. I think we saw strong performance and record performance at JEEP in terms of extraction and from the little I know about – Harmattan performance quite strongly and there's some significant growth there. I'm not aware of Younger year over year but, Bob, maybe you can answer those.

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**Bob Pritchard, Taylor NGL Limited Partnership**

Yeah, Rob, it's very strong gas supplies to all our facilities, solid operations, and certainly favourable gas compositions. You know, in the extraction business it's extracting liquids from the natural gas. So at all the facilities we're seeing good growth in volume behind them all.

North eastern British Columbia has been very favourable recently and certainly the feedstock to Joffre has been very strong. The petrochemical industry is very strong right now. So I think it's a story that all assets contributed to the trend and we see the trend continuing.

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**Robert Catellier, Clarus Securities**

And even that RET volume number is up, is it not?

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**David Cornhill, Chairman & Chief Executive Officer**

I think it's basic—RET's slightly off but we historically release assets which have a gross number and I think

Taylor historically reported net to working interest. So basically I think there's a modest or flat performance at RET.

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**Robert Catellier, Clarus Securities**

And to what do you attribute the lower volumes at EEEP?

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**Richard Alexander, President & Chief Operating Officer**

At EEEP we had a plant that closed in the summer and that reduced the throughput on the plant. But that's seasonal, so the volumes were up in the fourth quarter back to normal seasonal demand.

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**Robert Catellier, Clarus Securities**

Right. So that was just a temporary fluctuation.

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**Richard Alexander, President & Chief Operating Officer**

It is, but we'll have to try to replace those volumes as we move into the summer of 2008.

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**Robert Catellier, Clarus Securities**

Right. And just on the Field Gathering and Processing, I was wondering if you could help us quantify the impact of the Clear Hills fire and some of the production slowdowns due to the extreme cold whether, and what impact those two things would have on Q1 volumes or operating results.

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**Richard Alexander, President & Chief Operating Officer**

It's difficult to quantify because, since we've been focused on closing our year-end results we haven't pulled together our first month's results as of yet. But at Clear Hills we were flowing about 11 Mmcf/d through the plant, so we'll lose that volume for the four to six weeks that we see it down. And in terms of the cold weather, we saw volumes drop off, you know, probably as much as 15 to 20 percent for a short period of time, but it was a different amount every day depending on the weather and how quickly you could get out and access a well or a facility.

So again, I don't yet know the impact of that. We just really wanted to give you some guidance to know that it was coming.

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**Robert Catellier, Clarus Securities**

And then just strategically, now that you have a better balance between power and extraction and the way those two segments interplay with each other, have you re-run your Monte Carlo simulation and re-addressed your hedging for power and frac spreads?

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**David Cornhill, Chairman & Chief Executive Officer**

We haven't adjusted our hedging at this point. That's something that we're looking over long-term over the first half of the year as far as our overall planning work that will go to the board in June. But we think where we are fits quite well because of the powers - both of them some operational risk that you layer in as well as commodity price risk, and from a commodity price risk, if everything's operating, we get good balance, but from, individually they have operating risk and we think that we're appropriately set at about 50 percent of our frac and two-thirds of our power.

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**Robert Catellier, Clarus Securities**

Okay. And I didn't catch the date for those turnarounds. I got the dollar figures. Were they Q2 turnarounds?

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**Richard Alexander, President & Chief Operating Officer**

Some in Q2 and Q3.

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**Robert Catellier, Clarus Securities**

Okay. Thanks very much.

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**Operator**

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

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**Tony Courtright, Scotia Capital**

Could you just confirm with me the \$125 million guided capex for 2008? Did I hear you correctly say that it would be funded through operating cash flow and DRIP proceeds?

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**Debbie Stein, Vice President Finance & Chief Financial Officer**

Yes, you did.

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**Tony Courtright, Scotia Capital**

And so you'll be adjusting the DRIP to attract more funding as need be.

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**Debbie Stein, Vice President Finance & Chief Financial Officer**

No, we don't anticipate changing the DRIP program at this point. We believe that based on our outlook the expected cash flow will be able to support the current capex including the DRIP.

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**Tony Courtright, Scotia Capital**

All right. And just to be clear in terms of Bear Mountain, how much of the guidance of the \$125 and \$250 figures for 08 and 09 respectively, does that just represent your 45 percent interest or intended interest in Bear Mountain?

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**Richard Alexander, President & Chief Operating Officer**

Yes it does.

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**Tony Courtright, Scotia Capital**

All right. And in terms of Bear Mountain, you indicate a measure of hedging on your euro exposure, but could you elaborate on whether you're content with that extent of hedging given the volatility and exchange rates or would you consider hedging more?

**Richard Alexander, President & Chief Operating Officer**

If the opportunity provides itself, we would layer on more hedges. So if the volatility continues and we see the Canadian dollar strengthen against the euro, then we would probably lock in more.

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**Tony Courtright, Scotia Capital**

Right. And in terms of some of these run-of-river projects that you've outlined for growth, can you elaborate in terms of what metrics do you use internally to justify investments? I mean is it an internal rate of return? What is the threshold relative to the risk you're undertaking? I'm unclear.

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**David Cornhill, Chairman & Chief Executive Officer**

It's clearly a return base adjusted for risk and looking at risk metrics in terms of the history of the water resource, the construction cost that we anticipate, what's the risk profile around that power price that you would bid in with respect to the Crown risk, and what type of escalation you have there. So those are the metrics. And you can look at high single digit to low double digit type returns after tax.

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**Tony Courtright, Scotia Capital**

I see. All right, those are my questions. Thank you.

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**Operator**

Thank you. The following question is from Winfried Fruehauf from W. Fruehauf Consulting. Please go ahead.

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**Winfried Fruehauf, W. Fruehauf Consulting**

Thank you. On page one, second paragraph there's a sentence that reads net income in fourth quarter 2007 includes a \$6.1 million income tax recovery; how much of that amount pertains to the fourth quarter and how much to prior quarters?

**David Cornhill, Chairman & Chief Executive Officer**

I believe that is all really the fourth quarter because of the new accounting rules when the government enacted the lower corporate rates. We must recognize that in future income tax at that point.

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**Winfried Fruehauf, W. Fruehauf Consulting**

And could you please reconcile that \$6.1 million with the \$5.8 million income tax recovery on page 25?

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**Debbie Stein, Vice-President, Finance & Chief Financial Officer**

The \$6.1 was the actual impact of the lower tax rates on the SIFT or the future income tax liability; the \$5.8 is net because we did have some positive or tax expense that offset the \$6.1.

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**Winfried Fruehauf, W. Fruehauf Consulting**

Okay. And regarding the Taylor acquisition, would it be fair to conclude that the rate of return on 2008 common equity would be lower than it would have been absent the acquisition?

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**David Cornhill, Chairman & Chief Executive Officer**

I think that's fair to say because of the increased leverage that we have put on our balance sheet; probably a good reflection is where we see payout ratio going into a low 60s with respect to the combination.

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**Winfried Fruehauf, W. Fruehauf Consulting**

And would you have a view as to what year might actually show sort of an accretion from Taylor?

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**David Cornhill, Chairman & Chief Executive Officer**

On earnings?

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**Winfried Fruehauf, W. Fruehauf Consulting**

Yes.

**David Cornhill, Chairman & Chief Executive Officer**

I have a view that may be different from others. I say this year. But we have said neutral to accretive this year.

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**Winfried Fruehauf, W. Fruehauf Consulting**

Okay. And regarding Taylor, will you be operating Taylor and expanding Taylor in a different fashion from the old Taylor management? And if so, in what way?

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**David Cornhill, Chairman & Chief Executive Officer**

I think our operating beliefs and practices are very similar between the two organizations. Clearly on some of the projects, I don't see any significant difference in the risk profiles or how we plan to operate, and with the Taylor, with the new AltaGas employees being part of that we don't see any significant changes.

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**Winfried Fruehauf, W. Fruehauf Consulting**

Okay, thanks very much. That's all I have.

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**Operator**

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

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**Chris Bolton, BMO Capital Markets**

Hi. My first question is just in the Field Gathering and Processing segment in terms of the cost recovery contracts. You said you were sort of at 45 to 50 percent now; are you hoping to increase that over time or what's your strategy?

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**Richard Alexander, President & Chief Operating Officer**

Our strategy is to try to increase that over time to as high as we can. I think there's a limit to how high you can move that, just because of the nature of many of the contracts are life of reserves, but our goal would be to move it if possible, even as high as say 70 percent. But that would take several years.

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**Chris Bolton, BMO Capital Markets**

Right, okay.

And my second question was just on clarification of the frac spreads. You said you had 12 percent exposed and then 45 percent was hedged at \$21 a barrel; is that 45 percent of the 12 percent or is that like on top of one another?

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**Richard Alexander, President & Chief Operating Officer**

No, it's 45 percent of the 12 percent. So it reduces our net exposure to about 7 percent.

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**Chris Bolton, BMO Capital Markets**

Okay, perfect. And my final question was just around sort of the taxability of distributions. Some of your other, you know, trusts out there tried to sort of, for lack of a better term, conserve their tax pools and have most of the distribution be, you know, other income. Have you thought at all about that or is that something possible given your structure? Could you comment on that?

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**David Cornhill, Chairman & Chief Executive Officer**

We've thought about that. We're looking at it in terms of optimizing our tax structure and simplifying the accounting, so clearly we could see an increase in their income portion and a reduction in our return of capital as we go forward, assuming 2011 is looming.

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**Chris Bolton, BMO Capital Markets**

Right. All right, those are all my questions. Thank you.

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**Operator**

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

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**Linda Ezergailis, TD Newcrest**

Thanks. Just further on your frac spread business, can you provide us with some sensitivities around where frac

spreads have been historically and, you know, what a dollar per barrel change would do to your operating income?

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**David Cornhill, Chairman & Chief Executive Officer**

Frac spreads have historically been around \$10 and the sensitivity that comes to mind to me is every dollar per barrel is about 1.6 cents per unit.

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**Linda Ezergailis, TD Newcrest**

I'm sorry, how many cents per unit?

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**David Cornhill, Chairman & Chief Executive Officer**

1.6.

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**Linda Ezergailis, TD Newcrest**

Okay, 1.6 cents.

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**David Cornhill, Chairman & Chief Executive Officer**

And Debbie nodded that I didn't put my foot—

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**Debbie Stein, Vice-President, Finance & Chief Financial Officer**

I will confirm that, Linda. We have it in the annual report and I don't have it in front of me, so we'll confirm that.

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**Linda Ezergailis, TD Newcrest**

Okay, and that's combined with both the Taylor and the AltaGas?

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**David Cornhill, Chairman & Chief Executive Officer**

That's my understanding.

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**Linda Ezergailis, TD Newcrest**

Okay, that's helpful. And then there was some talk in your MD&A on how the proposed changes to NGL extraction

conventions might affect your business and you've ran through some mitigant scenarios and perhaps you can elaborate a little bit on that.

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**Randy Toone, Divisional Vice President Extraction & Transmission**

It's Randy Toone. We are looking at different, if they change the convention what we could do to mitigate any negative exposure, that being maybe buying more—if they move to receipt-point extraction we might be coming a receipt-point shipper ourselves, given our FG&P business. So we are looking at different strategies and we also are looking at different customers to deal with.

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**Linda Ezergailis, TD Newcrest**

I'm sorry; I'm having a hard time hearing you.

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**Randy Toone, Divisional Vice President Extraction & Transmission**

The changes that are likely are going to receipt-point extraction rates, and we feel that our FG&P business and our Gas Services business give us the opportunity to either become a shipper ourselves, which then gives us extraction rights, or our customer base will, those relationships will give us that gas supply. So we don't see it being a negative impact to our extraction.

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**Linda Ezergailis, TD Newcrest**

Okay. And that's the most likely scenario?

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**Randy Toone, Divisional Vice President Extraction & Transmission**

That's what we see so far.

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**Linda Ezergailis, TD Newcrest**

So far. And then what are the other scenarios?

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**Randy Toone, Divisional Vice President Extraction & Transmission**

To keep the convention the same.

**David Cornhill, Chairman & Chief Executive Officer**

Being export-related versus receipt.

The other thing to point out that, the JEEP, the EEEP plant and Younger do not fall into those because EEEP and JEEP are market within Alberta pulling gas, so it hasn't really tied to an export. The second is that Younger is in B.C. and has a different regulatory regime.

**Linda Ezergailis, TD Newcrest**

Okay, thank you.

**Operator**

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

The following question is from Fai Lee from RBC. Please go ahead.

**Fai Lee, RBC Capital Markets**

Hi, thanks. Just wondering if you have the net operating income breakdown for Taylor between cost-of-service base and commodity?

**Richard Alexander, President & Chief Operating Officer**

No, we don't have that with us.

**Fai Lee, RBC Capital Markets**

Okay. Okay. My next question is related to the statement in the page 15 of the press release. It states that PPA costs are expected to be higher in 2008 due to higher power generated. Will we actually be able to observe that in the results? I'm assuming that your costs will be higher but also your revenue will also be higher. Is that correct?

**Debbie Stein, Vice-President, Finance & Chief Financial Officer**

Well your revenue is dependent on your hedge prices and your spot prices, but what we were getting at there,

Fai, is we expect—there was a turnaround in 07. So to the extent that we have higher spot prices—sorry, to the extent that we have higher generation you'd expect PPA costs to go up.

**Fai Lee, RBC Capital Markets**

Oh, okay. So this isn't related to the additional power being generated out of the PPA by TA?

**Debbie Stein, Vice-President, Finance & Chief Financial Officer**

No.

**Fai Lee, RBC Capital Markets**

Okay, sorry. Thanks.

**Operator**

Thank you. There are no further questions registered. I'd like to turn the meeting back over to Ms. Labowka-Poulin.

**Stephanie Labowka-Poulin, Manager, External Relations**

Thank you, Jenny.

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

**Operator**

Thank you. This concludes today's conference call. Please disconnect your lines and thank you for your participation.