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PRESENTATION

Operator

Good morning ladies and gentlemen. Welcome to the AltaGas Income Trust 2008 Fourth Quarter Conference Call and webcast. I'd now like to turn the meeting over to Ms. Sheena McKellar of Investor Relations. Please go ahead, Ms. McKellar.

Sheena McKellar, Investor Relations

Thank you. Good morning everybody. Welcome to AltaGas' Fourth Quarter and Year End Conference Call.

With me today are David Cornhill, Chairman and Chief Executive Officer; Richard Alexander, President and COO; and Debbie Stein, Vice President Finance and Chief Financial Officer. After some formal comments we'll have a question and answer session.

Before we begin let me 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 they are subject to certain risks which could cause actual performance and financial results to vary materially from those contemplated in the forward looking statements. For additional information on these risks, please take a look at our annual information form under the heading risk factors.

I'll now turn the call over to David.

David Cornhill, Chairman & CEO

Thank you, Sheena. Good morning and welcome to our Fourth Quarter and Year End Conference Call.

I am pleased to report record net income of \$163.6 million for the fiscal year 2008, representing 50 percent growth over 2007 or \$2.38 per unit. For the quarter, net income was \$39.6 million or \$0.55 per unit. These all-time high earnings highlight our straightforward business model and reflect our stable and growing business base. The strategy of building a pure infrastructure business with strong performing assets underpinned by long-term contracts and effective risk management strategy continues to reward and serve our unitholders well.

We are currently facing the most challenging economic climate of the past 50 years. The AltaGas management team began in the fall of 2008 to take action to reduce risk of the economic downturn on AltaGas. We aggressively hedged our 2008, 2009 and 2010 power price and frac spread. We have over 66 percent of our power hedged for 2008 and 50 percent hedged for 2010. We have hedged our frac spread 60 percent in 2009 and 15 percent in 2010. We aggressively moved to contain operating costs and G&A expense. We aggressively moved to enhance our liquidity.

Our balance sheet is strong. This month we raised \$100 million in equity. Debt-to-total cap is about 32 percent. We have commitments for a new \$250 million credit facility at market competitive rates. We had well over \$300 million worth of bank commitments from eight banks. These actions have eliminated any refinancing risk for 2009 and secured AltaGas' strong liquidity position. Going forward, we will term out our debt when the opportunity arises and meets our targets. This will include project financing for the Bear Mountain Wind Park.

Our distributions to unitholders are secure at current levels. The payout ratio may rise from 2008's 68 percent. The Board has reviewed the distribution level and is very comfortable with current levels through our conversion to a corporation in 2010. At that time we will pay a dividend that is competitive with corporate peers. We will have a portfolio of long-term assets and over \$250 million worth of EBITDA. We will realize growth opportunities supported by our strong balance sheet, and we will pay little income tax for the first few years following conversion.

The return to a corporate structure will not change our business practices. AltaGas will continue to focus on earnings and we expect to pay a competitive dividend and continue to provide strong returns to our investors.

2009 is expected to be another good year for AltaGas because of the steps taken by management. Our power hedge position going into 2009 is as strong as 2008. We expect that our power business will have the second best year in our history despite the current trends in spot prices. Bear Mountain will be commissioned by year end and will add significantly to 2010.

Our gas business should report similar results to 2008. The majority of our gas business revenues are contractually underpinned. As projects are commissioned, the benefit of our 2008 and 2009 capital program will be realized. Field Gathering and Processing will see a challenging year with current low activities and drilling; however, Extraction and Transmission is expected to have another good year without the drag of turnaround. Finally, our Energy Services business will see a better year as a result of hard work by the team.

The capital program at Harmattan has already boosted volume and is expected to provide about \$10 million worth of EBITDA in 2009. And 60 percent of 2009 extraction volumes exposed to frac spreads have been hedged at more than \$27 per barrel.

2010 and beyond, AltaGas is extremely well positioned. Our future is bright. We will continue to optimize our current operations, while acquiring and developing new infrastructure assets. We are excited about the projects coming into service in 2009. These include Bear Mountain Wind Park, volume additions at Harmattan, natural gas storage in Ontario, and our sour gas expansion at the Pouce Coupe processing facility. Together in 2010, these projects are expected to add more than \$25 million worth of EBITDA.

We are executing our business plan. We have positioned ourselves to be able to take advantage of other growth opportunities once the economic conditions improve.

I would now like to turn it over to Debbie.

Debbie Stein, Vice President Finance & CFO

Thank you, David, and good morning everyone.

As David mentioned, net income in 2008 was \$163.6 million, which was \$55 million higher than in 2007. As there were several large non-recurring tax items in 2007 and 2008, I would highlight that our net income before tax in 2008 was \$162 million compared to \$114.7 million in 2007, a 41 percent increase.

Interest expense in 2008 was \$27.4 million compared to \$11.9 million in 2007. The increase was due to higher average debt balances of \$581 million compared to \$234.9 million in 2007. The average borrowing rate for 2008 was 5.3 percent, consistent with 2007. In the fourth quarter we unwound a bond forward which was done mid last year in anticipation of completing a medium-term note issue. Unwinding the hedge resulted in a \$2 million charge which was reported as interest expense.

In 2008 the Trust implemented changes to its legal structure and intercompany debt arrangements. The changes to the structure resulted in an income tax recovery of approximately \$12 million as a result of applying a lower corporate tax rate to the reversal of timing differences. Future income taxes were also lower by approximately \$13 million as a result of higher intercompany interest, which was partially offset by higher future taxes as a result of higher income.

Invested capital for 2008 totalled \$825 million. Growth capital was over \$800 million, including approximately \$600 million for the Taylor acquisition. Additional capital was spent on the major projects such as Bear Mountain Wind Park, the Harmattan initiative, and the EDS

upgrade, as well as the building out of our portfolio of renewable projects under development.

Our 2009 CapEx program remains at \$250 million with committed spending of approximately \$200 million. The \$250 million is expected to be split approximately 28 percent gas and 72 percent power, and the 72 percent includes a significant portion for the completion of the construction of the Bear Mountain Wind Park. The remainder of the committed dollars are for the Sarnia Storage Project, the sour gas processing expansion at Pouce Coupe, and our continued progress on our renewable power portfolio, and further enhancements at Harmattan. We expect to finance these planned expenditures with available credit facilities of approximately \$400 million available after the equity issue, as well as non-distributed cash and DRIP proceeds.

Total debt as at December 31st was \$582 million, which is up from \$221 million at the end of 2007. This resulted in a total-debt-to-total capitalization ratio of 37.8 percent, well below our target of 40 to 45 percent, and with the additional equity in February, our debt-to-total cap is 32 percent on a pro forma basis. Our strong earnings also resulted in strong cash flow with funds from operations of \$217.1 million in 2008, up 33 percent from \$162.9 million in 2007.

Distributions declared during the quarter were \$0.54 per unit or \$38.7 million and our payout ratio in the fourth quarter was 72 percent and for the year 68 percent, both within our target of 65 percent to 75 percent. On an annual basis the Trust payout was 90 percent of net income. With our recent equity issue the payout ratio in 2009 is expected to be higher than our target range; however, as David said, given the strong stable cash flow we are comfortable with the current payout ratio. Given the incremental cash flow from new projects coming on line in 2009 and contributing for a full year in 2010 and the potential to grow earnings through acquisitions using our balance sheet capacity, we expect that the payout ratio would migrate back towards the target range over time.

In 2008 we declared distributions of \$2.125 per unit and for income tax purposes 87.7 percent of the distribution will be taxed as property income, 12.1 percent is return of capital and the remaining portion is dividend income. The detailed breakdown will be filed with CDS and on our website over the next day or so.

We remain committed to our investment-grade credit rating. Standard and Poor's released a report following our recent equity issuance. Although our ratings were

unchanged, S&P stated that the actions are positive as AltaGas executes its financial strategy and maintains financial flexibility.

We believe that being a first mover in these turbulent economic times to strengthen our balance sheet underscores our commitment to our financial and business strategy. We eliminated our 2009 refinancing risk and plan to continue to execute our financing plan by trimming out some our bank debt in 2009, as David mentioned.

Our strong balance sheet, commitment to our investment grade credit rating, and financial flexibility position us well for continued prudent growth and strong performance in 2009 and beyond.

And with that I'll turn the call over to Rick.

Richard Alexander, President & COO

Thank you, Debbie. Good morning everyone.

Our operating segments reported \$54.1 million in operating income in Q4, an 87 percent increase over fourth quarter 2007. For full year 2008, operating income was \$189.4 million, a 50 percent increase over 2007.

For 2008, the gas business represented 47 percent of operating income compared to 39 percent in 2007. Extraction and Transmission reported \$22.2 million of operating income in fourth quarter. The Taylor assets accounted for most of the increase. For full year 2008 E&T operating income was \$83.8 million, more than double the \$39.1 million we recorded in 2007.

Realized frac spreads were very strong throughout 2008 while spot prices declined toward the end of the year, AltaGas realized a strong \$27 per barrel on the year compared to \$21.38 per barrel in 2007. In Q4 the 12 percent of extraction volumes exposed to market prices added \$7.3 million of net revenue compared to 9 percent total extraction volumes, adding \$5.3 million in the same quarter last year. For the full year, 13 percent of extraction volumes were exposed to market prices and added \$50.4 million in net revenue compared to \$13.6 million from the 9 percent exposed in 2007. This is due to higher volumes exposed to frac spread in the increase in realized frac spreads.

Consistent with our risk mitigation strategy, we have hedged approximately 60 percent of the frac exposed volumes at \$27 per barrel for 2009. We have also hedged approximately 15 percent of 2010 exposed volumes at

over \$27 per barrel. While we have seen a return to historical frac spread levels, we expect to realize a frac spread of around \$20 per barrel in 2009.

Our Harmattan growth program is progressing well. The remaining projects are under way and we have identified some further revenue enhancing initiatives that will bring the total investment at Harmattan to around \$60 million. The additional investment will increase the fractionation capacity by 7,500 barrels per day to 35,000 barrels per day.

The ERCB recently provided its NGL inquiry ruling stating that co-streaming projects will be decided on a case-by-case basis. We will resubmit the application for our Harmattan Co-stream project shortly. The project is a great way for us to significantly increase utilization at Harmattan and will provide strong returns.

Operating income from Field Gathering and Processing was \$3.1 million in Q4, down from \$4.5 million in the fourth quarter of 2007. The decrease was due to lower volumes and higher expenses partially offset by the addition of new plants and higher rates. For the full year 2008 operating income from FG&P was \$20.4 million, up from \$18.2 million in 2007.

Average throughput in the quarter increased 2 percent over fourth quarter last year to 521 million cubic feet per day. This volume increase was the result of the addition of new plants and additional well tie-ins, which numbered 80 versus 75 in fourth quarter 2007. However, our facilities also experienced downtime and reduced volumes due to Alberta's unusually cold weather in December and a planned outage at Bantry to complete the installation of acid gas injection equipment. This project will reduce emissions from Bantry facility by at least 20 percent. For the full year, throughput volumes were 541 million cubic feet per day, up 3 percent from 2007.

Drilling levels are down in the Western Canada Sedimentary Basin and production volumes may be impacted as a result. We are working to mitigate the effects of any decline through fee increases and increased flowthrough of operating costs. At the end of 2008, direct operating cost flowthrough had increased to 53 percent. We continue to optimize our existing gas assets and pursue opportunities in area with producer activity, such as the sour gas expansion project at Pouce Coupe.

Energy Services reported an operating loss of \$300,000 in the fourth quarter and a loss of \$600,000 for the full year. Excluding the gain on sale of the non-core assets

reported in 2007, the 2008 results were slightly lower than 2007. AltaGas continues to develop the Sarnia storage project and it is expected to be in service and adding to earnings this summer. We expect the Sarnia project will provide about \$2.5 million per year in EBITDA once operational.

We expect 2009 gas results to be similar to those realized in 2008. Frac spreads are returning to historical levels, around \$10 per barrel – in fact, they are slightly higher than that today in spot – and reduced producer activity is expected. However, the impact of no scheduled plant turnarounds and the completion of capital projects including the Harmattan Complex projects, EDS upgrade, and Sarnia storage project will contribute to 2009 operating income and help offset these challenges.

Operating income in the power business was \$32.5 million in the fourth quarter, up almost 60 percent over fourth quarter 2007 mainly due to higher spot and hedge prices. 2008 operating income from power generation increased 25 percent to \$117.9 million due to higher prices received on both spot and hedge sales, as well as higher contributions from peaking plants.

The average Alberta spot price was \$90 per megawatt hour in 2008. Our average power price received which includes hedged and spot sales to both Sundance and the gas fired peaking plants was over \$84 per megawatt hour, up 23 percent from last year. Our hedging strategy allowed us to reduce volatility in earnings while securing strong returns. Forward Alberta power prices have remained relatively strong and we have hedged two-thirds of 2009 Sundance generation at prices similar to 2008. We've also hedged approximately 50 percent of our 2010 production at similar prices.

Construction at Bear Mountain Wind Park is on schedule. All 34 turbine foundations are complete and the substation and collector system are under construction. The Wind Park is expected to be operational in November 2009 and 95 percent of the project costs have been fixed. We expect to spend around \$130 million in 2009 to complete the project. When Bear Mountain is operational we expect to add approximately \$18 million per year in EBITDA.

Corporate has reported an operating loss of \$32.1 million in 2008 compared to an operating loss of \$27.3 million in 2007. This segment's operating loss is higher than 2007 due to the acquisition of Taylor and additional costs related to AltaGas' growth.

Our gas business grew in 2008 due to larger asset base and our power business benefitted from strong Alberta

power prices and our hedging strategy. In 2009 we expect results from our gas business to be similar to 2008. While we are currently seeing weaker power prices in Alberta, we anticipate our power business will report its second best result in AltaGas' history.

We expect Bear Mountain, Sarnia Storage, and the Pouce Coupe processing facility expansion to add approximately \$25 million of EBITDA in 2010, the first full year of operations.

And with that I'll turn the call back to Sheena.

Sheena McKellar, Investor Relations

Thank you, Rick. That completes the formal portion of today's call. David, Rick, and Debbie are now available to answer your questions. Operator, I'll now turn the call back over for Q&A.

QUESTION AND ANSWER SESSION

Operator

Thank you very much. We will now take questions from the telephone lines. If you have a question, 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 the participants register. Thank you for your patience.

The first question is from Robert Catellier from Clarus Securities. Please go ahead.

Robert Catellier, Clarus Securities

Okay, thank you for clarifying the distribution outlook. I think there was a lot of misplaced negativity on that issue.

Can you just highlight the terms of the new banking facility including the interest rates and covenants, if possible?

David Cornhill, Chairman & CEO

Debbie?

Debbie Stein, Vice President Finance & CFO

Rob, the covenants were similar to the previous facility. Just to point out that this \$250 is similar to the one that we did in March 2008. And with respect to the rates they were done at market.

Robert Catellier, Clarus Securities

Well, now what's the current market rate?

Richard Alexander, President & COO

Well, we're prohibited to disclose that under the terms of the agreement.

Robert Catellier, Clarus Securities

Okay. Just with respect to Harmattan and the new capital, the incremental capital that's being spent on that project; could you just review the NGL extraction volumes? I just want to make sure I understand the full extent of this project. Originally I believe the number that was given was 14,000 barrels a day for incremental NGL extraction volumes?

Richard Alexander, President & COO

No, I don't think we were ever—it was 1,400.

Robert Catellier, Clarus Securities

1,400, sorry. Plus now you're investing some additional money in new extraction capacity so you'll have an additional 7,500. Was that the number?

Randy Toone, Divisional Vice President E&T

This is Randy Toone, sorry, Rob. We've invested more into our fractionation capacity and so we're raising it by 7,500 up to 32,500 is our fractionation capacity at Harmattan.

Robert Catellier, Clarus Securities

Okay, so it's fractionation. Okay, thank you. And as the

Harmattan project comes on line, what sort of ramp up period should we expect? Is it going to be front-weighted or how should we expect the ramp up in the new cash flow from Harmattan?

Randy Toone, Divisional Vice President Extraction & Transmission

We've already seen some of the new cash flow from the initiatives in 2008. We've seen increased volumes at Harmattan, so we're seeing that right now. The additional capital we're spending, we should see some incremental revenue coming on in mid-year of 2009.

Robert Catellier, Clarus Securities

Okay. And then can you provide some commentary on TransAlta's claim of a force majeure on Sundance, what the process is like and when you expect to have that clarified?

Richard Alexander, President & COO

Well, the process we have to go through is to work with our partner TransCanada and we'll work jointly with TransAlta to go through all of the information as we receive it and, if necessary, there will be an arbitration process, but at this point it's too early to say. We expect that to be resolved over the next few months.

Robert Catellier, Clarus Securities

Okay. And just what is your outlook for extraction volumes, particularly given that there was a number, there was some offline time in 2008 and the changing production in the province in export volumes?

Richard Alexander, President & COO

We expect to see about a 10 percent increase in those volumes in 2009 over 2008.

Robert Catellier, Clarus Securities

Okay. And my final question, just on the run-of-river projects that are being bid into the BC Hydro Call for Power, particularly Forrest Kerr. You've shown a willingness to risk share on larger projects; would you

foresee those circumstances occurring on Forrest Kerr? Would you consider risk sharing in hopes of obtaining another interest in a different asset?

David Cornhill, Chairman & CEO

It's a little early, Rob, but clearly we have good relationships to risk share that if we desired or trade it for additional interests somewhere else. So at this point we feel comfortable going in 100 percent, but it is a significant project and I believe it's 2012 to 2013 when the significant capital is projected to occur. So we do have some time on that.

Robert Catellier, Clarus Securities

Okay, thank you.

Operator

Thank you. The next question is from Nima Billou from Bloom Investment. Please go ahead.

Nima Billou, Bloom Investment Counsel

Good morning. Just wanted to talk about, I didn't see the detail in the MD&A, did you manage to hedge—you said 50 percent of power prices and was it at the same \$76 a megawatt level in terms of volumes for 2010?

Richard Alexander, President & COO

That's correct.

Nima Billou, Bloom Investment Counsel

You've also mentioned that you think weakening power prices may impact the segment in 2009 for the exposed spot volumes. Is that because just a general slowdown in industrial activity, large oil sands projects? Just what's contributing to the near-term weakness given the supply, still tight supply and demand balance in Alberta?

David Cornhill, Chairman & CEO

We're just reflecting what we are seeing in the market right now in terms of gas prices are a little lower so some

of the peak but clearly that has been changed with weather or significant outages of view could change very dramatically. We're just at this point seeing a little weaker forward market but it could change. Bias is just my view is to upside rather than downside in power prices.

Nima Billou, Bloom Investment Counsel

Great, thank you. And that 50 percent, that's not normal for you guys to hedge out that far in 2010. It's normally the two-thirds of one year out. Is that correct?

David Cornhill, Chairman & CEO

That's correct. Part of—we viewed a slowdown coming and we wanted to take aggressive action in terms of reducing our exposure on a downturn and so we took steps, cost reductions, containment, hedging power prices at very attractive prices to secure visibility into 2010.

Nima Billou, Bloom Investment Counsel

That was a good job. Well done. On the FG&P segment, how much of the contracts now are flowthrough, Rick?

Richard Alexander, President & COO

At year end it was about 53 percent.

Nima Billou, Bloom Investment Counsel

Wow. So you're well on your way in terms of the targets you had before. It was progressing a bit slowly for a while but now you're more than 50 percent. It was in the high 40's before, is that correct?

Richard Alexander, President & COO

Yes. And the process is somewhat lumpy because you end up being with, you know, a plant or an area all at once. So, you know, you usually bring in several changes to the contracts around the same time.

Nima Billou, Bloom Investment Counsel

Is there an upper limit as to the percentage it will be

covered by flow through? Are you moving towards 60 percent or are you just negotiating on an as-is basis?

Richard Alexander, President & COO

We'll continually try to increase that. I mean ideally we would have it as high as possible, but I think there's a practical limit just because some contracts are for life of reserves.

David Cornhill, Chairman & CEO

I think it's important that all new ones are flow through and that's how we're working, trying to move percentages up.

Nima Billou, Bloom Investment Counsel

Great. And there was another figure thrown out, I think it was \$25 million in incremental EBITDA. That encompasses Bear Mountain and your investments in co-streaming as well?

David Cornhill, Chairman & CEO

No, just Bear Mountain and Pouce Coupe, Sarnia Incremental coming on, and EDS.

Debbie Stein, Vice President Finance & CFO

And the Harmattan. Because that's 2009.

David Cornhill, Chairman & CEO

So it's mainly Pouce and the Bear Mountain and a full year of Sarnia.

Nima Billou, Bloom Investment Counsel

Okay. And that's for 2010, is that correct?

David Cornhill, Chairman & CEO

Yep.

Nima Billou, Bloom Investment Counsel

Okay, thanks very much. Appreciate it. Good job.

Operator

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

Fai Lee, RBC Capital Markets

Okay, thanks. David, I think you mentioned that you plan to convert in 2010 is the timing. Are you thinking late 2010 right now?

David Cornhill, Chairman & CEO

We haven't decided the actual administrative details and scheduling of that. It's clearly an item that we'll take to our June planning meeting of our board and put a plan together and communicate as soon as we can on the exact date. I would—

Fai Lee, RBC Capital Markets

Hello? Hello?

Operator

Yes, Mr. Lee, Ms. McKellar has just dropped off. So one moment please.

Fai Lee from RBC Capital Markets, you may ask your question.

Fai Lee, RBC Capital Markets

Yeah, sorry, David.

David Cornhill, Chairman & CEO

Sorry, we got cut off here at our end and I apologize.

Fai Lee, RBC Capital Markets

That's fine. You were mentioning that you haven't

decided on the timing of the conversion but you did mention it was going to be in 2010 though, right?

David Cornhill, Chairman & CEO

Yes. I finished saying where we're thinking right now is the second half of 2010.

Fai Lee, RBC Capital Markets

Second half of 2010. Okay. Now you also mentioned that you plan to pay a dividend I guess comparable to your corporate peers and I'm just wondering if that's any change from—I think previously during investor day you had mentioned about paying a dividend that would be equivalent for taxable investors at what they would be receiving right now.

David Cornhill, Chairman & CEO

We said that we were working on from our planning perspective that number. And we also said that the board would determine the appropriate level at the appropriate time. So we're constantly evaluating based on growth opportunities, based on capital, and when we announce our conversion plans we'll lay out our expected dividend level at that time.

Fai Lee, RBC Capital Markets

Okay, fair enough, but I'm just wondering if you're planning right now has changed from the fall timeframe because of what's happened in the market.

David Cornhill, Chairman & CEO

Not really in terms of, you know, we've taken action on cost containment, we've taken action on liquidity, more than we would have under normal credit situations. On the reverse side, we're seeing far more activity or potential capital projects coming forward. So basic direction, basic plan hasn't changed at all.

Fai Lee, RBC Capital Markets

Okay. Now I'm just kind of curious because in terms of paying the dividend I'm just—like yields obviously and the payouts are a lot lower I think for the corporates and I'm

just wondering if you're still trying to become a high-payout corporation going forward or if something's changed there as well.

David Cornhill, Chairman & CEO

We'll make a decision on the appropriate level based on what we think and the board thinks that will maximize, at that time, shareholders value on combining growth of the share price as well as yield. We will pay a very attractive yield. We have in the past and we will continue to do that going forward. What that exact level is we have yet to determine.

Fai Lee, RBC Capital Markets

Okay. Just switching to the Field Gathering and Processing, I notice that throughput is down a bit from the third quarter, but if you look on an mcf basis operating expenses are maybe a little bit higher, but the net revenues on a per-mcf basis are actually lower than the third quarter. I'm just wondering with cost flow through what's driving the lower net revenue per mcf.

Richard Alexander, President & COO

Just trying to look something up here, Fai. It was Bantry was down for the acid gas injection, so we still have operating costs going through during that period of time that we aren't passing through on the flowthrough.

Fai Lee, RBC Capital Markets

Okay. And those will come—will we see those in Q1 then?

Richard Alexander, President & COO

Not the fixed costs, the flowthrough costs. The operating costs during the period. It's back up and operating.

Fai Lee, RBC Capital Markets

Okay. All right. And in terms of frac spreads, I think around November when you reported your results you were expecting frac spreads to be around \$10 on a spot basis and they obviously came in around \$18, just was wondering what the—because I thought frac spreads

were actually on the decline, I'm just wondering do you have the month-by-month frac spreads? Just wondering what level they were.

Richard Alexander, President & COO

No, I don't have that and I don't think we've ever disclosed month-by-month frac spreads. I don't have that at my fingertips. But we have definitely seen, you know, frac spreads hit a low of a negative value in December but we have seen a significant move up in frac spreads January through February and currently we're well above that \$10 level.

Fai Lee, RBC Capital Markets

Yeah, I was just kind of curious because, you know, I'm just wondering because in terms of your previous guidance of expecting frac spreads to be around \$10 on a spot basis, what's changed to make it up to \$18. Was there a bounce back sometime in—?

Richard Alexander, President & COO

Well no, we didn't—what I said was we were expecting a \$10 spot price average for the year but with our hedges that would imply about a \$20 average price. And they're currently higher than that \$10 on the spot so we feel comfortable with the \$10.

Fai Lee, RBC Capital Markets

For 2009.

Richard Alexander, President & COO

For 2009, yes.

Fai Lee, RBC Capital Markets

Okay. I thought you were—okay, no, I was more referring to the third quarter guidance. I thought that was in reference to the fourth quarter.

Richard Alexander, President & COO

Oh, in fourth quarter? I see what you're getting at. Fourth

quarter they were just different than we forecasted. What can I say?

Fai Lee, RBC Capital Markets

Yeah, I'm just wondering because already one month was over and, you know, October was already over, did frac spreads turn out to be higher than expected in November or December?

Randy Toone, Divisional Vice President E&T

Hi, it's Randy Toone.

We've actually seen some higher frac spreads at Younger than we normally do due to regional demand and so our spot frac spread in Q4 was higher than we initially expected.

Fai Lee, RBC Capital Markets

Okay. That's what I was trying to understand. Thanks a lot.

Operator

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

Tony Courtright, Scotia Capital

Thanks very much. You've mentioned financing plans a wish to project finance Bear Mountain presumably when complete; is this a development or a departure from previous and what would be the rationale for project financing it?

David Cornhill, Chairman & CEO

It's David. It's not a departure in terms of we see it as an attractive option right now with the current credit markets, um, it's a lower cost and just an attractive option as well as extended term. So those are the two advantages that we see there. So it's just a normal part of and reacting to the credit market.

Tony Courtright, Scotia Capital

Does it have anything to do with previous desire to sell an interest in the facility?

David Cornhill, Chairman & CEO

Not at all.

Tony Courtright, Scotia Capital

Okay. And how is that discussion or is there any discussions going on for a sale of an interest in Bear Mountain?

David Cornhill, Chairman & CEO

None at this time.

Tony Courtright, Scotia Capital

You've indicated a CapEx budget for 2009 of about \$250, 72 percent power you've indicated. That would suggest about \$180 million for power, \$130 million was indicated as remaining to be spent on Bear Mountain, suggesting \$50 million for other projects. You've spent \$12 million in Q1 to date. Does the \$50 million, other than Bear Mountain, does that envisage success in any of your bids for the Call for Power say in BC or is this incremental capitalized development costs or is it further acquisitions?

David Cornhill, Chairman & CEO

I'll let Debbie talk to that number.

Debbie Stein, Vice President Finance & CFO

It's the ongoing development cost for our current renewable and the \$130 actually, Tony, given timing of cash flow at year end, is actually closer to \$140.

David Cornhill, Chairman & CEO

Tony, I think the other two is we acquired wind in Alberta and I think as well as we made an equity investment in a geothermal, private geothermal company. So those two also will be showing in the power group.

Tony Courtright, Scotia Capital

No, I acknowledged that, so that would still leave \$30 million for development cost through the year without any necessarily assurance that you've got a power purchase agreement or... Is that right?

David Cornhill, Chairman & CEO

No—

Richard Alexander, President & COO

No, somehow the arithmetic that one of us is doing is different.

David Cornhill, Chairman & CEO

I've got Bear at about \$140, Magma at about \$10, and wind in Alberta around \$2, and then \$6 million for other renewables, including wind in the U.S., wind in Canada, and hydro.

Tony Courtright, Scotia Capital

Okay. Well I mean just going on the basis of CapEx of \$250 guidance—

David Cornhill, Chairman & CEO

Yeah, we have—there's still \$50 million uncommitted and we have not committed that between gas and power.

Tony Courtright, Scotia Capital

Oh, okay.

Richard Alexander, President & COO

We just made an assumption on the split.

Tony Courtright, Scotia Capital

All right. So the...All right, thank you for the clarification on that.

In terms of the geothermal, can you outline your rationale? You're buying an equity interest in a private developer; is it effectively for the first right of development for some of the projects that they have? And you list a number of those in more distant jurisdictions; would you contemplate going further afield than the U.S.?

David Cornhill, Chairman & CEO

The first part is we think it's a place that we want to understand and the team that we invested in is top notch and has a very credible record in business. So that's the first. We want to learn about it and we felt it was a good way to go in with them. We do have some partnering rights focused on the U.S. and that's what we're looking at, mainly in terms of operating assets rather than the development part of the assets.

Tony Courtright, Scotia Capital

You mentioned that you have one facility in Nevada and it didn't seem to be that significant in size, probably—I forget, 10 megawatts or something of that nature. Do they operate other assets that they've developed or what is their track record beyond this one asset that you referenced?

David Cornhill, Chairman & CEO

Well their track record in business in terms of developing, primarily on the mining side, is first rate. They have a significant expansion at the current one that they're working on that they expect to have on later this year and early next year as well as they're looking at a number of other acquisitions of operating facilities in the U.S.

Tony Courtright, Scotia Capital

So going out and buying assets that are on the market.

David Cornhill, Chairman & CEO

And developing and expanding.

Tony Courtright, Scotia Capital

Okay. The Alberta wind farm opportunity, do you find, can you outline—are you prepared to take merchant risk? Or why Alberta rather than the traditional PPA type?

David Cornhill, Chairman & CEO

One, Alberta, we do have a coal plant here, we do have carbon offsets, we are, through our field gathering and processing and extraction, accumulating some carbon offsets. We're looking for more. That's a very attractive and seamless with that.

With our gas-fired peaking we think we can also shape some attractive pricing for our wind, so we think we can do some heading around our peaking wind combine, so we're looking at that as well. So those are the two. And for us the quality of wind and location, we've just felt it was attractive, and the small dollars to have the option of wind in Alberta was important.

Tony Courtright, Scotia Capital

Thank you.

Operator

Thank you. The next question is from Winfred Fruehauf from Fruehauf Consulting. Please go ahead.

Winfred Fruehauf, Fruehauf Consulting

Thank you. Regarding field gathering and processing, in the past it has been one of your company's stated objectives to increase the capacity utilization of the processing plants; instead, we have seen for many years a hollowing out of the capacity utilization levels and I'm wondering whether you expect that to continue or/and what you are able to do from within your company to at least stabilize if not reverse this declining trend.

Richard Alexander, President & COO

Well part of the reason we have seen a reduction in utilization in 2008 was we added the RET complex, which has a capacity utilization of about 30 percent. So part of it has been as we've added some facilities they have been operating below full capacity, at least for a period of time.

We do think that in 2009 it'll be challenging to see that utilization move up given the dynamics in the marketplace but we still have a stated objective over the long run to try to increase that utilization and strategies like trying to close down other plants and consolidate through into our plants.

Winfred Fruehauf, Fruehauf Consulting

And regarding utilization, is there sort of a sensitivity that would relate operating income to a 1 percentage point change in utilization up and down?

Richard Alexander, President & COO

None that I know of, Win.

Winfred Fruehauf, Fruehauf Consulting

Is there a level of utilization where you will be losing money?

David Cornhill, Chairman & CEO

I don't think you'd look at utilization as...it's more on the actual throughput volumes per any one plant over the operating cost. Utilization is licensed and so it doesn't...it's not like, from my perspective, normal manufacturing utilization where when you go below a certainly level the fixed costs become overwhelming.

The addition of flowthrough operating cost really changes that dynamic as well so that you're fully recovering all your operating costs and you only are using your capital return portion as volumes come down. So it's very different than a fixed cost manufacturing methodology in utilization.

Winfred Fruehauf, Fruehauf Consulting

So there is no level of throughput where you are just breaking even?

David Cornhill, Chairman & CEO

There are within each individual facility, but if you're 100 percent flow-through operating costs you break even at zero volumes. In theory.

Winfred Fruehauf, Fruehauf Consulting

In theory. Yeah. Okay, that's all I have. Thank you.

Operator

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

Matthew Akman, Macquarie Capital Markets

Thanks very much for taking my questions. The Alberta PPAs, Rick, what were the average hedge prices for 2010 that you guys have realized?

Richard Alexander, President & COO

That we've realized? Well we've put hedges on at about the \$76 level for 2010. Is that what you mean?

Matthew Akman, Macquarie Capital Markets

Yes, thank you. Is that where you see the forward curve today in Alberta or is the forward curve softening out there at all?

Richard Alexander, President & COO

The forward curve has softened recently. Just over the last couple of weeks we've seen it come off and for that period of time it's probably down closer to the \$70 level at this point.

Matthew Akman, Macquarie Capital Markets

Okay. Is there any way to get any longer duration on the Alberta hedges now or is the market still just sort of 18 to 24 months maximum would you say?

David Cornhill, Chairman & CEO

I was just going to say and then Rick can add more colour, we have through our retail operation about five years plus hedging and I think the average price is in the \$70 plus range. Retail is \$90 I guess. so we have some—and I'm not sure of the exact numbers. Rick and Debbie could provide more colour on that.

Richard Alexander, President & COO

Yeah. So I was going to say the same thing, that the

retail is the only way at this point you can go longer..We are trying to look at, you know, say 2011 type market, but it's illiquid at the best of times and with the credit environment it's even more challenging.

Matthew Akman, Macquarie Capital Markets

Okay, thanks for that. And can I just clarify on the dividend reinvestment, what discount to the stock price or at what stock price roughly is the \$35 million you plan to or you think will be issued that way, about what—at what discount from the current stock price is that being done?

Debbie Stein, Vice President Finance & CFO

The way the plan works it's based, I believe, on a 20-day VWAP. Are you asking what our assumption is to get to \$35 million?

Matthew Akman, Macquarie Capital Markets

No, that's okay. So basically you're assuming that about \$35 million in stock will be issued through that program this year.

Debbie Stein, Vice President Finance & CFO

Right. And our— sorry, go ahead, Matthew.

Matthew Akman, Macquarie Capital Markets

Based on a 20-day moving average VWAP. No discount to that?

David Cornhill, Chairman & CEO

There's a slight discount to it and I can't remember the exact—it's a very traditional reinvestment plan.

Matthew Akman, Macquarie Capital Markets

Okay. Is that—given the value of your stock today, which I've published is below the fair value of it right now, I mean does it make sense to keep issuing shares this way as a way of financing your growth program?

David Cornhill, Chairman & CEO

I think the question is do you make long-term decisions on short-term movements.

I think clearly you could see we did stop the other reinvestment plans because we felt that it was not appropriate and reduced it. We just think it's an important for our unitholders to have the right to reinvest their dividends if they want and that's why we don't like to stop and start and we think that's the wrong message to our unitholders.

Matthew Akman, Macquarie Capital Markets

Okay. Thank you very much, those are my questions.

Operator

Thank you. The next question is from Jeff Mo from Mawer Investment Management. Please go ahead.

Jeff Mo, Mawer Investment Management

(Inaudible)...that you've done recently and if there's any more to come.

David Cornhill, Chairman & CEO

Sorry, we couldn't hear your question.

Jeff Mo, Mawer Investment Management

My first question was just on if you can quantify the cost reductions that you have already made and if there's any more to come. Can you still not hear me?

Richard Alexander, President & COO

Yes, we can hear you. At this point we prefer not to quantify those cost reductions until we've seen the results through the first quarter.

David Cornhill, Chairman & CEO

I think one example those is that we moved the JEEP turnaround into December when we had low frac spreads

and moved it from April, so it was a very good move for our revenue going forward with stronger frac spreads expected and we're able to do it in a low market time. So that's the type of thinking that we're going through.

Jeff Mo, Mawer Investment Management

Okay. And are these all going to be permanent reductions in the fixed cost base or were they more just one time moving numbers around?

David Cornhill, Chairman & CEO

I think they are moved down of the cost curve but nothing's permanent in terms of going forward. So I think it's a step down of the cost and over time costs, with inflation costs will go up, but we've reduced the—the trend line is down from where it was before.

Jeff Mo, Mawer Investment Management

Okay. So looking at your 70/20 split on CapEx for next year, how about in the longer-term? What is that looking like in a five or ten-year basis?

David Cornhill, Chairman & CEO

We're historically targeting 50/50.

Jeff Mo, Mawer Investment Management

Okay. And that hasn't changed.

David Cornhill, Chairman & CEO

That hasn't changed at all. It's just the Bear Mountain, um, and it's primarily the payments for the erection of the turbines and final payments for the turbines, which skew the capital in 2009.

Jeff Mo, Mawer Investment Management

Okay. And final question is on the Alberta wind farms: what is the break-even all-in price of watt hour you need?

David Cornhill, Chairman & CEO

It depends on where the cost of turbines come in. I think current, ah, last year's would have been, if you could do that for a number of years, would be attractive pricing for wind.

Jeff Mo, Mawer Investment Management

Okay. And... No, okay, thank you, that's it.

Operator

Thank you. Once again, please press star one on your telephone keypad if you have a question. The next question is from Linda Ezergailis from TD Newcrest. Please go ahead.

Linda Ezergailis, TD Newcrest

Thank you. Debbie, you mentioned that you had the capacity to do acquisitions with the balance sheet; at this point how big do you think an acquisition could be without issuing equity? And I'm just wondering what your expectations are for what you'll see over the next couple of years in terms of focusing on mature assets that are already operating versus more greenfield and potentially brownfield projects that are kind of in the early stages of development.

Debbie Stein, Vice President Finance & CFO

So I'll answer the first part of your question, Linda, and I'll pass on the second one to David.

So if we look at where our balance sheet is today, we would be able to do about \$300 million based on our current plans before we started butting up against the top range of our debt-to-total-cap target.

Linda Ezergailis, TD Newcrest

Okay, thank you.

David Cornhill, Chairman & CEO

Clearly this time we're more focused on, as I like to say,

spinning assets or turning assets. Operational assets are more priorities. We do have a very attractive development portfolio on gas, such as co-streaming, Bear Mountain coming on, Sarnia coming on, some other storage from Michigan, so we have a very good pipeline of projects, so clearly we're more focused on turning assets as well as we would also look at, near term, I guess brownfield in terms of assets that have a short life to start generating cash flow.

Linda Ezergailis, TD Newcrest

And are you seeing any mature assets that are attractively priced starting to come to market, or...?

David Cornhill, Chairman & CEO

We're seeing a lot of attractive assets coming to market. The question now is is the pricing right, and we'll have to wait and see on that. And I guess if you see us transact then the pricing is right. But the flow is beginning and it's very significant.

Linda Ezergailis, TD Newcrest

Thank you.

Operator

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

Sheena McKellar, Investor Relations

Thank you. Well I guess that concludes our meeting. If you have any follow-up questions, please feel free to give me a call. Thank you.

Operator

The conference has now ended. Please disconnect your lines. Thank you for your participation.