



**Offer to Purchase and Circular dated November 29, 2007
Exchangeable Unit Alternative
Letter of Instruction to Complete Form T2059**

I. TAX ELECTION

Capitalized terms used herein, unless the context otherwise requires, have the meanings assigned to such terms in the Offer to Purchase of AltaGas Holding Limited Partnership No. 1 (“**Offeror**”) dated November 29, 2007 (“**Offer**”).

As described in the Offer, a Taylor Unitholder who is an Eligible Limited Partner and who acquires Exchangeable Units under the Offer potentially is entitled to make and file with the CRA a valid joint election with the Offeror under subsection 97(2) of the Tax Act (“**Tax Election**”) in connection with the Offer. Only Taylor Unitholders who are Eligible Limited Partners potentially can make a Tax Election. By making a Tax Election, a Taylor Unitholder may be able to reduce the amount of the proceeds of disposition such Taylor Unitholder otherwise may realize for income tax purposes under the Offer. See Sections 20 and 21 of the circular accompanying the Offer, “Certain Canadian Federal Income Tax Considerations” and “Exchangeable Unit Alternative – Procedure for Tax Election”.

The comments in this Letter of Instruction and the partially completed Form T2059 described below only apply to Eligible Limited Partners who: (i) held their Taylor Units as capital property; (ii) hold the Exchangeable Units received as a result of the Offer as capital property; and (iii) filed a Letter of Transmittal and Election Form appropriately electing to receive Exchangeable Units.

II. TAX ELECTION FORM AND ELECTION DEADLINE

If you are an Eligible Limited Partner and wish to make a Tax Election, you must complete and execute CRA form T2059 “*Election on Disposition of Property by a Taxpayer to a Canadian Partnership*” (“**Form T2059**”) and forward such completed form to the Offeror on or before May 31, 2008 (“**Tax Election Deadline**”). For your convenience, a partially completed Form T2059 is available. To complete such Form T2059, you must provide additional required information based upon your personal circumstances and execute the form in the space provided.

A sample of a completed Form T2059 also is provided below for your reference. This document should be used only as a guide in completing the attached partially completed Form T2059.

Provincial income tax legislation, if applicable, also may require the filing of a separate provincial tax election form which is not provided by the Offeror. Electing Eligible Limited Partners should consult their own tax advisors as to whether such a form is required and, if so, obtain that form from those advisors.

The Offeror will not make the Tax Election with a particular Eligible Limited Partner unless it receives from that Eligible Limited Partner a properly completed

Form T2059 (and, if applicable, a corresponding completed election form in respect of applicable provincial legislation) on or before the Tax Election Deadline. The Offeror only will consider a Form T2059 to be properly completed if it is completed in accordance with the Offer and these instructions.

Our comments with respect to the completion and filing of Form T2059 are for general assistance only and are qualified in their entirety by the Offer. Eligible Limited Partners wishing to make a Tax Election should consult their own tax advisors.

III. COMPLETING FORM T2059

You should carefully review the instructions set forth on the attached Form T2059. You also should review the following instructions which are intended to provide further guidance in respect of completing the attached partially completed Form T2059. Note that all references below are to that partially completed Form T2059.

1. You will need to complete the taxpayer (transferor) information section on page 1 by printing the following information in the appropriate boxes:¹
 - (a) your name;
 - (b) your social insurance number (if you are a natural person) or business number (if you are a corporation or a trust);
 - (c) your address (including postal code);
 - (d) your taxation year that includes the date upon which your Taylor Units in respect of which you selected the Exchangeable Unit Alternative (“**Tendered Taylor Units**”) were disposed of pursuant to the Offer (if you are a natural person or a trust other than a testamentary trust, your taxation year generally will be from January 1 to December 31); and
 - (e) your tax services office, which is the location where your income tax return is usually filed.

2. You will need to print the “Name of person to contact for more information” and that person’s phone number in the appropriate boxes on page 1. This will be you or your authorized representative, such as your tax advisor. Neither the Offeror nor any of its advisors can be listed as this person.

¹ Where the transferor is a partnership, an authorized member of the partnership must complete Form T2059 on behalf of the partnership. In addition to the completed Form T2059, a copy of the authorization signed by each member of the partnership, and a list containing the name, address, social insurance number (if the partner is a natural person) or business number (if the partner is a corporation or trust) must be provided.

If the Taylor Units are held in co-ownership, one of the co-owners designated for the purpose of making the Tax Election must provide one Form T2059 for each co-owner, the designation and a list of all co-owners electing, which list must contain the address, and social insurance number (if the co-owner is a natural person) or business number (if the co-owner is a corporation or trust) of each co-owner.

3. You will need to print your name and your social insurance number (or, if applicable, business number) at the top of pages 2 through 4.
4. You will need to answer question 4(b) on page 2 in respect of your Tendered Taylor Units. The answer to this question is unique to you and should be confirmed with your tax advisor.
5. You will need to insert the number of Tendered Taylor Units disposed of on page 3. Insert this number immediately before “Limited Partnership Units of Taylor NGL Limited Partnership” on page 3 in the row entitled “Capital property excluding depreciable property” in the column entitled “Description” in respect of the column entitled “Property disposed of”.
6. You will need to complete the “Fair market value” box on page 3 in respect of your Tendered Taylor Units, located in the row entitled “Capital property excluding depreciable property” in respect of the column entitled “Elected amount limits”. The Offeror is of the view that the volume weighted average trading price of a Trust Unit on the TSX for the five trading days prior to January 8, 2008, which is the date upon which your Tendered Taylor Units were taken-up pursuant to the Offer (“**Take-Up Market VWAP**”) multiplied by 0.42 most accurately reflects the fair market value (“**FMV**”) of a Tendered Taylor Unit for income tax purposes. The Take-Up Market VWAP is \$25.8338, making the applicable FMV of a Tendered Taylor Unit \$10.8502 ($\25.8338×0.42). Accordingly, the FMV of your Tendered Taylor Units should be calculated as \$10.8502 multiplied by the number of your Tendered Taylor Units, rounded to the nearest cent.² Please note that the CRA is not bound by this determination of FMV.
7. You will need to complete the “A” box on page 3 in respect of your Tendered Taylor Units, located in the row entitled “Capital property excluding depreciable property” in respect of the column entitled “Elected amount limits”. This will be the adjusted cost base (“**ACB**”) of your Tendered Taylor Units if you wish to effect the disposition of the Tendered Taylor Units on a tax-deferred basis. The ACB of your Tendered Taylor Units is unique to you and should be confirmed with your tax advisor.
8. You will need to complete the “Agreed amount B” box on page 3 in respect of your Tendered Taylor Units, located in the row entitled “Capital property excluding depreciable property.” The “Agreed amount” cannot be less than the lesser of the amount determined in “A” (see Instruction 7) and the FMV of your Tendered Taylor Units (see Instruction 6) and cannot be greater than the FMV of your Tendered Taylor Units (see Instruction 6). This “Agreed amount” should constitute the proceeds of disposition for purposes of calculating any capital gain on the disposition of your Tendered Taylor Units under the Tax Election. See Section 20 of the circular accompanying the Offer, “Certain Canadian Federal Income Tax Considerations”.

² For example, if the number of Taylor Units was 10, you would write in the “Fair market value” box \$108.50, which is calculated \$10.8502 multiplied by 10, rounded to the nearest cent.

9. You will need to complete the “Amount to be reported B-A” box on page 3 in respect of your Tendered Taylor Units, located in the row entitled “Capital property excluding depreciable property.” The “Amount to be reported B-A” is the amount, if any, by which the “Agreed amount B” box amount exceeds the “A” box amount (see Instructions 7 and 8).
10. You will need to insert the number of Exchangeable Units you received on page 3. This number should be inserted immediately before “Class B Limited Partnership Units of AltaGas Holding Partnership No. 1” in the row entitled “Capital property excluding depreciable property” in the column entitled “Description” in respect of the column entitled “Consideration received”.
11. If you also received Trust Units for your Tendered Taylor Units, you will need to insert the number of Trust Units received on page 3. This number should be inserted immediately before “Units of AltaGas Income Trust” in the row entitled “Capital property excluding depreciable property” in the column entitled “Description” in respect of the column entitled “Consideration received”.
12. You will need to complete the “Fair market value” box on page 3 in respect of the Exchangeable Units received in the row entitled “Capital property excluding depreciable property” in the column entitled “Consideration received”. The Offeror is of the view that the Take-Up Market VWAP of \$25.8338 most accurately reflects the FMV for income tax purposes of each Exchangeable Unit received. Accordingly, the FMV of your Exchangeable Units should be calculated as the number of the Exchangeable Units received multiplied by \$25.8338 (see Instructions 6 and 10), rounded to the nearest cent.³ Please note that the CRA is not bound by this determination of FMV.
13. You will need to complete the “Fair market value” box on page 3 in respect of the Trust Units received in the row entitled “Capital property excluding depreciable property” in the column entitled “Consideration received”. The Offeror is of the view that the Take-Up Market VWAP of \$25.8338 most accurately reflects the FMV for income tax purposes of each Trust Unit received. Accordingly, the FMV of your Trust Units should be calculated as the number of Trust Units received multiplied by \$25.8338 (see Instructions 6 and 11), rounded to the nearest cent.⁴ Please note that the CRA is not bound by this determination of FMV.

³ For example, if the number of Exchangeable Units received under the Offer is 10, you would write “\$258.34” in the “Fair market value” box in respect of “Class B Limited Partnership Units of AltaGas Holding Partnership No. 1”, which is the product of \$25.8338 and 10, rounded to the nearest cent.

⁴ For example, if the number of Trust Units received under the Offer is 10, you would write “\$258.34” in the “Fair market value” box in respect of “Units of AltaGas Trust”, which is the product of \$25.8338 and 10, rounded to the nearest cent.

14. You will need to complete the “Election and certification” section at the bottom of page 4. You (or an authorized person) will need to sign on the line labelled “Signature of transferor or authorized signing officer” and insert the date on which you sign the Election on the line entitled “Date”.

IV. COMPLETED FORM T2059

In order to ensure that your completed Form T2059 (and, if applicable, any corresponding tax election forms required under applicable provincial legislation) are received by the Offeror no later than May 31, 2008, the form(s) should be forwarded in a timely manner to:

AltaGas General Partner Inc.
1700, 355 – 4th Avenue, S.W.
Calgary, Alberta T2P 0J1

Attention: Tax Department

The Offeror will endeavour to promptly execute and forward your properly completed Form T2059 (and, if applicable, any properly completed corresponding tax election forms required under applicable provincial legislation) by mail on or before June 30, 2008 to the CRA and applicable provincial tax authorities, with a copy to you.

V. SAMPLE FORM T2059

The sample completed Form T2059 below (“**Sample T2059**”) is provided for your reference only and is intended to assist you in completing the attached partially completed Form T2059. The Sample T2059 is based on the following hypothetical information for a Taylor Unitholder that is an individual:

1. General Information:

Name of Taxpayer:	J. Doe
Social Insurance Number:	222 222 222
Address:	Anyplace, Calgary, Alberta, T2T 0A0
Taxation Year:	January 1, 2008 to December 31, 2008
Tax Services Office:	Calgary
Contact Person:	J. Doe (403) 111-1111

The Take-Up Market VWAP is \$25.8338.

2. J. Doe owned 100 Taylor Units immediately prior to the Offer. J. Doe wishes to select the Exchangeable Unit Alternative in respect of all 100 of J. Doe's Taylor Units under the Offer. Accordingly, J. Doe will make a Tax Election in respect of all 100 of J. Doe's Tendered Taylor Units.
3. The aggregate ACB to J. Doe of her 100 Taylor Units is \$500.00 (*e.g.*, \$5.00 per Taylor Unit x 100 Taylor Units).
4. Under the Offer, J. Doe received 21 Exchangeable Units and 21 Trust Units.
5. It is assumed that the FMV of J. Doe's 100 Tendered Taylor Units disposed of under the Offer was \$1,085.02 (*i.e.*, 100 Tendered Taylor Units x \$10.8502).
6. The FMV of J. Doe's 21 Exchangeable Units received under the Offer was assumed to be \$542.51 (*i.e.*, \$25.8338 x 21 Exchangeable Units, rounded to the nearest cent). The FMV of J. Doe's 21 Trust Units received under the Offer was assumed to be \$542.51 (*i.e.*, \$25.8338 x 21 Trust Units, rounded to the nearest cent).