

2014 FOURTH QUARTER AND YEAR END 2014 EARNINGS CALL

CORPORATE PARTICIPANTS

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David Cornhill *AltaGas Ltd. - Chairman & CEO*

David Harris *AltaGas Ltd. - President & COO*

Debbie Stein *AltaGas Ltd. - SVP, Finance & CFO*

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Linda Ezergailis *TD Securities - Analyst*

David Noseworthy *CIBC World Markets - Analyst*

Carl Kirst *BMO Capital Markets - Analyst*

Robert Catellier *GMP Securities - Analyst*

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Steven Paget *First Energy Capital - Analyst*

Robert Hope *Macquarie Capital Markets - Analyst*

PRESENTATION

Operator

Good morning, ladies and gentlemen and welcome to the AltaGas Limited Q4 2014 Conference Call. I would now like to turn the meeting over to Mr. Jess Nieuwerk, Director of Finance and Communications. Please go ahead, Mr. Nieuwerk.

Jess Nieuwerk - *AltaGas Ltd. - Director, Finance and Communications*

Thank you. Good morning, everyone. Welcome to AltaGas' fourth quarter and year-end 2014 conference call. Speaking today are David Cornhill, Chairman and Chief Executive Officer; David Harris, President and Chief Operating Officer; and Debbie Stein, Senior Vice President, Finance and Chief Financial Officer.

After some formal comments this morning, we'll have a question and answer session.

Before we begin, I'd like to remind you that certain information presented today may include forward-looking statements. Such statements reflect the Corporation'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 Cornhill.

David Cornhill - *AltaGas Ltd. - Chairman & CEO*

Thank you, Jess. Good morning, everyone. We delivered record funds from operations of \$472 million or \$3.72 per share, an increase of 17% over 2013. EBITDA was also at record levels of \$546 million. Normalized net income was \$165 million or \$1.30 per share.

The Forrest Kerr and Volcano hydro projects reduced earnings in the fourth quarter by about \$0.04 per share, as a result of startup late in the season. Since our last conference call on October 30, we have seen dramatic changes in the energy markets. Crude oil is down by 37%, Edmonton propane prices are down by about 68% and natural gas is down by 24%. Such a dramatic change has created challenges and uncertainties for oil and gas producers. At AltaGas, we could not have entered this time in a stronger financial position, with over \$400 million in cash on the balance sheet and our bank lines essentially undrawn.

Looking at 2015, we're expecting challenges in our Gas business, as producers deal with the uncertainty, but we also see significant investment opportunities. We are working hard to deliver flat operating income in the Gas business in 2015. Meeting this target will be challenging with continuing low commodity prices and planned turnarounds at our two largest plants, Younger and Harmattan. Clearly, we are working to put more capital to work in the Gas business.

Our Power business operating income is expected to be up significantly over last year, with the contributions of the Northwest hydro projects. We expect the Northwest hydro projects to reduce earnings by approximately \$0.09 per share in the first quarter. This is a result of a planned turnaround at Forrest Kerr and normally low river flows.

Finally, our Utility business growth will continue on trend in 2015. One can see the value of AltaGas' business mix and strong operating capability in the current environment.

2014 was a milestone year where we positioned AltaGas' business for substantial growth through to the end of the decade. On the gas side, some of the key accomplishments are: we began supplying the Asian markets with North America energy through our Ferndale facility; secured a site, which will enable us to begin LNG deliveries off the Canadian West Coast in this decade; developed key alliances with Painted Pony and others to unlock the vast natural gas reserves and deliver energy to Asia.

Our power business made significant strides as well, the completion of the Forrest Kerr and Volcano hydro projects. We have positioned ourselves to have the ability to triple the size of the Blythe Energy Center and we have reduced our position in the Alberta power market, while increasing our contracted US generation. Our utility business continues to grow customers and rate base and deliver clean, affordable, and reliable energy to our customers.

Finally, we grew our dividend by 16% in 2014 and expect to be able to increase our dividend again this year. Any decision to increase the dividend will be made by the Board at the appropriate time.

At this time, I'll pass the call over to David Harris, President and Chief Operating Officer.

David Harris - AltaGas Ltd. - President & COO

Thank you, David; and good morning, everyone. In the fourth quarter, we experienced strong operational results in our Gas and Utility segments. Normalized operating income from our Gas business was \$41 million compared to \$39 million for the same quarter 2013. Our Gas business benefited primarily from the acquisition of Petrogas and higher volumes at Harmattan, Gordondale, and Blair Creek.

We continue to benefit significantly from the ramp up in volumes in liquid-rich areas. Total volumes processed increased by nearly 100 Mmcf per day to 1,551 Mmcf compared to 1,454 Mmcf in Q4, 2013.

For the fourth quarter 2014, AltaGas hedged approximately 72% of frac-exposed production at an average price of approximately \$26 per barrel. This compares to approximately 83% hedged at approximately \$27 per barrel in the same quarter last year. The spot NGL frac spread for Q4 2014 was approximately \$15 per barrel compared to approximately \$32 per barrel a year ago.

The Utility segment continues to have solid results with normalized operating income of \$57 million compared to \$55 million in Q4 2013. This was driven by customer and rate base growth, combined with favorable foreign exchange but slightly offset by warmer weather. Normalized operating income from our Power business was \$16 million in the fourth quarter. The average realized power price for the quarter was approximately \$64 per megawatt hour, which includes pricing from the Northwest projects, compared to \$65 per megawatt hour for the same period last year.

We hedged approximately 57% of Alberta generation in the fourth quarter at an average price of \$61 per megawatt hour. The lower results were driven by Alberta spot power prices which were significantly lower at approximately \$30 per megawatt hour in Q4 2014 compared to \$49 per megawatt hour in fourth quarter 2013. We expect Alberta power price to remain soft in 2015 with the 800 megawatt Shepard power plant coming online. It looks like it will take some time for the market demand to absorb this new supply. For the full year, normalized operating income for all segments was \$398 million compared to \$386 million in 2013.

Our gas segment processed higher average volumes in 2014 of 1,512 Mmcf per day compared to 1,361 Mmcf per day in 2013, and benefited from the partial ownership interest in Petrogas and sales of NGLs. The increased earnings were partially offset by curtailments of storage in the first quarter 2014 during extreme weather and oil transmission revenue. Utilities realized increased operating income of \$166 million compared to \$150 million in 2013, as a result of customer and rate base growth, favorable foreign exchange on the US utilities, and colder weather in the eastern part of US and Canada. Stronger results year-over-year from the gas and utilities segments were partially offset by weaker results from the Alberta power assets.

Looking ahead at 2015, we expect to produce approximately 6,500 barrels per day of C3+ that is directly exposed to frac spread, of which approximately 50% is hedged at an average price of approximately \$27 per barrel. As David mentioned, we expect results from the gas segment to be comparable to 2014, normalized for our scheduled turnarounds at Harmattan and Younger. However, if the oil and gas pricing environment continues to weaken, we may see producer activity decline. To date, we have not seen any material decline in unit volumes at our facilities.

In power, we are approximately 55% hedged at \$59 per megawatt hour for the first quarter. For full-year 2015, we are approximately 25% hedged at an average price of approximately \$60 per megawatt hour. We'll continue to hedge exposure to the Alberta power market throughout 2015 to mitigate the impact of the weaker pricing environment.

Let me now provide an update on some of our projects under development. As David mentioned, our team is working hard to bring McLymont Creek online by mid-year. Excavation of the power tunnel is complete and installation of the turbines, intake structure, and ware are well underway. There is potential for higher cost at McLymont related to the road and intake construction as a result of increased complexity due to rock structures. We do not expect the higher cost to have any material impact to the overall project.

At Blythe in California, we continue to work on the opportunity to double the size of the existing facility. We commenced preliminary engineering of the Blythe II project and have begun discussions with major equipment suppliers. The formal RFP from the Southern California Public Power Authority is expected in the March-April time frame. The Imperial Irrigation District, a member of the Southern California Public Power Authority, is expected to issue its own RFP in late Q1 to early Q2, 2015. These RFPs are for the replacement of retiring coal plants, or for offtake agreements. RFPs from San Diego Gas and Electric, and Southern California Edison, aren't expected until sometime in 2016, as those utilities work through the new clean energy standard to determine their requirements. We continue to look at further opportunities to expand generation capacity in California over the long term.

Construction at our 15-megawatt Harmattan facility is in the commissioning phase, with generation expected to start by the end of Q1. We also continue to press forward on our regional LNG business. In 2015, we are focused on completing the first facility in Dawson Creek. We commenced construction of the facility in fourth quarter 2014. Permitting, engineering work, and preliminary groundwork is underway, and purchase orders for the major equipment were completed.

On our Townsend project, together with Painted Pony, we have revised the timing of the Townsend facility to mid-2016. This shift in timing will allow us to take advantage of potential cost savings, given the current economic environment and still be on time to meet Painted Pony's production volumes. Detailed engineering along with regulatory and permitting efforts have commenced. The earning of long lead equipment items is also underway.

Finally, we are working on increasing our LPG capabilities off the US West Coast at our Ferndale facility. We continue to target approximately 30,000 barrels per day. We have already converted one of the two tanks to propane use and now have the ability to ship both butane and propane from Ferndale.

That concludes my prepared remarks. I'll now pass the call over to Debbie.

Debbie Stein - AltaGas Ltd. - SVP, Finance & CFO

Thank you, David; and good morning, everyone. For the fourth quarter 2014, we reported normalized earnings of \$48 million or \$0.36 per share, compared to \$60 million or \$0.49 per share in the fourth quarter 2013. Normalized business operating income reported was \$114 million compared to \$124 million. And the Corporate segment reported normalized operating loss of \$9 million compared to \$12 million in fourth quarter of 2013. Normalized EBITDA for the fourth quarter 2014 was \$155 million and normalized funds from operations was \$156 million or \$1.17 per share.

For the full year, normalized net income was \$165 million or \$1.30 per share, compared to \$176 million or \$1.51 per share in 2013.

As David said, normalized EBITDA and funds from operations were record levels at \$546 million and \$472 million, respectively, on a full-year basis. Our payout as a percentage of normalized FFO for 2014 was at the lower end of our range at 45%. Interest expense for fourth quarter 2014 was \$35 million and \$111 million for the full year. This is higher than the same periods in 2013 as a result of higher average debt balances, lower capitalized interest, and a slight increase in average borrowing rates.

For 2015, we expect higher interest costs related to lower capitalized interest from assets moving in to service. We also expect non-cash charges in 2015 related to the Volcano and Forrest Kerr projects to be approximately \$6 million per quarter in 2015.

In fourth quarter 2014, we reported an income tax recovery of \$5 million compared to an income tax expense of \$15 million in same quarter last year. For the full year, we reported income tax expense of \$19 million compared to \$40 million in 2013. Income tax decreased due to the lower taxable earnings in the year, driven by the provisions taken for the long-lived assets and tax on the capital gains realized in 2013.

On a normalized basis, our effective tax rate for the full-year 2014 was 19%, similar to 2013; and for 2015, we expect it to be approximately 20%.

On a GAAP basis, net income applicable to common shares for fourth quarter 2014 was \$10 million or \$0.08 per share, compared to \$53 million or \$0.44 per share for fourth quarter 2013. For the quarter, GAAP earnings included a \$70 million pre-tax provision taken for certain gas assets. While the majority of these gas assets are able to process gas, we are faced with low gas prices, declining producer activity, and low to no throughput at some of these facilities in the dry gas area.

On a GAAP basis, net income applicable to common shares for 2014 was \$96 million or \$0.75 per share, compared to \$182 million or \$1.56 per share for 2013. For the year, net income applicable to common shares was normalized for after-tax amounts related to the provisions taken on certain assets, the impacts from the sale of non-core assets, unrealized gains and losses on our risk management contracts, unrealized gains and losses on long-term investments, and cost associated with the early redemption of medium-term notes and cost incurred for our energy export projects.

For the quarter and year ended December 31, 2014, net invested capital was \$157 million and \$590 million respectively. For the fourth quarter and full-year 2014, maintenance CapEx was \$5 million and \$14 million respectively.

Our balance sheet remains strong with debt to total capitalization of 44.9%. Coming into 2015, we had a very strong balance sheet with approximately \$420 million in cash and \$1.7 billion available from our syndicated credit facility. We have ample liquidity to take advantage of acquisition opportunities if they arise or to fund \$3.5 billion of committed and advanced development capital projects over the next five years.

Our average debt maturity is approximately nine years and continues to be very manageable. We will continue to balance our long-term and short-term financing, as well as floating and fixed rate debt in order to execute our financing strategy that supports our business strategy. Both our credit ratings from DBRS and S&P were reaffirmed in fourth quarter with stable outlook.

And with that, I will turn the call back to David Cornhill.

David Cornhill - AltaGas Ltd. - Chairman & CEO

Thank you, Debbie. Before turning the call over to the question-and-answer, I want to take this opportunity to thank Dennis Dawson, who announced his retirement earlier this year. He worked with us for over 17 years and he's been a major contributor to the Company. He will be working with us on a part-time basis until the General Annual Meeting at the end of April and retiring at the end of April. I want to thank Dennis for his contribution over the years and his friendship.

Now, I'll pass the call on to Jess.

Jess Nieuwerk - AltaGas Ltd. - Director, Finance and Communications

Thank you, David. Operator, I'll now turn the call over to you for question-and-answer.

QUESTION AND ANSWER

Operator

Thank you. We will now take questions from the telephone lines.
Linda Ezergailis, TD Securities.

Linda Ezergailis - TD Securities - Analyst

Thank you. I have a question about your Younger and Harmattan turnarounds. When in the year are they scheduled for and can you talk a little bit more about how long they'll be down, what the scope of those turnarounds are and the financial impact?

David Harris - AltaGas Ltd. - President & COO

Harmattan starts its turnaround on May 10, will end by the end of May. And Younger will start on June 6 and end on June 27. And normal turnarounds, there's nothing out of the ordinary, just part of our maintenance cycle.

Debbie Stein - AltaGas Ltd. - SVP, Finance & CFO

It's about \$12 million.

David Harris - AltaGas Ltd. - President & COO

About \$12 million in aggregate between the two, from an impacts perspective.

Linda Ezergailis - TD Securities - Analyst

So is that cost and lost revenues.

Debbie Stein - AltaGas Ltd. - SVP, Finance & CFO

Correct.

David Harris AltaGas Ltd. - President & COO

Yes.

Linda Ezergailis - TD Securities - Analyst

Okay, that's very helpful, thank you. And can you talk a little bit more in this commodity price environment? For Douglas Channel, what are the key remaining steps to get FID later this year and is there any risk of scheduled slippages you work through those key gating factors?

David Harris - AltaGas Ltd. - President & COO

What we'll be working through for the balance of the year is on the environmental permitting for the foreshore facility, continuing with the engineering effort on the barge; and right now, we don't see any significant hurdle that would lead us to believe that we think our schedule should slip to be in a position for FID by the end of 2015.

Linda Ezergailis - TD Securities - Analyst

Okay, that's helpful. Thank you.

Operator

Thank you. David Noseworthy, CIBC.

David Noseworthy - CIBC World Markets - Analyst

Thank you. Good morning.

David Cornhill - AltaGas Ltd. - Chairman & CEO

Good morning.

David Noseworthy - CIBC World Markets - Analyst

Just the first question, maybe for David Harris. I didn't hear all of the RFPs that you highlighted, but can you give us any color on the two RFPs in 2015 for power in California in terms of size and/or preferred technology? And then, maybe just another piece of that question is, are you targeting these RFPs with an expansion of Blythe or the re-powering of the facilities you've recently acquired?

David Harris - AltaGas Ltd. - President & COO

No, these RFPs would be targeted with the expansion of Blythe; the two that I talked about was Southern California Public Power Authority will be coming out with RFPs sometime in March and April and then the Imperial Irrigation District, which is also a member of Southern California Public Power Authority will be coming out with a separate one themselves. So both of those will be target for Blythe and would expect a megawatt generation there, maybe somewhere between 500 to 1,000 megawatts. We'll know for certain once they come out, but probably somewhere in that range, maybe even a little larger depending on what they believe their decommissioning program may look like from our coal-based assets.

David Noseworthy - CIBC World Markets - Analyst

Perfect, thank you for that. And then, my second question is just maybe a bit bigger picture starts in your outlook. Can you provide me some context around your expectation for growing demand for process infrastructure in the Montney in terms of quantity and timing given our environment?

David Cornhill - AltaGas Ltd. - Chairman & CEO

I don't know how clear my crystal ball is at this point. We clearly see the Townsend region as a very active position and can see we are in discussions on multiple expansions in that region to for capacity. I think the timeline is a little cloudy at this point. You can give me a commodity forecast that they can think on, but clearly, the interest is to be ready for that area and in terms of we could see a doubling or tripling the types of volumes in the Townsend area gives you a feel for what we're seeing there. Timelines probably 2018-2019 is realistic at this point, but it's a little hard with the dramatic change in commodity price for producers to actually get their feet under them right now. So they're still moving forward, but they don't know the shape of the commodity curve via the EIU or flat line at current prices.

David Noseworthy - CIBC World Markets - Analyst

Got it. Thank you for that. And then, maybe just one level question on the -- in your outlook for 2015, you're saying, flat gas segment earnings provided a recovery in frac spreads in the latter half of 2015 and I was just wondering what kind of recovery in NGL frac spreads you're expecting.

David Cornhill - AltaGas Ltd. - Chairman & CEO

That's your job. We are working for that target. I think the other thing clearly is that we think it's a very attractive environment to put some money to work in the gas side of the business and other parts of the business and clearly, we've got the balance sheet to put those assets to work. And so that's also part of driving flat if commodity prices stay low at this level and with the turnarounds that we're talking about.

David Noseworthy - CIBC World Markets - Analyst

Okay. Thank you. I'll get back into queue.

Operator

Thank you. Carl Kirst, BMO Capital Markets.

Carl Kirst - BMO Capital Markets - Analyst

Thank you. Good morning, everybody. Maybe just to come back to two things that we've touched on, but the first in Townsend and I just want to make sure I'm understanding. So the delay or the reset in the time frame, was that something where you all were just taking stock of the activity levels and decide to push out six months or was that a request that come from your partner? I just want to make sure I understand the time frame change there and whether that could be up for additional slippage in the future depending on what commodity prices do here?

David Cornhill - AltaGas Ltd. - Chairman & CEO

I'll take it and then David will correct me that it was a joint decision. 2015 target would have been very heroic from our timeline and it would have resulted in additional costs. So we were looking to push that timeline out. As well, the producer is running through their cash flow models, their bank facilities and capabilities. So what we want to do is optimize the timeline, lower the cost and work through with the producer. We don't see significant delay from mid-year going forward. There are some other parts to the equation in terms of takeaway capacities and things like that, which we don't control. But we feel pretty comfortable working with Painted Pony and feel that a mid-2016 as a realistic target to have the plant ready for the gas here, which is November of 2016.

Carl Kirst - BMO Capital Markets - Analyst

Okay. Thank you. That's very helpful color, David. Thank you. Maybe just going down to California and Blythe then, and -- David Harris, I had always sort of viewed the Blythe II as really kind of going after the SoCal RFP. And I'm just curious as you guys see what I guess is always an evolving landscape, was the extra the Public Power Authority, the Imperial Irrigation, was that something you were always going after or is that just kind of feel the void perhaps as SoCal got pushed out a year and so in the sense you've got now two bites at the apple?

David Harris - AltaGas Ltd. - President & COO

Well, it was always in the mix. It was certainly -- we looked at both San Diego Gas & Electric, Southern California Edison, and the other as part of SCPPA, as being potential candidates to help us expand with Blythe. So, that was always there. As the landscape always does change, no matter what environment you're in, I think as Southern California Edison and San Diego Gas & Electric digest what the new renewable portfolio standard means, going from the 30% to 50% range had just caused them to push out their RFPs. So, we feel we are in good shape and certainly it gives us a second bite at the apple naturally as part of the process.

Carl Kirst - BMO Capital Markets - Analyst

Okay, I appreciate that. And then, last question if I could, this is just a clarification. Debbie, you had mentioned in your prepared commentary, and I just couldn't scribble fast enough, something to the extent of -- in the power business, I think \$6 million per quarter of non-cash charges in 2015, and I didn't catch what that was relating to?

Debbie Stein - AltaGas Ltd. - SVP, Finance & CFO

It's related to Forest Kerr and Volcano, Carl.

Carl Kirst - BMO Capital Markets - Analyst

At least in the normal course of OpEx or?

Debbie Stein - AltaGas Ltd. - SVP, Finance & CFO

Yes. It's amortization and other non-cash charges related to the asset.

Carl Kirst - BMO Capital Markets - Analyst

Understood. Appreciate that. Thank you, guys.

Operator

Thank you. Robert Hope, Macquarie.

Robert Hope - Macquarie Capital Markets - Analyst

Hi, good morning, everyone. Maybe just one quick clarification on the California RFPs. Would you look to potentially do Blythe II and Blythe III concurrently?

David Harris - AltaGas Ltd. - President & COO

That's a potential. It's a little too early to tell. It just depends on how the RFPs and the timing of them in the landscape of those, but we've certainly positioned ourselves that we could do that if we saw the opportunity.

Robert Hope - Macquarie Capital Markets - Analyst

Okay. That's good. So the Irrigation District would also be an additional 500 to 1,000 megawatts?

David Harris - AltaGas Ltd. - President & COO

Yes, we're thinking both will come out in those ranges. It may move a little bit and obviously, we'll be able to throw a dot on it when we get to the April call, because they should be out by then.

Robert Hope - Macquarie Capital Markets - Analyst

Okay, good to know. And then, maybe just on your gas side, the strong volume growth year-over-year, and I realize that a significant portion of your volumes would be contracted. However, if you see gas and NGL stay where they are right now, what potential downside do you think you could have on your volumes, maybe 12 months out?

David Cornhill - AltaGas Ltd. - Chairman & CEO

In the key areas, we've seen fairly firm volumes for our producers, Gordondale area, Blair Creek and things like that. So, we don't see a lot there. We would see some general erosion activity levels as declines happen. We don't see significance at this point and it's hard to say what kind of cash flow of the producers' drilling activity, but for 2015, we don't see significant declines.

Robert Hope - Macquarie Capital Markets - Analyst

Alright. That's great, thank you.

Operator

Thank you. Robert Catellier, GMP Securities.

Robert Catellier - GMP Securities - Analyst

Hi, good morning. It looks like you answered most of my questions, but I just wanted maybe David Harris could talk to both the strategic relevance of the newly acquired California plants to the Blythe expansion.

David Harris - AltaGas Ltd. - President & COO

I think they position us well for maybe continued participation in RFPs in those specific areas, but even more importantly, they certainly lend themselves for re-powering and expansion. So that's how we see the fit right now and certainly gives us a good offset to the Alberta power market as well.

Robert Catellier - GMP Securities - Analyst

Okay. When you look at the capability of those sites and the transmission as it stands today, what order of magnitude are you? What is possible in terms of expansion opportunity?

David Harris - AltaGas Ltd. - President & COO

Well, for the existing, you could replace in kind and with a little bit of push up in megawatt output, but depending on the size and scale of what RFPs may come down the line, you're certainly not limited, you certainly always have the opportunity to upgrade existing transmission. So I'd use 30 megawatts, 45 megawatts, maybe as much as 60 megawatts from an expansion capability to what we have currently existing there today, in aggregate.

Robert Catellier - GMP Securities - Analyst

Okay. And then, I just wondered if you can comment a little bit on the proposal by the federal government for accelerated depreciation for LNG and the impact that has on FID, not only for Douglas Channel, but also for Triton and then maybe you could address the same question on the regional LNG side?

David Cornhill - AltaGas Ltd. - Chairman & CEO

It is clearly helpful, but clearly is not a game changer from a decision perspective. Anything that helps is positive and this clearly does help, but it's not a critical decision factor.

Robert Catellier - GMP Securities - Analyst

Okay, that's all I had, but just wanted to say congratulations to Dennis.

Operator

Thank you. Matthew Akman, Scotiabank.

Matthew Akman - Scotiabank - Analyst

Hi, good morning. Thank you. On the Power business, in the outlook section, there's a reference to higher contribution from US power due to continued growth and development opportunities. Obviously, there is the Blythe opportunity, which is a great opportunity, but it's not a 2015 thing. So I'm just wondering what that reference was. Was it for potential further short-term acquisitions in the US?

David Harris - AltaGas Ltd. - President & COO

No, it was the result of opportunity as a result of the Veresen acquisition.

Matthew Akman - Scotiabank - Analyst

Okay, I got it. The purchase price of those assets. Sorry, I can't recall if that was disclosed?

David Harris - AltaGas Ltd. - President & COO

No, it was not disclosed.

Matthew Akman - Scotiabank - Analyst

Okay. But obviously not really material then?

David Harris - AltaGas Ltd. - President & COO

No.

Matthew Akman - Scotiabank - Analyst

The other comment in power, just curious you said AltaGas expects to continue to hedge its exposure throughout 2015. Would you continue to hedge at the forward price in 2015 or were you just expecting prices to pick up and to hedge into that?

David Harris - AltaGas Ltd. - President & COO

No, we wouldn't hedge at the forward price. That's more towards the point of as opportunities would present itself with volatility, we'd pick our positions and take advantage of that from a hedge perspective.

Matthew Akman - Scotiabank - Analyst

Okay, got it, that makes more sense. Final question on utility. In terms of degree days, was it actually colder than normal in Michigan during the quarter?

David Harris - AltaGas Ltd. - President & COO

No. You're talking for Q4. No.

Matthew Akman - Scotiabank - Analyst

Yes.

David Harris - AltaGas Ltd. - President & COO

Just slightly below average.

Matthew Akman - Scotiabank - Analyst

Just slightly below average?

Debbie Stein - AltaGas Ltd. - SVP, Finance & CFO

Yes.

David Cornhill - AltaGas Ltd. - Chairman & CEO

Slightly warmer.

Debbie Stein - AltaGas Ltd. - SVP, Finance & CFO

Yes, it was slightly warmer. Q4, weather wasn't a big impact. The colder weather was on a full-year basis, Matthew.

Matthew Akman - Scotiabank - Analyst

Okay. Thank you very much. Those are my questions.

Operator

Thank you. Robert Kwan, RBC Capital Markets.

Robert Kwan - RBC Capital Markets - Analyst

Morning. Just on the growth capital plan, you talked about being able to finance that out of free cash flow, the lot, all the liquidity you have and then the drip, I guess specifically. You see that all internal, not having to go out for external funding, specifically common equity. So I guess, when you look at your Montney outlook and you said that if prices stay down, you might see delays, but you've got the ability to redeploy in the power and utilities. So it sounds a bit like with those power and utility opportunities, are you rationing capital right now?

David Cornhill - AltaGas Ltd. - Chairman & CEO

No, we haven't rationed capital at all at this point. We do have a minimum return type rationing, that goes on, but there are not projects that we want to move forward with that or not moving forward at this time.

Robert Kwan - RBC Capital Markets - Analyst

Got it. So the statement more about redeploying capital is just maybe you'd kind of spend a little bit more time focusing on finding new initiatives. There are not initiatives out there that you're just deciding to forgo at this time?

David Cornhill - AltaGas Ltd. - Chairman & CEO

Yes.

Robert Kwan - RBC Capital Markets - Analyst

Okay. Just going to the Gas business, you've talked about on the frac spread side 6,500 barrels a day exposed to the frac spread for 2015 and that's down from 2014. So I'm just wondering have you been able to migrate some of those volumes to either fee-for-service or some other type of contract or is that just a function of you're seeing lower volumes through the facilities?

David Cornhill - AltaGas Ltd. - Chairman & CEO

We're doing some targeted re-injections.

Robert Kwan - RBC Capital Markets - Analyst

Okay. And I guess just the last question here, you had mentioned you expect increased volumes from Sundance, is that related to you guys taking control of the dispatch on your portion or is there something else going on?

David Cornhill - AltaGas Ltd. - Chairman & CEO

It's more of a turning around and taking advantage of the availability in the asset. If it's available, would like to push more megawatts out of it.

Robert Kwan - RBC Capital Markets - Analyst

So I recall that previously, you were not controlling the dispatch. Are you guys now controlling it as we go forward?

David Cornhill - AltaGas Ltd. - Chairman & CEO

No, we're not, but we're working pretty collaboratively with TransCanada.

Robert Kwan - RBC Capital Markets - Analyst

Perfect. Okay, great. Thanks very much.

Operator

Thank you. Steven Paget, First Energy Capital.

Steven Paget - First Energy Capital - Analyst

Good morning and thank you. Dennis, best wishes to you in your retirement. Debbie, you've noted that taxes will increase in 2015. Would you mind giving a little bit more detail? They took less than 10% of pre. Do you think they'll take more or less than 15% of pre-tax?

Debbie Stein - AltaGas Ltd. - SVP, Finance & CFO

No, no. Really, the higher taxes is fairly small. We do look at our overall net income subject to tax and that's going to be slightly higher, but the rate is going to be around that 19%, 20%, that we've seen in the last couple of years.

Steven Paget - First Energy Capital - Analyst

Overall, not just cash.

Debbie Stein - AltaGas Ltd. - SVP, Finance & CFO

No.

Steven Paget - First Energy Capital - Analyst

Okay, thank you. Maybe someone would mind giving us a bit of a breakdown on your \$600 million in capital spending you planned in 2015?

Debbie Stein - AltaGas Ltd. - SVP, Finance & CFO

Okay. I will do that, if you just give me a minute here. So, of that, between \$550 million and \$650 million, at the lower end of the range, about 30% of that is utilities, 45% will be gas, and 25% is power. And if we push up to the higher end of the range, right now, it's probably going to happen on the gas side. That is how we get to that \$550 million to \$650 range. So, the 45% will obviously bump up if we get to the higher end of the range.

Steven Paget - First Energy Capital - Analyst

Thank you, Debbie.

Debbie Stein - AltaGas Ltd. - SVP, Finance & CFO

Okay.

Steven Paget - First Energy Capital - Analyst

It appears you've got lower liquids volumes exposed to frac spread than last year. I may be right on this or wrong, but if so, what's the cause of the lower volumes?

David Cornhill - AltaGas Ltd. - Chairman & CEO

Targeted re-injection at certain facilities, at certain times, based on price.

Steven Paget - First Energy Capital - Analyst

Thank you, David. Utilities normalized operating income grew by 11% last year. So it's fair to assume similar growth this year?

Debbie Stein - AltaGas Ltd. - SVP, Finance & CFO

You said normalized?

Steven Paget - First Energy Capital - Analyst

I believe normalized operating –

Debbie Stein - AltaGas Ltd. - SVP, Finance & CFO

The normalized for weather? Yes. So some of that would have been weather, Steven; but base asset growth and customer growth I would say would be similar and that's across all utilities is about 3%.

Steven Paget - First Energy Capital - Analyst

Which should give you a better than 3% growth in income?

Debbie Stein - AltaGas Ltd. - SVP, Finance & CFO

Correct. Yes.

Steven Paget - First Energy Capital - Analyst

Thank you. If I may, I'll ask a couple more. Are you seeing overseas propane or butane buyers trade flexibility for securities supply? And in other words, are you getting buyers to sign take or pay contracts at Ferndale?

David Cornhill - AltaGas Ltd. - Chairman & CEO

We're having active discussions. There are long-term opportunities there, but we haven't -- we don't feel comfortable yet to go into that. We want some more operating history at the facility and flexibility. So we're not looking to pursue that at this point through Petrogas.

Steven Paget - First Energy Capital - Analyst

Thank you, David. Debbie, one last question, what are the rating agencies saying about the amount of preferred's AltaGas might issue while maintaining its credit rating?

David Cornhill - AltaGas Ltd. - Chairman & CEO

Not anything new than what they've said in their reports, Steven. On DBRS, I think we've got some room; and then, on S&P, they give us 50% treatment of all preferreds that we issue.

Steven Paget - First Energy Capital - Analyst

Well, thank you, all, for your patience this morning.

David Cornhill - AltaGas Ltd. - Chairman & CEO

Thank you.

Operator

Thank you. Winfried Fruehauf, Winfred Fruehauf Consulting.

Winfried Fruehauf - Winfred Fruehauf Consulting - Analyst

Thank you. The press release refers to net income normalized for certain non-recurring unusual or extraordinary events and while I don't expect you to have this answer right now, I am wondering whether you could provide for each of these items for 2014 and 2013 the breakdown.

Debbie Stein - AltaGas Ltd. - SVP, Finance & CFO

I have it here, Winfried, but I'm not sure if you want to do this on the call, but I'm happy to give it to you right now. Well, why don't we do it after?

Winfried Fruehauf - Winfred Fruehauf Consulting - Analyst

Yes, we do it after, thank you.

Debbie Stein - AltaGas Ltd. - SVP, Finance & CFO

Okay. Thanks.

Operator

Thank you. We have no further questions at this time, I'd like to return the meeting back to Mr. Nieukerk.

Jess Nieukerk - AltaGas Ltd. - Director, Finance and Communications

Thank you, operator. That concludes AltaGas' Q4 and Full-Year 2014 Conference Call. As always, we are available after the call for any follow-up questions. Thank you.

Operator

Thank you. The conference call has now ended. Please disconnect your lines at this time and we thank all participants.