

FINAL TRANSCRIPT

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ALA.T0 - Q3 2011 Altagas Ltd Earnings Conference Call

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CORPORATE PARTICIPANTS

Julie Puddell

AltaGas Ltd. - IR

David Cornhill

AltaGas Ltd. - Chairman, CEO

Debbie Stein

AltaGas Ltd. - VP Finance, CFO

Randy Toone

AltaGas Ltd. - Co-President Gas

David Harris

AltaGas Ltd. - President Power

CONFERENCE CALL PARTICIPANTS

Linda Ezergailis

TD Newcrest/Waterhouse Securities - Analyst

Carl Kirst

BMO Capital Markets - Analyst

Robert Catellier

Macquarie Research - Analyst

Robert Kwan

RBC Capital Markets - Analyst

Matthew Akman

Scotia Capital - Analyst

Steven Paget

FirstEnergy - Analyst

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the AltaGas Ltd. 2011 third-quarter conference call and webcast. I would now like to turn the meeting over to Julie Puddell, Team Leader, Investor Relations. Please go ahead, Ms. Puddell.

Julie Puddell - AltaGas Ltd. - IR

Thank you. Good morning, everyone. Welcome to AltaGas's third-quarter 2011 conference call.

Speaking today are David Cornhill, Chairman and Chief Executive Officer; Debbie Stein, Senior Vice President, Finance, and Chief Financial Officer; David Harris, President, Power; and Randy Toone, Co-President, Gas. After some formal comments this morning, we will 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.



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I'll now turn the call over to Mr. David Cornhill.

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

Thank you and thank you for joining us today.

Before I discuss our results for the quarter, I'd like to start with a comment on the dividend increase approved by the Board yesterday. We have said that as we de-risk our major projects and see sustainable cash flow from our assets, we would expect to see modest dividend increases until Forrest Kerr comes on. We know that the dividend -- it's important to our shareholders, and a 5% increase announced today delivers on our commitment to balance income and growth for our investors.

Since converting to a Corporation in July last year, we have had 11% growth in funds from operations. We have made good progress on our gas and power projects, and with sustainable cash flow and growth in cash flow from new assets coming into service next year, we are pleased to provide our shareholders with this increase.

Moving onto the quarter, we reported GAAP net income of CAD10.6 million, CAD0.13 per share, compared to CAD6 million, or CAD0.07 per share, for the same period in 2010.

During the quarter, we had planned outages at three of our largest assets, two of which we were able to disclose in the Q2 MD&A outlook and the third we are not able to disclose for contractual reasons.

During the quarter, we saw a large mark-to-market loss as forward curves in frack spread and power continued to increase. Normalizing the mark-to-market accounting and the impact of major turnarounds in the gas business in the quarter, net income applicable to common shares was CAD19 million, CAD0.23 per share, compared to CAD16.2 million, CAD0.20 per share, for the same quarter of 2010.

We continue to see volume growth at our field facilities compared to the first and second quarter this year. In the extraction business, we saw volumes processed increase even with the turnaround. At Younger, we were able to de-bottleneck the plant and now able to process 650 million cubic feet a day, compared to 580 million cubic feet a day before the turnaround.

At Harmattan, we were able to work -- to do the work necessary to allow us to move the turnarounds to a four-year cycle and complete tie-ins required for the co-streaming and co-gen two projects in preparation for their 2012 in-service dates. The plant is now processing approximately 150 million cubic feet a day.

In the power business, we saw higher contributions from the peakers and Bear Mountain, as well as the addition of the Harmattan co-gen facility, which started in the fourth quarter of last year.

While we did have a better quarter than the third quarter last year, we did not have as good a quarter as one might expect, given the high power prices [operated] in the quarter. The Sundance outage in August, when power prices averaged CAD126 per megawatt hour, resulted in lower income as we received the 30-day rolling average price instead of spot prices. The total impact in the quarter of this outage was about CAD5 million.

In our utility business, we have had the impact of normal seasonality of this business. On October 17, Heritage Gas submitted a negotiated settlement to the regulators. The settlement provides for an ROE of 11% beginning in 2012, compared to the current 13%, and interest rate recovery of 7.25%, compared to the current 8.25%. Debt to equity remains at 55%-45%. We expect a decision by the end of the year.

On the financing front, we continue to have good access to the capital markets with an oversubscription -- oversubscribed seven-year CAD200 million MTN issuance.

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Before I pass the call on to Debbie, let me give you an update on the EPAs from our McLymont and Volcano. We have completed discussions with BC Hydro and we expect to be in a position to have the EPAs approved and signed in the very near future. While there have been delays, it's related for process required for approval and signing, as opposed to the nature and terms of the EPA. On the construction front, David and Randy will provide you updates on progress.

Debbie?

Debbie Stein - AltaGas Ltd. - VP Finance, CFO

Thank you, David, and good morning, everyone.

As David mentioned, we had a good quarter. Even with the turnaround in gas and power, the operating income from all of our business segments in third-quarter 2011 was higher at CAD42.8 million, compared to CAD40.9 million in the same quarter last year. Adjusted net income for third-quarter 2011, which is net income applicable to common shares adjusted for all mark-to-markets, was CAD0.17 per share, compared to CAD0.20 per share for the same quarter last year.

In the gas segment, higher frack spreads and increased volumes of natural gas liquids processed were more than offset by the CAD6 million impact of the turnarounds at Younger and Harmattan. In field gas processing, throughput during third quarter averaged 404 MMCF a day, compared to the first and second quarters of 375 MMCF a day and 391 MMCF a day, respectively.

We realized frack spreads of CAD22.95 per barrel in third quarter this year, compared to CAD24.02 per barrel in third quarter last year. Adjusting for the contractual arrangements at Younger, realized frack spread in the third quarter was CAD27.82 a barrel.

For fourth-quarter 2011, approximately 80% of the exposure has been hedged at an average price of CAD30.50 per barrel. For the remainder of 2011, we estimate that 14% of total extraction volumes will be exposed to frack spreads. For 2012, we have hedged approximately two-thirds of volumes that are exposed to frack spreads, at an average price of approximately CAD34.50 per barrel.

The power segment reported higher operating income in third-quarter 2011, compared to the same quarter 2010, due to higher spot Alberta power prices, the addition of the co-generation facility at the Harmattan complex, higher generation from the gas-fired peaking plants, and stronger results from Bear Mountain. This was partially offset by higher hedging losses, higher costs due to an unfavorable 30-day wrap, higher environmental compliance costs, and higher transmission costs.

In third-quarter 2011, we were approximately two-thirds hedged at an average price of CAD70 per megawatt hour and realized an average power price of the CAD80.67 per megawatt hour, compared to CAD61.53 per megawatt hour in third-quarter 2010.

For fourth-quarter 2011, we are approximately two-thirds hedged at an average price of CAD72 per megawatt hour. In 2012, we are approximately 50% hedged at an average price of CAD64 per megawatt hour.

The utility segment reported lower operating income in third-quarter 2011 compared to the same quarter 2010, mainly due to the timing differences between revenue recognition and the occurrence of recoverable costs at AltaGas Utilities Inc. These timing differences are usual for natural gas distribution businesses where earnings are primarily based on the demand for space heating in the winter months, mainly from November to March. This results in stronger first and fourth quarters and weaker second and third quarters. Lower seasonal earnings were partially offset by rate-based growth at AUI and Heritage Gas.

The corporate segment reported a loss in third-quarter 2011 compared to income in the same quarter last year. The loss was mainly due to mark-to-market accounting, partially offset by lower general and administrative costs.

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Interest expense in third-quarter 2011 was CAD12.8 million, an increase of CAD0.7 million from third-quarter 2010. The average borrowing rate was 6.1% in third quarter, compared to 5.7% for the same quarter last year, and we had higher average debt balances this quarter of CAD1.32 billion compared to CAD985 million in third-quarter 2010.

Capitalized interest in third-quarter 2011 was CAD3.1 million, compared to CAD1.9 million the same period of 2010.

On a cash flow basis, funds from operations for third-quarter 2011 were CAD45.9 million, or CAD0.55 per share, an 11% increase to third-quarter 2010, and EBITDA was CAD56.5 million in third-quarter 2011, or CAD0.68 per share, compared to CAD54.5 million, or CAD0.67 per share, in the same period last year.

In the third quarter, we declared dividends to common shareholders of approximately 60% of funds from operations.

Our 2011 capital program is approximately CAD545 million, of which CAD535 million is committed. The majority of the committed capital includes planned spending for Harmattan co-stream, Gordondale, and Forrest Kerr, as well as the growth in rate base at the utilities in Alberta and Nova Scotia and various smaller projects in the gas business. We are well positioned to fund our current capital program through internally-generated cash flow, our dividend reinvestment plan, our available credit on bank lines, and our continued strong access to the capital markets.

At the end of the quarter, we had approximately CAD823 million available on our credit facilities and our debt to total capitalization was 46.6%.

On October 17, 2011, we issued CAD200 million in unsecured MTNs at a coupon rate of 4.55%. With the October MTN issuance, we have approximately CAD887 million of credit available and approximately CAD135 million of cash on hand.

In third-quarter 2011, an income tax expense of CAD3.7 million was reported, compared to an expense of CAD3 million in third-quarter 2010. For the full-year 2011, we expect the tax rate to be approximately 18%.

I will now turn the call over to Randy to discuss the growth in our gas segment.

Randy Toone - AltaGas Ltd. - Co-President Gas

Thank you, Debbie. I'll provide an update on the Harmattan co-stream and Gordondale projects, and then provide color around some of the other areas where we are seeing growth.

The planned maintenance turnaround at the Harmattan complex was completed on October 14. During this outage, mechanical and electrical tie-ins were also completed for both the co-stream and co-gen two projects. As part of the co-stream projects, the four-inch NGL pipeline is essentially complete and the 24-inch gas pipeline is expected to be complete by the end of November or early December. The 24-inch line encountered rocky terrain on the south part of the pipeline, which increased costs by about CAD17 million, bringing the total cost of co-stream to CAD147 million.

It is important to note that the cost of service arrangement on this project keeps our returns whole. As of September 30, CAD122 million of equipment and material have been committed, and by the end of the year, 85% of the costs will be incurred.

On the Gordondale project -- our Gordondale project is progressing on time and on budget. The Henderson pipeline construction component was completed at the end of July. It will allow the transportation of raw gas -- raw sour gas from the Gordondale area for processing of EnCana's early production at our Pouce Coupe gas plant.

As of September 30, total commitments were CAD117 million, including approximately CAD60 million of long lead equipment and materials, including major process equipment, compression, and NGL storage. The plant access roads' construction, plant

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site cleaning, and grading are complete, and site graveling is approximately 50% complete. Installation of foundation piles commenced last week.

We are seeing significant producer activity in northeast BC and northwest Alberta. The Montney is a very prolific play, and we are working on a number of near-term projects. We recently approved a CAD43 million expansion at our Blair Creek facility, which will add 46 million cubic feet a day of capacity. We expect this expansion to be online in Q2 of 2012. 100% of this capacity has been underpinned by three producers with dedicated agreements with flowthrough operating cost provisions.

Our 16 (inaudible) a day of capacity at the Marlboro gas plant, which we acquired in May of this year, has been full and we are looking at a further 5 million a day expansion net to AltaGas by the end of this year. Producers in this area are focused on liquid-rich Wilrich, Notikewin, and Blue Sky formations. There is also potential for future Duvernay development in this area.

Many producers are busy in the Alder Flats area, mostly focusing on the Notikewin gas and Cardium oil plays. We are in discussions with several of them about further expansions of the Alder Flats plant and we hope to realize this in 2012.

A recent liquid-rich gas play has emerged around the Harmattan complex, called the Mannville gas condensate play. We added 10 million to 15 million cubic feet a day of new volumes into Harmattan in mid-2011, and with the deep-cut capability of the complex, our customers are capturing 150 barrels per million of NGL.

We are also seeing significant activity around Princess and Bantry where we are investing about CAD7 million by the end of 2011 in field compression and looping gathering lines in order to gain access to the spare capacity we have at Bantry. We are also diverting gas to our Princess plant, which is opening up additional capacity. Through these changes, we are hoping to capture an additional 8 million cubic feet a day into the Bantry/Princess complex by the end of this year.

At our Younger extraction plant, the only straddle plant in BC, we've seen a 30% growth in volumes over the past year from about 500 million cubic feet a day to about 650 million. In June of this year, modification work completed during the planned turnaround allowed us to increase capacity to 650 million cubic feet a day. Today, the plant is processing at the peak capacity, and we're investigating a further increase in capacity to 680 million cubic feet a day by the end of this year and potentially reaching our full license capacity by the end of 2012.

David Harris will now give you an update on the power projects.

David Harris - AltaGas Ltd. - President Power

Thanks, Randy. I'll first talk about the projects that are great examples of how well our gas and power businesses are integrated.

Third quarter, we began construction of a second 15 MW co-generation unit at the Harmattan complex as a means of supplying steam and power to the co-stream project. Construction commenced in third-quarter 2011, which focused on tie-ins to be completed when the Harmattan complex was shut down for its planned turnaround. The Harmattan co-generation number two project is estimated to cost CAD24 million and be in service during the second quarter of 2012.

To date, purchase orders of approximately CAD17 million have been placed for major equipment and services.

We also recently announced plans to add two gas-fired peakers totaling 3.4 MW at the Gordondale plant. This project is in initial application stages, will cost approximately CAD5 million, and expected to be in service in Q2 of 2012.

At Forrest Kerr, we are making excellent progress and running a couple of months ahead of schedule with respect to tunneling. The construction access tunnel has been completed and excavation work has started for the powerhouse [crown added], branch

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to draft tube gallery, and access tunnel to the tail race. The main access tunnel is at 500 meters, and work on the headworks and the power tunnel [attic] is continuing at a steady pace.

Over the next 90 days, excavation of the main access tunnel should be approximately 90% complete, the powerhouse excavation 50% complete, and excavation of the draft two gallery 20% complete. We will continue to advance excavation on the power tunnel construction access and intake. Procurement of the powerhouse crane, intake gates, and trash racks is also expected to be complete.

The McLymont Creek project is in the BC environmental assessment process, and its EA application has been formally accepted for detailed and public review by the BC Environmental Assessment Office.

Being less than 50 MW, the Volcano Creek project is in the initial stages of the BC Clean Energy development plan process. It is expected that the formal application under this process will be submitted in Q2 2012. In addition, both projects are entering the detailed engineering design phase to support ongoing development and permitting activities.

I will now pass the call back to David for closing remarks.

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

Thank you.

I would like to wrap up the call today with a view of our expected results for the rest of 2011 and 2012. 2011, we expect the businesses to report higher operating income than 2010. With the gas business volumes at the extraction facilities and growing volumes at our field facilities, together with higher frack spread, we expect the gas business to do very well. Higher operating income is expected even after taking into account the turnaround at the Younger and Harmattan facilities and lower daily contracted quantities at [south you].

In power, higher power prices in Alberta and higher generation from the Harmattan co-gen and peakers are expected to result in higher operating income. With the rate base growth of 13% and 24% at AUI and Heritage respectively, we expect the utility business to deliver higher operating income this year than 2010.

2012, we expect to see another good year. We expect a stronger year as we have no major gas turnarounds, which in 2011 is expected to reduce operating income by CAD11 million in the gas business. We expect to see volume growth in many at our facilities.

With co-streaming, co-gen, Crows Nest, and Gordondale projects planned for 2012 in service, we will see income growth from these additions. With our sustainable dividend and growing earnings and cash flows, we expect to continue to deliver superior returns for our shareholders.

That concludes my prepared remarks. Now I turn the call back to Julie.

Julie Puddell - *AltaGas Ltd. - IR*

Thank you. We are now available to answer your questions. Valerie? I will turn the call back to you for the Q&A session.



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QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Linda Ezergailis, TD Securities.

Linda Ezergailis - TD Newcrest/Waterhouse Securities - Analyst

Thank you, and we appreciate all of your updates on hedging and your outlook for 2011 and 2012, but you know we were always going to ask for more. So I'm wondering if you can disclose what level and pricing of any power and frack-spread hedging you've done in 2013, if at all?

David Harris - AltaGas Ltd. - President Power

Sure. This is David Harris. We've done a little bit of hedging into 2013. We're about 29% hedged in about the CAD72 range -- I'm sorry, CAD64 range.

Debbie Stein - AltaGas Ltd. - VP Finance, CFO

And on the frack, there are no hedges for 2013.

Linda Ezergailis - TD Newcrest/Waterhouse Securities - Analyst

Okay, and what about major plant outages? Are there any major plant outages currently contemplated for 2013?

David Cornhill - AltaGas Ltd. - Chairman, CEO

Nothing [yet].

Randy Toone - AltaGas Ltd. - Co-President Gas

Nothing in gas.

Operator

Carl Kirst, BMO Capital Markets.

Carl Kirst - BMO Capital Markets - Analyst

I just wanted to maybe start on the dividend, if I could. Congratulations on that. And I guess my question is, David, you had started by saying we expect maybe to have modest increases until Forrest Kerr came on, so this is a little bit larger than actually we were expecting, so that was nice to see. But then, is 5% sort of modest such that when Forrest Kerr actually comes on we could be seeing something larger than this?



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

I don't want to be presumptuous on my Board, but clearly from the free cash flow that will be starting to be generated in 2014 and 2015, you could see a larger increase at that point.

Carl Kirst - *BMO Capital Markets - Analyst*

That's great. Just want to make sure we're on the same page.

And then, I've got more of just a detail or really more of a clarifying question, really. Just with respect to the outage on power, and you know the reference was the CAD3 million impact to the outage, but then there was also discussion of -- in addition to the unfavorable wrap price, and I guess I was sort of linking those together, just being the outage you are getting wrap price instead of the spot power, and I just wanted to make sure I wasn't confusing things there.

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

I'll take the first cut and then David will correct me. Part of -- ideally, the contracts should make you neutral on outages.

But depending on volatility and prices, and how they happen before and after the outage, it can have more impact to it. And what we saw in this year was a lower -- going into the outage a lower price, high prices during the outage, then lower prices after. So that resulted in the maximum negative impact of an outage.

If we had the reverse, high prices going in, low prices during the outage, and high prices on the other end, we would have received a benefit. So it doesn't work perfectly -- it does work perfectly if prices are flat for the entire period. I'm not sure if that helps you.

Carl Kirst - *BMO Capital Markets - Analyst*

No, no, that does. Maybe another way just clarify it is, is the CAD3 million impact that was referenced, is that -- does that include the unfavorable wrap price effect, if you will?

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

It's the first part of the wrap price of the outage. It's not the negative tail of the outage impact into September.

Operator

Robert Catellier, Macquarie.

Robert Catellier - *Macquarie Research - Analyst*

Congratulations on the dividend increase. I knew you guys worked really hard to get that through.

I have two questions with respect to Younger. First of all, is the change going to a four-year turnaround cycle approved? Do you have all the third-party approvals necessary for that? And then, secondly, would that put you on the same turnaround cycle as McMahon?

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Randy Toone - AltaGas Ltd. - Co-President Gas

Hi, Rob. It's Randy. We're going to go to a four-year cycle for Harmattan. But at Younger, we are dictated by when McMahon shuts down, so that, we're still on a three-year cycle (multiple speakers)

Robert Catellier - Macquarie Research - Analyst

Okay, my apologies there. Then, at Younger, despite the de-bottlenecking project and the progress you're making there, you know, we have visions that you'll ultimately get to your licensed capacity, as you suggested, and it's been -- I think it's been speculated for a while yet. Here we are and we still don't really have a line of sight on that. So can you explain maybe what the bottlenecks might be to go forward and get that plan up to its licensed capacity?

Randy Toone - AltaGas Ltd. - Co-President Gas

The next expansion, we were going to go up to 680 million cubic feet a day. That's a simple re-wheel of an existing compressor that we have the wheel already, and so we're hopeful to get that done by the end of this year, early 2012.

The other expansion is there's a lot of vessels that might be bottlenecked, and so we need to do further study on which vessels need to be upgraded or twinned, and that's why we feel that it's going to take a little longer. We think we can get there by the end of 2012. But with the amount of gas we're seeing, we have the [supplements] pipeline coming in at the end of this year, plus all the gas going through McMahon. The gas will definitely be there for getting up to the license.

Robert Catellier - Macquarie Research - Analyst

But this isn't a question of securing commercial terms with customers, it's more a question of how soon can you affect an operating plan to get there?

Randy Toone - AltaGas Ltd. - Co-President Gas

Yes.

Robert Catellier - Macquarie Research - Analyst

Right. And then, I just want to clarify on the change to Heritage Gas. Given that the changes in your rate structure take effect in the 2012 year, there's not going to be a reversal of any accruals that have occurred before then?

David Cornhill - AltaGas Ltd. - Chairman, CEO

Not for Heritage Gas.

Robert Catellier - Macquarie Research - Analyst

Okay. And then, lastly, David, maybe you can now comment on the activity that's going on in northeast BC, specifically with respect to LNG opportunities. Do you think there's a role for the Company there?



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David Cornhill - AltaGas Ltd. - Chairman, CEO

We've been looking at it, and I've asked one of my executives to take a lead into understanding how AltaGas can play in that arena, and we know a lot of the players, so we're hopeful.

Operator

Robert Kwan, RBC Capital Markets.

Robert Kwan - RBC Capital Markets - Analyst

Just on the power hedges, now that you're at that 50% level for next year, that's at kind of the lower end of your general threshold, do you like where you are right now? Or should we expect you to kind of keep adding to that, maybe opportunistically?

David Harris - AltaGas Ltd. - President Power

This is Dave Harris, Robert. We do like where we are. We're just about 50% hedged, just slightly above that and better than what the expected outlook is from a budgetary standpoint next year.

We constantly monitor the market, and where we see opportunities, we may improve upon that and increase our hedging, but based off of what the market tells us. (Multiple speakers) I would expect us to increase our hedging, but we'll do that when the opportunities are right.

Robert Kwan - RBC Capital Markets - Analyst

And then, just on the Heritage, I know you answered that there will be no reversal of the accruals, but can you quantify when you look at the ROE change and then the change in the debt rate versus what you -- how you've actually financed it? Do you have what the impact of the negotiated settlement would be if you look at it, say, versus 2010 -- or 2011, sorry?

David Cornhill - AltaGas Ltd. - Chairman, CEO

We're going to wait until we finally get approval from the Board. You can do some of the back of the envelope, but once we have final approval, we'll disclose it. We expect that in the fourth quarter. We don't know -- they haven't yet approved the settlement.

Robert Kwan - RBC Capital Markets - Analyst

Okay. And then, just the last question, on the dividend, just to make sure it's at least completely clear to me. Is the general strategy from the Board to try to deliver regular annual increases through the 2014 timeframe, i.e. kind of increasing it and reviewing it at a similar Board meeting each year?

David Cornhill - AltaGas Ltd. - Chairman, CEO

We'll review it consistently. I think -- I would hope so. Assuming that our projects as we expect to come on stream consistently, we're also being able to hedge a significant portion of our go-forward commodity exposure.

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So, we would look at -- the traditional time would be -- a first look at a dividend increase would be at the July Board meeting, once we're done two quarters next year, done our long-term plan, and that would be our traditional time to look.

Operator

(Operator Instructions). Matthew Akman, Scotia Capital.

Matthew Akman - Scotia Capital - Analyst

Thanks very much. A couple of quick questions. One is on the 15 MW of expansion in the co-gen at Harmattan, is there any excess power you'll be able to sell to the grid or is all that going to Harmattan?

Randy Toone - AltaGas Ltd. - Co-President Gas

Actually, there's quite a bit of that that actually goes out to the grid. The majority of that goes out to the grid and a small portion comes back to support Harmattan, and then we have steam load that also supports Harmattan from the co-generation side.

Matthew Akman - Scotia Capital - Analyst

Thanks for that. On gas distribution, I don't know if this is for Debbie, but what ROE are you embedding in your earnings this year, because I guess that would be an estimate pending the AUC decision?

David Harris - AltaGas Ltd. - President Power

For the Alberta utility?

Matthew Akman - Scotia Capital - Analyst

Yes.

Debbie Stein - AltaGas Ltd. - VP Finance, CFO

We're using the current rate that we have.

Matthew Akman - Scotia Capital - Analyst

So, 9% ROE.

David Cornhill - AltaGas Ltd. - Chairman, CEO

Yes.

Debbie Stein - AltaGas Ltd. - VP Finance, CFO

Yes.

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Matthew Akman - Scotia Capital - Analyst

I'm just asking because I think the decision would apply to 2011, right?

David Cornhill - AltaGas Ltd. - Chairman, CEO

Yes, it would.

Matthew Akman - Scotia Capital - Analyst

And I guess, just finally, I don't know if this is worth getting into any further, but on the impact of the wrap, when you guys talk about impact, is that relative to some benchmark power price, because I guess due to the outage, the power price went up probably higher than it would have otherwise? So is it a little difficult to talk about impact of that in the absence of the upside you'd get generally from higher power prices, or I don't know how you look at that?

David Cornhill - AltaGas Ltd. - Chairman, CEO

It was just based on the actual power prices we saw during this actual spot.

Operator

Steven Paget, FirstEnergy.

Steven Paget - FirstEnergy - Analyst

Good morning and thank you and congratulations on the dividend increase. Could you talk a little bit about the CAD220 million that I believe you will be spending in Q4? How does that break out between gas and power, and if you could break it down even a little further than that, just as much as you can?

Debbie Stein - AltaGas Ltd. - VP Finance, CFO

Steven, it will be just under CAD200 million, I think. Our estimates are showing about the CAD220 million, but based on the pace at which the cash is going out the door, it's a little bit slower. So we expect that number to be about CAD200 million.

Of that CAD200 million, there is about CAD60 million related to Forrest Kerr, another probably CAD50 million to CAD60 million on co-stream, and the rest would be, I think, about CAD10 million on the smaller gas projects and the rest would be on Gordondale.

Steven Paget - FirstEnergy - Analyst

My second question is for David, if I may. Can you comment just a little more on the progress of the power tunnel? I think I missed what percentage of it was complete.

David Harris - AltaGas Ltd. - President Power

Certainly. We're actually just starting into the access portal for the power tunnel right now. So, that's what you dig first to get down to the main power tunnel. So that's progressing reasonably well.

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Just to recap, we are completely complete with the construction access tunnel and we are 50% complete with the main access tunnel. Those are the three tunneling activities we currently have going on, and then with the construction access tunnel being complete, we've now branched into several other areas underground. We are starting into the excavation of the powerhouse, the access tunnel that goes over to the tail race, and then access into the gate gallery next to the powerhouse. So tunneling is going exceptionally well right now for us currently.

Steven Paget - FirstEnergy - Analyst

And that would seem to indicate that you've gone through most of the formation, so the potential for surprises has decreased.

David Harris - AltaGas Ltd. - President Power

We have gone through, you could argue, almost 100% of the formations. The only difference left is really the elevation of the powerhouse, which is roughly 17 meters or so.

For all practical purposes, our confidence at this point is high. We have consistently seen stable rock formation that has been consistent with the geotech work that we've done prior to starting excavation. So at this stage, like I said, our confidence is high, and we're not expecting abnormalities, but then again, there's still a fair amount of underground excavation that has to be done. So you never know what you can run into, but the signs are positive at this point.

Steven Paget - FirstEnergy - Analyst

But you have -- and you have a device that will excavate the main power tunnel on-site. Is it on-site?

David Harris - AltaGas Ltd. - President Power

We do. We actually have three of them, two that stay in primary use, a third that's used on occasion. We wanted to make sure -- because of the amount of tunneling and the excavation we have to do, we wanted to make sure we had, let's just say, a battle spare ready. So we also have built-in redundancy.

Steven Paget - FirstEnergy - Analyst

Okay, excellent. Thank you. Those are my questions.

Operator

Carl Kirst, BMO Capital Markets.

Carl Kirst - BMO Capital Markets - Analyst

Sorry, thanks. Just a quick one on Younger and, I guess, on the expansion. To the extent that we don't know exactly which vessels, for instance, may need to be twinned, where the bottlenecks are, I guess we don't have an early estimate of what the incremental investment would take, do we?

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Randy Toone - AltaGas Ltd. - Co-President Gas

No, we don't. We're just doing that study right now.

Carl Kirst - BMO Capital Markets - Analyst

Okay. And as far as timing of that?

Randy Toone - AltaGas Ltd. - Co-President Gas

We're hoping to have the study done by early in the year, and then hopefully be able to plan to have the actual work done by the end of 2012.

Carl Kirst - BMO Capital Markets - Analyst

Great. And then, last question, if I could. With respect to the Harmattan appeal process that's out there, where are we as far as next step? Are we just waiting for a decision?

David Cornhill - AltaGas Ltd. - Chairman, CEO

Yes, we are. We're waiting now for the Court of Appeal to establish a date, but there's -- it's proceeding as expected. We expect to have a date assigned for this sometime in the first quarter of 2012.

Carl Kirst - BMO Capital Markets - Analyst

Great. Thanks, everyone.

Operator

Steven Paget, FirstEnergy.

Steven Paget - FirstEnergy - Analyst

Just, David, if you could comment if you got an independent assessment of Sundance to be sure that there's no risk of Sundance B going the way of Sundance A?

David Harris - AltaGas Ltd. - President Power

Yes, this is David Harris. Are you asking have we gotten an independent or would we get an independent?

Steven Paget - FirstEnergy - Analyst

Just anything that gives your level of comfort that Sundance B is not going to go the way of Sundance A.



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David Harris - AltaGas Ltd. - President Power

Okay. Well, there's a couple different things there. The technology is different. We monitor Sundance -- our Sundance facilities very, very closely, and right now we would no indication that would suggest that would go the way of Sundance 1 and 2, both from a standpoint of what they're doing from a maintenance perspective and what they're doing with the general capital infusing to make sure the plants stay at the right material conditions to meet their operating plans.

And at this point, we have not contemplated bringing in a third party to make that assessment.

Steven Paget - FirstEnergy - Analyst

Okay. Thank you that should be sufficient.

David Harris - AltaGas Ltd. - President Power

The only other thing I would add is I have a tremendous amount of direct experience within coal plants myself, both building them and operating. And we also have recently brought in two additional vice presidents that have a tremendous amount of operational and construction and major maintenance experience with large-scale, medium-scale, and small-scale coal plants.

Steven Paget - FirstEnergy - Analyst

And they're watching Sundance?

David Harris - AltaGas Ltd. - President Power

We're all watching Sundance closely.

Steven Paget - FirstEnergy - Analyst

Okay. Excellent.

Operator

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

Julie Puddell - AltaGas Ltd. - IR

Thank you, Valerie, and thank you, everyone, for your interest in AltaGas. If you have any follow-up questions, please feel free to contact me. I look forward to speaking with you again.

Operator

Thank you. The conference has now ended. Please disconnect your lines at this time and we thank you for your participation.

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