



Q3 2012 Earnings Call Company Participants

- David W. Cornhill, Chairman and Chief Executive Officer
- Deborah S. Stein, Senior Vice President, Finance and Chief Financial Officer
- Randy Toone, President, Gas
- David Harris, President, Power
- Shaun Toivanen, Treasurer

Other Participants

- Linda Ezergailis
- David Noseworthy
- Carl Kirst
- Robert Catellier
- Winfried Fruehauf
- Steven Paget
- Robert Kwan
- Matthew Akman

Presentation

Operator

Good morning, ladies and gentlemen and welcome to the AltaGas Limited 2012 Second Quarter Conference Call and webcast. I would now like to turn the meeting over to Mr. Shaun Toivanen, Treasurer. Please go ahead, Mr. Toivanen.

Shaun Toivanen, Treasurer

Thank you. Good morning, everyone. Welcome to AltaGas' third quarter 2012 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 of Power; Randy Toone, President of Gas.

After some formal comments this morning, we will have a question-and-answer session.

Before we begin, I would like 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'd now like to turn the call over to Mr. David Cornhill.



David W. Cornhill (B.Sc.(Hons.), MBA), Chairman and Chief Executive Officer

Thank you, Shaun. Good morning, everyone. The AltaGas team continues to execute our strategic plan and vision. We have positioned AltaGas to grow earnings, cash flow and dividends for a number of years. We are now taking steps to position AltaGas to continue growth beyond 2014.

In late August, we closed the acquisition of SEMCO, the largest acquisition in our 18 year history. The acquisition increased utility customers from over 100,000 to over 540,000 while more than doubling our rate base.

The Blair Creek facility expansion and the Busch Ranch wind project in Southern Colorado are commissioned and operating. Both the co-streaming project and the Gordondale Gas plant are processing gas and ramping up volumes. The growth we are undertaking will deliver long-term, stable cash flow and will create real shareholder value for the long-term.

Given the progress we have made in delivering our plan to-date, we were pleased to announce that the Board approved 4.3% dividend increase on September 10th.

This morning we reported normalized EBITDA for the third quarter of 65.3 million, or 16% higher than the same quarter in 2011. Normalized funds from operations for the three months ending September 30, 2012 were 54.1 million, or 24% higher than the same quarter last year. We reported normalized net income of \$0.13 per share for the third quarter 2012 compared to \$0.17 for the same period last year. These quarterly earnings reflect the increased seasonality from our utility acquisitions and the equity issued to finance those acquisitions.

We are experiencing transformational growth as we grow we are focusing on enhancing productivity and streamlining our business. We expect this process will include disposition of some of our smaller non-core assets. I will provide a brief update on our major growth projects.

The shortage of skilled labour in Alberta and the extension of equipment delivery times have resulted in some cost pressures and delays in our major gas projects. The co-streaming project has come on later than expected. However, we have been able to deliver the Gordondale plan on-stream a few days ahead of schedule. During commissioning, Harmattan has flowed over 200 Mmcf/d; 150 Mmcf/d raw gas and over 100 Mmcd/d of co-streaming gas. By year end, we expect Harmattan to be processing over 400 Mmcf/d.

Gordondale is currently is running at about 30% capacity. We will see the volume grow over the next few quarters as Encana completes field facilities and the plant processes gas from additional producers. Randy will discuss the gas business later in the call.

On the power side, our Harmattan Cogen and Busch Ranch wind farm have been constructed within budget and on time or ahead of schedule. Our Northwest projects BC, the Forrest Kerr Project continues to progress well and remains ahead of schedule and within budget. We are also ahead of schedule for both the McLymont and Volcano Creek hydro projects. David Harris will discuss the power business.

In the utility business, we continue to strive to deliver reliable and cost effective service. In Nova Scotia, Heritage Gas is working hard to deliver gas to a maximum number of customers possible within our regulatory framework. We are striving to keep the cost in natural gas to be as low as possible. We are developing CNG delivery system in Nova Scotia that would deliver gas first to industrial and commercial customers, which will reduce their energy cost and make them more competitive.

At PNG we are actively working to fill the existing capacity on our pipeline to Kitimat and Prince Rupert which will reduce the delivery cost in natural gas to our customers in the Western region. We are actively exploring the potential of expanding our pipeline to Kitimat and Prince Rupert to meet the growing demand for natural gas.

We expect that any expansion would also reduce the delivery cost of natural gas to our customers in our Western region. Looking past the projects we have under construction today, we are seeing many



opportunities for organic growth. This is a direct result of the strategic location of the assets we own.

We are seeing many opportunities in our gas, power and utility businesses to capitalize on the growth demand for natural gas in North America as well as Asia. We have the expertise and financial strength to continue to add assets and create shareholder value for the long term.

We remain committed to our strategy to increase stable cash flows from long life assets to further support, both dividend growth and capital project growth in the United States and Canada.

I will now pass the call over to Debbie.

Deborah S. Stein B.A., CA, CPA), Senior Vice President, Finance and Chief Financial Officer

Thank you, David. And good morning everyone.

On a GAAP basis, net income applicable to common shares for the three months ended September 30, 2012 was \$8.0 million or \$0.08 per share compared to \$11.1 million or \$0.13 per share for the same quarter last year. For the nine months ended September 30, 2012, net income applicable to common shares was 75.1 million or \$0.82 per share compared to \$51.1 million or \$0.61 per share for the same period in 2011.

In third quarter 2012, AltaGas reported several non-recurring items related to the acquisition of SEMCO including transaction costs and foreign exchange losses of \$9.4 million after tax. AltaGas also reported an after tax mark-to-market gain of \$5.1 million in third quarter 2012, compared to an after tax mark-to-market loss of \$3 million in third quarter 2011.

Normalized net income applicable to common shares for third quarter 2012 was \$12.3 million or \$0.13 per share compared to \$14.1 million or \$0.17 per share for same quarter 2011.

Normalized net income applicable to common shares for the nine months ended September 30, 2012 was \$62.9 million compared to \$59.4 million for the same period in 2011. On a per share basis, results were \$0.69 for the nine months ended September 30, 2012 compared to \$0.71 for the same period last year. On a year-to-date basis, cash flow increased more than 10%; normalized EBITDA was \$210.3 million compared to \$190.5 million for the same period last year. Normalized funds from operations were \$171.2 million compared to \$151.7 million for the same period last year.

Third quarter results reflect the increased seasonality of earnings from the addition of PNG and SEMCO, as well as the addition of 13.9 million shares issued in the quarter to fund the SEMCO acquisition.

The business segments reported operating income of \$45.1 million in third quarter 2012 compared to \$42.8 million for the same period last year. Results were higher due to the addition of new gas, power and utility assets, expansion of gas assets in late 2011 and 2012, lower operating and administrative expenses in gas, and higher frac exposed volumes. These increases were partially offset by lower throughput at some gas processing facilities, lower margins in our energy services business and lower generation at Bear Mountain.

Of note is that the results in third quarter were not materially affected by the impact of lower Alberta power prices or frac spreads in the quarter as a result of our hedges and new assets.

For the nine months ended September 30, 2012 income from the operating segments was \$160.2 million compared to \$156.9 million for the same period last year. Again results were higher due to the addition of new assets in the gas power and utilities, expansion of gas assets in '11 and '12, lower operating and admin expenses in gas, higher frac exposed volumes, higher gas storage margins and higher generation on a year-to-date basis at Bear Mountain.

These increases were partially offset by warmer weather and lower approved returns in Alberta and Nova Scotia, the impact of lower throughput at some gas processing facilities, a gain on sale of a gas plant in 2011, lower margins in



the energy services business and lower frac spreads and power prices on a year-to-date basis.

During the first nine months of 2012, AltaGas declared dividends of \$1.04 per common share or 55.6% of normalized funds from operations. For the full year 2012, AltaGas expects the payout as the percentage of normalized funds from operations to be approximately 50%.

During third quarter 2012, AltaGas hedged approximately 83% of frac exposed production at an average price of \$35 a barrel before deducting extraction premium. During third quarter 2011 frac spread hedges covered approximately 65% of frac exposed production at an average price of \$27 a barrel before deducting extraction premiums. For 2012, approximately 80% of the volumes exposed to frac spread are hedged at an average price of \$35 a barrel before deducting extraction premiums and for 2013 approximately one-third of volumes exposed to frac spread have been hedged at approximately \$35.

In third quarter AltaGas' Alberta power generation was approximately 60% hedged at an average price of \$67 per megawatt hour compared to 68% hedged at an average price \$70 per megawatt hour in same quarter 2011. For fourth quarter, AltaGas is approximately 75% hedged at an average price of \$67 per megawatt hour, and for 2013, we are hedged approximately one-third in Alberta at approximately \$66 per megawatt hour.

Interest expense for third quarter 2012 was 13.9 million compared to 12.8 million in the same quarter 2011 due to higher average debt balance of \$1.95 billion in third quarter versus 1.03 billion in same quarter last year, offset by higher capitalized interest. Capitalized interest in third quarter 2012 was \$10.6 million compared to \$3.1 million in the same quarter last year.

Estimated CapEx for projects currently under construction and capital expenditures at the utilities for the remainder of 2012 and full year 2013 is approximately \$500 million. AltaGas' capital program is fully funded from equity from our DRIP, internally generated cash flow and over \$850 million in available credit facilities. In third quarter, AltaGas issued \$350 million medium term notes. The notes were our longest, largest and lowest coupon rate MTN issuance in our history.

With the projects under construction and under development, we continue to execute our strategy. We continue to be well positioned for long-term earnings, cash flow and sustainable dividend growth into the future.

With that, I'll now turn the call over to Randy to talk about our gas projects.

Randy Toone (B.Sc., P.Eng), President, Gas

Thank you Debbie and good morning everyone. During the third quarter, AltaGas has made significant progress on its key gas growth projects.

Before I go into updating on the two large projects currently being commissioned in the gas business, I am pleased to report that the Blair Creek gas plant expansion successfully started processing gas in August. The expansion increased capacity by 50 Mmcfd, and provides processing capacity to producers developing the liquids-rich Montney resource play. The expansion was underpinned by three producers in the area.

As of the end of third quarter 2012, the majority of the systems required for the startup of the Harmattan Co-stream project including the pipelines have been commissioned. Over the past two weeks, we have been lining up the new equipment and process and have flowed up 125 Mmcfd of co-stream gas along with 150 Mmcfd of raw gas. We are now commencing the final performance testing phase. Completing the construction and commissioning took longer than we expected as construction work in an operating plant proved to be challenging.

The delays, the project costs are higher than originally estimated. However, due to the commercial terms of the contract the return and EBITDA continue to meet our expectations.

We expect to be passed the performance testing phase in November and be in commercial operation in accordance with the AltaGas 20 year cost of service agreement with NOVA Chemicals.



By the end of the year, AltaGas expects Harmattan facility to be processing 400 Mmcf/d, almost three times the volumes processed at the end of last year, increasing capacity utilization from 30% to over 80% while adding incremental ethane to the products. This project is another example of AltaGas' ability to leverage existing capacity to optimize its assets and to create long-term shareholder value.

Regarding our Gordondale project, I am pleased to announce that we are slightly ahead of schedule as the facility successfully started processing Montney gas on October 28th. The construction activities for the Gordondale deep-cut gas plant were completed prior to the end of the third quarter and significant effort by our staff and contractors on site and allowed us to commission the new equipment a few days earlier. Construction on this project took just about 16 months to complete and site labor peaked at 500 people with an excellent safety record and no lost time accidents.

This is a significant achievement in an environment that is plagued by labor shortages and equipment delays. These charges did apply pressure on the project costs which are estimated to be about 25% higher than the original estimates. But based on the deep-cut capability of the plant, producer activities in the area and the contractual arrangements in place, we expect the project to meet our return on EBITDA expectations.

We continue to make progress on the development of the JEEP West-Central gas pipeline which will provide producers in the Hoadley Glauconite and the Duvernay resource plays with increased NGL recovery, improved recoverable barrels of oil equivalent and increased the value we are seeing for their ethane and other NGL products.

Capital cost scheduled for the JEEP West-Central gas pipeline continues to be refined as our project plans are finalized. I would like to pass the call over to David Harris to talk about Power projects.

David Harris (B.Sc., MBA), President - Power

Thank you, Randy. Good morning everyone. During the third quarter, construction of our Busch Ranch project was completed, a 29 MW, 50/50 joint venture wind facility with Black Hills/Colorado Electric Utility Company opening outside Pueblo, Colorado. The project was completed ahead of schedule and on budget, and began delivering power to the grid on October 16th. In addition, construction of our Gordondale peaking facility was completed in support of our Gordondale gas facility. Construction of Forrest Kerr continues to outpace expectations with the project running ahead of schedule and on budget.

Powerhouse construction began in the third quarter with foundation work, structural steel assembly and powerhouse entry installation starting. Power tunnel excavation is approximately 80% complete is well on track to be completed in the first quarter of 2013, assuming rock quality remains consistent. Foundation work and mechanical assembly for the stop logs, trash racks, forebay and radial gate is complete.

Phase 1 coffer dams are in the process of being disassembled and in-river work activities will start in November. At the close of Q3, Forrest Kerr from an overall project perspective is 70% complete. With respect to the transmission line construction, clearing of the corridor will finish by the end of this year and is currently 75% complete. Switch yard site prep and foundation work will start in Q1 of 2013. Engineering is nearing completion and long lead time components have been on it.

During this quarter, our McLymont project received its water license from the province of British Columbia achieving a major milestone. Pre-construction activities continue as planned with road and bridge construction being 70% complete. Access road construction is complete up to the river cross and two of the three projects have been installed. Design of the power tunnel and intake structure is complete, engineering progressing as planned.

On Volcano Creek, we received our land tenure and cut permits and have started land clearing activities. No major issues have been identified with our remaining water license permit, and we are expecting receipt early in 2013. Combined, these two projects are estimated to cost approximately \$300 million and are scheduled to be in service in late 2015.



Turning to the commercial side of our business, the Alberta power market showed considerable volatility in Q3, with August averaging \$56, and September averaging \$110 and hourly prices ranging from \$0 a megawatt hour to a \$1,000 a megawatt hour, resulting in Q3 spot market pricing averaging \$78.09, despite a prolonged scheduled outage at Sundance 3, the division performed well due to high route payments from the Sundance PPA, strong performance from our peaking generators and the effective hedging program that was adapted to accommodate the Sundance 3 outage as well as from the addition of Harmattan Cogen II and our biomass facilities. Q4 spot market pricing has started with the same strength Q3 ended with. October averaged \$91.36 a megawatt hour along with the forward curves for November showing upward trends.

As AltaGas continues to grow and the shape and size of the company changes, we will be re-evaluating our renewable development projects portfolio as to the best course of action for our shareholders. That concludes my prepared remarks. I will now pass the call back to Shaun.

Shaun Toivanen, Treasurer

Thank you, David. I will now turn the call over to the operator for Q&A.

Questions & Answers

Operator

Thank you. We will now take questions from the telephone lines. [Operator Instructions]. The first question is from Linda Ezergailis from TD Securities. Please go ahead.

Linda Ezergailis

Thank you. I am interested to hear that part of your capital allocation process might include disposition of small or non-core assets. I am wondering what the rationale is that going to be partially a source of financing of your large capital project, and how might we think of what assets might be more core versus less core in terms of geography or functions?

David W. Cornhill (B.Sc.(Hons.), MBA), Chairman and Chief Executive Officer

We're just taking a process to try to streamline a number of assets that aren't contributing significantly to the business, but have a quite bit of G&A with it. We have some targeted but they're non-material in terms of the business, but will free up some cash for our balance sheet.

Linda Ezergailis

Okay. And just further to that, in terms of your financing plans, can you give us an update, you mentioned a great MTN offering recently, may be you can also comment on the attractiveness of your different options right now.

David W. Cornhill (B.Sc.(Hons.), MBA), Chairman and Chief Executive Officer



For our projects under construction, we're fully funded. So, we will continue to look to term out debt over the next year, but we don't see any other major financing unless we make major capital spending on new projects and incremental projects.

Linda Ezergailis

Okay. That's great. And just turning over to your operations, can you perhaps provide us with updated commentary on how extraction premiums have been trending as well as how the differential of NGL pricing between Edmonton and Mount Bellevue has been trending.

Randy Toone (B.Sc., P.Eng), President, Gas

Extraction premiums are consistent with what we've seen in 2012, so I don't see them trending, much differently. As far as Belvieu to Edmonton, we have seen prices come, the most of our sales contracts are either with Conway or Belvieu. And so, we have seen Conway and Belvieu prices come back into range, and we think that will continue.

Linda Ezergailis

Great. Thank you.

Operator

Thank you. The following question is from David Noseworthy from CIBC. Please go ahead.

David Noseworthy

Good morning. Maybe I'll just start off, follow-up on the extraction premium. So, with your NGL's mix supply re-contracting, how did that go for 2012?

David W. Cornhill (B.Sc.(Hons.), MBA), Chairman and Chief Executive Officer

It went well.

David Noseworthy

And volumes relative to last year; are they up?

Randy Toone (B.Sc., P.Eng), President, Gas

That will be the same for volumes 2012, sorry, 2013.



David W. Cornhill (B.Sc.(Hons.), MBA), Chairman and Chief Executive Officer

Other than the co-streaming project which is another 200 Mmcf/d.

David Noseworthy

Okay. And, in terms of the implied extraction premiums relative to what you would have in your contracts last year, are they down?

Randy Toone

No, they are the same.

David Noseworthy

They are the same. Okay. So, my understanding was that in the last quarter two you've been squeezed on the extraction premiums, because of the contracts that didn't really resolved through this contracting.

David W. Cornhill (B.Sc.(Hons.), MBA), Chairman and Chief Executive Officer

No. I think the last couple of quarters, is more about the difference between Conway and Belleview versus extraction premiums.

David Noseworthy

Okay. Alright, thank you for that. And, then with regards to Sundance B and the dispute relative to 2010, the force majeure, do you see that the issues at TransAlta would have brought up or to 2010 outage being used again with the outage that we saw this quarter?

David Harris (B.Sc., MBA), President - Power

I am not sure I quite follow, the outage that they had this quarter was to turn around and remedy some of the build components or some of the components that they made temporary repairs on back in '10. They completed some of those, there may be some additional outages coming down line. But as it relates to go back to the resolution in '10, they claim a force majeure event. We took exception to that obviously and the ruling will come out through an arbitration panel on November 16.

David Noseworthy

And perhaps just so I can understand better, what distinction are they making with regards to this particular mechanical failure relative to past mechanical failures that were treated as maintenance items?



David Harris (B.Sc., MBA), President - Power

Well, with respect to this they are considering it to be non-routine type of mechanical failure. Something that they normally wouldn't catch as part of their normal maintenance process, and that's what's triggered their claim as a force majeure event.

David Noseworthy

And just perhaps one last question. Is there any update on your narrows inlet project what size is there?

David Harris (B.Sc., MBA), President - Power

Narrows inlet came up with the PNG acquisition. Initially it's roughly a 50 megawatt development opportunity made up of five individual assets and right now we're just in the process to continue evaluating and determine what we're going to do from a developmental perspective.

David Noseworthy

Any idea of when that evaluation may be completed?

David Harris (B.Sc., MBA), President - Power

We are still looking at it, I would say we'll have a pretty good handle on what we may want to do with those assets sometime around the first quarter of '13.

David Noseworthy

Great. Thank you very much. Those were my questions.

Operator

Thank you. The following question is from Carl Kirst from BMO Capital Markets. Please go ahead.

Carl Kirst

Thanks. Good morning everybody. Actually, I didn't know if maybe I could key off on Linda's question just on the disposition and recognizing, it may be early days, but is there any further color to be had as far as when the disposition might be completed and perhaps in the aggregate how much do you think can be monetized?

David W. Cornhill (B.Sc.(Hons.), MBA), Chairman and Chief Executive Officer

Carl, it is early days. We are going through this process, and I think you'll see it over the next year, as we work to



streamline. So, it's I wouldn't read more into the comment other than we will be looking at that streamlining. We've grown dramatically and some of the smaller assets just don't make sense for the company going forward, that's our belief but we are still in early stages.

Carl Kirst

I appreciate that. And then just clarification on PNG's system, you guys are obviously evaluating an expansion to serve LNG Partners. Is that planned or is the mechanics behind expanding the system all in effect done and ready to go and we are just waiting for LNG Partners to know if they are going to do this or not or is there more work that has to be done on your guys' side as well as far as narrowing cost et cetera?

David W. Cornhill (B.Sc.(Hons.), MBA), Chairman and Chief Executive Officer

We are in the process of narrowing cost, engineering, looking at those options as well as looking at the potential demand for our transportation services to the coast. So it's fairly dynamic, I would expect more clarity in Q1 of next year.

Carl Kirst

And David, sorry, is that when you say more clarity in Q1, is that more just from the pipeline project standpoint or has LNG Partners for instance given you guys some sense of time frame of when they would expect to either make a go, or no go decision?

David W. Cornhill (B.Sc.(Hons.), MBA), Chairman and Chief Executive Officer

That's our internal view.

Carl Kirst

Okay. Thank you so much.

Operator

Thank you. The following question is from Robert Catellier from Macquarie. Please go ahead.

Robert Catellier

Thank you, I just have couple of questions on the extraction business. What impact are you foreseeing from Keyera or Rimbey project, particularly I'm worried about the volumes.



David W. Cornhill (B.Sc.(Hons.), MBA), Chairman and Chief Executive Officer

We're not expecting significant impact. I think it probably shows the size of the opportunity in the whole area for gas processing. At this point we're looking at it, but there may be some minor seasonal impacts, but we don't see a significant impact this time.

Robert Catellier

So there's enough growth in the area to accommodate the project and you don't see a loss of share?

David W. Cornhill (B.Sc.(Hons.), MBA), Chairman and Chief Executive Officer

It's totally dependent on gas flows within the integrated ATCO and TransCanada systems.

Robert Catellier

And on that subject, how do you view the withdrawal of the next application impacting both your contracting and strategy and volumes?

David W. Cornhill (B.Sc.(Hons.), MBA), Chairman and Chief Executive Officer

I don't think it changes because we've been operating under current system. I think personal comment, I think it is a smart move by TransCanada. We are very supportive of it.

Robert Catellier

Okay. And just, do you have any comments on the Supreme Court challenge to the Harmattan Co-stream decision whether or not you see the next application withdrawal having any impact there?

David W. Cornhill (B.Sc.(Hons.), MBA), Chairman and Chief Executive Officer

No and no.

Robert Catellier

Okay. On the utility side, what impact are you expecting from the performance-based regulation in Alberta?

David W. Cornhill (B.Sc.(Hons.), MBA), Chairman and Chief Executive Officer



Officer

John?

John Lowe, (B.A., LLB)

Yeah. Hi, Rob. It's John Lowe. AUI can prosper under this PBR regime for the next five years. It's a tough act or productivity factor for all the utilities but there is no earning sharing mechanism. So, AUI can reap the benefit of a 100% of its efficiency gains. And the other aspect for AUI is the K or capital factor accommodate AUI system betterment program. And so, we expect the same growth trajectory over the next five years as we would have over and under rate base rate of return regulation. So, AUI is very well positioned under this decision.

Robert Catellier

Great. Fantastic. And then finally on the gas side, there is some color in the report about how much shut-ins are having an impact on the processing. We've had a little bit of recovery and some of the benchmark prices for natural gas recently. And I'm wondering if you're seeing any change in the attitude of producers which might lead you believe the shut-ins will mitigate over next while?

Randy Toone (B.Sc., P.Eng), President, Gas

We've seen some gas come back on November 1st but it's very small, around 5 Mmcf/d in certain areas. So, we might see more gas, the shut-ins come back on throughout the winter. But, it doesn't change people's drilling activities.

Robert Catellier

So, what do the producers really need, just on the backs because of the liquids are little bit lower than that, and that's really not all have much better even with the higher benchmark price on natural gas?

Randy Toone (B.Sc., P.Eng), President, Gas

Yes, we've only seen the activity in the liquid rich area. So, it's where they get the benefit of liquids. But, we'll see how things change over the winter, as gas prices stay strong, we might see people turn their activities back to Western Canada in dry gas areas.

David W. Cornhill (B.Sc.(Hons.), MBA), Chairman and Chief Executive Officer

We are clearly seeing enhanced cash flow because of that, and it makes a producer stronger but incremental capital for dry gas drilling at this point, I don't think the belief is the price is high enough to create that opportunity yet. But if you're shut-in, you may decide to have cash flow at the higher price, \$3.40 or whatever that is currently.

Robert Catellier



Okay. Those are my questions. Thanks very much.

Operator

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

Winfried Fruehauf

Thank you. In the third quarters 2012 and '11, what were the capacity factors of your processing facilities?

David W. Cornhill (B.Sc.(Hons.), MBA), Chairman and Chief Executive Officer

Debbie?

Deborah S. Stein B.A., CA, CPA), Senior Vice President, Finance and Chief Financial Officer

Win, Just give me two seconds here as to look at the report. On these field gathering, it looks in total -- I don't have the number right at my fingertips, so why don't we just calculate it here. The numbers are in the table but I just don't have it at my fingertips. So, we'll back to you in two minutes.

Winfried Fruehauf

Okay. Thank you. May I proceed with another question?

David W. Cornhill (B.Sc.(Hons.), MBA), Chairman and Chief Executive Officer

Please.

Winfried Fruehauf

In the third quarter of this year, was there any ethane rejection in any of your processing facilities?

Randy Toone (B.Sc., P.Eng), President, Gas

No. Not in plant. We did have some ethane rejection just in the co-stream commissioning activities. But it was not material.

Winfried Fruehauf



Thank you. And I have another question. In the news release, second paragraph, penultimate sentence reads, third quarter results reflect the increased seasonality of earnings from the addition of new natural gas distribution utilities in British Columbia and in the United States. What were the respective drags on earnings in the quarter from these utilities?

Deborah S. Stein B.A., CA, CPA), Senior Vice President, Finance and Chief Financial Officer

The comment really gets to the fact that we had one month of SEMCO in there and a full quarter of PNG, which actually had a small loss because of the seasonality of that business. And then we also had a full month of interest expense and also a full month of the impact of higher shares. So, when you think about September, mostly from PNG, sorry, mostly from SEMCO it did drag the EPS number but I don't have that quantified. And in answer to your capacity factor on gas, we were running about 60% in Q3.

Winfried Fruehauf

Okay. And is that supposed to improve in the fourth quarter?

Deborah S. Stein B.A., CA, CPA), Senior Vice President, Finance and Chief Financial Officer

It is expected to improve in the fourth quarter, yes, with the co-stream gas coming on and Blair Creek with the full quarter in Q4 and Gordondale as well with hopefully a full quarter running at higher volumes than we are today which today we're doing about 35 Mmcf a day.

Winfried Fruehauf

Is it too soon to comment on what the capacity factor of your facilities might be in the fourth quarter?

Deborah S. Stein B.A., CA, CPA), Senior Vice President, Finance and Chief Financial Officer

Yes, it is.

Winfried Fruehauf

Okay. That's all I have. Thank you very much.

Operator

Thank you. The following question is from Steven Paget from First Energy Capital. Please go ahead.



Steven Paget

Good morning. Mr. David Harris said that you may reevaluate some assets in the renewable development portfolio. Are there any projects beyond those in that included in this reevaluation? Could this include asset sales?

David Harris (B.Sc., MBA), President - Power

The assets we're taking a look at, some of our wind development projects that we have both within Canada or in U.S. and it may include a minor recovery asset that we have in southeastern BC.

Steven Paget

Okay. Thank you for that. And second, AltaGas sold 843 gigawatt hours in the third quarter. How much of that was net generation from AltaGas facilities and how much power was purchased and resold?

David Harris (B.Sc., MBA), President - Power

Well, most of that was from AltaGas facilities. And during the quarter the majority of that still comes from our Sundance contracts, even though Sundance 3 was off for a fair amount of Q3.

Steven Paget

Thank you. Those are my questions.

Operator

Thank you. The following question is from Robert Kwan from RBC Capital Markets. Please go ahead.

Robert Kwan

Good morning. David Harris, I just wanted to just follow up on your answer to Steven's question. Is it just development projects that you're looking at or you mentioned I guess where you see recovery I guess there was a contract there, but are going to be looking at any major operating asset?

David Harris (B.Sc., MBA), President - Power

No. The projects we're looking at right now are just the projects that are in the development queue on the renewable side.

Robert Kwan

Okay. And since I've got this, is there an update on the status of Northwest transmission line?



David Harris (B.Sc., MBA), President - Power

They're progressing, we are starting to see towers being erected in the northern section of the line, northern and southern sections are doing well, and we're still in the process of clearing trees in the middle section of the line.

Robert Kwan

And do you sense that they are still on to meet the rough timing that you've got you'd have Forrest Kerr up and running?

David Harris (B.Sc., MBA), President - Power

The meetings we've had with BC Hydro, they're still trending to be there for the end of May.

Robert Kwan

End of May. Okay. If I can just go back, it's for John Lowe, on your comments on PBR, we've seen some of the other major participants take a dual track approach here to filing for review and variance and then also challenging the decision in the Court of Appeal. Is it fair based on your comments that you are not planning on going down that road?

John Lowe, (B.A., LLB)

We're not going to file an appeal. There are some aspects that the decision we might join in a review on variance with but we are still looking at those.

Robert Kwan

Okay. And I guess just the overall tone of your comments seem to be somewhat positive I know the others have expressed a lot of concerns about the decision. Can you just -- do you have some thoughts as to why you think that this is potentially good for you versus others who have a lot of concerns about it?

John Lowe, (B.A., LLB)

I think that, and I really can't speak for the other utilities obviously, but I think for the electric utilities are more capital intensive and it is more difficult for them to accommodate their growth projects within the x if it doesn't qualify for the capital tracker. Whereas on the gas side, we're not as capital intensive for our growth, and the major growth project we have, system betterment, is accommodated in the capital tracker. So, that's the main difference. And I guess you might look at the other gas utility, ATCO gas and whether their growth can be accommodated through the x factor, and that's something that only they would know.

David W. Cornhill (B.Sc.(Hons.), MBA), Chairman and Chief Executive Officer

Just another comment; we don't think that where we're going up from a regulatory perspective is the right direction



to go in, and we don't think it's long-term sustainable. Said that, its ruling. We think we can adapt with this ruling right now. So, alongside with respect to the other utilities in terms of the overall direction that the utility commission has taken.

Robert Kwan

Okay. That's great color. Thank you.

Operator

Thank you. The following question is from Matthew Akman from Scotia Bank. Please go ahead.

Matthew Akman

Thanks a lot. On energy services, there was I guess some kind of headwind in the quarter. Energy services does a lot of different stuff. I am just wondering if you can narrow that down.

Randy Toone (B.Sc., P.Eng), President, Gas

The main difference was an adjustment in Q3 of 2011. That was the biggest difference from last year to this year. We have seen margins shrink a little bit but that business is fairly steady.

Matthew Akman

Okay. So, it's more an unusual positive item that was in last year than something negative that happened this year.

Randy Toone (B.Sc., P.Eng), President, Gas

Yes.

Matthew Akman

I wonder Randy if you could give us some indication of the NGL volumes you're going to see out of the Harmattan Co-stream project, you talked about the gas volumes.

Randy Toone (B.Sc., P.Eng), President, Gas

Yeah. So, once we get up to the 250 Mmcf/d, we expect to be able to produce probably around 7,000 barrels of ethane and about 3,000 to 3,500 barrels of C3+ plus which of course under the agreement are NOVA's.

Matthew Akman

Perfect. Thanks for that. Last question is more strategic in terms of growth. You guys are talking about divesting



some small renewable development projects. We saw Warren Buffet's company coming with TransAlta on gas-fired development for Canada. Do you, I guess this is for David. I mean do you share their optimism about the potential for gas-fired development in Western Canada and is AltaGas planning on focusing more there and maybe that's why you are de-emphasizing some of the smaller renewals?

David Harris (B.Sc., MBA), President - Power

I think a couple of things. We wouldn't be in this agreement with respect to where we see the gas business going just because of where the gas curves are for the current day and the forward projections. We're looking -- we take a look both within Canada and within U.S., primarily in North America to be ensure we have a balanced portfolio from a standpoint of both contracted assets and making sure we don't get too over weighted in any one particular market.

Matthew Akman

Okay. Thanks. Those are my questions.

Operator

Thank you. The following question is from David Noseworthy from CIBC. Please go ahead.

David Noseworthy

Hi. So, just a couple of questions. In terms of Harmattan during the performance testing, how are you getting paid before the cost-of-service contract comes in?

Randy Toone (B.Sc., P.Eng), President, Gas

Currently, we're not getting paid. We have to do the performance test and then the cost-of-service agreement kicks in. We are kept hold on operating cost. And so, the way the agreement works, we have to meet a certain amount of days at the certain volume and then cost-of-service kicks in. So, we're looking that happening here this November.

David Noseworthy

So, maybe I'm mistaking but I was under the impression that if you are running a100 cubes of gas through your system that you'd be extracting NGLs with that. Is that not, that's not how it works?

Randy Toone (B.Sc., P.Eng), President, Gas

No, we'll be extracting NGLs.

David Noseworthy

And those NGLs will be to your account?



Randy Toone (B.Sc., P.Eng), President, Gas

No.

David W. Cornhill (B.Sc.(Hons.), MBA), Chairman and Chief Executive Officer

To Nova's account.

Randy Toone (B.Sc., P.Eng), President, Gas

To Nova's account.

David Noseworthy

Okay. Alright. And then, in terms of your SEMCO acquisition and the increased exposure to U.S. dollar, what are your plans around hedging that FX risk? Maybe I missed that in the MD&A.

David W. Cornhill (B.Sc.(Hons.), MBA), Chairman and Chief Executive Officer

We plan through how borrowed our capital structure in terms of U.S. debt borrowings. Other than that, we don't see any more hedging than through the balance sheet.

David Noseworthy

Free cash flows will be unhedged?

David W. Cornhill (B.Sc.(Hons.), MBA), Chairman and Chief Executive Officer

Yes.

David Noseworthy

And just one last question: Do you have any major gas plants turnaround plan for 2013?

Randy Toone (B.Sc., P.Eng), President, Gas

We have one at facility but it's not a major turnaround.



David Noseworthy

Great. Thank you very much.

Operator

Thank you. There are no following questions registered at this time. I would like to return the meeting to Mr. Toivanen.

Shaun Toivanen, Treasurer

Great. Just want to say thank you to everyone for participating today and we hope you have a good day.

Operator

Thank you. That concludes today's conference call. Please disconnect your lines at this time. And we thank you for your participation.