

2015 FIRST QUARTER EARNINGS CALL

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the AltaGas Ltd. Q1 2015 conference call. I would now like to turn the meeting over to Mr. Jess Nieuwerk, Director, Finance and Communications. Please go ahead, Mr. Nieuwerk.

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

Thank you. Good morning, everyone. Welcome to AltaGas' first quarter 2015 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 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.

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

David Cornhill - AltaGas Ltd. - Chairman & CEO

Thank you, Jess. Good morning, everyone. The weak energy environment persisted throughout first quarter. Alberta spot power prices were the lowest since deregulation. Year over year, they were down by 50%. Spot frac prices declined by almost 90%.

Despite this, our base business delivered cash flow in line with last year. Normalized funds from operations was \$140 million, up \$8 million. Normalized EBITDA was relatively flat at \$178 million. On a trailing-twelve-months basis, we continue to hit record cash flows, achieving \$482 million.

Even with the seasonally-low river flows in the quarter, both Volcano and Forest Kerr performed better than expected, delivering positive EBITDA. However, given depreciation and interest, this resulted in reduced earnings of \$0.07 compared to the \$0.09 we've previously forecast. Our normalized net income for the quarter was \$57 million or \$0.43 per share.

For the full year, we are still expecting a significant increase in power's operating income and we are expecting the positive trend in our utilities to continue. The gas segment continues to be challenged. Currently, frac spreads remain weak and we're expecting to continue to re-inject liquids at some of our plants.

We were disappointed by the earnings contribution of Petrogas. Petrogas' performance was impacted by falling energy prices and the Ferndale turnaround. Our plants are performing well with FG&P volumes relatively flat with strong performance in Gordondale and Blair Creek.

Near term, in the second quarter, we have turnarounds at Harmattan and Younger. We see normal seasonal declines at our utilities. We expect to continue to face low frac and low Alberta power prices. Petrogas is expected to continue to be weak in the second quarter with a stronger second half. Second quarter is expected to be our weakest quarter of the year.

For the full year, even with continuing weakness in Alberta power prices and low frac spreads, we expect to see significant growth in EBITDA and FFO. Earnings are expected to show modest growth. Earnings are more levered to the levels of Alberta power prices and frac spreads.

Based on the expected growth in cash flows and EBITDA, the Board has decided to increase dividends by \$0.0125 per month per share. That's an 8% increase in dividends. We are still one of the lowest payout in the midstream space.

We continue to work hard in developing our energy export platform and to deliver export solutions to our customers. We now have a capability for propane export from the Ferndale facility. The first shipment of propane was early April.

We are advancing Douglas Channel LNG. On stream date is estimated to be 2018, but we would hope to advance it into 2017. We are working to build out an integrated liquid solution in northeast B.C. This would include construction of pipelines and a fractionator. Having the infrastructure in B.C. would provide producers with low-cost alternatives compared to shipping NGL to Fort Saskatchewan and then back to tidewater.

We are also in discussions with producers for additional 200 million to 400 million cubic feet a day of new capacity in the Townsend region. We are looking to develop a deep-cut facility and hoping to have producers' interest firmed up in second half of the year.

David Harris will provide an update on operations and projects under development. I'll now pass the call over to David.

David Harris - AltaGas Ltd. - President & COO

Thank you, David, and good morning everyone. The underlying strength and diversity of our assets was clearly highlighted in the first quarter. As David mentioned, Forest Kerr and Volcano Creek performed better than expected. Volumes were also up at some of our key gas processing assets, including Gordondale and Blair Creek, and our utilities performed extremely well.

First quarter normalized operating income for the operating segments was \$132 million. Utilities delivered normalized operating income of \$86 million compared to \$81 million in Q1 2014. This was driven by customer and rate base growth combined with favorable foreign exchange, but slightly offset by warmer weather.

In power, normalized operating income was \$15 million. Despite record low Alberta power prices, results were essentially flat to Q1 2014. The average realized power price for the quarter was approximately \$55 per megawatt hour, which includes pricing from the Northwest Projects, compared to \$69 per megawatt hour for the same period last year.

We hedged approximately 54% of Alberta generation in the quarter at an average price of \$58 per megawatt hour. This compares to approximately 59% hedged at approximately \$65 per megawatt hour in the same quarter last year. Alberta spot power prices were significantly lower at approximately \$29 per megawatt hour in Q1 2015 compared to approximately \$61 per megawatt hour in first quarter 2014.

We expect Alberta power prices to remain soft for 2015 with the additional 800 megawatt supply from the Shepard power plant. We are approximately one-third hedged at \$54 per megawatt hour for the year. However, we are starting to see positive signs, which could help bolster market prices in 2016 onward. For 2016 we are currently 15% hedged at approximately \$58 per megawatt hour.

Normalized operating income from our gas business was \$31 million. While lower frac spreads and lower frac exposed volumes were a headwind in the quarter, we saw a strong performance at some of our facilities. Our energy service business also had a strong quarter compared to the first quarter last year.

For the first quarter 2015, AltaGas hedged approximately 45% of frac exposed production at an average price of approximately \$27 per barrel. This compares to approximately 70% hedged at approximately \$27 per barrel in the same quarter last year. The spot NGL frac spread for Q1 2015 was approximately \$4 per barrel compared to approximately \$36 per barrel a year ago.

Looking ahead at our 2015, given persistent low prices and re-injections, we expect to produce approximately 5,400 barrels per day of C3 plus that is directly exposed to frac spread, of which approximately 55% is hedged at an average price of approximately \$27 per barrel.

Before moving on to our major projects, I'd like to talk about operational enhancements within our fleet. At Harmattan, with the addition of Cogen III and efficiency improvements to our frac plant, we have increased trucked liquids processing capacity by 3,150 barrels per day, an increase of 50%. Gordondale now has the ability to process 135 Mmcf per day, an increase of 15 Mmcf per day compared to the base design, with further initiatives in progress to take Gordondale to a 150 Mmcf per day. Lastly, at Blair Creek facility, initiatives are underway to improve plant capacity by 10 Mmcf per day by year end and an additional 20 Mmcf per day by the end of 2016. Collectively, the initiatives at Blair Creek and Gordondale will increase our fleet processing capacity by 60 Mmcf per day for relatively low capital dollars.

Let me provide an update on some of our major projects. At McLymont, construction of the seven kilometer intake access road is complete and intake construction is advancing steadily. Excavation of the McLymont power tunnel has been completed. Construction of the powerhouse and installation of the turbine generators are complete. Dry commissioning has commenced with backfeed scheduled for Q2.

At Blythe we continue to work on the opportunity to double size of the existing facility. While we view the new renewable standards set at 50% as a positive due to the need for backstop generation, these have caused utilities to revisit their generation needs and delay some of their expected RFPs. We expect the Imperial Irrigation District will still issue an RFP around mid-year, but suspect that the Southern California Public Power Authority RFP may be delayed until later in the year. We are also looking at how we leverage transmission connections to different substations. Blythe is very well-positioned to not only serve the California market, but also Nevada and Arizona.

At Townsend we are on track to bring the facility online for mid-2016. Detailed engineering is nearing completion and all permit applications have been submitted. Long-lead equipment orders have been released. Site clearing has been completed and preliminary civil construction work is underway. Full-scale construction is expected to commence in Q3 2015 with receipt of regulatory approvals.

The DC LNG Consortium continues to progress the liquefaction barge project in Kitimat. Engineering feed is underway and we are preparing permit applications. We are timing to submit permit applications to OGC at the end of Q2 with an FID target of end of year 2015 and first cargo in 2018.

Finally, we made good progress in Q1 to increase our LPG capabilities at the Ferndale facility in Washington State. We successfully converted one of the two tanks to propane service and have already had a shipment of propane earlier this month. We continue to advance work on the expansion and expect we could reach our target of approximately 30,000 barrels per day within the next 12 to 18 months.

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.

In the first quarter 2015 AltaGas reported normalized earnings of \$57 million or \$0.43 per share compared to \$74 million or \$0.60 per share in Q1 2014. Normalized EBITDA for the first quarter 2015 was \$178 million, relatively flat to the same quarter last year. Excluding the impact of commodity-driven EBITDA in the quarter, AltaGas reported a 16% increase in EBITDA.

Results were impacted by higher earnings from Blythe, higher volumes at some key processing facilities in energy services, our frac and power hedges, and favorable exchange rates. However, the weaker spot market for Alberta power and frac spreads, warmer weather than last year, lower earnings from Petrogas, and higher interest and depreciation resulted in lower normalized net income in first quarter 2015 compared to the first quarter last year.

Normalized funds from operations were \$140 million or \$1.05 per share compared to \$132 million or \$1.07 per share. Normalized funds from operations were higher as a result of the higher earnings from AltaGas operated assets in the first quarter 2015 compared to first quarter last year.

Our payout as a percentage of normalized FFO for the trailing twelve months ended March 31, 2015 is 47%.

On a GAAP basis, net income applicable to common shares for first quarter 2015 was \$66 million or \$0.49 per share compared to \$40 million or \$0.33 per share for first quarter 2014.

For first quarter 2015, net income applicable to common shares was normalized for after-tax amounts related to unrealized gains on risk management contracts and development costs incurred for energy export projects. In first quarter last year we also reported costs related to Nova's exercise of its purchase option of the EDS and JFP pipeline, write-down of power assets which are under development, the cost of early retirement of debt, and a gain on sale of a gas processing facility.

Interest expense for first quarter 2015 was \$30 million compared to \$25 million in same quarter last year. Interest expense was higher primarily as a result of increased assets in service. Depreciation in first quarter 2015 was \$50 million compared to \$9 million in same quarter last year, again as a result of increased assets in operation.

In 2015 we expect to record approximately \$25 million of depreciation and amortization related to the Northwest Projects.

In first quarter 2015 we reported an income tax expense of \$30 million compared to \$17 million in same quarter last year. Income tax was higher in first quarter 2015 primarily due to higher income subject to tax as well as a \$12 million tax recovery related to one-time items recorded in first quarter 2014. While the effective tax rate in first quarter 2015 was 28% compared to 26% in first quarter 2014, we expect the annual effective tax rate to be approximately 20% for the full year.

For the quarter ended March 31, 2015, net invested capital was \$131 million and maintenance capital in first quarter 2015 was approximately \$1 million. For full year 2015 we expect our capital expenditures to remain in the range of \$550 million to \$650 million.

Our balance sheet remains strong with debt to total capitalization of 45%, with a strong balance sheet and approximately \$340 million in cash on hand and short-term investments, and \$1.8 billion available on our credit facilities.

On the financing side, in April we successfully completed a US\$125 million MTN offering. Our average debt maturity is 8.5 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 disciplined financing strategy that supports our business strategy.

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

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

Thank you, Debbie. Operator, I will 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. David Noseworthy, CIBC.

David Noseworthy - CIBC World Markets Inc. - Analyst

Good morning.

David Cornhill - AltaGas Ltd. - Chairman & CEO

Good morning.

David Noseworthy - CIBC World Markets Inc. - Analyst

Maybe just start off on your LNG projects. You mentioned that you're still targeting an FID for end of 2015 for Douglas Channel. When you sit down with your project management team and review the timelines, what are the areas for potential slippage? And can you provide us any color regarding the probability of those events occurring either individually or collectively?

David Harris - AltaGas Ltd. - President & COO

David, this is David Harris. I think the probability is high. We always certainly monitor the permit and the application process, but we've got a tight package and tight application. So, the devil is in the details when it gets down to getting approvals like that. So, all things being equal, we see nothing at this point that would derail us from that initiative of achieving that goal by the end of 2015.

David Noseworthy - CIBC World Markets Inc. - Analyst

So, the probability of hitting that is high?

David Harris - AltaGas Ltd. - President & COO

Yes, it is high.

David Noseworthy - CIBC World Markets Inc. - Analyst

Okay. Just to make sure I understood that. Okay. And then, when you think about the Triton project and the related PNG project, can you give us any update on your thinking around those two?

David Harris - AltaGas Ltd. - President & COO

We're still progressing on the application process and the engineering that goes with that and monitor that closely, depending on where the market is and the cost impacts and the timing of it. It's still progressing as we have planned. As we get a little bit deeper into it, we'll be able to give a little bit of a finer scope on timing of that.

David Noseworthy - CIBC World Markets Inc. - Analyst

Have you put out an expected FID for those projects yet?

David Harris - AltaGas Ltd. - President & COO

No, we haven't.

David Noseworthy - CIBC World Markets Inc. - Analyst

Okay. And then, just in terms of planned off-takers, is the idea to have buyers of LNG? Or is the idea of tying in sellers of natural gas within Canada or have you thought for that part well as yet?

David Harris - AltaGas Ltd. - President & COO

We have. We're looking at both those avenues.

David Noseworthy - CIBC World Markets Inc. - Analyst

Thank you. And then, just maybe, you mentioned -- and this is, I guess, to David Cornhill -- you mentioned that you expect to firm up additional gas processing demand in the second half of 2015. And I was just wondering; how high do oil prices need to recover for some of these prospective growth projects to be committed? Or I mean maybe said differently; do you think producers will commit to long-term firm commitments in the current commodity price environment?

David Cornhill - AltaGas Ltd. - Chairman & CEO

Where we are looking at Townsend, it's more understanding the commitment of some of the LNG projects, going ahead with Douglas Channel first, but there's a couple coming down the road that would really enhance the probability there. We have a lot of interest and we have the resources. Producers want to be ready, but I think they need a little more color on some of the export opportunities because I think it's clear to everyone that Western Canada doesn't need more natural gas production without energy export.

David Noseworthy - CIBC World Markets Inc. - Analyst

Got it. And would the Pacific Northwest LNG project be one of those catalyst projects? Or is that one not really going to impact the producers that you'd be working with?

David Cornhill - AltaGas Ltd. - Chairman & CEO

Any export is positive for the producers. That's integrated into the TransCanada line as well as Sumas can supply alternative markets. Any growing gas markets for Western Canadian gas is positive, generally, for the environment.

David Noseworthy - CIBC World Markets Inc. - Analyst

Okay. And maybe one last question on your California RFPs. I guess, David Harris, what is the expectation of the impact of this additional review time in terms of what the nature of those RFPs will look like?

David Harris - AltaGas Ltd. - President & COO

I think it's more of a balancing act, David. As, obviously, you press up on a renewable portfolio standard, it just means the mix changes. Obviously you're getting more with renewables, but, as a result of that, you need more firm energy to come in behind it. And so, it certainly takes a look at their supply curve and demand. I think it's positive. It's just a matter of the utilities getting their feet underneath them on what their actual needs are so they can go out with a credible RFP.

David Noseworthy - CIBC World Markets Inc. - Analyst

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

Operator

Thank you. Rob Hope, Macquarie Capital.

Rob Hope - Macquarie Capital Markets - Analyst

Thank you. Good morning.

David Cornhill - AltaGas Ltd. - Chairman & CEO

Good morning.

Rob Hope - Macquarie Capital Markets - Analyst

Maybe just one quick follow-up on David's question. So, you had mentioned that you still expect the Imperial Irrigation District RFP in not too long. But, what about the Southern California Edison and San Diego Gas and Electric ones? Are those still expected in early 2016?

David Harris - AltaGas Ltd. - President & COO

Early to maybe a little bit of a shift. I think the other thing that's at work is some transmission discussions as well, and then, not only the RFPs as far as being in and out of basin, what that may hold for them. But we're still expecting them to be here in a reasonable timeframe within 2016. They may drift a little bit, two or three months, but nothing that's a radical change.

Rob Hope - Macquarie Capital Markets - Analyst

And has the expected sizes of any of these RFPs, including the Imperial Irrigation, changed?

David Harris - AltaGas Ltd. - President & COO

I think the expectation is they may. I certainly can't read the minds of the utilities going out with the RFPs. But you could see a little bit more firming come into that as a result of the press-up in the renewable portfolio standard requirement.

Rob Hope - Macquarie Capital Markets - Analyst

Okay, good. Then one last question. Just in the MD&A you made a comment about how there's a potential that projects under development could be delayed given the slowdown in the Montney. Is that in reference to Townsend?

David Harris - AltaGas Ltd. - President & COO

No, not at all. Townsend is on a very solid firm track and we see no expected delay with Townsend whatsoever.

Rob Hope - Macquarie Capital Markets - Analyst

Then, what projects of AltaGas' would that be referring to, then?

David Cornhill - AltaGas Ltd. - Chairman & CEO

It's the Phase II timeline, commitments for additional 200 million to 400 million cubic feet a day. I think that's where producers, until they get a clearer vision of export, will want to be ready, but whether they'll commit to long-term processing when they don't see a market is another matter.

Rob Hope - Macquarie Capital Markets - Analyst

Alright. Thank you for that.

Operator

Thank you., Linda Ezergailis, TD Securities.

Linda Ezergailis - TD Securities - Analyst

Thank you. In terms NGL volumes, I'm wondering the degree and the composition of what you are re-injecting. Is it primarily ethane or substantially propane as well? And has your expected NGL volumes exposed to frac declined over the year because of the change in your re-injection assumptions or gas composition or something else?

David Cornhill - AltaGas Ltd. - Chairman & CEO

I'll start and then David will correct me. Composition, we've actually seen richer streams at various plants, especially the straddle plants. We're re-injecting C3 plus at a lot of the facilities because of other places we're re-injecting more propane are the principle volumes we're re-injecting. It's pure propane. The energy of propane is more valuable in the gas stream than it is as a product at this point.

Linda Ezergailis - TD Securities - Analyst

Okay, that's a very helpful context. And just a follow-up on Debbie's earlier comments on tax. It was helpful to get a full-year outlook for the effective tax rate. Can you maybe give us a sense of how your cash taxes might look for 2015 and beyond, an update on that front?

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

It's not materially more than we had in 2014. We'll have a couple million more as a result of the higher tax on preferred dividends. But, overall, I would say no material impact.

Linda Ezergailis - TD Securities - Analyst

Okay, that's helpful. And we're still discovering the seasonality associated with the Forest Kerr and Volcano. So, can you maybe provide some more detail around what a Q2 contribution might be seasonally, either normalized or for the actual water levels that you're seeing?

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

Yes. Based on where we are now and what we're expecting the facility to produce, we expect Q2 to be just slightly above breakeven for the quarter. On an EPS basis.

Linda Ezergailis - TD Securities - Analyst

Okay, that's great. Thank you.

Operator

Thank you. Carl Kirst, BMO Capital Markets.

Carl Kirst - BMO Capital Markets - Analyst

Thank you. Good morning, everybody. David, I just wanted to make sure I understood what you were saying with respect to Townsend and the question of, perhaps, slippage in project development. That just at the base Townsend is fine, locked and loaded. It's really just talking about Phase 2 that could potentially slip if we do not have, for instance, clarity on B.C. exports and, obviously, commodity prices stay where they are. Is that the correct understanding?

David Cornhill - AltaGas Ltd. - Chairman & CEO

That's correct.

Carl Kirst - BMO Capital Markets - Analyst

Okay.

David Cornhill - AltaGas Ltd. - Chairman & CEO

We feel very comfortable with the program for Townsend on the first phase and the gas being there mid-2016.

Carl Kirst - BMO Capital Markets - Analyst

Great. That's what I thought I heard. I just wanted to make sure. One other clarification, if I could. You had mentioned in your prepared comments talking about maybe building fractionation in B.C. in support of, essentially, B.C. exports, LNG exports. And I just wanted to make sure I understood that. Are you talking about that generically as the B.C. LNG picture clarifies, perhaps if Petronas goes forward this summer? Or were you specifically linking that to your Triton initiative?

David Cornhill - AltaGas Ltd. - Chairman & CEO

It's more general environment in British Columbia. And I think I may have misspoken and I said LNG instead of NGL. We're putting together -- we think there's a compelling economic reason to frac NGLs from producing Montney area to support LPG export, whether it's at Ferndale or other B.C. locations. And we think it's a significant cost advantage to do that compared to transporting C3 plus to the Fort Saskatchewan and then moving it back to tidewater.

Carl Kirst - BMO Capital Markets - Analyst

Excellent. I appreciate the clarity. And then, last question, if I could. Just wanted to get your thoughts on what you still think ALA can deliver from a long-term dividend CAGR perspective recognizing the pressures we have today, perhaps offset with the additional opportunities you still see.

David Cornhill - AltaGas Ltd. - Chairman & CEO

We've done 25% over the last two years. We're targeting double digit, plus or minus, I think is a reasonable expectation. Our payout ratio is low. We've taken quite a headwind with respect to commodity prices, but the base business, as Debbie said, grew by 16%. We're seeing good growth in that part of our base business and with any positive tailwind on commodity we can see that type of growth easily.

Carl Kirst - BMO Capital Markets - Analyst

Great. Thank you, guys.

Operator

Thank you. Robert Catellier, GMP Securities.

Robert Catellier - GMP Securities Ltd. - Analyst

Thank you. You've gotten to most of my questions, but I just want a little clarification on Phase 2 of Townsend and how much capital you expect could be deployed there as currently envisioned. And further, I'd like a clarification if you're looking to expand the raw gas processing capacity as well as the deep-cut?

David Harris - AltaGas Ltd. - President & COO

To answer your first question, Robert, on the capital side, somewhere between \$350 million to \$400 million approximately. And as far as the processing side, we'd be looking to expand maybe both ends of that.

Robert Catellier - GMP Securities Ltd. - Analyst

Okay. So, then, to make it all the way to the deep-cut decision, you'd need more commitments from the producers on the raw gas side beyond just the Painted Pony commitment to the base Townsend plant.

David Harris - AltaGas Ltd. - President & COO

That's correct.

Robert Catellier - GMP Securities Ltd. - Analyst

Yes. And I'm curious about two things with respect LNG. The first is how the -- it seems to me, in the current price environment, you're still relatively bullish on achieving FID at Douglas Channel. But, at least from what we can tell, it looks like a more economic project than maybe some of the others. So I wondered if you could comment on how the commodity price environment is impacting the FID decision there.

And then, if you could maybe give us some direction as to what you think the relative cost competitiveness of Triton will be. So, I assume it's going to be more expensive than Douglas Channel. But can you give us sort of an order of magnitude that we're expecting cost for that project on an Mmbtu basis to end up?

David Cornhill - AltaGas Ltd. - Chairman & CEO

No, is the answer for the last question. Not at this time. Clearly, what we're seeing in the marketplace for Douglas Channel is significant interest and we think we're very competitive. We're looking at it on two fronts.

One is, from my perspective, how important export markets are for the Western Canadian basin current pricing. It's a significant uplift for producers to export even at lower LNG prices worldwide. So, that's still critical and we see Douglas Channel as very competitive and from indications in the marketplace that supports that.

Triton still is a little early with lots of moving parts. Clearly, we know where the target is to get over for pricing and we think we can do that with our Phase II of projects. But, to be honest, our organization's focus is first to get Douglas Channel going. We think it's critical. And then moving to putting a little slower pace on Triton just from a resource perspective. We don't want to stumble off with Douglas Channel. We want to make sure that's a success and then put more resources on the Triton project.

Robert Catellier - GMP Securities Ltd. - Analyst

Yes. So, I think you've answered my question there. So, with what you know today, you expect Triton to be able to clear the market's expected cost hurdles.

David Cornhill - AltaGas Ltd. - Chairman & CEO

We think so. We're working to optimize -- clearly, the goal is to become lowest-cost. I think you'll hear that from producers as well. You want to be lowest-cost. You want to drive that efficiency. And we're looking at ways of doing that with Triton and all our LNG projects including Douglas Channel.

Robert Catellier - GMP Securities Ltd. - Analyst

Okay. Those are my questions. Thanks

Operator

Robert Kwan, RBC Capital Markets.

Robert Kwan - RBC Capital Markets - Analyst

Great, thank you. If I can just start with more of a higher level on California and power. And, Dave, you're lucky you've got a very long history with the California market and you've seen lots of changes in regulatory. So, when you look at Blythe and some of the RFPs being pushed back with the changes in the renewable requirements and then you look at the plants that you just acquired, two older ones in California, what's your vision for both Blythe and those two plants playing into that market, particularly given where the environmental side is going both with respect to renewable requirements, but the other one on water rights?

David Harris - AltaGas Ltd. - President & COO

Okay. Well, first, let's start with Blythe and then I'll talk about how it links to the recent assets we acquired, which was Ripon and San Gabriel. We certainly like our position. We think it's improving with each passing day. As renewables push up, you obviously get a press-up of firming power.

The other thing that's starting to take shape is we always said even when we went back to acquire Blythe is, as you get to the latter half here of 2019 and 2020, that's when you're seeing the mainstream of the coal retirements coming into play. So there will be a fair amount of coal retirements coming into play. I think it's causing some of the utilities and the Utility Commission in California to revisit what they do with certain transmission if they may need it. And it just helps firming up the advancement of Blythe II and potentially even Blythe III.

The other thing we're liking what we see is Arizona has a fair amount of coal retirements coming up around the 2019 - 2020 timeframe as well. And that's why we like our diversity that we have, where Blythe can go both in an east and west direction, factoring in Arizona and, to a certain extent, reasonable extent, Nevada.

Moving that in and how that links with what we have with Ripon and San Gabriel, we like the in-basin type of play that Ripon gives us. And we're extremely confident that we will see an expansion within Ripon as it relates to support in-basin power as a result of all the changes and dynamics taking place in California.

I think the other thing that comes into play too, because it goes through cycles, but they certainly feel the pain when it happens and you're seeing it right now, right? When water flow is off and you don't have snow pack and seasonal rains, you're already in a drought condition. You're not going to get as much hydropower coming down in the upper side of the northwest and it puts added stress on loads as it relates to California.

So, all in all, I think we've situated ourselves exceptionally well with the recent acquisitions of the assets in California and our existing plant in Blythe and expandability.

And then just to touch on water rights, is we're the holder of an all-new water license right now within California for power, which is invaluable and provides a competitive advantage on heat rate perspective.

Robert Kwan - RBC Capital Markets - Analyst

So, I guess is it fair to say that while the timing of some of these RFPs has been pushed back, you feel probably even more confident at this point on the certainly of Blythe II and maybe III and the economics of it?

David Harris - AltaGas Ltd. - President & COO

We do. The words I use are; it's not if, it's when.

Robert Kwan - RBC Capital Markets - Analyst

Okay. And is there a chance, then, to marry-up Ripon and San Gabriel with Blythe, to package it up to maybe use the other two on peaking side?

David Harris - AltaGas Ltd. - President & COO

We're looking at all alternatives right now. We've just brought on Ripon and San Gabriel so we're working through a number of analyses on what's the best way to look at our power portfolio within California. So, it's a good question, but there's still a lot more analysis that we're looking at.

Robert Kwan - RBC Capital Markets - Analyst

Okay. And if I can just turn to M&A opportunities. What are you seeing out there both on the power and the gas side and maybe even more especially on the gas side with what's going on in Western Canada and the potential to get some infrastructure out of producers?

David Cornhill - AltaGas Ltd. - Chairman & CEO

We're busy. We're seeing a lot both on power as well as on gas. We're being choosy at this point, I would say. We want to understand the market a little better. We've got all of our finances in place to do some significant acquisitions, but we're being a little conservative at this point in terms of opportunities. So, I would expect some this year.

The other thing is producers are still somewhat shell-shocked and they're going through their financing bank relationships and things like that. So, I would say the second half will be much busier than the first half. But, we want to be conservative on making sure we buy the right assets for the long-term strategy. So, we're not in a rush to acquire something. It's got to be the right pieces

Robert Kwan - RBC Capital Markets - Analyst

Alright. Thanks, David. And you mentioned understand the market better. Was that in reference to the power market or the gas market?

David Cornhill - AltaGas Ltd. - Chairman & CEO

More the gas market; we want to understand the change and the volume. Producers are still unsettled and I think it's just prudent for us to make sure that we're very comfortable with the asset, with the producer, with the economics. You've got to be able to structure something that makes sense for the long term and relatively low gas price for the long term. Sometimes there is a disconnect with producers with their price expectations.

Robert Kwan - RBC Capital Markets - Analyst

Got it. Okay and just one last question. I think it's to you, Debbie. Just a bit of a cleanup here. There was a contribution into the equity account investments. Was that funding a cash loss in the quarter or are we seeing a change where that line item is now going to be funding Capex or growth Capex?

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

Are you looking at the cash flow, Rob?

Robert Kwan - RBC Capital Markets - Analyst

I am, yes. So, \$4 million went in.

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

That's really related to operating for Sundance.

Robert Kwan - RBC Capital Markets - Analyst

Okay. So there was a cash call this quarter, then?

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

No, it's really -- it's not so much a cash call. With the lower power prices, we pay out instead of getting cash in.

Robert Kwan - RBC Capital Markets - Analyst

So there was a cash loss.

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

Yes.

Robert Kwan - RBC Capital Markets - Analyst

Okay. And just to be clear, growth Capex will still go in investing activities?

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

Correct.

Robert Kwan - RBC Capital Markets - Analyst

Okay, perfect. Thank you.

Operator

Thank you. Steven Paget, FirstEnergy.

Steven Paget - FirstEnergy Capital - Analyst

Thank you and good morning. You've talked about the potential of Ripon, but could you also please comment on the strategic advantages you gained by purchasing San Gabriel and Brush off Veresen?

David Harris - AltaGas Ltd. - President & COO

Certainly, Steven. As it relates to Brush, we're just taking a look at that right now. It certainly is a little bit of an outlier but we like where it is and especially considering we own a Bush Ranch. So, it's a natural fit for the Company in many respects.

But, again, like I had stated earlier, it's a relatively new transaction for the Company. We're getting our arms around what we would do with that and how to best leverage it and the same way with San Gabriel.

The other reason Ripon is a little bit higher of a priority is just uniquely where it sits and as it relates to in-basin generation and some of the stresses we're seeing there. So, there will be more color to come on that as we work ourselves through this transaction over the next two or three months.

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

And, recall, Steven, we sold Alberta peaking capacity so we really swapped out commodity-exposed power earnings for contracted earnings.

Steven Paget - FirstEnergy Capital - Analyst

Thank you, Debbie. Thank you, David. You've got a significant, I think 1,000 megawatt, wind development portfolio across North America. What's the potential of converting some of these assets into developed construction projects?

David Harris - AltaGas Ltd. - President & COO

We continue to monitor those every day, Steven. It certainly has gone from maybe a bit of what used to be a floodlight to a spotlight, so to speak, especially with the press-up of the renewable portfolio standard. And whether we elect to go forward with them or there's an opportunity to turn around and either trade those assets or sell those assets out, we're evaluating that now.

Steven Paget - FirstEnergy Capital - Analyst

Thank you, David. Will AltaGas, Idemitsu or Petrogas be putting some of its own NGLs on its books through Ferndale?

David Cornhill - AltaGas Ltd. - Chairman & CEO

Petrogas will be clearly selling product out of Ferndale.

Steven Paget - FirstEnergy Capital - Analyst

Thank you, David. Are you seeing more interest in Ferndale from U.S. or Canadian producers?

David Cornhill - AltaGas Ltd. - Chairman & CEO

We're seeing interest in Ferndale from all of North America, Western half.

Steven Paget - FirstEnergy Capital - Analyst

Thank you. And how many barrels have been committed to Ferndale for the remainder of 2015?

David Cornhill - AltaGas Ltd. - Chairman & CEO

We can't release that.

Steven Paget - FirstEnergy Capital - Analyst

And what are you seeing in terms of the appetite of Pacific Basin consumers for North American propane and butane?

David Cornhill - AltaGas Ltd. - Chairman & CEO

They have a significant appetite for propane and butane, short shipping, and finding markets for products is not an issue.

Steven Paget - FirstEnergy Capital - Analyst

Excellent. And, finally, could you please comment on the progress on Alton Gas Storage in the quarter?

David Harris - AltaGas Ltd. - President & COO

Sure. There are two fronts as it relates to all the construction-based activity. We've completed everything we can do to date. John Lowe is here with us. He can talk on the regulatory front. But we've made, I would consider substantial progress on the regulatory front especially in the wake of some of the announcements around Deep Panuke and Salye Island and the added stress it could cause to that province for future gas pricing.

John Lowe - AltaGas Ltd. - EVP

Yes. It's John Lowe here. We've got a science review with the Mi'kmaq and that's progressing well. The government of Nova Scotia, we believe, is quite interested in getting this plant constructed as there's some difficulties with the offshore Nova Scotia shelf. So, lots of support for the project.

Steven Paget - FirstEnergy Capital - Analyst

David, John, thank you, everyone. Those are my questions.

Operator

Thank you. The next question is from Matthew Akman, Scotiabank.

Matthew Akman - Scotiabank GBM - Analyst

Thank you. Good morning. David, I think you mentioned that you were disappointed with Petrogas results in the quarter. I'm wondering if you could expand on that. What areas of the business in particular weakened and what's your outlook for those areas?

David Cornhill - AltaGas Ltd. - Chairman & CEO

Some of it was just the drop in energy prices. And they're a margin business so they get a percentage of price. And, as well, the liquids markets reset at the end of March so they have been able to reset a lot of things. So, that was it, as well as the Ferndale turnaround decreased their capability to move product off for about four months. So, some of that was expected. But, those were the two that we see were disappointing compared to last year if you look quarter over quarter. We were hoping for a little stronger performance than they delivered in the first quarter. We're very comfortable in the second half. And with the turnaround at Ferndale behind them, we think they're in an excellent position.

Matthew Akman - Scotiabank GBM - Analyst

There was a comment in the MD&A outlook section that the EBITDA of Petrogas is expected to increase with the growth in fee-for-service and margin. What are some of the assets that they've just brought online that will result in that?

David Cornhill - AltaGas Ltd. - Chairman & CEO

A few. They have a number of strategic storage facilities, whether it's in Sarnia and Chicago and at the Fort. Those are all coming online. So, those are probably the key ones. Ferndale as well. So, they have a number of strategic storage positions that are just coming online this year.

Matthew Akman - Scotiabank GBM - Analyst

Okay, thanks. And just, final question. I know that the Company, Petrogas, working with ATCO on some cavern storage in that areas as well. And do you know if those will be fully-contracted types of assets and what the returns on capital look like, roughly, based on contract?

David Cornhill - AltaGas Ltd. - Chairman & CEO

I can't speak about returns, but generally I would say that they're contracted.

Matthew Akman - Scotiabank GBM - Analyst

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

David Cornhill - AltaGas Ltd. - Chairman & CEO

Thank you.

Operator

Thank you. There are no further questions registered at this time. I'd like to turn the meeting back over to Mr. Nieuwerk. Please go ahead.

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

Thank you, operator. And thank you, everybody, for joining us today. That concludes our Q1 2015 conference call. For anybody interested, we do have our AGM webcast later today as well at 3 PM Mountain Time. Thank you.

Operator

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