

THIRD QUARTER 2014 EARNINGS CALL

CORPORATE PARTICIPANTS

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David Cornhill *AltaGas Ltd. – Chairman and Chief Executive Officer*

David Harris *AltaGas Ltd. – Chief Operating Officer*

Debbie Stein *AltaGas Ltd. – Senior Vice President Finance and Chief Financial Officer*

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CONFERENCE CALL PARTICIPANTS

David Noseworthy *CIBC World Markets - Analyst*

Rob Hope *Macquarie Capital Markets – Analyst*

Carl Kirst *BMO Capital Markets – Analyst*

Robert Catellier *GMP Securities – Analyst*

Robert Kwan *RBC Capital Markets – Analyst*

Steven Paget *First Energy – Analyst*

PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the AltaGas Limited third quarter conference call. I would now like to turn the meeting over to Mr. Jess Nieuwerk, Director, Finance and Communications. Please go ahead.

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

Thank you, Operator. Good morning, everyone. Welcome to AltaGas' third quarter 2014 conference call. Speaking today are David Cornhill, Chairman and Chief Executive Officer; David Harris, 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 and Chief Executive Officer*

Thank you, Jess. Good morning, everyone.

Before I talk about the quarter, I'd like to congratulate our team and all parties involved in achieving commercial operations at Forrest Kerr. I would like to especially thank the Tahltan First Nations. It is their traditional territory where this landmark green project operates. The Tahltan have played a key role in the project's success, and we will continue to work closely with them as we provide clean energy to British Columbia for decades to come.

I believe the Forrest Kerr project is a shining example of how working together -- first nations, government and the private sector -- can create significant social value. What's important is that all parties receive a fair share of the benefit while taking care to minimize the long-term impacts on the environment.

Reaching COD marks a significant completion of the largest project in AltaGas' history. I am very proud of this, and there is more to come. Our team continues to work hard on Volcano, which has begun commissioning and will be on shortly and we'll deliver McLymont onstream in 2015. Finally, I am very pleased to say that Forrest Kerr is performing slightly above our expectations. It is still early days but is looking promising.

Today, we report third quarter normalized earnings of \$0.13 per share compared to \$0.21 per share in the third quarter of 2013, normalized FFO of \$79.9 million compared to \$80.2 million last year, EBITDA of \$104.9 million compared to \$103.5 million in the same quarter last year. Our third quarter results were negatively impacted by soft Alberta power prices and lower generation.

We continue to execute on our strategy. We are engaged in advanced discussions with producers in northeast BC. These discussions are about providing them with a very competitive service offering, from gas processing to providing access to higher netback markets for their production.

We are also active in providing very competitive options for producers' LNG production. We believe we can provide significant value to our customers through this integrated approach, for example, the 15-year strategic alliance with Painted Pony. Our first infrastructure project under the alliance, Townsend, is a 198 million cubic feet a day shallow cut plant. As Painted Pony continues to develop the area, we expect this to grow to about 0.5 Bcf a day.

We have made significant progress in reaching new markets with LPG. Through our Petrogas Ferndale facility, we have delivered product to Asian markets for the first time. We expect to ramp up export volumes at Ferndale to approximately 30,000 barrels a day over the next few years. We also continue to target a site off the BC coast to export an additional 30,000 barrels.

I'm pleased with the progress made on the Douglas Channel LNG export initiative. Yesterday, the Supreme Court of British Columbia approved a plan of arrangement for filing and distributing to bidders. Bidders are to review the plan of arrangement, and there will be a vote on the plan.

With a positive vote achieved in support of a plan of arrangement, it will proceed to be sanctioned by the Court and become effective thereafter upon satisfying other conditions prescribed in the plan of arrangement, including finalization of documents -- transaction documents and approval of the PNG agreement from the British Columbia Utilities Commission. This allows us to continue to pursue the project and brings us one step closer to executing LNG export off Canada's West Coast. Ultimately, we see this project being the first LNG project in British Columbia to achieve shipments to Asia.

Now to comment on the LNG tax regime proposed by the BC government. At first glance, the new legislation gives us better certainty to move our projects forward to meet our customers' requirements. We will review the details further in the coming weeks. We would ask the federal government to follow BC's leadership in providing fiscal certainty.

We are well positioned to deliver solid results into 2015. Our utility business continues to grow, and we expect it will deliver strong results. Our gas business is also expected to deliver strong results, despite two major planned turnarounds at our two largest processing facilities next year. The power business will benefit from the Northwest hydro projects. However, soft Alberta power markets will continue to be of concern in 2015.

We will continue to execute on our strategy and deliver significant long-term value to our shareholders. I'll now pass the call on to David Harris.

David Harris – AltaGas Ltd. – Chief Operating Officer

Thank you, David, and good morning, everyone. In the third quarter, we once again benefitted from strong operations and the diversity of our three business segments. The impact from a weak power pricing environment in Alberta was positively offset by significant stronger performance in our gas segment.

Normalized operating income from our gas business increased \$12.7 million to \$39 million compared to the same quarter 2013. Our gas business benefitted primarily from the acquisition of Petrogas and higher volumes processed. We continue to benefit significantly from the ramp up in volumes in liquid-rich areas.

Total volumes processed increased by over 200 Mmcf per day to 1,447 Mmcf per day compared to third quarter 2013. This was driven by higher volumes at Gordondale and Blair Creek. In addition, Co-stream operated in accordance with contractual obligations and delivered returns in line with our expectations.

For the third quarter 2014, AltaGas had 63% of frac exposed production and average frac spread of \$24 per barrel. This compares to 73% hedged at \$28 per barrel in the same quarter last year. Spot NGL frac spread from third quarter 2014 was \$21 per barrel, compared to \$29 per barrel a year ago.

Normalized operating income from our power business was \$19.4 million. The average realized power price for the quarter was \$74.51 per megawatt hour, compared to \$79.42 per megawatt hour for the same period last year. We hedged approximately 55% in Alberta in the third quarter at an average price of \$67 per megawatt hour, compared to 62% at \$70 per megawatt hour a year ago.

Alberta power prices continued to be a headwind in the third quarter. They were more than 20% lower than what they were in third quarter 2013. We also had lower production from the Sundance facility than was available to be generated. We expect Alberta power prices will remain under pressure for at least the next year.

The 800-megawatt Shepard power plant is already producing some power, and the market is reflecting the expectations that it will be fully operational early next year. We've said it will take some time for the market demand to absorb this new supply.

The third quarter is usually a quiet quarter at the utilities. The segment continues to deliver solid results with operating income of \$7.8 million comparable to third quarter 2013. Customer and rate-based growth combined with colder weather were offset by higher expenses and depreciation.

Year to date, all three segments are performing well. Normalized operating income combined for the nine months ended September 30th is \$283.9 million, compared to \$261.6 million for the same period in 2013.

Looking at the rest of 2014, we expect to produce approximately 7,800 barrels of C3-plus per day that is directly exposed to frac spread. Of that, approximately 80% is hedged at an average price of \$26 per barrel. In power, we are approximately 55% hedged at \$62 per megawatt hour for the fourth quarter. In October, prices have averaged \$28 per megawatt hour month to date.

For 2015, we have hedged approximately 40% of our gas volumes exposed to frac spread at an average price of approximately \$27 per barrel. In power, we are approximately 20% hedged at an average price of approximately \$63 per megawatt hour for the next year.

Let me provide an update on some of our projects under development. As David mentioned, we have completed all testing and commissioning at Forrest Kerr and provided a COD certificate to BC Hydro. Third quarter production was impacted by a delay in the NTL in-service date, NTL constraints and extraordinarily high water levels on the Iskut River that impacted commissioning in late September.

As a precautionary measure, AltaGas removed Forrest Kerr from service until commissioning checks could be completed and all units could be safely restarted. Forrest Kerr returned to service on October 11th and reached COD on October 21st.

We have made significant progress at Volcano, which continues to pace two years ahead of schedule. We have entered into the final commissioning stages. Commercial operations are expected to be achieved in the fourth quarter.

At McLymont Creek, tunneling construction is 90% complete. The powerhouse foundation is complete with the powerhouse steel and crane being installed and installation of turbines well under way. We have completed construction of the intake access road and expect to start intake construction in November. McLymont remains on track to be in service in mid-2015.

In the third quarter, we completed commercial agreements underpinning the Townsend facility, and the project is now under way. The feed study has been initiated with CB&I, which includes all technical information required for environmental permitting, data sheets required to order long lead equipment, and a modulization study to optimize construction and schedule.

At the site, clearing has been completed, logging has been completed, as well as the geo-technical work. Surveys, environment and archeological assessments are being performed on the gathering line from Blair Creek and the sales line to Spectra.

At the Blythe facility in California, we are anticipating upcoming RFPs by the end of the year. We continue to work on the opportunity to double the size of the existing facility, and are also looking at further opportunities to expand generation capacity over the long term.

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

Debbie Stein – AltaGas Ltd. – Senior Vice President Finance and Chief Financial Officer

Thank you, David. Good morning, everyone.

This morning, we reported normalized and GAAP earnings of \$16.6 million, or \$0.13 per share, for third quarter 2014. This compared to \$24.7 million, or \$0.21 per share, in third quarter 2013 on a normalized basis. On a GAAP basis, net income applicable to common shares for third quarter 2013 was \$43.3 million, or \$0.36 per share. You may recall that in third quarter last year, we recorded the one-time gain of \$18.7 million resulting from the sale of the Pacific Trails pipeline sold by PNG in 2011 and the provision that was taken for some gas processing assets.

Normalized EBITDA for the third quarter 2014 was \$104.9 million, slightly higher than the \$103.5 million reported in third quarter 2013. Normalized funds from operations was \$79.9 million, or \$0.63 per share, compared to \$80.2 million, or \$0.68 per share, in the same period 2013.

Earnings were lower, mostly due to the impact of lower earnings from our Alberta power assets as well as the fact that we recorded amortization and interest related to Forrest Kerr in-service of August 12th, although the plant was not running at full load during that period.

In the third quarter, we also had higher costs related to financing activities we completed in the quarter.

On a cash flow basis, however, we were slightly higher. Strong results in gas and utilities offset the lower earnings in our power business.

We also maintained our FFO quarter over quarter, although we had incremental interest from bringing Forrest Kerr into service as well as the incremental cost of financing activity. This was offset by lower cash taxes at PNG and our US operations.

Our payout as a percentage of normalized FFO for the trailing 12 months ending September 30, 2014, remains within our range of 40% to 50%, at 47%.

Interest expense for third quarter 2014 was \$28.6 million. This was slightly higher than the same period last year as a result of the higher average debt balance and lower capitalized interest.

In third quarter 2014, we reported an income tax expense of \$1.8 million, compared to \$7.5 million in the same quarter last year. The lower income tax expense is the result of lower taxable earnings compared to the same period in 2013. Cash tax was lower due to the tax on capital gain related to the PTP in third quarter 2013 as well as lower cash tax at the US operations and at PNG.

For the nine months ended September 30, 2014, normalized net income applicable to common shares was \$117 million, or \$0.94 per share, compared to \$116 million, or \$1.02 per share, for the same period in 2013. The lower earnings per share were primarily due to the higher share count as a result of common shares issued in 2013 as well as our recent equity offering to fund our ongoing construction projects.

On a GAAP basis, net income applicable to common shares for the nine months ended September 30, 2014, was \$85.4 million, or \$0.69 per share, compared to \$128.2 million, or \$1.12 per share, for the same period 2013.

Year-to-date GAAP earnings in 2014 included an after-tax gain of \$8.9 million from the sale of noncore assets, a noncash after-tax provision of \$28.7 million related to the assets we acquired with the Taylor NGL Limited Partnership transaction in 2008, an \$8.1 million after-tax provision related to a number of small hydro projects we expect to sell, an approximately \$3 million after-tax provision related to mark-to-market accounting, and costs related to the redemption of our MTNs earlier this year.

GAAP earnings for the nine months ended September 30, 2013 included significant one-time gain related to the PTP sale as well as the impact of lower taxes related to changes in tax rates related to preferred dividends, which was slightly offset by the provision we took for some gas processing assets.

Normalized EBITDA for the nine months ended September 30, 2014, was \$391.6 million, compared to \$355.6 million for the same period in 2013. Normalized funds from operations was \$315.6 million, or \$2.54 per share, compared to \$279.3 million, or \$2.45 per share, in the same period 2013.

On a year-to-date basis in 2014, FFO and EBITDA increased by 13% and 10%, respectively. Strong results in the gas and utilities offset the impact of lower earnings from our Alberta power assets and the lower-than-expected earnings from Forrest Kerr.

For the three and nine months ended September 30, 2014, net invested capital was \$199.2 million and \$433.6 million, respectively. For full-year 2014, we expect our capital expenditures to be in the range of \$500 million to \$550 million. We expect capital expenditures in the range of \$550 million to \$650 million in 2015. Our balance sheet remains strong with debt-to-total capitalization of 44%.

On the financing side, we were busy in the third quarter. In July, we successfully completed an 8 million share issuance for our Series-G preferred shares for gross proceeds of \$200 million. In August, we closed a 30-year, \$300 million MTN offering, as well as completed a common share offering for gross proceeds of \$460 million.

We are well positioned to fund our growth program in 2015 and beyond. Our average debt maturity is now just over eight years and continues to be very manageable. We will continue to balance our long-term and short-term financing as well as our floating and fixed-rate debt in order to execute our financing strategy to support our business strategy.

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

Jess Nieuwerk – AltaGas Ltd. – Director Finance and Communications

Thank you, Debbie. Operator, we'll now to go questions and answers, please.

QUESTION AND ANSWER

Operator

David Noseworthy, CIBC

David Noseworthy – CIBC World Markets – Analyst

Perhaps I could just start off on the topic of LNG and, specifically, Douglas Channel. In the most recent monitor report it suggests that December 5th would be the suggested date for court sanctioning of the plan of arrangement. And I was just wondering, from your perspective, is this a reasonable expectation in light of what we've experienced to date for this process?

John Lowe – AltaGas Ltd. – Executive Vice President Corporate Development

Hi, David. Actually, that court date is now December 10th. And I think that that's a reasonable date to have all of the agreements escrowed, the creditors' meeting vote. And then the one other aspect that we'll need a third-party approval for is BCUC approval for the amended gas transportation agreement.

David Noseworthy – CIBC World Markets – Analyst

Okay.

John Lowe – AltaGas Ltd. – Executive Vice President Corporate Development

And so that may stretch beyond the sanction ordered date, but the sanction would stand and it would be subject only to that approval.

David Noseworthy – CIBC World Markets – Analyst

Okay. And then just in terms of this approved plan of arrangement to consider. Under that plan of arrangement, how much of Douglas Channel would AltaGas ultimately own?

David Cornhill – AltaGas Ltd. – Chairman and Chief Executive Officer

Through the JV, we'll own about a third of it. The other partners are EXMAR and EDF.

David Noseworthy – CIBC World Markets – Analyst

Okay, so you've got a third, which is then cut 50-50.

David Cornhill – AltaGas Ltd. – Chairman and Chief Executive Officer

Yes.

David Noseworthy – CIBC World Markets – Analyst

Perfect. Okay. And then just moving on, but a little bit related here, recently you've seen the First Nations band – Burns Lake Band object to the PNG looping project EA process. And I was just wondering what are the options available to the BC Environmental Assessment Office and AltaGas to address these concerns? And how do you see this impacting timing?

John Lowe – AltaGas Ltd. – Executive Vice President Corporate Development

It's John Lowe again. Is that Burns Lake issue related to another pipeline, or is it PNG, David?

David Noseworthy – CIBC World Markets – Analyst

It's both PNG and TransCanada's pipeline proposal.

John Lowe – AltaGas Ltd. – Executive Vice President Corporate Development

I think that from PNG's standpoint, that's something that we'll be able to work through with the Environmental Assessment Office.

David Noseworthy – CIBC World Markets - Analyst

Okay, so AltaGas works through the Environmental Assessment Office because it seems to me that they're saying – hey, the land area that was considered under the EA process wasn't big enough, considering the Supreme Court Williams' decision, it needs to be redone. And so you're of the opinion that you'll be able to work through the EAO to come to an agreement that satisfies Burns Lake?

John Lowe – AltaGas Ltd. – Executive Vice President Corporate Development

Yes.

David Noseworthy – CIBC World Markets – Analyst

Okay, fair enough. So no material impact to your timelines?

John Lowe – AltaGas Ltd. – Executive Vice President Corporate Development

I don't believe so.

David Noseworthy – CIBC World Markets – Analyst

Okay, that's helpful. And then maybe just while we're on the PNG, we've seen a number of LNG export facilities proposed in the past couple months, including Orca LNG and a revised Cedar LNG. And I was just wondering what you're seeing in terms of demand for the PNG pipeline beyond your 635 Mmcf per day potential expansion.

John Lowe – AltaGas Ltd. – Executive Vice President Corporate Development

I think that these projects are at the preliminary stage. We haven't upsized the expansion at this stage, but we are talking to people.

David Noseworthy – CIBC World Markets – Analyst

All right. Those are my questions. I'll get back into queue. Thank you very much.

John Lowe – AltaGas Ltd. – Executive Vice President Corporate Development

Thanks.

Operator

Rob Hope, Macquarie.

Rob Hope – Macquarie Capital Markets – Analyst

Maybe shifting to northeast BC and some gas processing opportunities, I know in the past you had talked about \$1 billion of opportunities there. Maybe you could provide an update on how those opportunities are going beyond Townsend.

David Harris – AltaGas Ltd. – Chief Operating Officer

We're in active discussions with a number of producers at this point, and when you add up the discussions, we talked about a Bcf of processing capacity, and we're more in discussions with over a Bcf right now. So we won't get them all, but having a very positive dialogue with a number of producers, and carrying out pre-feed work as well and looking at other opportunities.

So we feel very positive. Part of our being positive, with the announcement with the court ruling yesterday approving a preliminary plan, is also provides us some additional traction in the area.

Rob Hope – Macquarie Capital Markets – Analyst

Good to hear. Maybe just switching over to LPG, then, it looks like Ferndale is ramping up. Do you have an updated FID for your potential BC facility?

David Harris – AltaGas Ltd. – Chief Operating Officer

Not at this time.

Rob Hope – Macquarie Capital Markets – Analyst

All right, thank you.

David Harris – AltaGas Ltd. – Chief Operating Officer

Thanks.

Operator

Carl Kirst, BMO Capital Markets.

Carl Kirst – BMO Capital Markets – Analyst

Maybe just, actually, a couple of follow ups to David and Rob's questions, but maybe first on the LNG side. So if you all think you can work through the EA process there, should we still be thinking about possible FID for Triton and PNG looping call it late 2015?

David Cornhill – AltaGas Ltd. – Chairman and Chief Executive Officer

I think everything in BC has been pushed back. I would say that if you look at distributions, there's almost zero earlier, and most of the distributions are later with the complexity of the regulatory framework now, I guess, in terms of the court ruling in August.

Carl Kirst – BMO Capital Markets – Analyst

Okay, that's helpful, David. Maybe then kind of going back up to BC as far as the midstream, you mentioned sort of now kind of in discussions for over a Bcf a day of potential processing capacity. I think we spoke earlier about now that kind of the first term sheet, if you will, for Painted Pony has been done, it might be easier to replicate this. And what I wonder is will potential other parties or shippers, as far as being able to replicate this, want to see more history, perhaps, with how the PPY goes forward, or do you think that it could be replicated perhaps sooner rather than later – I.e., some of your discussions about the 1 Bcf a day is more perhaps front burner rather than back burner? Any color there?

David Cornhill – AltaGas Ltd. – Chairman and Chief Executive Officer

I would say it's front burner. There is lots of interest in the producer community with the structure of the Painted Pony long-term strategic alliance, and being able to provide producers with access to Asian markets, whether it's through LPG or LNG early stage with our Douglas Channel is of significant interest to our customers. So I would say they are more front burner than back burner. But when you look at construction times and that, we're coming into 2015, in a couple years it'll be 2017 timelines at the earliest with some of those in terms of actually bringing stuff onstream.

Carl Kirst – BMO Capital Markets – Analyst

Okay, thank you. And then maybe just sort of lastly and this is more third quarter related. Looking in the Alberta power market, the volumes were a little bit lighter than what we were expecting, and then I kind of understand that you all don't have control over the dispatch here. But I'm just trying to kind of get a better sense of were there specific factors impacting the third quarter? And if you have an outlook for what volumes generation, volumes might be for the fourth quarter and 2015, if you could share any color around that as well?

David Harris – AltaGas Ltd. – Chief Operating Officer

I think with respect to dispatch ability, as you are aware, TransCanada handles dispatch for us. We are in discussions with them about whether we should each handle our own dispatch. That's where I'll leave that at this point.

And at this stage, we would probably expect maybe dispatch to be a little bit stronger as we get into 2015, but as I said, we'll turn around and take a tighter look at that as we get to the end of the year and the beginning of 2015 especially, depending on what actual influence Shepard has on the market.

Carl Kirst – BMO Capital Markets – Analyst

Understood. I appreciate that, David. Thanks, guys.

David Cornhill – AltaGas Ltd. – Chairman and Chief Executive Officer

Thank you.

Operator

Robert Catellier, GMP Securities.

Robert Catellier – GMP Securities – Analyst

Good morning, and thank you, and congratulations on Forrest Kerr.

David Cornhill – AltaGas Ltd. – Chairman and Chief Executive Officer

Thank you. It's been four years.

Robert Catellier – GMP Securities – Analyst

I'm just going to follow up on the questions with respect to Alberta power and the dispatch. It would seem on the face of it, with TransCanada handling the dispatch function and their broader portfolio bidding considerations, there might be a bit of a conflict of interest there. So how are you addressing that, or is that otherwise addressed in the operating agreement? And do you have some sort of influence that can mitigate that moral hazard?

David Harris – AltaGas Ltd. – Chief Operating Officer

The influence is our ability to take control of our own dispatch, and that's where we're possibly heading down. We're in discussions, as I said, with TransCanada now to talk about each one of us just handling our own dispatch.

Robert Catellier – GMP Securities – Analyst

So you have contractual ability to recall the dispatch function?

David Harris – AltaGas Ltd. – Chief Operating Officer

We do.

Robert Catellier – GMP Securities – Analyst

Okay. And then just with respect to LNG, can you just confirm that if the plan of arrangement for Douglas Channel as it currently stands, that's ultimately approved, does it provide definitive access to a site for LNG, for Triton LNG?

David Cornhill – AltaGas Ltd. – Chairman and Chief Executive Officer

Yes, it does.

Robert Catellier – GMP Securities – Analyst

Okay. And then sort of a broad, open-ended question here, but if you put aside the other complexities that go along with LNG projects, it sounds like you view the Douglas Channel and the Triton LNG project as economically viable in light of the recent BC policy announcements on emissions and tax.

John Lowe – AltaGas Ltd. – Executive Vice President Corporate Development

Yes.

Robert Catellier – GMP Securities – Analyst

So then, in light of that, what are you hoping the federal government will do to promote LNG and BC?

John Lowe – AltaGas Ltd. – Executive Vice President Corporate Development

I think they could provide some relaxation -- or probably certainty, some capital cost allowance certainty. And there's some other fiscal changes that they could make to recognize the benefit that Canada is going to realize in the decades to come from LNG exports.

Robert Catellier – GMP Securities – Analyst

Okay. And are those the same considerations that go into your regional LNG strategy, or is there anything different there?

John Lowe – AltaGas Ltd. – Executive Vice President Corporate Development

I think for regional LNG, we're not particularly looking for anything for the federal government.

Robert Catellier – GMP Securities – Analyst

Okay, thank you. Those are my questions.

Operator

Robert Kwan, RBC Capital Markets.

Robert Kwan – RBC Capital Markets – Analyst

If I can start with the discussions you're having with the gas producers for new infrastructure, and it's still pretty early with the way oil prices have dropped. I'm just wondering, though, have you noticed a change in tone with the discussions with the potential customers just as they're reviewing their drilling budgets?

David Cornhill – AltaGas Ltd. – Chairman and Chief Executive Officer

Not significantly at this point with respect to the people that we're talking to. Just as a general feel, I don't think it's hit Calgary too hard at this point, but we're monitoring that and looking at options. We haven't seen a change in mood at this point, but everyone will be going into this quarter and next quarter, firming up their drilling budgets.

Robert Kwan – RBC Capital Markets – Analyst

Thanks, David. And I guess just kind of your thoughts, than. Is your sense, then, that it's just too early to get that read, or do you feel that they're not overly concerned given we haven't necessarily broken into the 70s?

David Cornhill – AltaGas Ltd. – Chairman and Chief Executive Officer

Well, I think from a gas perspective, we're still up from lows. Liquids pricing we'll see how it firms up this fall. I think we could see some constraint. But when you talk to a lot of the producers, their breakeven is sub-\$2.00, and when they take a long-term view, they think that they'll continue. You might see it marginally slowing, but at this point, we haven't seen a significant change in view, especially in that area.

Robert Kwan – RBC Capital Markets – Analyst

Okay, that's great. Just turning to your outlook for Alberta power pricing going into 2015, certainly I'm sensing a more cautious tone just given what we've seen in the market. I'm wondering if you're able to give a sense as to your view on prices and volatility, even if on price instead of a point number. If you've got one, that's great, but even just compared to where the forward curve is right now, now that it's sitting a little under \$50.

David Harris – AltaGas Ltd. – Chief Operating Officer

Yes, I think, Robert, when we look forward into 2015, we're seeing, from a forward perspective, \$48, \$49. I would expect you'll see less volatility in the next couple of years, and the reason for that primarily is with Shepard coming on, you've now got about 15,800 megawatts of installed capacity. Right? And typical peaks for the winter we see in Alberta is around 11,000, and in the summer it's about 10,700, so your reserve margins are in that 30% and 32% range, respectively.

Our growth rate within Alberta is about 250 to 300 megawatts a year, so it's going to take about two, maybe two and a half years for the market to absorb Shepard. So we'd expect less volatility over the next couple of years. And when you look forward, you don't see prices start bridging back above \$50 into that \$52 range until you get to the 2017 timeframe.

Robert Kwan – RBC Capital Markets – Analyst

So are you seeing value in the curve, then, versus your outlook for next year?

David Harris – AltaGas Ltd. – Chief Operating Officer

Right now, I'd say it's at par.

Robert Kwan – RBC Capital Markets – Analyst

Maybe just a last question here. It was a small number, but I'm kind of more looking at the outlook. You had some transaction costs for potential acquisitions. And I'm just wondering is that something that's ongoing, or has that opportunity past? And kind of more looking forward, what is your thought on the various M&A opportunities? What does the opportunity set look like – geographies, technology, that type of thing?

Debbie Stein – AltaGas Ltd. – Senior Vice President Finance and Chief Financial Officer

It's just some small M&A activity on the power side, nothing grandiose. The transaction costs were, I would say, fairly immaterial.

Robert Kwan – RBC Capital Markets – Analyst

Was it kind of a one-off, or like just how are you seeing the M&A opportunities as you go forward here?

David Cornhill – AltaGas Ltd. – Chairman and Chief Executive Officer

With respect to any significant M&A, we pretty well have our plate full at this point. So it wouldn't be on the back burner, but it's still on the stove, I guess to put it. We'll always be aware of what's going on, but with what we see and the opportunity to build out integrated opportunity in northeast BC, both on

the gas processing side, providing opportunity for producers to get their liquids to Asian markets - that's on the front burner for us, and M&A is on the back burner but still on the stove.

Robert Kwan – RBC Capital Markets – Analyst

Okay, that's great. Thank you very much.

Operator

Steven Paget, First Energy.

Steven Paget – First Energy – Analyst

Just on the capitalization at Townsend, are you spending some of the \$325 million to \$350 million in capital on assets could be used for additional expansions, or does some of the capital include gathering systems?

David Harris – AltaGas Ltd. – Chief Operating Officer

Actually, all of the above, Steven. We're in the process right now of optimizing the design. So to answer your question, all of the above.

Steven Paget – First Energy – Analyst

So a phase two might have a lower dollar-per-Mmcf capacity ratio?

David Harris – AltaGas Ltd. – Chief Operating Officer

That's a fair assessment.

Steven Paget – First Energy – Analyst

Thank you, David. Could someone please comment on the market for LNG produced by the Dawson Creek project, how much is sort of secured? Is there any take or pay, or is it open up a station and see who arrives?

David Cornhill – AltaGas Ltd. – Chairman and Chief Executive Officer

It'll be based by long-term contracts. We will allow some spot portions as well because -- just sort of frac requirements in the area and drilling rigs. We think it's a good market to serve and transportation is quite attractive. So it'll be a combination of long-term commitments to take base volumes and leave a portion of it to supply the local spot market.

Steven Paget – First Energy – Analyst

Okay, thank you, David. You had expected a PNG revenue requirement decision in the third quarter. Any news there?

David Harris – AltaGas Ltd. – Chief Operating Officer

No, none at this time, Steven.

Steven Paget – First Energy – Analyst

Thank you. Those are my questions.

Operator

David Noseworthy, CIBC.

David Noseworthy – CIBC World Markets – Analyst

I have just a couple of clean-up questions here. First, just with regards to your Ferndale export facility, you mentioned an intention to ramp up capacity to 30,000 barrels per day over the coming years. What are the capital costs related to ramping up the capacity to 30,000 barrels per day?

David Cornhill – AltaGas Ltd. – Chairman and Chief Executive Officer

One, there will be equity accounted for, so they won't show directly, but maybe David can provide some color.

David Harris – AltaGas Ltd. – Chief Operating Officer

Yes, it depends on what we end up actually doing, but I think a fair range is maybe somewhere between the \$80 million to \$120 million range.

David Noseworthy – CIBC World Markets – Analyst

Okay, that's helpful. And then with regards to your Painted Pony strategic alliance, Painted Pony has on their investor deck a need for a fractionator and another gas plant come first quarter 2017. If they are still on track for their needs, when does that then need to be confirmed up with AltaGas to deliver that?

David Cornhill – AltaGas Ltd. – Chairman and Chief Executive Officer

As I said, we're looking to provide an integrated solution, so we're well down on a number of those fronts to meet those needs.

David Noseworthy – CIBC World Markets – Analyst

Okay. So in terms of the timing of an announcement?

David Cornhill – AltaGas Ltd. – Chairman and Chief Executive Officer

You're just going to have to -- you're going to have to wait until Christmas.

David Noseworthy – CIBC World Markets – Analyst

All right, fair enough. Thank you very much. Those are my questions.

Operator

Carl Kirst, BMO Capital Markets.

Carl Kirst – BMO Capital Markets – Analyst

David, just very quickly, and I apologize if you mentioned this in your prepared remarks, but you mentioned I believe the growth capital for 2015 in the \$500 million to \$550 million range. I don't know if you guys can call out projects or not, but I didn't know if specifically the Blythe twinning was in there. And then just sort of more broadly, with what the current plan is, do you see any equity needs, or did the funding essentially this summer take care of that?

Debbie Stein – AltaGas Ltd. – Senior Vice President Finance and Chief Financial Officer

So the number that I gave for 2015, Carl, was \$550 million to \$650 million.

Carl Kirst – BMO Capital Markets – Analyst

\$550 million to \$650 million.

Debbie Stein – AltaGas Ltd. – Senior Vice President Finance and Chief Financial Officer

Yes. It includes a small amount of dollars to get us ready for Blythe, but not any major capital expenditures. Our fees don't come out until later this year. So until we know whether we have contract in hand, we won't be committing a significant amount of dollars. But there's a fair bit of short money that we're spending at that facility to make sure that we stay on top of the opportunity.

And in terms of funding, I think when we look at the \$550 million to \$650 million, the majority of that is getting Townsend across the finish line for late 2015. It's finishing up McLymont -- not a lot of money in there for Volcano. Volcano will be pretty much done in 2014. We budget at this point about \$100 million to \$150 million on the utility side. So those are kind of the three buckets to think about when we look at the current guidance of the \$550 million to the \$650 million.

Carl Kirst – BMO Capital Markets – Analyst

Excellent. And as far as potential equity needs between the summer and the DRIP, that should be fine, or --?

Debbie Stein – AltaGas Ltd. – Senior Vice President Finance and Chief Financial Officer

Yes, we're in pretty good shape. From a liquidity point of view, we've got lots of it. We're sitting with about \$460 million of cash at the end of third quarter, and we've got lots of room on the balance sheet. So I think from a funding point of view over the next 12 to 18 months with the projects that we have in the pipeline, we're well funded.

Carl Kirst – BMO Capital Markets – Analyst

Great. Thanks, everyone.

Debbie Stein – AltaGas Ltd. – Senior Vice President Finance and Chief Financial Officer

Thank you.

David Cornhill – AltaGas Ltd. – Chairman and Chief Executive Officer

Thank you.

Operator

Steven Paget, First Energy.

Steven Paget – First Energy – Analyst

Just a question on power and sensitivity. In 2014, it was \$1 per megawatt means a \$0.01 per share change in earnings. Should we be looking at the same sensitivity for 2015?

Debbie Stein – AltaGas Ltd. – Senior Vice President Finance and Chief Financial Officer

Steven, I don't have the exact EPS number, but here's how I would look at that. Unhedged, it's about a \$2 million to operating income. And I believe we're about close to 20% hedged for 2015. So you can take operating income of 80% of the \$2 million will be about \$1.6 million at an operating income level. So that is probably just over \$0.01 at this point in time. But you'll notice that throughout the year, we continue to add hedges, so over the course of time, that sensitivity goes down as we add more hedges.

Steven Paget – First Energy – Analyst

Thank you, Debbie. That's very useful. And you'll continue adding hedges at a similar pace?

David Harris – AltaGas Ltd. – Chief Operating Officer

That's correct, Steven. We'll pick our spots accordingly.

Steven Paget – First Energy – Analyst

Thank you, David. Those are my questions.

Operator

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

Jess Nieukerk – AltaGas Ltd. – Director Finance and Communications

Thanks, Operator. Thank you, everybody, for joining AltaGas' third quarter 2014 conference call. We look forward to seeing you at Investor Day, and we're also available today for any follow-up questions. Thank you.

Operator

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