



# Review of 2009 Results

**March 3, 2010**



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# Fort Chicago – Financial Results

(\$ Millions, except where noted)	Three months ended December 31		Year ended December 31	
	2009	2008	2009	2008
<b>Net income (loss)</b>	(24.5)	(17.9)	37.6	61.5
<b>Per Unit (\$)</b>	(0.18)	(0.13)	0.28	0.46
<b>Adjusted net income <sup>(1)</sup></b>	19.2	3.2	83.5	72.1
<b>Per Unit (\$)</b>	0.14	0.02	0.61	0.54
<b>Cash from operating activities</b>	43.7	39.3	210.7	262.6
<b>Distributable cash <sup>(1)</sup></b>	34.0	22.5	149.0	160.1
<b>Per Unit (\$)</b>	0.25	0.17	1.10	1.20
<b>Distributions paid/payable <sup>(2)</sup></b>	34.6	33.5	136.1	133.2
<b>Per Unit (\$)</b>	0.25	0.25	1.00	1.00

(1) Adjusted net income and distributable cash are non-GAAP measures. See 2009 MD&A

(2) For the three months and year ended December 31, 2009, distributions paid/payable includes \$14.9MM and \$44.0MM, respectively, satisfied through the issuance of Units under DRIP.

# 2009 Highlights

- ❖ Strong financial results from Pipeline and NGL businesses
  - ❖ Steady, stable results from Alliance and AEGS
  - ❖ NGL market conditions recovered from fourth quarter 2008 decline
- ❖ East Windsor Cogeneration Facility commenced operations in November
- ❖ Enhanced financial flexibility
  - ❖ \$200 million senior note offering in July
  - ❖ \$44 million equity raised through distribution reinvestment plan
- ❖ Advanced growth initiatives
  - ❖ Progressed Alliance and Aux Sable strategy to attract new sources of rich gas
  - ❖ Glen Park hydro-power acquisition announced in December
  - ❖ Received FERC approval to construct and operate Jordan Cove LNG facility and Pacific Connector gas pipeline

# Pipeline Business

- ❖ Alliance and AEGS operated in a safe, reliable manner throughout 2009
- ❖ Solid, predictable earnings and cash flows
- ❖ Alliance continues to leverage its assets and competitive advantages for further optimization and growth
  - ❖ Expanded receipt and gathering services to provide greater access to Montney and Bakken
  - ❖ Alliance has agreements to date for 3 new receipt point interconnections with an aggregate capacity of 42 mmcf/d



# Alliance - Financial and Operating Highlights

(\$ Millions, except where noted)	Three months ended December 31		Year ended December 31	
	2009	2008	2009	2008
<b>Revenues</b> <sup>(1)</sup>	100.2	108.3	390.5	392.0
<b>EBITDA</b> <sup>(2)</sup>	67.2	71.5	281.5	288.0
<b>Net income before tax</b>	24.2	24.7	101.3	108.4
<b>Adjusted net income before tax</b>	24.2	24.7	101.3	98.4
<b>Capital expenditures</b>	0.1	11.2	2.0	25.1
<b>Total assets</b>			2,053.9	2,179.3
<b>Senior debt</b>			1,121.8	1,260.2
<b>Volumes (bcf/d)</b>	1.569	1.583	1.601	1.609

(1) Before intersegment eliminations.

(2) EBITDA is a non-GAAP measure. See 2009 MD&A.

# AEGS - Financial and Operating Highlights

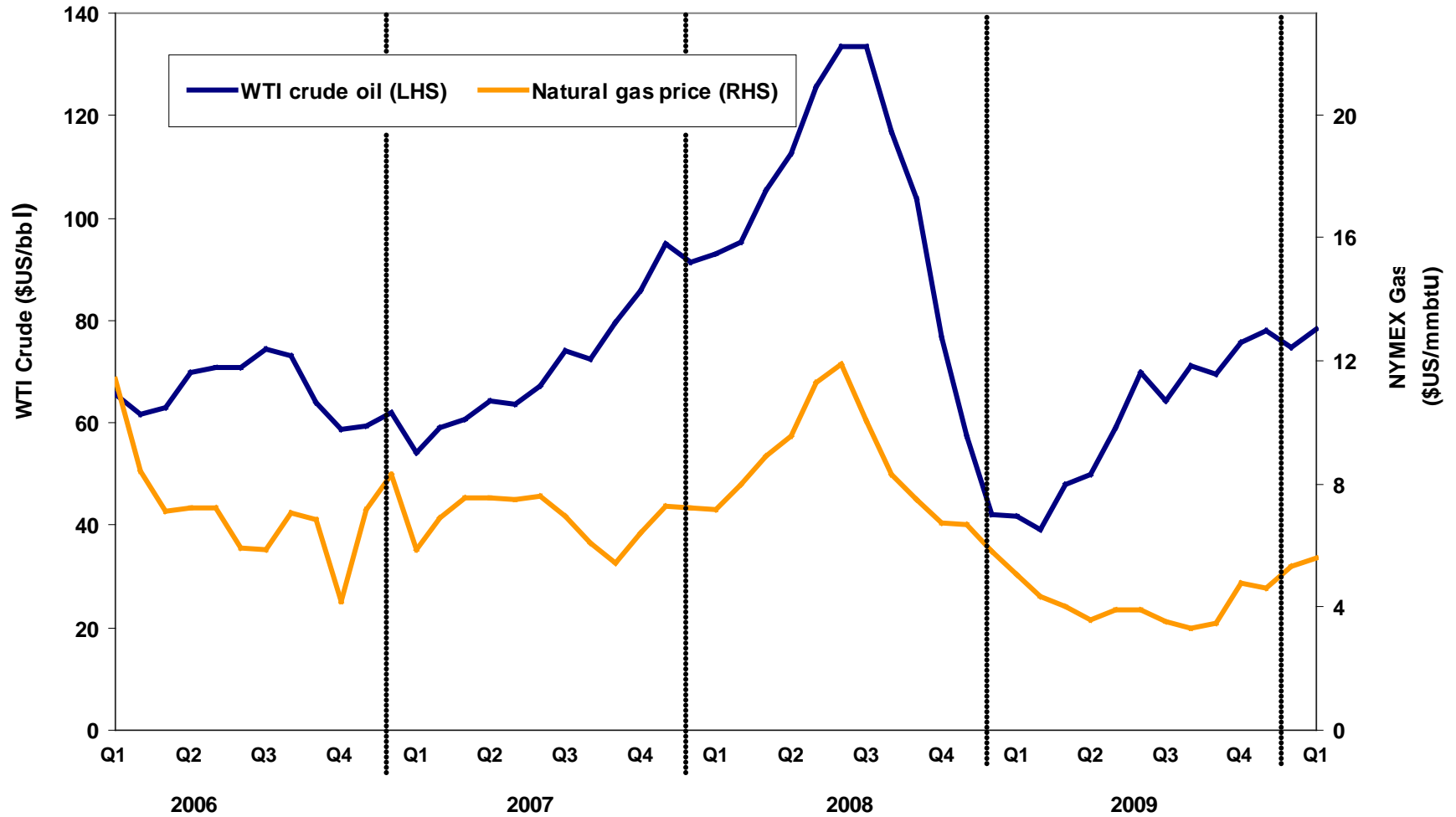
(\$ Millions, except where noted)	Three months ended December 31		Year ended December 31	
	2009	2008	2009	2008
<b>Revenues</b>	11.6	10.8	40.1	42.6
<b>EBITDA</b>	5.8	6.0	23.1	24.0
<b>Net income before tax</b>	1.2	1.4	4.6	5.5
<b>Capital expenditures</b>	-	-	-	-
<b>Total assets</b>			231.6	245.5
<b>Senior debt</b>			99.0	101.5
<b>Volumes (mbbls/d)</b>	274.9	290.1	277.8	299.8

# NGL Business

- ❖ Outstanding safety and environmental performance
- ❖ NGL fractionation margins improved throughout 2009
- ❖ Aux Sable processed over 96% of the natural gas delivered by Alliance
- ❖ In Q4, combined planned minor maintenance work with project to increase ethane recoveries on one train
- ❖ Purchased Septimus Gas Plant in December

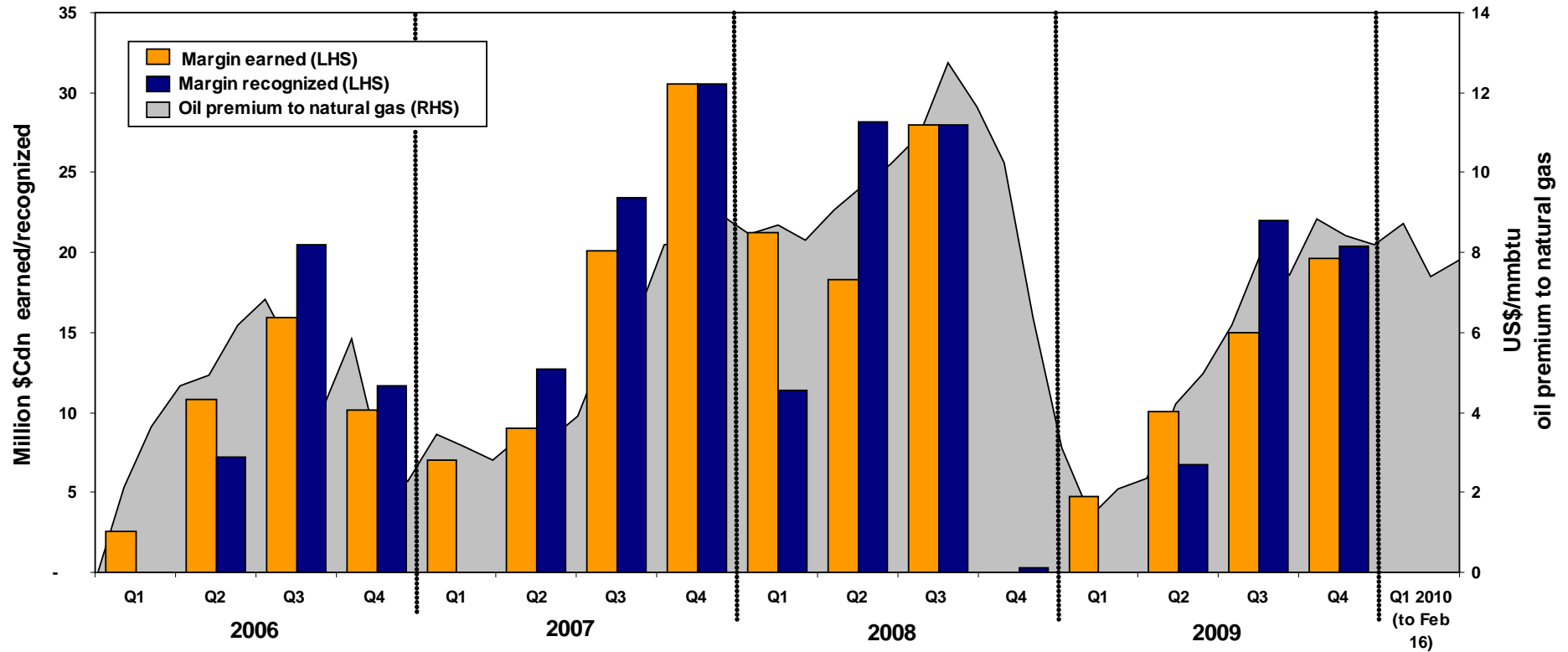


# WTI Crude Oil and NYMEX Gas Prices



# NGL Margin Earned versus Recognized

- ❖ Aux Sable earned \$49.3 million in margin-based lease revenues in 2009 (2008 - \$67.7 million)
- ❖ Q409 reflects one of Aux Sable's strongest quarters to date for margin-based revenues earned



# Aux Sable - Financial and Operating Highlights

(\$ Millions, except where noted)	Three months ended December 31		Year ended December 31	
	2009	2008	2009	2008
<b>Revenues</b>	57.5	28.3	149.7	180.4
<b>EBITDA</b>	27.8	(0.4)	54.2	68.0
<b>Net income before tax</b>	27.4	(1.6)	50.8	63.9
<b>Adjusted net income before tax</b>	17.9	(1.6)	41.3	63.9
<b>Capital expenditures</b>	15.2	2.7	16.6	9.7
<b>Total assets</b>			174.5	197.9
<b>Senior debt</b>			29.6	26.5
<b>Gulf Coast margins (\$US per US gallon)</b>				
Ethane	0.38	(0.01)	0.22	0.31
Propane plus (incl. injections)	0.82	0.25	0.58	0.69
<b>Volumes (mbbls/d)</b>				
Ethane	37.5	4.0	33.0	29.7
Propane plus (incl. injections)	30.0	30.2	31.7	31.2
	67.5	34.2	64.7	60.9

# Power Business

## Fort Chicago Power

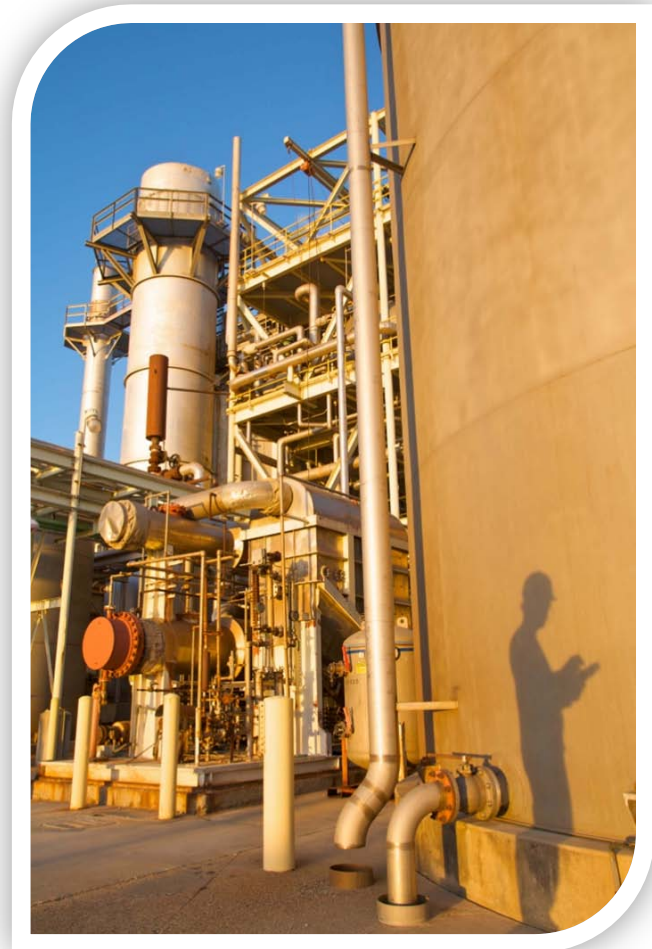
- ❖ Earnings impacted by \$78.1 million non-cash write down (\$50.7 million after-tax) on California cogeneration facilities
  - ❖ CPUC changed heat rate in SRAC formula
  - ❖ Reduces cash flows by approx. US\$3 - \$4 million/year
  - ❖ Capacity payments not affected by SRAC change
- ❖ Full year earnings and cash flow contribution from London cogeneration facility

## NRGreen

- ❖ Improved reliability and performance in 2009

## East Windsor Cogeneration

- ❖ Construction completed essentially on time and on budget
- ❖ Commenced operations in November



# Power - Financial and Operating Highlights

(\$ Millions, except where noted)	Three months ended December 31		Year ended December 31	
	2009	2008	2009	2008
<b>Revenues</b>	18.0	23.2	75.7	93.4
<b>EBITDA</b>	2.1	0.7	22.6	20.7
<b>Net loss before tax</b>	(82.9)	(26.7)	(81.3)	(17.0)
<b>Adjusted net loss before tax</b>	(4.8)	(5.6)	(0.9)	(0.1)
<b>Capital expenditures</b>	13.4	28.1	32.0	98.5
<b>Total assets</b>			380.7	499.0
<b>Senior debt <sup>(1)</sup></b>			137.0	138.6
<b>Electricity Volumes (MWh)</b>				
Fort Chicago Power	82,593	191,302	492,935	505,988
NRGreen	39,116	29,492	135,568	73,697

(1) Includes Fort Chicago Power's exchangeable debentures.

# Fort Chicago Corporate - Financial Highlights

(\$ Millions)	Three months ended December 31		Year ended December 31	
	2009	2008	2009	2008
Revenues	-	0.2	0.8	0.7
Depreciation and amortization	1.0	1.0	4.1	4.3
Interest and other finance	4.9	3.7	14.8	16.7
General and administrative	3.9	3.1	15.7	13.4
Project development	2.3	3.4	10.6	10.8
Foreign exchange loss and other	4.1	7.8	1.8	27.7
<b>Net expenses before tax</b>	16.2	18.8	46.1	72.2
<b>Tax expense (recovery)</b>	(21.9)	(3.0)	(8.3)	27.1
<b>Net expenses (income)</b>	(5.6)	15.8	37.8	99.3
<b>Adjusted net expenses</b>	19.3	15.8	62.9	95.6
<b>Senior debt</b>			317.5	341.3

# 2009 Distributable Cash

(\$ Millions, except where noted)	Three months ended December 31		Year ended December 31	
	2009	2008	2009	2008
<b>Cash inflows</b>				
Alliance	29.0	29.2	119.5	121.4
AEGS	3.7	3.9	14.9	15.8
Aux Sable	18.9	0.6	45.6	69.5
Fort Chicago Power	(2.6)	0.9	13.0	8.9
NRGreen	0.6	-	1.9	1.0
Interest income and other	-	0.1	4.0	0.6
	49.6	34.7	198.8	217.2
<b>Cash outflows</b>				
General and administrative	4.2	3.1	16.1	13.4
Interest and other finance	4.8	3.6	14.2	16.2
Taxes	5.8	4.6	16.0	24.3
Principal repayments on senior debt	0.8	0.9	3.4	3.2
	15.6	12.2	49.8	57.1
<b>Distributable cash</b>	<b>34.0</b>	<b>22.5</b>	<b>149.1</b>	<b>160.1</b>
<b>Per Unit (\$)</b>	<b>0.25</b>	<b>0.17</b>	<b>1.10</b>	<b>1.20</b>

# 2010 Distributable Cash Guidance

(\$ Per Unit, except where noted)	2010 Guidance		2009	2008
	Low	High	Actual	Actual
Alliance	0.83	0.89	0.88	0.91
AEGS	0.10	0.11	0.11	0.12
Aux Sable	0.11	0.66	0.33	0.52
Fort Chicago Power	0.08	0.12	0.10	0.07
NRGreen	0.01	0.01	0.01	0.01
East Windsor	-	0.03	-	-
General and administrative	(0.13)	(0.12)	(0.09)	(0.10)
Debt service - principal repayments and interest, net	(0.18)	(0.15)	(0.11)	(0.15)
Taxes	(0.03)	(0.25)	(0.13)	(0.18)
<b>Distributable cash</b>	<b>0.85</b>	<b>1.30</b>	<b>1.10</b>	<b>1.20</b>
<b>Distributable cash per unit sensitivity (pre-tax, annualized)</b>				
Cdn \$0.01 change in Cdn/US exchange rate	0.005	0.006	0.007	0.006
US \$5.00 change in WTI crude	0.08	0.10	0.082	0.085
US \$1.00 change in Henry Hub natural gas	0.12	0.13	0.122	0.120

# 2009 Growth Strategy

- ❖ Incrementally build out Alliance and Aux Sable infrastructure to leverage value of existing assets
- ❖ Establish a significant footprint in off-gas
- ❖ Grow power business
- ❖ Develop projects to diversify and add substantial investment growth



# Strategic Focus on Building Out Alliance and Aux Sable Infrastructure to Target Rich Gas

- ❖ Coordinated growth strategies, focused on investment in rich-gas pipeline and strategic gas plants that will facilitate high-margin NGL component recoveries
- ❖ Three significant shale gas formations in close proximity to the Alliance pipeline route:
  - ❖ Horn River (northeastern B.C.)
  - ❖ Montney (northeastern B.C.)
  - ❖ Bakken (North Dakota, Montana)
- ❖ Shale gas from Montney and associated solution gas from Bakken has high heat content
- ❖ Provides growth opportunities
  - ❖ New supply basins for Alliance
  - ❖ Increased NGL extraction opportunities for Aux Sable
- ❖ Alliance and Aux Sable are advancing their strategies to access these sources of natural gas

# Strategic Developments – Alliance Pipeline and Aux Sable

- ❖ New Alliance receipt point to access rich gas
  - ❖ Interconnect with Pecan Pipeline Inc.'s Prairie Rose Pipeline constructed and placed into service in February 2010
  - ❖ Delivering high heat content natural gas from the Bakken to Aux Sable's Channahon facility for processing
  - ❖ 10-year transportation agreement with Alliance
  - ❖ Enhances Aux Sable's profitability
- ❖ Septimus Gas Plant acquired by Aux Sable in December 2009
  - ❖ Located in liquids-rich Montney region
  - ❖ Will process rich, sweet natural gas
  - ❖ Aux Sable is evaluating expansion of plant capacity
  - ❖ Pipeline under construction
    - ❖ Will connect gas plant to Alliance
    - ❖ Expected to be in service Q2 2010

# Glen Park Facility

- ❖ Announced acquisition in December 2009
- ❖ 33 MW hydro-power facility on the Black River in upstate New York
- ❖ Long-life, environmentally friendly asset
- ❖ Purchase price: US\$80 million, including working capital
- ❖ Will use existing bank credit facilities to fund purchase price
- ❖ Expected to close in Q1 2010

## 2010 Focus

- ❖ Advance Alliance and Aux Sable's strategy to attract new sources of rich gas
- ❖ Pursue further growth for our power business through acquisition and greenfield development
- ❖ Position ourselves to refinance our revolving credit facilities, which mature in 2011
- ❖ Transition to a corporate structure
- ❖ Finalize state approval requirements needed for Jordan Cove and continue to advance commercial negotiations

# Summary

- ❖ Strong financial results
  - ❖ SRAC change was unexpected, but is a one-time loss
- ❖ Solid operating performance
  - ❖ All assets performing in line with target
- ❖ Enhanced financial flexibility
  - ❖ \$200 million senior note offering in July
- ❖ Continued emphasis on execution of growth strategy
  - ❖ Pursue NGL-rich gas for transport on Alliance and extraction at Aux Sable
  - ❖ Expand our power business



## Question and Answer Session

# Long-Lived Assets – Canadian GAAP Test for Recoverability

## What to test:

- ❖ Non-monetary long-lived assets, including capital and intangible assets
- ❖ Test each “asset group”
  - ❖ Lowest level of assets and liabilities for which identifiable cash flows are largely independent of the cash flows of other assets or groups of assets and liabilities

## When to test:

- ❖ Whenever events or changes in circumstances indicate carrying value may not be recoverable (i.e. SRAC change)

## How to test:

- ❖ Step 1
  - ❖ Compare sum of expected undiscounted cash flows (“UCF”) to carrying value (“CV”)
  - ❖ If  $UCF > CV$ , asset group not impaired
  - ❖ If  $UCF < CV$ , asset group impaired; proceed to Step 2
- ❖ Step 2
  - ❖ Calculate fair value (“FV”) of asset group
  - ❖ Impairment loss = amount by which  $CV > FV$
  - ❖ Write assets down to FV