Management's Discussion and Analysis

	2000	1999
INCOME FOR 12 MONTHS ENDED DECEMBER 31		
Net income	$ 26,996,000	$ 27,046,000
Net income per Class A Unit	$ 0.40	$ 0.41
INCOME FOR THREE MONTHS ENDED DECEMBER 31		
Net income	$ 5,478,000	$ 5,738,000
Net income per Class A Unit	$ 0.07	$ 0.09

	As at December 31 2000	1999
BALANCE SHEET		
Cash	$ 37,031,000	$ 81,002,000
Investment in Alliance	$ 593,725,000	$ 377,347,000
Partners' equity	$ 496,782,000	$ 429,453,000
Class A Units outstanding	71,843,054	66,100,829

GENERAL OVERVIEW

The year 2000 was a significant year for Fort Chicago Energy Partners L.P. (the "Partnership" or "Fort Chicago"). Both the Alliance Pipeline and Aux Sable Plant were completed during the year and commenced commercial operation on December 1, 2000. In addition, Fort Chicago completed a $41 million equity offering of 4,655,000 Class A Units in November, 2000.

In early 2001, the Partnership replaced its bank credit facilities to provide additional financial flexibility and to allow a transition to longer term debt financing.

RESULTS OF OPERATIONS

For the year ended December 31, 2000, Fort Chicago had earnings of $27.0 million or $0.40 per Class A Unit, unchanged from $27.0 million or $0.41 per Class A Unit in 1999. Interest income for the year was reduced from the prior year and interest and finance expenses increased as a result of the investment of the Partnership's cash in the Alliance and Aux Sable projects and the need to draw upon the bank credit facilities in late 1999. The Partnership incurred a foreign exchange loss in 2000 of $1.7 million as most of the credit facilities have been drawn in U.S.$ to finance the Aux Sable Plant. Equity income increased to $40.5 million in 2000 from $26.7 million in 1999 as a result of higher earning in the Alliance Pipeline. The Alliance Pipeline recognizes the allowed Allowance for Funds used During Construction ("AFUDC") that is included in the Alliance Pipeline rate base for tariff purposes. AFUDC was much higher in 2000 as a result of higher equity capital invested in the Alliance Pipeline Project. The Alliance Pipeline ceased recording AFUDC on December 1, 2000, and at that time started to earn the allowed equity return on the capital invested included in its transportation tariff.

Included in fourth quarter equity earnings of the Alliance and Aux Sable projects was a $0.7 million loss from operations of the Aux Sable Plant and $0.4 million loss on gas marketing activities undertaken by an affiliate of the Alliance Pipeline. Due to the volatility in natural gas prices and natural gas liquids extraction margins, there may be further losses in 2001 from these activities.

RISK MANAGEMENT

During 2000, the Partnership undertook a review of its risk management options. The primary risks to the Partnership are:

1) natural gas liquids extraction margins;
2) fluctuation in exchange rates; and
3) risk of default of shippers on the Alliance Pipeline.

Although the natural gas liquids extraction margins represent the largest variability in the cash distribution to Unitholders, the Partnership is not aware of an effective hedge. No recognized forward markets exist for ethane, and for propane the market is largely concentrated within the first two forward months. The use of a proxy hedge is theoretically possible to hedge natural gas liquids extraction margins and it would reduce the risk profile marginally, however, the possibility of losses occurring under the hedge at the same time as falling natural gas liquids extraction margins was sufficiently large to override the potential benefits.

The Partnership's earnings and cash flow is largely derived in U.S. dollars. To offset some of this risk we have denominated a majority of the Partnership's borrowing in U.S. dollars to provide a hedge against movements in the exchange rates.

The Alliance shippers are concentrated in the natural gas producing and marketing sectors of the Western Canadian Sedimentary Basin. The Alliance Pipeline does not have a significant concentration of credit risk as it has a portfolio of 38 shippers, 88 percent of which are investment grade or equivalent. In addition, Alliance has a stringent credit review and approval process with any shipper not meeting Alliance's investment grade or equivalent criteria being required to post security in the form of a letter of credit or a dedication of natural gas reserves.

QUARTERLY INFORMATION

	Three months ended			
2000	March 31	June 30	Sept. 30	Dec. 31
Revenues ($ thousands)				
Interest	$ 774	$ 332	$ 211	$ 316
Net income ($ thousands)	$ 6,892	$ 6,974	$ 7,652	$ 5,478
Net income per Class A Unit				
Basic	$ 0.10	$ 0.11	$ 0.12	$ 0.07
Fully diluted	$ 0.10	$ 0.11	$ 0.12	$ 0.05

	Three months ended			
1999	March 31	June 30	Sept. 30	Dec. 31
Revenues ($ thousands)				
Interest	$ 2,332	$ 2,006	$ 1,998	$ 1,584
Net income ($ thousands)	$ 6,685	$ 6,277	$ 8,346	$ 5,738
Net income per Class A Unit				
Basic	$ 0.10	$ 0.10	$ 0.12	$ 0.09
Fully diluted	$ 0.10	$ 0.10	$ 0.12	$ 0.09

LIQUIDITY AND CAPITAL RESOURCES

The Partnership has been capitalized with equity capital of $425 million and debt, net of working capital, of $100 million. On March 6, 2001, the Partnership entered into new credit facilities as described in Note 9 of the financial statements. On that date, the existing facilities of $130 million were repaid from proceeds of the new credit facilities and cash on hand.

Going forward, the Partnership anticipates arranging longer term financing to replace most of these credit facilities with the intent of matching the repayment obligation to the recovery of capital from the Alliance Pipeline Project. Although management believes this should be possible, there is no assurance that the Partnership will be able to complete such a financing before the maturity of the existing facilities on March 5, 2002.

The ability of Fort Chicago to make cash distributions or return capital contributions or to repay its bank credit facilities is primarily dependent upon the receipt by Fort Chicago of cash distributions and other payments from Alliance Pipeline and the Aux Sable Plant. Pursuant to the financing arrangements for the Alliance Pipeline, as long as there are any obligations outstanding to the lenders thereunder, Alliance Pipeline Limited Partnership and Alliance Pipeline L.P. may make distributions or return capital contributions to their limited partners (including Fort Chicago) so long as at the time of any such distribution or other payment various conditions are met including, among other things, (a) no "Event of Default" or event which with the giving of notice or passage of time or both could become an "Event of Default" shall have occurred and be continuing, (b) certain debt service accounts and debt service reserve accounts are fully funded, (c) certain debt service coverage ratios and projected debt service coverage ratios are met, and (d) such distribution or other payment is not funded by the senior debt. An "Event of Default" is defined in the Common Agreement relating to the senior debt of the Alliance Pipeline to include those events which are typically referred to in a loan agreement and the occurrence of, among other things, any of the following events:

(i) there is a stipulated level of defaults by shippers in making payments under transportation contracts or in complying with the creditworthiness requirements of the Alliance Pipeline; and

(ii) default by a third party under any operational agreement concerning Alliance or Aux Sable and failure to replace such third party within 90 days of such default and such default being likely to have a material adverse effect on Alliance Pipeline Limited Partnership or Alliance Pipeline L.P.

The Partnership's investment in the Alliance and Aux Sable projects has been made via investments in subsidiary partnerships and corporations. There are no legal or practical restrictions on such subsidiary partnerships or corporations from transferring funds received from the Alliance and Aux Sable projects to the Partnership except that the subsidiary corporations must meet liquidity and solvency tests under applicable corporate law.

The Partnership has certain commitments to fund the Alliance and Aux Sable projects that are disclosed in Note 7 to the financial statements. The Partnership may commit further funds during the coming year to enhance or expand the Alliance and Aux Sable projects, the amount of which should not be significant.

DISTRIBUTIONS

The Partnership will distribute "Distributable Cash" to Unitholders on a quarterly basis. The Partnership anticipates distributing Distributable Cash in respect of the quarters ending March, June, September and December in each year to Unitholders of record on the last day of the applicable quarter. Payments will be made on or before the 30th day after each record date. There is no assurance that the Partnership will make a distribution for any particular quarter. In future, the Partnership may determine to distribute Distributable Cash on a monthly basis rather than on a quarterly basis.

The annual amount of Distributable Cash will vary based on the, i) amount of distributions received from the Alliance Pipeline and Aux Sable Plant, (ii) the economics of operating the Aux Sable Plant, (iii) the amount of cash held in reserve by the Partnership, (iv) the financing costs of the Partnership, including the requirement to retire the Partnership's indebtedness, and (v) the operating expenses of the Partnership.

The Partnership's credit facilities entered into on March 6, 2001 also impose certain restrictions on the Partnership to make cash distributions to Unitholders including (i) limiting the Partnership's ability to incur additional debt to finance cash distributions and (ii) restricting the ability of the Partnership to make distributions when a "Default" or an "Event of Default" shall have occurred or be continuing.

On January 15, 2001, the Partnership paid an initial distribution of $0.075 per Class A Unit to Unitholders of record on December 29, 2000. In addition, the Partnership announced on March 20, 2001 the payment of $0.175 per Class A Unit to Unitholders of record on March 30, 2001. For 2001, the Partnership anticipates that the amount of distributions will vary between $0.70 and $0.90 per Class A Unit (annualized) based upon approximately $0.75 to $0.80 per Class A Unit of distributions from the Alliance Pipeline, $0.00 to $0.20 per Class A Unit for distributions from the Aux Sable Plant less $0.12 to $0.14 per Class A Unit for financing and administration expenses. These estimates have been prepared based on a U.S.$ exchange rate of $0.65. The amount of distributable cash is highly sensitive to the natural gas liquids extraction margins. Since start-up of the Aux Sable Plant on December 1, 2000, this margin has been very depressed which has affected the ability of the Aux Sable Plant to generate distributions for its owners, including Fort Chicago.

TAXATION OF UNITHOLDERS AND THE RECEIPT OF DISTRIBUTIONS BY UNITHOLDERS

The following is of a general nature and is not intended to be, nor should it be considered to be, legal or tax advice. Therefore, Unitholders should consult their own tax advisors with respect to their particular circumstances.

Tax Deductions

A Partnership generally is not subject to federal or provincial income tax. The annual income gains, losses, deductions or credits of the Partnership flow through to the Unitholders who are required to report their allocated share of these amounts on their individual tax returns as though the Unitholder had incurred these items directly. The Partnership agreement allocates these amounts to Unitholders of record on March 31, June 30, September 30 and December 31 of each year ("Unitholder of Record").

In March, Unitholders of Record receive a T5013 tax form that summarizes their allocated share of the Partnership's reportable tax items for the calendar year ended December 31, and certain information required to be included in their tax returns. Only the amounts shown on the T5013 should be entered on each Unitholder's tax returns. The Partnership has summarized the information on the inside back cover of this annual report.

Distributions and Adjusted Cost Base of Units

Holders of Class A Units are required to reduce the adjusted cost base of their units by the amount of any distributions received. In addition, the cost base of a holder's units is reduced by the amount of any loss allocated to a Unitholder and increased by the amount of any income allocated to a Unitholder on their T5013 form.

The adjusted cost base is used in calculating capital gains and losses on the disposition of the Class A Units if the units are held as capital property by the Unitholder.

OWNERSHIP RESTRICTIONS

The Partnership was organized in accordance with the terms and conditions of a limited partnership agreement dated as of October 9, 1997 as amended and restated on November 21, 1997 and as further amended on March 7, 2001 (the "Partnership Agreement"). The Partnership Agreement provides that no Class A Units may be transferred to (i) a person who is a "non-resident" of Canada, a person in which an interest would be a "tax shelter investment" or a partnership which is not a "Canadian partnership" for purposes of the *Income Tax Act* (Canada) or (ii) a person who is a "Competitor" (as defined in the Partnership Agreement). The Partnership Agreement further provides that no person, other than an "Exempt Person" (as defined in the Partnership Agreement), may beneficially own 10 percent or more of the outstanding Class A Units prior to May 29, 2001.

RISK FACTORS

An investment in Class A Units is subject to a number of risks. There is a risk that a purchaser of Class A Units may lose some or all of his or her investment. Initially, the Partnership's sole assets will be its interest in the Alliance Pipeline and the Aux Sable Plant.

The business of the Partnership is subject to the normal risks associated with the pipeline and natural gas liquids extraction industries, including operating risks inherent in the operation of a complex pipeline system with little prior operating history, future demand risks beyond the terms of the current transportation contracts, related dependence on available reserves within the Western Canadian Sedimentary Basin and the exploitation thereof, government and environmental regulations where applicable, price fluctuations of natural gas and natural gas liquids, availability of inlet natural gas, risk of default by shippers, competitive pressures, fluctuation of the Partnership's operating costs, fluctuations in the U.S.-Canada currency exchange rate, present and future financing risk of the Alliance and Aux Sable projects and risks of claims in excess of insurance coverage maintained by the Alliance and Aux Sable projects. Furthermore, risks of substantial costs and liabilities relating to environmental claims are inherent in pipeline and natural gas processing operations and there can be no assurance that such costs or liabilities will not be incurred.

Distributions by the Partnership to the holders of Class A Units will fluctuate and there can be no assurance regarding the amounts to be distributed. The revenue of the Partnership will be based upon tolls charged pursuant to transportation service agreements, which expire 15 years after the in-service date of the Alliance Pipeline Project, unless renewed. Therefore, beyond the initial term of such agreements, the revenues derived by the Partnership will depend upon demand for natural gas in markets served by the Alliance Pipeline and the availability of competitive alternatives for transportation of natural gas to such markets.

The Partnership may issue an unlimited number of additional Class A Units without the approval of the holders of Class A Units, such that the holders of Class A Units may be subject to a dilution of their interests. A holder of Class A Units, to maintain limited liability, must not take part in the management or control of the Partnership's business.

A Unitholder should consult with his own financial or tax advisor with respect to the tax considerations in connection with an investment in the Class A Units.