

Letter to Unitholders

As President and Chief Executive Officer, I am pleased to report on the financial and operating results of Fort Chicago Energy Partners L.P. for the first quarter of 2010. The continued strength of the NGL business environment resulted in record first quarter results from Aux Sable and a significant contribution to our earnings and cash flows.

FINANCIAL RESULTS

For the three months ended March 31, 2010, we generated net income of \$14.1 million or \$0.10 per Unit compared to \$11.3 million or \$0.08 per Unit for the same period in 2009. The increase was primarily driven by significantly higher earnings from Aux Sable, which benefited from the continued strength of NGL market conditions. Aux Sable generated \$24.9 million of margin-based lease revenues, a first quarter record for Aux Sable, of which \$11.9 million was recognized in first quarter earnings. Barring a significant downward shift in NGL market conditions, we expect Aux Sable will recognize the remaining \$13.0 million of margin-based lease revenues over the balance of this year. In comparison, Aux Sable generated \$4.7 million of margin-based lease revenues during the first quarter of 2009, none of which could be recognized during the period.

Earnings from our power business also increased compared to the first quarter of 2009, primarily due to the recognition of a non-cash fair value gain recorded in relation to Fort Chicago Power's exchangeable debentures, coupled with the effect of last year's \$2.4 million pre-tax fair value loss related to our investment in Pristine Power Inc. Power earnings for the first quarter of 2010 also reflect increased results from NRGreen and contributions from our new power assets, the East Windsor cogeneration facility, which commenced operations in November 2009, and the Glen Park hydro-power facility, acquired on March 18, 2010. These increases were partially offset by the effect of the stronger Canadian dollar and by lower energy margins at Fort Chicago Power's California cogeneration facilities, due to the new Short Run Avoided Cost energy reimbursement formula ("SRAC") which came into effect in August 2009.

Earnings from our pipeline businesses, Alliance and AEGS, were relatively consistent with the same period last year, although Alliance's U.S.-generated earnings were impacted by the effect of the stronger Canadian dollar.

We incurred higher corporate costs during the first quarter of 2010, reflecting increased interest costs related to our July 2009 issuance of senior notes, project development costs, and foreign exchange losses previously deferred and recorded in other comprehensive income. Increased taxes in the first quarter of 2010 correspond with the increase in Aux Sable's earnings this period.

For the three months ended March 31, 2010, net income equaled adjusted net income. During the same period last year, net income was adjusted for the fair value decrease of our investment in Pristine, considered non-recurring, resulting in adjusted net income of \$13.6 million or \$0.10 per Unit.

Distributable cash for the three months ended March 31, 2010 was \$31.7 million or \$0.23 per Unit, which approximated amounts generated for the same period in 2009, reflecting:

- consistent distributions from Alliance as higher income tax recoveries were offset by the effect of the stronger Canadian dollar;
- comparable distributable cash from AEGS;
- higher distributions from Aux Sable, reflecting continued strength in NGL markets;
- lower distributable cash from Fort Chicago Power, reflecting lower energy margins at the California cogeneration facilities and the effect of the stronger Canadian dollar;
- lower corporate general and administrative costs;
- increased corporate interest costs, due primarily to the senior notes issued in July 2009; and
- increased current taxes related to Aux Sable's first quarter 2010 earnings.

We generated cash from operating activities of \$66.3 million for the three months ended March 31, 2010, a \$21.9 million increase from the same period last year, due primarily to:

- increased cost of service recoveries from Alliance;
- increased operating cash flows from Aux Sable; and
- lower corporate income tax payments.

OPERATING HIGHLIGHTS

During the three months ended March 31, 2010, the Alliance pipeline continued to operate in a reliable manner, fully meeting its contracted 1.325 billion cubic feet per day of firm-service shipping capacity. Actual transportation deliveries averaged 1.680 bcf/d, a slight decrease from volumes of 1.690 bcf/d delivered during the same period last year. In February 2010, Pecan Pipeline (North Dakota) Inc., a subsidiary of EOG Resources Inc., completed construction of a gathering pipeline connecting to a new gas receipt point on the Alliance pipeline, to bring rich gas from the Bakken formation on to the Alliance system for delivery to Aux Sable's Channahon facility. Pecan holds a 10-year firm transportation contract with Alliance for an initial contracted capacity of 40 mmcf/d for the first year, increasing to 80 mmcf/d for the remainder of the contract term.

AEGS first quarter toll volumes of 283.7 thousand barrels per day decreased slightly relative to 284.1 mbbbls/d in the same period last year, due primarily to lower gas flows across Alberta during the quarter, which limited ethane production.

During the three months ended March 31, 2010, Aux Sable processed nearly 100 percent (2009 - 93 percent) of the natural gas delivered by Alliance. There was no downtime for maintenance in the first quarter of 2010, while minor maintenance was performed in the same period in 2009. After performing detailed external assessments of remaining facilities to be internally inspected, Aux Sable has determined it will complete required inspection work in 2011. Aux Sable sold 76.7 mbbbls/d of natural gas liquids during the first quarter of 2010, up from 53.9 mbbbls/d for the same period in 2009. Average ethane volumes increased to 45.0 mbbbls/d in the first quarter of 2010 from 22.4 mbbbls/d in the first quarter of 2009 due to higher ethane recoveries. As a result of weak market conditions in the first six weeks of 2009, Aux Sable reinjected ethane for that period.

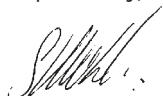
Fort Chicago Power generated 87,510 megawatt hours of electricity, down from 182,686 MWh during the same period last year, primarily reflecting reduced dispatch at the California cogeneration facilities. Under the new SRAC, it is less economic to dispatch these facilities during non-peak periods.

Planning is underway for our conversion to a taxable Canadian corporation by January 1, 2011. A special Unitholder meeting will be held in the fourth quarter of 2010 to approve the conversion.

UPDATED 2010 GUIDANCE

Today, we announced updated guidance for 2010 distributable cash to be in the range of \$0.95 per Unit to \$1.40 per Unit, up from previously issued guidance of \$0.85 per Unit to \$1.30 per Unit. The updated range reflects Aux Sable's strong year-to-date performance and the anticipation of continued favourable market fundamentals. Further, Aux Sable's decision to complete inspection work in 2011 instead of 2010 is expected to have a positive impact on forecasted 2010 production levels, earnings and cash flows. The updated guidance range also reflects the assumption of a stronger Canadian dollar relative to previous assumptions. Further details concerning 2010 guidance can be found in the "Investor Information" section of our website - www.fortchicago.com.

Respectfully,



Stephen H. White

President and Chief Executive Officer

April 29, 2010