



NEWS RELEASE

ALTAGAS REPORTS SECOND QUARTER RESULTS

Calgary, Alberta (July 29, 2010) – AltaGas Ltd. (AltaGas) (TSX: ALA) today reported net income for the three months ended June 30, 2010 of \$28.4 million or \$0.35 per unit. Funds from operations for the three months ended June 30, 2010 were \$44.3 million or \$0.54 per unit. Today AltaGas also declared the August monthly dividend of \$0.11 per share.

“Our diversified gas and power asset base continues to provide strong earnings and cash flow contributions,” said David Cornhill, Chairman and CEO of AltaGas. “The successful reorganization into a dividend paying corporation in July sets the stage for the next evolution in AltaGas’ long-term shareholder value creation strategy. Our substantial portfolio of organic growth projects and the Forrest Kerr run-of-river hydro facility under a 60-year contract with BC Hydro will provide sustainable, long-term returns.”

SECOND QUARTER HIGHLIGHTS:

Net income for the three months ended June 30, 2010 was \$28.4 million or \$0.35 per unit compared to \$36.9 million or \$0.47 per unit for second quarter 2009. Net income as reported included the impact of mark-to-market accounting as a result of risk management and investing activities. Excluding the impact of mark-to-market accounting, net income in second quarter 2010 was \$26.3 million or \$0.32 per unit compared to \$28.3 million or \$0.36 per unit for second quarter 2009. The decrease was primarily due to higher interest expense associated with a higher average debt balance related to AltaGas’ capital growth program and acquisitions as well as a second quarter 2009 adjustment in Energy Services related to natural gas transactions.

Partially offsetting this decrease was higher earnings associated with the acquisition of Natural Gas Distribution assets, stronger contributions from the Power segment primarily due to higher realized power prices and income tax recovery.

Reorganization to a Dividend Paying Corporation

AltaGas successfully completed the previously announced plan of arrangement (the “Arrangement”) in which the business, under an income trust structure, was reorganized into a dividend paying corporation. Pursuant to the Arrangement, former unitholders of the Trust and exchangeable limited partnership units of AltaGas Holding Limited Partnership No. 1 (“LP #1”) received one common share of AltaGas Ltd. for each trust unit or exchangeable limited partnership unit on a tax deferred basis.

On July 5, 2010 the common shares of AltaGas were listed on the Toronto Stock Exchange (“TSX”) under the trading symbol “ALA”. The units of the Trust that traded on the TSX under the trading symbol “ALA.UN” have been delisted. All previous members of the Board of Directors of AltaGas General Partner Inc. are now directors of AltaGas Ltd.

Dividends will be paid monthly starting on August 16, 2010. The dividend is set at \$0.11 per share on a monthly basis, or \$1.32 per share on an annual basis.

Forrest Kerr Project

During the second quarter 2010, AltaGas signed a 60-year inflation indexed Electricity Purchase Agreement with BC Hydro for its 195-MW Forrest Kerr run-of-river hydro electricity generation project. The construction site is located in northwest British Columbia, approximately 100 km north of Stewart. AltaGas expects the Forrest Kerr project to be the first of three run-of-river power generation projects in the area, which also include the McLymont Creek and Volcano Creek projects, collectively known as the Northwest Projects. The projects are anticipated to have a total generating capacity of 277 MW.

“The Forrest Kerr project represents an important milestone in AltaGas’ power business as we continue to build long-term contracted generation assets,” said Mr. Cornhill. “We invest in renewable energy because it’s consistent with our strategy of replacing current conventional generation with clean, renewable generation, and of holding and operating high quality assets with stable, long-term cash flows.”

Forrest Kerr is located in Tahltan First Nation traditional territory. AltaGas and the Tahltan Nation have established a strong working relationship that will see the people of the Tahltan Nation having employment and business opportunities and economic participation in the Forrest Kerr project. AltaGas has an impacts and benefits agreement in place with the Tahltan Nation and an agreement in place for transmission infrastructure with the B.C. Government.

Detailed engineering, procurement and construction management, and site preparation work is underway and the majority of the permitting work is complete. Several access roads have been constructed and the site infrastructure and camp has been designed and tendered. Forrest Kerr is expected to have a capital cost of approximately \$700 million and is expected in-service mid-2014.

Additional Growth Highlights

During the second quarter 2010, AltaGas made progress on several projects in support of its planned \$2 billion of organic growth in the next five years. Notable developments include:

- 10 Mmcf/d facility expansion at Acme to serve increased producer activity in the Horseshoe Canyon coalbed methane formation. The first phase of the expansion for 5 Mmcf/d is expected to be in-service in third quarter 2010.
- 20 Mmcf/d facility expansion at Pouce Coupe, located within the Montney resource play area. The expansion is expected to be in-service in third quarter 2010.
- 20 Mmcf/d facility expansion at the Ante Creek gas plant, located within the Montney resource play area. Conversion to sour natural gas service is expected to be complete by fourth quarter 2010.
- Construction of a 13 MW gas-fired cogeneration facility at the Harmattan Complex. The project is expected to be in-service in fourth quarter 2010.
- ERCB hearing date for AltaGas’ Harmattan Co-stream project has been set for the end of August 2010.

Financial Highlights ⁽¹⁾

- AltaGas entered into a series of agreements on June 30, 2010 for a new three-year \$600 million extendible unsecured revolving term credit facility with a syndicate of nine banks. The new syndicated credit facility has a \$200 million accordion feature which allows AltaGas to increase the credit facility to an aggregate amount of \$800 million. The new credit facility was used to retire and replace LP #1’s \$150 million credit facility and \$375 million credit facility that would have matured in August and September 2010 respectively.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) were \$62.0 million or \$0.76 per unit for second quarter 2010 compared to \$63.7 million or \$0.81 per unit for the same quarter in 2009.
- Funds from operations were \$44.3 million or \$0.54 per unit for second quarter 2010 compared to \$45.4 million or \$0.57 per unit for the same period 2009.
- Total debt outstanding as of June 30, 2010 was \$1,078.1 million compared to \$1,043.0 million at March 31, 2010 and \$1,014.7 million at December 31, 2009. AltaGas’ debt-to-total capitalization ratio as at June 30, 2010 was 51.1 percent, versus 50.0 percent at March 31, 2010 and 49.2 percent at the end of 2009.
- AltaGas declared a monthly dividend of \$0.11 per share payable on September 15, 2010 to shareholders of record on August 25, 2010. The ex-dividend date is August 23, 2010.

⁽¹⁾ Includes Non GAAP financial measures. See previous public disclosures available at www.altagas.ca or www.sedar.com for definitions.

CONFERENCE CALL AND WEBCAST DETAILS:

AltaGas will hold a conference call today at 9:00 a.m. MT (11:00 a.m. ET) to discuss the second quarter 2010 financial and operating results and other general issues and developments.

Members of the media, investment community and other interested parties may dial (416) 340-8018 or call toll free at 1-866-223-7781. No pass code is required. Please note that the conference call will also be webcast. To listen, please connect here: <http://events.digitalmedia.telus.com/altagas/072910/index.php>.

Shortly after the conclusion of the call, a replay will be accessible at (416) 695-5800 or 1-800-408-3053. The pass code is 4008001. The replay expires at midnight (ET) on August 5, 2010. The webcast will be posted on AltaGas' website once it becomes available and archived for one year.

The complete second quarter report for 2010, including Management's Discussion and Analysis and unaudited financial statements, is available on www.altagas.ca in the Investors/Financial Reports section of our website.

Management's Discussion and Analysis

FORWARD LOOKING INFORMATION

This Release contains forward-looking statements. When used in this Release the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to AltaGas Ltd. and AltaGas Income Trust (the "Trust") (collectively "AltaGas") or an affiliate of AltaGas, are intended to identify forward-looking statements. In particular, this Release contains forward-looking statements with respect to, among others things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. Specifically, such forward-looking statements are set forth under: "Consolidated Outlook" and "Growth Capital".

These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect AltaGas' current views with respect to future events based on certain material factors and assumptions and are subject to certain risks and uncertainties including without limitation, changes in market competition, governmental or regulatory developments, changes in tax legislation, general economic conditions and other factors set out in AltaGas' public disclosure documents.

Many factors could cause AltaGas' or any of its business segment's actual results, performance or achievements to vary from those described in this Release, including without limitation those listed above as well as the assumptions upon which they are based proving incorrect. These factors should not be construed as exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this Release as intended, planned, anticipated, believed, sought, proposed, estimated or expected, and such forward-looking statements included in this Release herein should not be unduly relied upon. These statements speak only as of the date of this Release. AltaGas does not intend, and does not assume any obligation, to update these forward-looking statements except as required by law. The forward-looking statements contained in this Release are expressly qualified as cautionary statements.

Financial outlook information contained in this Release about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this Release should not be used for the purposes other than for which it is disclosed herein.

Additional information relating to AltaGas can be found on its website at www.altagas.ca. The continuous disclosure materials of AltaGas Income Trust, including its annual MD&A and Consolidated Financial Statements, Annual Information Form, Information Circular, and Proxy Statement, material change reports and press releases, are also available through AltaGas' website or directly through the SEDAR system at www.sedar.com.

ALTAGAS ORGANIZATION

The material businesses of AltaGas are operated by AltaGas Ltd., AltaGas Operating Partnership, AltaGas Limited Partnership, AltaGas Pipeline Partnership, Taylor NGL Limited Partnership (Taylor) and AltaGas Utility Group Inc. (Utility Group), (collectively the operating subsidiaries).

Prior to July 1, 2010, AltaGas General Partner Inc., through its Board of Directors, the members of which were elected by the Trust at the direction of the unitholders, had been delegated by the trustee of the Trust to manage or supervise the business and affairs of the Trust. As of July 1, 2010, the Board of Directors of AltaGas General Partner Inc. were appointed to the Board of Directors of AltaGas Ltd. in accordance with the plan of arrangement approved at the Annual and Special Meeting of Securityholders on June 3, 2010.

REORGANIZATION TO A CORPORATE STRUCTURE

AltaGas successfully completed its plan of arrangement (the "Arrangement") in which the business of the Trust was reorganized into a dividend paying corporation. Pursuant to the Arrangement, former holders of trust units of the Trust and exchangeable limited partnership units of AltaGas Holdings Limited Partnership No. 1 (LP#1) were entitled to receive one common share of AltaGas Ltd. for each trust unit or exchangeable limited partnership unit. After giving effect to the Arrangement, AltaGas Ltd. had approximately 81.6 million common shares issued and outstanding.

The Trust paid the June distribution to unitholders on June 30, 2010. The June distribution was the last distribution declared by the Trust prior to its conversion to a dividend paying corporation.

The dividend of \$1.32 per share on an annual basis was reaffirmed by the Board of Directors of AltaGas Ltd. on July 28, 2010. The July dividend will be paid on August 16, 2010 at \$0.11 per share to shareholders of record on July 26, 2010.

CONSOLIDATED FINANCIAL REVIEW

Three Months Ended June 30

Net income reported for second quarter 2010 was \$28.4 million (\$0.35 per unit) compared to \$36.9 million (\$0.47 per unit) for the same period in 2009. Net income as reported included the impact of mark-to-market accounting as a result of risk management and investing activities. Excluding the impact of mark-to-market accounting, net income in second quarter 2010 was \$26.3 million or \$0.32 per basic unit compared to \$28.3 million or \$0.36 per basic unit in second quarter 2009. The underlying gas and power assets performed well with the addition of new assets and stronger commodity prices. Operating income in second quarter 2010 from the gas business adjusted for a one-time item was \$26.8 million compared to \$20.5 million in the same quarter last year. Operating income in second quarter 2010 from the power business was \$21.2 million compared to \$19.6 million in same quarter last year. The operating results in the quarter reflect AltaGas' successful execution of its strategy to grow and operate a diversified portfolio of energy infrastructure assets. These assets are underpinned by contractual arrangements that provide stable cash flow and enhance shareholder returns when commodity prices are strong.

The Gas Segment performed well due to the addition of the Natural Gas Distribution (NGD) assets in fourth quarter 2009, lower operating costs, higher realized frac spreads and the expiration of a legacy gas marketing contract. These increases were partially offset by the reduction in liabilities related to natural gas transactions as reported in second quarter 2009, lower extraction and field processing volumes and increased allowance for doubtful customer accounts.

The Power Segment performed well primarily due to higher realized power prices and contributions from the Bear Mountain Wind Park (Bear Mountain) which commenced commercial operations in fourth quarter 2009, partially offset by higher power purchase arrangement (PPA) costs, amortization and environmental costs.

The Corporate Segment reported lower investment income, including changes to mark-to-market valuations and lower unrealized gains on risk management contracts compared to the same quarter in 2009. AltaGas reported higher interest expense in second quarter 2010 compared to second quarter 2009 due to higher average debt balances, partially offset by a lower average borrowing rate. AltaGas reported an income tax recovery compared to an expense in second quarter 2009 due to lower income subject to tax, partially offset by higher tax expense in the NGD business.

On a consolidated basis, net revenue for the quarter ended June 30, 2010 was \$124.8 million compared to \$114.3 million in same quarter 2009. The Gas Segment's net revenue increased due to the addition of the NGD assets, the expiration of a legacy gas marketing contract and higher realized frac spreads. These increases were partially offset by the reduction in liabilities related to natural gas transactions reported in second quarter 2009, lower volumes exposed to frac spreads, lower processing volumes and lower operating cost recoveries. The Power Segment's net revenue increased due to higher realized power prices in Alberta, higher contributions from gas-fired peaking plants and the addition of Bear Mountain, partially offset by higher PPA costs. The Corporate Segment reported lower net revenue due

to changes in mark-to-market valuation of investments, reduced unrealized gains on risk management contracts and lower investment income.

Operating and administrative expense for second quarter 2010 was \$62.9 million, up from \$50.8 million in same quarter 2009. The increase was due to incremental costs associated with AltaGas' growth including the addition of NGD assets, provision for doubtful customer accounts, higher costs related to conversion to a corporation and other regulatory compliance initiatives as well as higher environmental costs. These increases were partially offset by lower operating costs related to the gas processing businesses due to lower volumes processed as well as cost control measures.

Amortization expense for second quarter 2010 was \$22.6 million compared to \$18.0 million in the same quarter last year. The increase was due to the growth in AltaGas' asset base from acquisition and construction activities, primarily the addition of NGD assets and Bear Mountain.

Interest expense in second quarter 2010 was \$13.1 million compared to \$8.0 million in second quarter 2009. The increase was due to higher average debt balances of \$1,039.5 million compared to \$590.6 million for the same period in 2009. The average debt balance increased primarily as a result of the completion of the Bear Mountain and the acquisition of the NGD business in fourth quarter 2009. Interest expense related to approximately \$155 million of debt is recovered from customers in the NGD business. Interest capitalized in second quarter 2010 was \$0.5 million compared to \$1.1 million in the same quarter 2009. The average borrowing rate was 5.2 percent in second quarter 2010 compared to 6.2 percent in second quarter 2009.

Income tax recovery in second quarter 2010 was \$2.1 million compared to income tax expense of \$0.8 million in the same quarter 2009. The decrease in expense was a result of \$4.6 million as a result of lower income subject to tax. This decrease was partially offset by \$2.1 million current tax in the NGD business.

Six Months Ended June 30

Net income for the first half of 2010 was \$64.8 million compared to \$74.4 million in the same period in 2009. Net income was \$0.80 per basic unit for the first half of 2010 compared to \$0.96 per basic unit for the same period in 2009. Net income as reported included the impact of mark-to-market accounting as a result of risk management and investing activities. Excluding the impact of mark-to-market accounting, net income in first half 2010 was \$59.9 million or \$0.74 per basic unit compared to \$62.6 million or \$0.81 per basic unit in second quarter 2009.

During the six months ended June 30, 2010, the Gas Segment performed well due the addition of the NGD assets in fourth quarter 2009, lower operating costs, the expiration of a legacy gas marketing contract and higher realized frac spreads. These increases were partially offset by the reduction in liabilities related to natural gas transactions as reported in first six months of 2009, lower extraction and field processing volumes at some facilities and increased allowance for doubtful customer accounts.

The Power Segment reported lower results in the first half of 2010 primarily due to higher PPA costs, amortization and environmental costs. These decreases were partially offset by higher realized power prices in Alberta and contributions from Bear Mountain which commenced commercial operations in fourth quarter 2009.

The Corporate Segment reported an unrealized loss on investments compared to an unrealized gain in the prior year and higher administration costs in response to AltaGas' growth, partially offset by higher unrealized gains on risk management contracts and higher investment income.

AltaGas reported higher interest expense in the first half of 2010 compared to the first half of 2009 due to higher average debt balances, partially offset by a lower average borrowing rate. In the first half of 2010 an income tax recovery was reported compared to an expense in the first six months of 2009 due to lower income subject to tax, partially offset by the tax effect of risk management contracts.

On a consolidated basis, net revenue for the first half of 2010 was \$252.0 million compared to \$226.4 million in same period 2009. The Gas Segment's net revenue increased due to the addition of the NGD assets, the expiration of a legacy gas marketing contract and higher realized frac spreads. These increases were partially offset by the reduction in liabilities related to natural gas transactions reported in the first six months of 2009, lower processing volumes and lower volumes exposed to frac spreads. The Power Segment's net revenue increased due to higher realized power prices in Alberta, higher contributions from gas-fired peaking plants and the addition of Bear Mountain, partially offset by higher PPA costs. The Corporate Segment reported an unrealized loss on investments compared to an unrealized gain in the prior year and no investment income from the Utility Group since it is now fully consolidated due to the acquisition of the shares not already owned by AltaGas in fourth quarter 2009, partially offset by higher gains on risk management contracts and increased investment income.

Operating and administrative expense for the first half of 2010 was \$124.4 million, up from \$100.8 million in same period 2009. The increase was due to incremental costs associated with AltaGas' growth including the addition of NGD assets, conversion to a corporation and other regulatory compliance initiatives, provision for doubtful customer accounts and higher environmental costs. These increases were partially offset by lower operating costs related to the Field Gathering and Processing (FG&P) and Extraction and Transmission (E&T) businesses due to lower volumes processed as well as cost control measures.

Amortization expense for the first half of 2010 was \$45.6 million compared to \$35.6 million in the same period last year. The increase was due to the growth in AltaGas' asset base from acquisition and construction activities.

Interest expense in the first half of 2010 was \$24.6 million compared to \$13.6 million in the first half of 2009. The increase was due to higher average debt balances of \$1,034.9 million compared to \$579.6 million for the same period in 2009. Interest capitalized in the first half of 2010 was \$0.6 million compared to \$2.0 million in the same period in 2009. The average borrowing rate was 4.9 percent in the first half of 2010 compared to 5.4 percent in the first half of 2009.

Income tax recovery in first half 2010 was \$7.5 million compared to income tax expense of \$2.3 million in the same period 2009. The decrease in expense of \$9.9 million was primarily due to lower income subject to tax. The decrease was partially offset by \$1.0 million due to the tax impact on gains reported on risk management contracts.

CONSOLIDATED OUTLOOK

AltaGas reorganized to a corporate structure on July 1, 2010. As a result of the conversion to a corporation, the company will increase its capital cost allowance claims (CCA) for tax purposes. The increased CCA claims will result in higher deferred tax expense reported in the second half of 2010. The effective tax rate for the remainder of 2010 is expected to be approximately 20 percent based on existing tax legislation and estimated income subject to tax. The new dividend policy is expected to increase free cash flow to finance growth projects.

AltaGas' operations are well positioned to deliver another year of strong results in 2010, despite the continuing challenging economic environment. Earnings and cash flow are expected to remain strong due to the addition of new assets in the second half of 2009, plant expansions and addition of new assets in 2010, above average frac spreads, strengthening power prices and growing throughput at processing facilities. These increases are expected to be impacted by higher general and administrative costs, higher interest and higher deferred (non-cash) tax expenses.

The majority of AltaGas' earnings are underpinned by long-term, fee-for-service, cost-of-service or minimum volume commitment contracts. To the extent that the company is exposed to NGL frac spreads and Alberta power prices, AltaGas has mitigated the impact of price volatility of these commodities through its hedging activity. For 2010, approximately two-thirds of volumes exposed to NGL frac spreads have been hedged at approximately \$21/Bbl and almost two-thirds of Alberta power volumes have been hedged at approximately \$72/MWh.

The Gas Segment is expected to deliver increased earnings and cash flow in the second half of 2010 from expansions and plant efficiencies. The expansion at the Ante Creek gas processing facility has been completed and is in operation.

The Pouce Coupe gas processing facility will be completed in third quarter. The first phase of expansion at the Acme gas processing facility will also be completed in third quarter; however, due to producer drilling delays, the expansion will not contribute to operating income until fourth quarter. The NGD business expects to increase its rate base by approximately 18 percent. The Gas Segment is also expected to benefit from higher frac spreads and higher volumes at the Younger facility as a result of increased producer activity in the area. In addition, the segment expects to benefit from the expiry of a legacy gas marketing contract which ended October 31, 2009, and historically resulted in depressed operating income within the Energy Service business. The expiry is expected to increase income by \$5.6 million in 2010. Offsetting these benefits, management expects that the ongoing low natural gas price will result in lower demand for AltaGas' energy services.

In 2010 approximately two-thirds of the power delivered to the Alberta Power Pool from the Sundance Plant is hedged at a price of approximately \$72/MWh, slightly lower than the average hedge price in 2009. Current forward prices, as published in daily broker reports, are in the low \$50's per MWh for the balance of 2010. Continued low natural gas prices and a temporary generation over supply situation have created a power pricing environment that management does not believe is sustainable over the long term. A large coal unit was retired at the end of March 2010 resulting in a reduction of base load supply that will not be fully replaced until mid 2011. Improved economic conditions are resulting in increased power demand in the province. Partially offsetting weakness in the spot market will be the full year contribution from Bear Mountain, as well as the addition of the Harmattan Cogeneration expected to be in service in fourth quarter 2010.

In second quarter 2010 AltaGas entered into a new \$600 million 3-year unsecured extendible revolving term credit facility with a syndicate of banks. The new facility was used to retire and replace \$150 million credit facility entered into in February 2009 and \$375 million facility entered into in September 2007. Interest expense in the second half of 2010 is expected to be higher than first half of 2010 due to the completion of capital projects which were under construction in the first half of the year as well as the new facility which has drawn pricing approximately 100 basis points higher than the average cost of the previous facilities.

GROWTH CAPITAL

Based on projects currently under review, development or construction, AltaGas expects capital expenditures for 2010 to be approximately \$250 million, 60 percent for gas and 40 percent for power. As at June 30, 2010, approximately \$185 million of capital has been committed for 2010. Growth capital is funded through AltaGas' cash from operations, DRIP proceeds, credit facilities and access to capital markets. Material changes to projects since the first quarter interim report with an expected in-service date post-2010 are discussed below.

Harmattan Co-stream Project

AltaGas has been notified by the ERCB that the hearing date for its co-stream application will be August 31, 2010. The project, as currently designed, is expected to cost in the range of \$100 to \$120 million. Subject to a favourable decision, AltaGas plans to complete the project and commence operations in fourth quarter 2011.

Hydroelectric

AltaGas signed a 60-year CPI indexed Electricity Purchase Agreement (EPA) with BC Hydro for its 195-MW Forrest Kerr run-of-river hydro-electricity generation project. As disclosed by BC Hydro, the average price contracted is in the range of \$120 to \$130 per MWh. The Forrest Kerr project is estimated to cost a total of approximately \$700 million and is expected to come into service in mid-2014. Approximately 20 percent of the cost has been fixed or spent year-to-date. Normal course permitting and licensing will occur as construction proceeds. The project is supported by 40 years of hydrologic data and analysis at the Forrest Kerr site.

AltaGas has also entered into an agreement with the Tahltan First Nations providing employment and business opportunities as well as economic participation. In addition there is an agreement in place for transmission infrastructure with the B.C. government.

NON-GAAP FINANCIAL MEASURES

This MD&A contains references to certain financial measures that do not have a standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) and may not be comparable to similar measures presented by other entities. The non-GAAP measures and their reconciliation to GAAP financial measures are shown below. All of the measures have been calculated to be consistent with previous disclosures. These measures provide additional information that management believes is meaningful regarding AltaGas' operational performance, liquidity and its capacity to fund dividends, capital expenditures and other investing activities. The specific rationale for, and incremental information associated with, each non-GAAP measure is discussed below.

Net Income Before Mark-to-Market Accounting (unaudited) (\$ millions)	Three Months Ended		Six Months Ended	
		June 30		June 30
	2010	2009	2010	2009
Net income before mark-to-market accounting	26.3	28.3	59.9	62.6
Add (deduct): Unrealized gains on mark-to-market accounting	2.1	8.6	4.9	11.8
Net income (GAAP financial measure)	28.4	36.9	64.8	74.4

Net income before mark-to-market accounting is a better reflection of actual business performance than net income, since changes in value for investments and financial instruments are subject to end of period prices for equities, commodities, interest rates and foreign exchange. Management evaluates the overall performance of AltaGas' business prior to accounting for unrealized gains or losses from these investments and risk management activities. Net income before mark-to-market is calculated from the Consolidated Statements of Income and Accumulated Earnings and is defined as net income adjusted for unrealized gains and losses on risk management, investments and its related income tax expense.

Funds from Operations (unaudited) (\$ millions)	Three Months Ended		Six Months Ended	
		June 30		June 30
	2010	2009	2010	2009
Funds from operations	44.3	45.4	95.6	102.4
Add (deduct): Net change in non-cash working capital	(9.5)	20.6	(23.7)	(5.6)
Asset retirement obligations settled	-	-	(0.1)	(0.1)
Cash from operations (GAAP financial measure)	34.8	66.0	71.8	96.7

Funds from operations is used to assist management and investors in analyzing financial performance without regard to changes in non-cash working capital in the period. Funds from operations as presented should not be viewed as an alternative to cash from operations, or other cash flow measures calculated in accordance with GAAP. Funds from operations is calculated from the Consolidated Statements of Cash Flows and is defined as cash provided by operating activities before changes in non-cash working capital and expenditures incurred to settle asset retirement obligations.

RESULTS OF OPERATIONS BY SEGMENT

Operating Income (unaudited) (\$ millions)	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2010	2009	2010	2009
Gas	25.8	24.6	58.4	53.0
Power	21.2	19.6	38.1	43.7
Corporate	(7.6)	1.3	(14.4)	(6.7)
	39.4	45.5	82.1	90.0

GAS

Operating Income (unaudited) (\$ millions)	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2010	2009	2010	2009
E&T	21.7	20.6	43.2	43.3
FG&P	1.0	1.4	3.3	4.6
NGD	4.3	-	11.5	-
Energy Services	(1.2)	2.6	0.4	5.1
Total Gas Operating income	25.8	24.6	58.4	53.0

GAS OPERATING STATISTICS	Three Months Ended		Six Months Ended	
		June 30		June 30
	2010	2009	2010	2009
E&T				
Extraction inlet gas processed (Mmcf/d) ⁽¹⁾	758	798	772	840
Extraction ethane volumes (Bbls/d) ⁽¹⁾	24,859	26,214	25,721	27,643
Extraction NGL volumes (Bbls/d) ⁽¹⁾	12,164	13,120	12,002	13,463
Total Extraction volumes (Bbls/d) ⁽¹⁾	37,023	39,334	37,723	41,106
Frac spread - realized (\$/Bbl) ^{(1) (2)}	27.51	22.05	28.92	23.70
Frac spread - average spot price (\$/Bbl) ⁽¹⁾	31.06	16.34	33.16	15.76
Transmission volumes (Mmcf/d) ^{(1) (3)}	294	345	302	347
FG&P				
Processing capacity (Mmcf/d) ⁽⁴⁾	1,177	1,172	1,177	1,172
Processing throughput (gross Mmcf/d) ⁽¹⁾	431	475	432	478
Capacity utilization (%) ⁽⁴⁾	37	41	37	41
Average working interest (%) ⁽⁴⁾	93	94	93	94
NGD				
Natural gas deliveries - end-use (PJ) ⁽⁵⁾⁽⁶⁾	3.3	-	10.5	-
Natural gas deliveries - transportation (PJ) ⁽⁵⁾⁽⁶⁾	1.4	-	2.7	-
Service sites ⁽⁴⁾⁽⁶⁾	72,827	-	72,827	-
Degree day variance - AUI (%) ⁽⁶⁾⁽⁷⁾	4.0	-	(7.4)	-
Degree day variance - Heritage Gas (%) ⁽⁶⁾⁽⁷⁾	(15.4)	-	(12.7)	-
Energy Services				
Energy management service contracts	413	424	413	424
Average volumes transacted (GJ/d) ⁽⁸⁾	367,280	287,315	386,164	330,714

⁽¹⁾ Average for the period.

⁽²⁾ Indicative frac spread or NGL margin, expressed in dollars per barrel of NGL, and derived from Edmonton postings for propane, butane and condensate and the daily AECO natural gas price.

⁽³⁾ Excludes NGL pipeline volumes.

⁽⁴⁾ As at the end of the reporting period.

⁽⁵⁾ Petajoule (PJ) is one million gigajoules (GJ).

⁽⁶⁾ Deliveries reflect Utility Group as of October 8, 2009 when the Trust obtained control and 100% of the deliveries of Heritage Gas as of November 18, 2009.

⁽⁷⁾ A degree day is the cumulative extent to which the daily mean temperature falls below 15 degrees Celsius for AUI and 18 degrees Celsius for Heritage. Normal degree days are based on a 20-year rolling average. Positive variances from normal lead to increased delivery volumes from normal expectations.

⁽⁸⁾ Average for the period. Includes volumes marketed directly, volumes transacted on behalf of other operating segments and volumes sold in gas exchange transactions.

POWER OPERATING STATISTICS	Three Months Ended		Six Months Ended	
		June 30		June 30
	2010	2009	2010	2009
Volume of power sold (GWh) ⁽¹⁾⁽²⁾	706	672	1,392	1,336
Average price realized on the sale of power (\$/MWh) ⁽¹⁾⁽²⁾	79.98	63.84	71.21	69.06
Alberta Power Pool average spot price (\$/MWh) ⁽¹⁾	80.56	32.31	60.72	47.66

⁽¹⁾ Average for the period.

⁽²⁾ Includes both Alberta and British Columbia sale of power.

Consolidated Balance Sheets

(unaudited)

<i>(\$ thousands)</i>	June 30 2010	December 31 2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 888	\$ 3,739
Short-term investment	15,799	19,436
Accounts receivable	185,460	203,673
Inventory	4,723	1,401
Restricted cash holdings from customers	25,261	27,228
Regulatory assets	451	2,567
Risk management	56,479	66,271
Prepaid expense and other current assets	13,118	7,505
	302,179	331,820
Capital assets	1,906,968	1,857,095
Energy arrangements, contracts and relationships	124,505	128,949
Goodwill	201,764	201,728
Regulatory assets	66,051	60,885
Risk management	23,766	18,132
Long-term investments and other assets	23,125	30,487
	\$ 2,648,358	\$2,629,096
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 147,855	\$ 158,319
Distributions payable to unitholders	-	15,110
Short-term debt	873	14,626
Current portion of long-term debt	229,128	591,944
Customer deposits	28,761	30,678
Deferred revenue	755	-
Regulatory liabilities	897	1,403
Risk management	36,731	34,200
Other current liabilities	11,560	14,830
	456,560	861,110
Long-term debt	848,074	408,170
Asset retirement obligations	43,121	41,771
Future income taxes	221,806	228,596
Regulatory liabilities	18,110	16,610
Risk management	19,716	14,491
Future employee obligations and other liabilities	10,679	9,491
	1,618,066	1,580,239
Unitholders' equity	1,030,292	1,048,857
	\$ 2,648,358	\$2,629,096

See accompanying notes to the unaudited Consolidated Financial Statements.

Consolidated Statements of Income and Accumulated Earnings

(unaudited)

(\$ thousands except per unit amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
REVENUE				
Operating	\$ 330,608	\$ 274,469	\$ 685,565	\$ 627,922
Unrealized gain on risk management	3,829	5,904	9,112	6,539
Other	(400)	5,524	(144)	5,993
	334,037	285,897	694,533	640,454
EXPENSES				
Cost of sales	209,176	171,609	442,466	414,019
Operating and administrative	62,856	50,848	124,367	100,846
Amortization:				
Capital assets	20,154	15,524	40,629	30,583
Energy arrangements, contracts and relationships	2,491	2,491	4,982	4,982
	294,677	240,472	612,444	550,430
Foreign exchange gain (loss)	39	186	(209)	337
Interest expense				
Short-term debt	479	444	885	637
Long-term debt	12,608	7,508	23,703	13,019
Income before income taxes	26,312	37,659	57,292	76,705
Income tax expense (recovery)				
Current income tax	1,706	179	489	266
Future income tax	(3,759)	618	(7,958)	2,042
Net income	28,365	36,862	64,761	74,397
Accumulated earnings, beginning of period	851,265	711,271	814,869	673,736
Accumulated earnings, end of period	\$ 879,630	\$ 748,133	\$ 879,630	\$ 748,133
Net income per unit				
Basic	\$ 0.35	\$ 0.47	\$ 0.80	\$ 0.96
Diluted	\$ 0.35	\$ 0.46	\$ 0.80	\$ 0.96
Weighted average number of units outstanding (thousands)				
Basic	81,354	78,955	81,069	77,288
Diluted	81,604	79,962	81,347	78,247

See accompanying notes to the unaudited Consolidated Financial Statements.

**Consolidated Statements of Comprehensive Income
and Accumulated Other Comprehensive Income**
(unaudited)

<i>(\$ thousands)</i>	Three Months Ended		Six Months Ended	
	2010	June 30 2009	2010	June 30 2009
Net income	\$ 28,365	\$ 36,862	\$ 64,761	\$ 74,397
Other comprehensive income (loss), net of tax				
Unrealized net loss on available-for-sale financial assets	(1,089)	-	(3,396)	-
Unrealized net loss on derivatives designated as cash flow hedges	(3,822)	(5,300)	(6,012)	4,397
Reclassification to net income of net gain on derivatives designated as cash flow hedges pertaining to prior periods	(2,597)	(10,596)	(8,870)	(15,056)
	(7,508)	(15,896)	(18,278)	(10,659)
Comprehensive income	\$ 20,857	\$ 20,966	\$ 46,483	\$ 63,738
Accumulated other comprehensive income, beginning of period	\$ 10,455	\$ 36,806	\$ 21,225	\$ 31,569
Other comprehensive income (loss), net of tax	(7,508)	(15,896)	(18,278)	(10,659)
Accumulated other comprehensive income, end of period	\$ 2,947	\$ 20,910	\$ 2,947	\$ 20,910

See accompanying notes to the unaudited Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(unaudited)

(\$ thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Cash from operations				
Net income	\$ 28,365	\$ 36,862	\$ 64,761	\$ 74,397
Items not involving cash:				
Amortization	22,645	18,015	45,611	35,565
Accretion of asset retirement obligations	725	771	1,445	1,537
Unit-based compensation	59	(113)	19	(64)
Future income tax expense (recovery)	(3,759)	618	(7,958)	2,042
Gain on sale of investments	(459)	(28)	(1,855)	(28)
Equity income	-	(464)	-	(1,070)
Unrealized gain on risk management	(3,829)	(5,904)	(9,112)	(6,539)
Unrealized loss (gain) on held-for-trading investments	767	(4,562)	2,151	(4,562)
Other	93	885	1,222	1,791
Non-operating investment income	(338)	(633)	(683)	(633)
Asset retirement obligations settled	(29)	4	(95)	(145)
Net change in non-cash working capital	(9,481)	20,616	(23,705)	(5,558)
	34,759	66,067	71,801	96,733
Investing activities				
Increase (decrease) in restricted cash holdings from customers	197	(5,591)	1,967	(9,515)
Capital expenditures	(25,891)	(54,182)	(40,129)	(88,544)
Acquisition of energy services arrangements, contracts and relationships	(539)	-	(539)	-
Investment in regulatory assets	(3,973)	-	(3,887)	-
Distributions from equity investments	119	81	119	299
Distributions from short-term investment	338	633	683	633
Disposition (acquisition) of short-term investments	-	(27,920)	4,716	(27,920)
Business or asset acquisition	(802)	-	(22,719)	-
Acquisition of long-term investments and other assets	(241)	-	(241)	(10,000)
Disposition of long-term investments	2,021	-	2,871	-
	(28,771)	(86,979)	(57,159)	(135,047)
Financing activities				
Repayment of short-term debt	(18,085)	(429)	(13,752)	(3,842)
Net drawings (repayment) of revolving long-term debt	54,356	(145,717)	(120,980)	(184,301)
Issuance of long-term debt	(184)	295,476	198,912	295,476
Repayment of long-term debt	(482)	(347)	(843)	(684)
Distributions to unitholders	(56,957)	(42,583)	(100,496)	(82,617)
Net proceeds from issuance of units	9,935	7,131	19,666	112,606
	(11,417)	113,531	(17,493)	136,638
Change in cash and cash equivalents	(5,429)	92,619	(2,851)	98,324
Cash and cash equivalents, beginning of period	6,317	24,009	3,739	18,304
Cash and cash equivalents, end of period	\$ 888	\$ 116,628	\$ 888	\$ 116,628

See accompanying notes to the unaudited Consolidated Financial Statements.

Other Information

DEFINITIONS

Bbls/d	barrels per day
Bcf	billion cubic feet
GJ	gigajoule
GWh	gigawatt-hour
Mcf	thousand cubic feet
Mmcf/d	million cubic feet per day
MW	megawatt
MWh	megawatt-hour
PJ	petajoule

ABOUT ALTAGAS

AltaGas is one of Canada's largest and fastest growing integrated energy infrastructure organizations. AltaGas creates value by growing and optimizing gas and power infrastructure, including a focus on renewable energy sources. For more information visit: www.altagas.ca.

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