



NEWS RELEASE

ALTAGAS REPORTS STRONG FIRST QUARTER RESULTS

Calgary, Alberta (May 5, 2011) – AltaGas Ltd. (AltaGas, the Corporation) (TSX: ALA) today reported EBITDA for the three months ended March 31, 2011, of \$80.8 million (\$0.98 per share), compared to \$61.1 million (\$0.76 per share) for the same period of 2010. Funds from operations for the three months ended March 31, 2011, were \$64.0 million (\$0.77 per share), compared to \$51.3 million (\$0.63 per share) for the same period of 2010.

Income before income taxes for the three months ended March 31, 2011, was \$38.1 million (\$0.46 per share), compared to \$31.0 million (\$0.38 per share) for the same period of 2010. Net Income applicable to common shares for the three months ended March 31, 2011, was \$26.6 million (\$0.32 per share), compared to \$36.4 million (\$0.45 per share) for the same period of 2010.

"The business segments reported operating income of \$68.6 million compared to \$46.0 million for the same period last year," said David Cornhill, Chairman and CEO of AltaGas. "We saw higher natural gas volumes in areas where producers are capitalizing on liquids-rich and solution gas, the benefit of our growing rate base and colder weather at our utilities and higher power prices and volumes. Our overall results reflect the strength of the Corporation's diversified portfolio of energy infrastructure assets."

AltaGas' short-term growth projects include expansions at the Alder Flats and Ante Creek field gathering facilities, the addition of a 40 percent interest in a new 40 Mmcfd (gross) facility serving the Pine Creek area, a second cogeneration power plant and the co stream project at the Harmattan Complex, and a waste heat recovery project in Sparwood, BC. AltaGas continues to further its plans to meet producers' needs in northeast British Columbia and northwest Alberta as it adds the Henderson Pipeline and a 30 percent interest in a pipeline to the Younger Extraction Plant to its suite of energy infrastructure assets.

As AltaGas creates long-term shareholder value, it continues to build out its renewable energy business to secure strong returns for investors. In 2011, AltaGas continues construction on its Forrest Kerr run-of-river project in northwest British Columbia. During the quarter camp construction and some bridgework were completed and tunneling commenced. The 195 MW project is expected to be in-service in July 2014 and is backed by a 60-year Electricity Purchase Agreement (EPA) with BC Hydro that is inflated to the Consumer Price Index. AltaGas is also pursuing several agreements for the McLymont Creek and Volcano Creek hydro projects in the Forrest Kerr vicinity. On the gas front, AltaGas continues to progress development on the Gordondale Gas Plant with deep-cut facilities, which is expected to be in service late 2012.

ORGANIZATIONAL ANNOUNCEMENT

Richard Alexander has decided to retire from AltaGas effective June 30, 2011. We are pleased that Mr. Alexander will remain on the Board of Directors of Heritage Gas Limited where he will be able to continue to contribute to the ongoing success of AltaGas. We wish Rick every success in his retirement and thank him for his many contributions to AltaGas during his tenure with the Corporation. We look forward to his ongoing contributions at Heritage Gas Limited.

In recognition of the strength and depth of the AltaGas executive team, effectively immediately, David Harris and Deborah Stein have been promoted to the positions of President Power and Senior Vice President Finance and Chief Financial Officer respectively. Mr. Harris will join David Cornhill, Chief Executive Officer, David Wright, Executive Vice President Strategy and Corporate Development, Gregory Aarssen, Co-President Gas, Randy Toone, Co-President Gas, Patricia Newson, President AltaGas Utility Group Inc. and Deborah Stein on the AltaGas Executive Committee. As President Power, Mr. Harris will help to drive growth and profitability in all areas of our conventional and renewable power businesses and will be accountable for ensuring the power division achieves established strategic, operational and financial objectives. Additionally, he will ensure divisional assets are optimized in the best interests of shareholders,

employees and communities, including critical growth and construction projects, such as the Forrest Kerr run-of-river hydroelectric project in north-western British Columbia. As Senior Vice President Finance and Chief Financial Officer, Ms. Stein continues in the chief financial officer role for the Corporation and the promotion to the Senior Vice President level reflects her growing contribution to the company's strategic direction and her leadership at the senior executive level at AltaGas.

IFRS DEFERRAL:

AltaGas has deferred the implementation of International Financial Reporting Standards (IFRS) and plans to report financial results under Canadian Generally Accepted Accounting Principles (CGAAP) for fiscal 2011. AltaGas is a qualifying entity for the IFRS deferral as a result of its rate-regulated activities. The Corporation is currently evaluating its accounting policy choices and will determine those most appropriate for AltaGas' business activity, including the option to adopt US GAAP rather than IFRS.

FINANCIAL HIGHLIGHTS⁽¹⁾:

- EBITDA was \$80.8 million (\$0.98 per share) for first quarter 2011, compared to \$61.1 million (\$0.76 per share) for the same quarter in 2010.
- Funds from operations were \$64.0 million (\$0.77 per share) for first quarter 2011, compared to \$51.3 million (\$0.63 per share) for the same period in 2010.
- Total net debt on March 31, 2011 was \$932.7 million, compared to \$1,036.6 million at March 31, 2010. AltaGas' net debt to total capitalization ratio as at March 31, 2011, was 43.3 percent, versus 48.8 percent at March 31, 2010, and 42.7 percent as at December 31, 2010.
- AltaGas issued \$200 million of senior unsecured medium term notes. The notes carry a coupon rate of 4.1 percent and mature on March 24, 2016.

⁽¹⁾ Includes non-GAAP financial measures. See discussion in "Non-GAAP Financial Measures" section of this quarter's MD&A.

IN THE FIRST QUARTER ALTAGAS:

- Processed higher NGLs and generated more power compared to first quarter 2010.
- Completed contracting for the surge and access tunnels and turbines for Forrest Kerr in line with budget estimates.
- Completed the 400-person capacity camp for Forrest Kerr, with current occupancy of approximately 75.
- Accepted an offer to sell the Groundbirch facility resulting in a pre-tax gain of approximately \$6 million.
- Completed a letter of intent to acquire a 40 percent interest in a 40 Mmcf/d (gross) facility in the Pine Creek area.
- Completed right-of-way work required to begin construction of the Henderson pipeline to bring an incremental 15 Mmcf/d of natural gas to the Pouce Coupe facility starting in August 2011.
- Signed a definitive processing agreement with NOVA chemicals for the Harmattan Co-stream Project.

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 first quarter 2011 financial and operating results and other general issues and developments concerning AltaGas.

Members of the media, investment communities and other interested parties may dial (416) 340 8530 or call toll free at 1 877 240 9772. No pass code is required. Please note that the conference call will also be webcast. To listen, please go to http://www.altagas.ca/investors/presentations_and_webcasts

Shortly after the conclusion of the call, a replay will be available by dialing (905) 694 9451 or 1 800 408 3053. The passcode is 8252746. The replay expires at midnight (ET) on May 12, 2011. The webcast will be archived for one year.

The complete first quarter report for 2011, including Management's Discussion and Analysis and unaudited financial statements, is available online at www.altagas.ca/investors/financial_reports.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) of operations and unaudited interim Consolidated Financial Statements presented herein are provided to enable readers to assess the results of operations, liquidity and capital resources of AltaGas Ltd. (AltaGas, the Corporation) as at and for the three months ended March 31, 2011, compared to the three months ended March 31, 2010. This MD&A dated May 4, 2011, should be read in conjunction with the accompanying unaudited interim Consolidated Financial Statements and notes thereto of AltaGas as at and for the three months ended March 31, 2011, and with the audited Consolidated Financial Statements and MD&A contained in AltaGas' annual report for the year ended December 31, 2010.

This MD&A contains forward-looking statements. When used in this MD&A the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to AltaGas or an affiliate of AltaGas, are intended to identify forward-looking statements. In particular, this MD&A 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"; "Growth Capital"; "Gas Outlook"; "Power Outlook"; "Utilities Outlook" and "Corporate Outlook".

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 MD&A, 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 MD&A as intended, planned, anticipated, believed, sought, proposed, estimated or expected, and such forward-looking statements included in this MD&A herein should not be unduly relied upon. These statements speak only as of the date of this MD&A. 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 MD&A are expressly qualified as cautionary statements.

Financial outlook information contained in this MD&A 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 MD&A 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 Ltd. and 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 (the Corporation) are operated by AltaGas Ltd., AltaGas Holding Partnership (formerly Taylor NGL Limited Partnership), AltaGas Pipeline Partnership, AltaGas Extraction and Transmission Limited Partnership, Harmattan Gas Processing Limited Partnership, AltaGas Processing Partnership 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.

CONSOLIDATED FINANCIAL RESULTS(unaudited)
(\$ millions)Three Months Ended
March 31

	2011	2010
Revenue	403.4	360.5
Net revenue ⁽¹⁾	137.7	127.2
EBITDA ⁽¹⁾	80.8	61.1
Operating income ⁽¹⁾	58.5	37.4
Net income applicable to common shares	26.6	36.4
Adjusted net income ⁽¹⁾	32.1	32.4
Income before taxes	38.1	31.0
Total assets	2,851.7	2,652.8
Total long-term liabilities	1,270.6	923.8
Net additions to capital assets	33.5	48.3
Dividends declared ⁽²⁾	27.3	-
Distributions declared ⁽³⁾	-	43.0
Cash flows		
Cash from operations	35.9	37.0
Funds from operations ⁽¹⁾	64.0	51.3

	2011	2010
(\$ per share)		
EBITDA ⁽¹⁾	0.98	0.76
Net income - basic	0.32	0.45
Net income - diluted	0.31	0.45
Adjusted net income ⁽¹⁾	0.39	0.40
Income before taxes	0.46	0.38
Dividends declared ⁽²⁾	0.33	-
Distributions declared ⁽³⁾	-	0.54
Cash flows		
Cash from operations	0.43	0.46
Funds from operations ⁽¹⁾	0.77	0.63
Shares outstanding - basic (millions)		
During the period ⁽⁴⁾	82.8	80.8
End of period	83.0	81.0

⁽¹⁾ Non-GAAP financial measure; see discussion in Non-GAAP Financial Measures section of this MD&A.⁽²⁾ Dividends declared of \$0.11 per common share per month commencing July 2010.⁽³⁾ Distributions declared of \$0.18 per trust unit and exchangeable unit per month for the first six months of 2010.⁽⁴⁾ Weighted average.

CONSOLIDATED FINANCIAL REVIEW

The first quarter report follows the continuity of interest basis of accounting whereby the Corporation is considered a continuation of AltaGas Income Trust (the Trust). As a result, the report includes the Trust's results of operations for the period up to and including June 30, 2010 and the Corporation's results of operations thereafter.

As at January 1, 2011, the Corporation reorganized the way in which it records and allocates certain costs related to operating its businesses. Comparative 2010 results have been restated to reflect these changes.

AltaGas has deferred the implementation of International Financial Reporting Standards (IFRS) and plans to report financial results under Canadian Generally Accepted Accounting Principles (CGAAP) for fiscal year 2011. AltaGas is a qualifying entity for the IFRS deferral as a result of its rate-regulated activities. The Corporation is currently evaluating its accounting policy choices and will determine those most appropriate for AltaGas' business activity, including the option to adopt US GAAP rather than IFRS.

Three Months Ended March 31

Net income applicable to common shares for first quarter 2011 was \$26.6 million (\$0.32 per share) compared to \$36.4 million (\$0.45 per share) in the same period in 2010. Adjusted net income in first quarter 2011 was \$32.1 million compared to \$32.4 million in the same quarter last year. In first quarter 2011, AltaGas reported an after-tax unrealized loss on risk management contracts of \$5.5 million compared to an after-tax unrealized gain of \$4.0 million in the same quarter last year. In first quarter 2011, the Corporation reported income tax expense of \$8.8 million compared to income tax recovery of \$5.4 million in the same quarter last year.

Results of Operations by Reporting Segment

Operating income ⁽¹⁾ (unaudited) (\$ millions)	Three Months Ended March 31	
	2011	2010
Gas	30.2	22.7
Power	26.6	16.5
Utilities	11.8	6.8
Sub-total: Operating segments	68.6	46.0
Corporate	(10.1)	(8.6)
	58.5	37.4

⁽¹⁾ Non-GAAP financial measure; see discussion in "Non-GAAP Financial Measures" section of this MD&A.

The Gas reporting segment reported higher operating income in first quarter 2011 compared to same quarter 2010 primarily due to higher extraction volumes processed, lower amortization and one-time items related to settlements with producers. During the quarter, AltaGas accepted an offer to sell the Groundbirch facility resulting in a pre-tax gain of approximately \$6 million. Results in the quarter were also impacted by a settlement of a take-or-pay arrangement resulting in non-recurring pre-tax earnings of \$2 million. These increases were partially offset by lower volumes at some processing facilities, higher interest expense and higher taxes. The Power reporting segment reported higher operating income in first quarter 2011 compared to same quarter 2010 as a result of higher Alberta power prices, stronger results from Bear Mountain Wind Park (Bear Mountain), higher earnings from the gas-fired peakers and the addition of the gas-fired cogeneration facility at the Harmattan Complex. In first quarter 2011, AltaGas hedged 57 percent of power sold in Alberta at an average price of \$65/MWh. The Utilities reported higher operating income in first quarter 2011 compared to same quarter 2010 mainly due to colder weather in Alberta and Nova Scotia and growth in rate base. Excluding the impact of risk management contracts, the Corporate reporting segment reported a loss of \$10.1 million in first quarter 2011 compared to a loss of \$8.6 million in the same quarter last year.

On a cash flow basis, funds from operations for the three months ended March 31, 2011, were \$64.0 million (\$0.77 per share) compared to \$51.3 million (\$0.63 per share) in first quarter 2010. EBITDA in first quarter 2011 was \$80.8 million (\$0.98 per share) compared to \$61.1 million (\$0.76 per share) in the same period last year. Funds from operations and EBITDA were driven by the strong financial results of the operating divisions.

On a consolidated basis, net revenue for first quarter 2011 was \$137.7 million compared to \$127.2 million in the same period in 2010. The Gas reporting segment's net revenue was largely unchanged from the prior year as higher volumes processed at extraction plants and two one-time items were partially offset by lower processing volumes in some of the field processing facilities and a lower contribution from gas storage and transmission. Net revenue in the Power reporting segment was higher due to higher Alberta power prices, increased generation from Bear Mountain, larger contributions from gas-fired peakers and the addition of the Harmattan cogeneration facility. The Utilities reported higher net revenue mainly due to colder weather in Alberta and Nova Scotia and growth in rate base. The Corporate reporting segment recorded lower net revenue due to higher unrealized losses on risk management contracts and a mark-to-market loss on an equity investment.

Operating and administrative expense for first quarter 2011 was \$64.5 million, up from \$60.8 million in first quarter 2010. The increase was primarily due to incremental costs associated with higher operating costs at extraction facilities due to higher volumes.

Amortization expense for first quarter 2011 was \$21.7 million compared to \$23.0 million in the same period 2010. The decrease was due to lower amortization due to a change in estimates for the expected remaining useful lives of some assets within the Gas business.

Interest expense in first quarter 2011 was \$12.9 million compared to \$11.5 million for the same period 2010. The increase was due to a higher average borrowing rate partially offset by lower average debt balances of \$913.8 million primarily as a result of the preferred share issuance in August 2010 when AltaGas used the proceeds to reduce its debt balance (2010 - \$1,022.9 million). The average borrowing rate was 6.3 percent in first quarter 2011 compared to 4.6 percent in first quarter 2010.

In first quarter 2011, an income tax expense of \$8.8 million was reported compared to a recovery of \$5.4 million in first quarter 2010. The increase was due to higher income subject to tax as a result of conversion to a corporate structure. Income subject to tax in the trust structure was based on income for accounting purposes less the income distributed to unitholders of the Trust. As a corporation, income tax expense is based on net income before tax. In first quarter 2010, an income tax recovery of \$2 million was reported by the Utility reporting segment as a result of tax deductions available from an investment in computer software.

CONSOLIDATED OUTLOOK

AltaGas expects to report stronger results from its operating businesses in 2011 compared to 2010. Income before taxes is expected to be higher in 2011 compared to 2010 due to stronger results from its diversified portfolio of energy assets. On a net income basis, the Corporation expects to report higher future income tax expense based on being a corporation for a full year. The Corporation has approximately \$1.3 billion in tax pools and based on current estimates for capital expenditures and taxable income does not generally expect to be cash taxable until 2016.

Higher earnings are expected from higher volumes processed at some field processing and extraction facilities driven by producer activity to capitalize on high NGL content gas plays or light oil plays. Stronger results are expected in the Gas reporting segment despite turnarounds at Younger and Harmattan and lower daily take-or-pay volumes on Suffield. The Gas reporting segment is also expected to benefit from continued strong frac spreads on volumes exposed to spot frac spreads. Volumes at some gas processing facilities continue to decline due to lower producer activity.

Based on management's analysis of historical NGL prices, along with NGL published commodity prices and the current forward curve for 2011, management expects NGL frac spread prices to average approximately \$38 per barrel including extraction premiums. In 2011, the Corporation estimates that 13 percent of total extraction volumes will be exposed to frac spread. In 2011, approximately 70 percent of the exposure has been hedged at an average price of \$26.85 per barrel. For 2012, AltaGas has hedged approximately 50 percent of its volumes that are exposed to frac spread at an average price of approximately \$35 per barrel.

AltaGas expects earnings in the Power reporting segment to be higher than 2010 as a result of higher prices and volumes generated. For the second quarter, AltaGas has hedged approximately 60 percent of its expected Alberta-based power sales at an average price of \$68/MWh. For the third and fourth quarters of 2011, AltaGas has hedged approximately 40 percent at average prices of \$64/MWh. Higher earnings from the gas-fired peakers are expected to continue as a result of the increased power price volatility. The addition of the new Harmattan Cogeneration facility is also expected to contribute to higher earnings in the power business throughout 2011.

AltaGas also expects to report stronger earnings from the utilities in Alberta and Nova Scotia as they expect to increase rate base by 13 percent and 25 percent respectively in 2011.

GROWTH CAPITAL

Based on projects currently under review, development or construction, AltaGas expects capital expenditures for 2011 to be approximately \$425 million allocated approximately 50 percent for Power, 40 percent for Gas and 10 percent for Utilities. As at March 31, 2011, approximately \$400 million of capital has been committed for 2011.

AltaGas is well positioned to fund its committed capital program through its growing internally-generated cash flow, its dividend reinvestment plan and its continued strong access to capital markets. At March 31, 2011, the Corporation had \$832.8 million of available credit facilities. In first quarter 2011, AltaGas declared dividends to common shareholders of approximately 43 percent of funds from operations.

FIRST QUARTER GROWTH HIGHLIGHTS

During first quarter 2011, AltaGas made progress on several projects in support of its planned \$2 billion of organic growth in the next five years. Notable developments include:

Northwest Hydroelectric Projects

In first quarter 2011, AltaGas completed the contracts for the turbine generating equipment and for the surge and access tunnels for its 195 MW Forrest Kerr run-of-river power generation project. The turbine equipment contract is approximately \$70 million and the tunneling contract approximately \$40 million, both in line with budget estimates. The turbines are now in the manufacturing stage and work has begun on the drilling and blasting of the access and surge tunnels. Bridge enhancements for two of five bridges were completed. A 400-person capacity camp was completed in first quarter with current occupancy of approximately 75 workers living and working at the camp site. During the quarter, work also progressed on the final engineering and clearing required to progress on the weir and intake structures. Engineering and design work continued on the power tunnel and power house.

AltaGas continues to be in discussions related to the McLymont Creek and Volcano Creek projects in northwest British Columbia. These two projects will add 82 MW of run-of-river power generation to the region.

Harmattan Co-stream

On December 8, 2010, AltaGas' application for the Harmattan Co-stream Project received approval from the Energy Resources Conservation Board (ERCB). The project is expected to cost approximately \$130 million and includes an incremental \$8 million for an enhanced refrigeration modernization project. The Harmattan Co-stream Project will allow 250 Mmcf/d of rich, sweet natural gas sourced from the NGTL Western System to be processed using spare capacity at the Harmattan Complex to recover ethane and other NGLs. AltaGas expects to commence operations in late first quarter 2012. Based on current capital cost estimates, AltaGas expects the annual EBITDA contribution to be in the range of \$20 million to \$25 million once completed.

On March 4, 2011, AltaGas entered into a definitive agreement with NOVA Chemicals Corporation (NOVA Chemicals) for the project. The agreement is for an initial term of 20 years whereby AltaGas will deliver all natural gas liquids extracted from co-stream gas on a full cost-of-service basis to NOVA Chemicals. The agreement provides that all capital expenditures and operating costs related to the project will be fully recovered through fees under normal operations.

During the quarter, AltaGas ordered \$30 million of equipment and materials and began pipeline surveys. Major equipment tie-in is planned to occur during the scheduled plant turnaround in September 2011. To date, approximately \$40 million of costs are fixed. AltaGas expects a further \$48 million to be fixed by third quarter 2011. In total, AltaGas expects approximately 60 percent of the total project cost to be contractually fixed. The remainder will be subject to cost escalation and labour productivity risk. By the end of 2011, 90 percent of the costs will have been incurred. AltaGas mitigates project cost escalation and schedule risk through its procurement and contracting strategies.

In early January 2011, two of the parties that initially intervened in AltaGas' ERCB application filed notices of motion for leave to appeal to the ERCB Decision at the Court of Appeals Alberta. In late January, one of those parties filed an application with the ERCB for a Review and Variance of the ERCB Decision. AltaGas believes that the grounds set forth in these applications are without merit. AltaGas remains committed to the schedule as outlined above.

Gordondale Gas Plant

On November 4, 2010, AltaGas announced it will construct a 120 Mmcf/d gas processing facility and an associated gas gathering system in the Gordondale area of the Montney resource play, approximately 100 km northwest of Grande Prairie, Alberta. The plant will also be equipped with liquids extraction facilities. The facility and associated gas gathering system is expected to cost approximately \$235 million and be in service in late 2012. By using existing infrastructure in the area and building the Henderson Pipeline to connect to the Pouce Coupe facility, AltaGas expects to provide processing services for early production of 15 Mmcf/d by August 2011. The facility is supported by a long term gathering and processing agreement with Encana Corporation to supply natural gas to the facility. Based on current production and natural gas reserve estimates, AltaGas expects the annual average EBITDA contribution to range between \$30 million and \$35 million once completed.

The project is subject to regulatory approval by Alberta Environment (AENV) and ERCB. AltaGas has submitted both applications and the process is proceeding as expected. During the quarter, \$7 million of orders were placed and most major bid packages were received for evaluation. Late spring breakup has deferred the startup of construction for the Henderson Pipeline to late May or early June 2011; however, this is not expected to result in any delays on start-up.

Based on the expected timeline for filing and receiving regulatory approvals, AltaGas expects \$105 million to \$115 million of costs to be fixed by September 2011. In total, approximately two thirds of costs are expected to be contractually fixed over the course of construction. The remainder will be subject to cost escalation and labour productivity risk. AltaGas mitigates project cost escalation and schedule risk through its procurement and contracting strategies.

Harmattan Cogeneration #2

Following on the success of the 15-MW Harmattan Cogeneration Project that was commissioned in late 2010, AltaGas plans to construct a second 15-MW cogeneration unit at the Harmattan Complex as a means of supplying steam and power for the Co-stream Project. Having two independent generating units on site will provide a reliable source of low cost power and steam to the facility while reducing the complex's reliance on the grid and its power boilers. The project also includes adding a distribution system within the Harmattan Complex. The Cogeneration #2 project is estimated to cost \$24 million and be in service during second quarter 2012.

During the quarter, purchase orders of approximately \$9 million for major equipment were placed. Construction is scheduled to commence in third quarter 2011.

NON-GAAP FINANCIAL MEASURES

This MD&A contains references to certain financial measures that do not have a standardized meaning prescribed by 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. Some of the measures have been redefined to provide more clarity and simplify the use of non-GAAP measures in the report. EBITDA and operating income have been redefined to exclude unrealized gains and losses of mark-to-market accounting for risk management contracts. 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.

References to net revenue, operating income, EBITDA, adjusted net income and funds from operations throughout this document have the meanings as set out in this section.

Net revenue (unaudited) (\$ millions)	Three Months Ended	
		March 31
	2011	2010
Net revenue	137.7	127.2
Add: Cost of sales	265.7	233.3
Revenue (GAAP financial measure)	403.4	360.5

Net revenue, which is revenue less the cost of commodities purchased for sale and shrinkage, is a better reflection of performance than revenue, since changes in the market price of natural gas and power affect both revenue and cost of sales.

Operating income (unaudited) (\$ millions)	Three Months Ended	
		March 31
	2011	2010
Operating income	58.5	37.4
Add (deduct): Unrealized gains (losses) on risk management contracts	(7.4)	5.3
Interest expense	(12.9)	(11.5)
Foreign exchange loss	-	(0.2)
Income tax (expense) recovery	(8.8)	5.4
Preferred share dividend (net of tax)	(2.8)	-
Net income applicable to common shares (GAAP financial measure)	26.6	36.4

Operating income is a measure of AltaGas' profitability from its principal operating activities prior to how these activities are financed, how the results are taxed, or the impact of unrealized gains or losses on risk management contracts. The measure is used by management to assess the operating performance of the business segments since it is a better indicator of operating performance than net income. Operating income is calculated from the Consolidated Statements of Income using revenue adjusted for unrealized gains or losses on risk management contracts less operating and administrative expenses.

EBITDA (unaudited) (\$ millions)	Three Months Ended	
	March 31	
	2011	2010
EBITDA	80.8	61.1
Add (deduct):		
Unrealized gains (losses) on risk management contracts	(7.4)	5.3
Amortization	(21.7)	(23.0)
Accretion of asset retirement obligations	(0.6)	(0.7)
Interest expense	(12.9)	(11.5)
Foreign exchange (loss) gain	-	(0.2)
Income tax (expense) recovery	(8.8)	5.4
Preferred share dividends (net of tax)	(2.8)	-
Net income applicable to common shares (GAAP financial measure)	26.6	36.4

EBITDA is a measure of AltaGas' operating profitability without the impact of risk management contracts and prior to how business activities are financed, assets are amortized or how earnings are taxed. AltaGas does not speculate on commodity prices, but rather enters into financial instruments to manage risk, and therefore evaluates company performance excluding unrealized gains or losses from risk management contracts. EBITDA is calculated from the Consolidated Statements of Income using revenue adjusted for unrealized gains or losses on risk management contracts, cost of sales and operating and administrative expenses.

Adjusted net income (unaudited) (\$ millions)	Three Months Ended	
	March 31	
	2011	2010
Adjusted net income	32.1	32.4
Add (deduct):		
After-tax unrealized gain (loss) on risk management contracts	(5.5)	4.0
Net income applicable to common shares (GAAP financial measure)	26.6	36.4

Adjusted net income is a better reflection of actual business performance than net income since changes in value of risk management contracts 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 risk management activities. Adjusted net income is calculated from the Consolidated Statements of Income and is defined as net income adjusted for unrealized gains or losses on risk management contracts and related income tax expenses.

Funds from operations (unaudited) (\$ millions)	Three Months Ended	
	March 31	
	2011	2010
Funds from operations	64.0	51.3
Add (deduct):		
Net change in non-cash working capital	(28.0)	(14.2)
Asset retirement obligations settled	(0.1)	(0.1)
Cash from operations (GAAP financial measure)	35.9	37.0

Funds from operations are 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 are calculated from the Consolidated Statements of Cash Flows and are defined as cash provided by operating activities before changes in non-cash working capital and expenditures incurred to settle asset retirement obligations.

GAS

Three Months Ended March 31

The Gas reporting segment recorded operating income of \$30.2 million in first quarter 2011 compared to \$22.7 million for the same quarter in 2010. During the quarter, the Extraction and Transmission (E&T) business contributed approximately 72 percent (first quarter 2010 - 84 percent), the Field Gathering and Processing (FG&P) business contributed approximately 27 percent (first quarter 2010 - 10 percent), with the remainder contributed by the Energy Services (ES) business. During the quarter, AltaGas accepted an offer from a producer to sell the Groundbirch facility. The offer allowed the Corporation to realize a pre-tax gain on the disposition of approximately \$6 million. The proceeds will be redeployed for the acquisition of a 40 percent interest in a new 40 Mmcf/d (gross) facility in the Pine Creek area.

Operating income increased due to higher frac exposed volumes and margins, the sale of the Groundbirch facility, settlement of a take-or-pay contract and lower amortization. These increases were partially offset by lower volumes processed at some FG&P facilities, higher operating and administration costs, lower margins realized within the natural gas storage business and lower daily contract quantity on the Suffield system.

Net revenue in the Gas reporting segment for first quarter 2011 was \$87.8 million compared to \$79.9 million for the same period in 2010. Net revenue increased due to the sale of the Groundbirch facility for a pre-tax gain of approximately \$6 million and the settlement of a take-or-pay contract for \$2.0 million before tax. In addition, net revenue increased \$3.5 million due to higher frac exposed volumes and margins and \$2.5 million due to higher extraction fee-for-service and recovery revenues. These increases were partially offset by lower FG&P volumes and fee-for-service revenues of \$2.9 million, lower natural gas storage margins of \$1.4 million and lower transmission revenues of \$1.5 million driven largely by lower daily contract quantity on the Suffield system.

Operating and administrative expense in first quarter 2011 was \$43.4 million compared to \$40.8 million in first quarter 2010. The increase was largely due to higher power prices, higher variable costs associated with more extraction volumes and assets that were added or expanded during the prior year. These increases were partially offset by lower volumes at certain gas processing facilities and cost saving measures implemented.

Amortization expense in first quarter 2011 was \$13.7 million compared to \$15.6 million in first quarter 2010. Accretion expense in first quarter 2011 was \$0.6 million compared to \$0.7 million in first quarter 2010. The decreases were due to revisions in estimates in the lives of certain facilities.

GAS OPERATING STATISTICS

Three Months Ended

March 31

	2011	2010
E&T		
Extraction inlet gas processed (Mmcf/d) ⁽¹⁾	909	787
Extraction ethane volumes (Bbls/d) ⁽¹⁾	27,892	26,592
Extraction NGL volumes (Bbls/d) ⁽¹⁾	14,356	11,838
Total extraction volumes (Bbls/d) ⁽¹⁾	42,248	38,430
Frac spread - realized (\$/Bbl) ^{(1) (2)}	32.45	30.42
Frac spread - average spot price (\$/Bbl) ⁽¹⁾	40.91	35.38
FG&P		
Processing throughput (gross Mmcf/d) ⁽¹⁾	375	432
Capacity utilization (%) ⁽³⁾	32	37
Energy Services		
Average volumes transacted (GJ/d) ⁽⁴⁾	507,461	405,048

⁽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⁾ As at the end of the reporting period.⁽⁴⁾ Average for the period. Includes volumes marketed directly, volumes transacted on behalf of other operating segments and volumes sold in gas exchange transactions.

Average ethane and NGL volumes increased by 1,300 Bbls/d and 2,518 Bbls/d respectively in first quarter 2011, compared to the same period in 2010. Volumes were higher at most extraction facilities, led by increases at the Younger Extraction Plant due to higher inlet volumes and Empress extraction facilities due to successful contracting efforts.

FG&P throughput in first quarter 2011 averaged 375 Mmcf/d compared to 432 Mmcf/d in first quarter 2010. Although certain areas have experienced volume growth, the lack of producer activity in response to low natural gas prices has resulted in overall lower processing volumes.

Gas Outlook

The Gas segment is expected to deliver stronger results in 2011 than in 2010. Stronger results are expected from the extraction and field gas processing assets as producers look to increase net backs from liquids-rich gas and higher average realized frac spread margins. These increases are expected to be partially offset by lower volumes in areas where there are fewer opportunities for producers to benefit from liquids-rich gas, lower daily contract quantity on the Suffield natural gas transmission system and lower margins in the storage business.

On April 13, 2011, AltaGas signed a letter of intent with a producer to acquire a 40 percent interest in the 40 Mmcf/d (gross) Pine Creek gas processing facility for \$18 million, subject to normal conditions precedent including the execution of definitive agreements for its purchase and operation. The Pine Creek facility's capture area includes the newly discovered Wilrich and Notikewin zones, and a Duvernay shale play also trends into an area six miles east of the plant.

AltaGas expects average annual volumes in 2011 to be higher than 2010 within the field processing business as a result of prior year's expansion projects at the existing Pouce Coupe, Ante Creek and Acme gas processing plants, expansions and plant modifications at Alder Flats, connection of the new Henderson pipeline to the Pouce Coupe plant and higher producer activity in the Bantry and Princess areas. Volumes are also expected to increase in early 2012 with the expansion of the Blair Creek Gas Plant. Areas experiencing higher activity levels are being driven by producers focusing on high NGL content gas plays or light oil plays which create significant solution gas.

Throughput at the extraction assets is expected to increase in 2011 over 2010 despite the scheduled turnarounds at the Harmattan and Younger facilities. Drilling activity in northeast B.C. has increased as producers continue the development of tight and shale gas plays within the area. Developments in this area have resulted in higher volumes being processed at the Younger Extraction Plant. The new 25-kilometer, 16-inch diameter natural gas pipeline ("Septimus Pipeline"), expected to be operational during Q4 2011, will also contribute to higher volumes being processed at the Younger facility. AltaGas has a 30 percent interest in the pipeline. The Younger facility is also undergoing plant modifications during this year's turnaround in anticipation that throughput volumes will approach operating capacity of approximately 650 Mmcfd by year end. Extraction volumes through AltaGas' Empress facilities are higher due to successful contracting of gas supply to increase utilization at these facilities.

In addition, operating income within the Gas business during 2011 is expected to be greater than 2010 due to lower amortization, which is expected to be \$2 million lower than the prior year as a result of changes in expected lives at certain facilities. Offsetting these gains will be the 2011 turnarounds that are expected to result in an operating income impact of \$8.5 million. The turnarounds at the Younger and Harmattan facilities are expected to occur in second and third quarter, respectively. In addition, the lower daily contract quantity on the Suffield system is expected to result in lower operating income within the Transmission business of approximately \$6 million in 2011 compared to 2010.

Based on management's analysis of historical NGL prices, along with NGL published commodity prices and the current forward curve for 2011, management expects NGL frac spread prices to average approximately \$38/Bbl including extraction premiums. In 2011, the Corporation estimates that 13 percent of total extraction volumes will be exposed to frac spread. In 2011, approximately 70 percent of the exposure has been hedged at an average price of \$26.85/Bbl. For 2012, AltaGas has hedged approximately 50 percent of its volumes that are exposed to frac spread at an average price of \$35/Bbl.

POWER

Three Months Ended March 31

Operating income for first quarter 2011 was \$26.6 million compared to \$16.5 million for the same period in 2010. Operating income increased as a result of higher Alberta power prices, higher earnings from the gas-fired peakers, the addition of the cogeneration facility at the Harmattan Complex and stronger results from the Bear Mountain Wind Park, partially offset by higher costs. In first quarter 2011, AltaGas hedged 57 percent of power sold in Alberta at an average price of \$65/MWh.

Net revenue for first quarter 2011 was \$33.7 million compared to \$23.5 million for the same period in 2010. Net revenue increased \$11.2 million due to higher Alberta power prices, \$1.7 million from the addition of the Harmattan gas-fired cogeneration, \$1.7 million due to stronger results from the Bear Mountain Wind Park and \$0.7 million from higher volumes sold from the gas-fired peaking plants, partially offset by approximately \$5.2 million in higher costs.

Operating and administrative expense was the same at \$3.1 million for first quarter 2011 compared to the same period in 2010.

Amortization expense was \$4.0 million in first quarter 2011 compared to \$3.8 million in first quarter 2010. The increase was due to the addition of the Harmattan Cogeneration Facility.

POWER OPERATING STATISTICS

	Three Months Ended	
	March 31	
	2011	2010
Volume of power sold (GWh) ⁽¹⁾⁽²⁾	740	685
Average price realized on the sale of power (\$/MWh) ⁽¹⁾⁽²⁾	78.76	62.16
Alberta Power Pool average spot price (\$/MWh) ⁽¹⁾	83.33	40.88

⁽¹⁾ Average for the period.

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

Power Outlook

The Power segment is expected to deliver stronger results in 2011 compared to 2010 as a result of higher prices and higher volumes generated. For the second quarter, AltaGas has hedged approximately 60 percent of its expected Alberta-based power sales at an average price of \$68/MWh. For the third and fourth quarters of 2011, AltaGas has hedged approximately 40 percent at average prices of \$64/MWh. Recent supply uncertainty in the Alberta power market, together with changes to the Rate Regulated Option used for setting power prices by the utilities, has increased power prices and power price volatility. Management expects to execute short-term hedges throughout the year at premium prices to long-term prices as it has successfully done to date in 2011.

Current forward prices, as published in daily broker reports, are in the low \$60s per MWh for the balance of 2011, as well as 2012 and 2013. Higher power prices are expected to result in higher run times and availability of the gas-fired peakers resulting in higher energy and ancillary services sales in 2011 compared to 2010. The addition of the Harmattan Cogeneration Facility in late 2010 is also expected to contribute to stronger results from the power business in 2011.

UTILITIES

Three Months Ended March 31

The Utility reporting segment predominantly comprises natural gas rate-regulated utilities, where net income is based on a regulated allowed return on capital invested. Rate regulated cost-of-service entities such as AltaGas Utilities Inc. (AUI) in Alberta and Heritage Gas Limited (Heritage Gas) in Nova Scotia generally collect operating and administrative costs, depreciation, interest expenses and income taxes paid in the rates charged to customers, and therefore changes in these costs do not normally impact the net income of the business. Consequently, this discussion of financial results focuses on net income.

Net income for first quarter 2011 was \$8.2 million compared to \$7.5 million for the same period in 2010. Net income was higher mainly due to colder weather in Alberta and Nova Scotia and higher rate base at both the Alberta and Nova Scotia utilities. The segment grew rate base by 16 percent in first quarter 2011 to \$322.9 million which increased first quarter net income by \$0.9 million.

After deducting natural gas costs of \$35.3 million (Q1 2010 - \$37.9 million), net revenue for first quarter 2011 was \$26.4 million compared to \$19.1 million for the same period in 2010. Net revenue grew \$7.3 million mainly due to higher delivered gas volumes from colder weather, higher revenue requirements due to rate base growth and higher applied for recoverable costs at AUI and Heritage Gas.

Operating and administrative expense was \$11.5 million for first quarter 2011 compared to \$9.5 million for the same period in 2010. Amortization expense was \$3.1 million in first quarter 2011 compared to \$2.8 million in first quarter 2010. Interest expense was \$2.8 million in first quarter 2011 compared to \$1.7 million in first quarter 2010.

Income tax expense was \$0.7 million in first quarter 2011 compared to an income tax recovery of \$2.0 million in same period 2010. The income tax recovery in 2010 was mainly due to the recovery of cash income tax at AUI due to deductions available from an investment in computer software.

Net income in the Utility reporting segment is highly seasonal, as revenues are primarily based on the demand for space heating in the winter months, mainly from November to March. Costs, on the other hand, are generally incurred more uniformly over the year. This typically results in stronger first and fourth quarters and weaker second and third quarters. Earnings can be impacted by variations from normal weather resulting in delivered volumes being different than anticipated. Increases in the number of customers or changes in customer usage are examples of other factors that might typically affect volumes and hence earned returns.

UTILITIES OPERATING STATISTICS

	Three Months Ended March 31	
	2011	2010
Natural gas deliveries - end-use (PJ) ⁽¹⁾	9.3	7.2
Natural gas deliveries - transportation (PJ) ⁽¹⁾	1.3	1.3
Service sites ⁽²⁾	75,055	73,198
Degree day variance from prior year - AUI (%) ⁽³⁾	23.6	(18.6)
Degree day variance from prior year- Heritage Gas (%) ⁽³⁾	8.0	(14.0)

⁽¹⁾ Petajoule (PJ) is one million gigajoules (GJ).

⁽²⁾ Service sites reflect all of the service sites of AUI, Heritage Gas and Inuvik Gas.

⁽³⁾ Degree days relate to AUI and Heritage Gas service areas. A degree day is the cumulative extent to which the daily mean temperature falls below 15 degrees Celsius at AUI and 18 degrees Celsius at Heritage Gas. Normal degree days are based on a 20-year rolling average. Positive variances from normal lead to increased delivery volumes from normal expectations.

Utilities Outlook

The Utility reporting segment is expected to generate earnings growth in 2011 based on rate-base growth in its Alberta and Nova Scotia natural gas distribution utilities. In 2011, AUI is forecast to spend approximately \$26 million, growing mid-year rate base by 13 percent to \$153 million. Heritage Gas is forecast to spend approximately \$20 million to expand its system in 2011 which, along with increases in the Revenue Deficiency Account (RDA), is expected to grow rate base by 25 percent.

AltaGas will continue to pursue growth in its existing franchise areas and is well positioned to capture opportunities arising in its service areas in Alberta. AltaGas expects that new business growth in 2011 will be approximately 2 percent at the Alberta utility.

The Alberta Utilities Commission (AUC) is currently considering AUI's rate application for 2010, 2011 and 2012. The hearing is scheduled for mid-October 2011 and a decision is expected in early 2012. In addition to increases in costs and capital spending, AUI is requesting approval of interest rates on all of its outstanding debt for the 3-year period. There is also a generic cost-of-capital proceeding currently underway to set return on equity for 2011 and 2012 for all utilities in Alberta. The unanticipated impact of decisions on these regulatory matters is recorded in the period in which the decision is received.

Heritage Gas expects growth in its franchise areas from the continued expansion of its system in the Halifax Regional Municipality and ongoing conversion of customers with existing access to natural gas. Heritage Gas expects to activate approximately 750 new customers in 2011.

The 13 percent return on equity and the 8.75 percent debt rate allowed at Heritage Gas are approved by the Nova Scotia Utility and Review Board (NSUARB) through 2011. Heritage Gas will file a General Rate Application (GRA) in mid-2011 to apply for rates and terms beginning January 2012. The GRA is comprehensive and will include a number of studies requested by the NSUARB including cost-of-capital, capital structure, cost-of-service and rate-design studies. The hearing is set for early in fourth quarter 2011 and a decision from the NSUARB is expected before the end of 2011.

CORPORATE

Three Months Ended March 31

The operating loss for first quarter 2011 was \$10.1 million compared to \$8.6 million for first quarter 2010. The increased loss was due to an unrealized loss on risk management contracts of \$7.4 million compared to a gain of \$5.3 million in first quarter last year. Also reported in the quarter is a loss of \$2.8 million on an equity investment compared to a loss of \$1.4 million in the same quarter last year. Adjusting for mark-to-market accounting on risk management contracts and investments, the Corporate segment reported costs of \$7.3 million in first quarter 2011 compared to \$7.2 million in the same quarter last year.

Net revenue was in a negative position of \$10.4 million in first quarter 2011 compared to net revenue of \$5.5 million in the same period in 2010. The decrease was primarily due to changes in unrealized losses on risk management contracts of \$12.7 million as well as a loss of \$2.8 million on an equity investment compared to a loss of \$1.4 million in the same quarter last year.

Operating and administrative expense was \$6.2 million in first quarter 2011 compared to \$8.1 million in first quarter 2010. Lower expenses were a result of cost saving initiatives in 2011.

Amortization expense was \$0.9 million in first quarter 2011 compared to \$0.7 million in the same quarter 2010.

Corporate Outlook

Excluding the impact of mark-to-market accounting, the operating loss for 2011 is expected to be lower than the loss reported in 2010. During 2010, AltaGas incurred costs to convert from a trust structure to a corporation and to support activities related to compliance with the Harmonized Sales Tax in Ontario and British Columbia. AltaGas expects to incur costs to transition to IFRS or US GAAP during 2011. The Corporate reporting segment is also expected to report lower income from other investments during 2011.

AltaGas expects to report higher future income tax expense based on being a corporation for a full year and expects to incur an effective corporate tax rate of approximately 23 percent. The tax rate at the consolidated level is lower than the expected statutory rate as a result of the lower effective tax rate at the Utility segment. Future income taxes recoverable or payable by the utilities are recorded as regulatory assets or liabilities until such time as the taxes are collectible or payable from or to the utility customers.

The effects of risk management contracts are based on estimates relating to commodity prices, interest rates and foreign exchange rates over time. The actual amounts will vary based on these drivers, and management is therefore unable to predict the impact of financial instruments on 2011 results. However, the impact of the accounting standards is expected to be relatively low since AltaGas uses financial instruments to manage exposure to commodity price fluctuations and to buy and sell gas and power with locked-in margins. AltaGas does not execute financial instruments for speculative purposes.

INVESTED CAPITAL

During first quarter 2011, AltaGas increased capital assets, long-term investments and other assets by \$55.4 million compared to \$43.4 million in first quarter 2010. The net invested capital was \$27.1 million in the quarter compared to \$43.1 million in the same quarter last year. In first quarter 2011, the Corporation reported the disposition of the Groundbirch plant resulting from a settlement with the producer which generated a pre-tax gain on the sale of the plant of approximately \$6 million.

Net Invested Capital - Investment Type

Three Months Ended
March 31, 2011

(\$ millions)	Gas	Power	Utilities	Corporate	Total
Invested capital:					
Capital assets	25.8	29.2	4.7	1.8	61.5
Long-term investments and other assets	-	(0.2)	-	(5.9)	(6.1)
Net invested capital	25.8	29.0	4.7	(4.1)	55.4
Disposals:					
Capital assets	(28.0)	-	-	-	(28.0)
Long-term investments and other assets	-	-	-	(0.3)	(0.3)
Net invested capital	(2.2)	29.0	4.7	(4.4)	27.1

Net Invested Capital - Investment Type

Three Months Ended
March 31, 2010

(\$ millions)	Gas	Power	Utilities	Corporate	Total
Invested capital:					
Capital assets	37.2	3.7	5.3	2.0	48.2
Long-term investments and other assets	-	(0.1)	-	(4.7)	(4.8)
Net invested capital	37.2	3.6	5.3	(2.7)	43.4
Disposals:					
Capital assets	-	-	-	-	-
Long-term investments and other assets	(0.3)	-	-	-	(0.3)
Net invested capital	36.9	3.6	5.3	(2.7)	43.1

AltaGas categorizes its invested capital into maintenance, growth and administration.

Growth capital of \$53.0 million was reported in first quarter 2011 (first quarter 2010 - \$40.0 million). In the Gas segment, growth capital was comprised primarily of \$17.8 million on the Harmattan Co-stream Project and \$6.8 million for various Gas-related projects. Within the Power segment, growth capital projects included \$20.1 million for the development of the Forrest Kerr project and \$8.9 million related to other power projects including the second cogeneration plant at the Harmattan Complex. The Utilities segment reported growth capital of \$4.7 million. The Corporate segment reported a decline in growth capital of \$5.3 million related to unrealized loss on mark-to-market for Magma Energy Corp. Administrative and maintenance capital expenditures in first quarter 2011 were \$1.5 million and \$0.9 million, respectively (first quarter 2010 - \$2.0 million and \$1.4 million, respectively).

Invested Capital - Use

Three Months Ended
March 31, 2011

(\$ millions)	Gas	Power	Utilities	Corporate	Total
Invested capital:					
Maintenance	0.9	-	-	-	0.9
Growth	24.6	29.0	4.7	(5.3)	53.0
Administrative	0.3	-	-	1.2	1.5
Invested capital	25.8	29.0	4.7	(4.1)	55.4

Invested Capital - Use

Three Months Ended
March 31, 2010

(\$ millions)	Gas	Power	Utilities	Corporate	Total
Invested capital:					
Maintenance	0.8	0.6	-	-	1.4
Growth	36.4	3.0	5.3	(4.7)	40.0
Administrative	-	-	-	2.0	2.0
Invested capital	37.2	3.6	5.3	(2.7)	43.4

FINANCIAL INSTRUMENTS

The Corporation is exposed to market risk and potential loss from changes in the value of financial instruments. AltaGas enters into financial derivative contracts to manage exposure to fluctuations in commodity prices, interest rates and foreign exchange rates. During first quarter 2011, the Corporation had positions in the following types of derivatives, which are also disclosed in Note 7 of the interim Consolidated Financial Statements:

- Commodity forward contracts: The Corporation executes gas, power and other commodity forward contracts to manage its asset portfolio and lock-in margins from back-to-back purchase and sale agreements. In a forward contract, one party agrees to deliver a specified amount of an underlying asset to the other party at a future date at a specified price. The energy services business transacts primarily on this basis.

- Commodity swap contracts: AltaGas executes fixed-for-floating power price swaps to manage its power asset portfolio. A fixed-for-floating price swap is an agreement between two counterparties to exchange a fixed price for a floating price. The Power business results are significantly affected by the price of electricity in Alberta. AltaGas employs derivative commodity instruments for the purpose of managing AltaGas' exposure to power price volatility. The Alberta Power Pool settles power prices on an hourly basis and prices ranged from \$6.57/MWh to \$999.99/MWh in first quarter and \$8.09/MWh to \$376.37/MWh in same quarter last year. The average Alberta spot price was \$83.33/MWh in first quarter 2011 (first quarter 2010 - \$40.88/MWh). AltaGas moderated the impact of this volatility on its business through the use of financial hedges on a portion of its power portfolio. The average price realized for power by AltaGas was \$78.76/MWh in first quarter (first quarter 2010 - \$62.16/MWh). For the second quarter, AltaGas has hedged approximately 60 percent of its expected Alberta-based power sales at an average price of \$68/MWh. For the third and fourth quarters of 2011, AltaGas has hedged approximately 40 percent at average prices of \$64/MWh.
- NGL frac spread hedges: The Corporation executes fixed-for-floating NGL frac spread swaps to manage its exposure to frac spreads. The E&T business results are affected by fluctuations in NGL frac spreads. During the first quarter 2011, the Corporation had NGL frac spread agreements for an average of 3,625 Bbls/d at an average price of \$26.85/Bbl. The average spot NGL frac spread for first quarter 2011 was \$40.91/Bbl (first quarter 2010 - \$35.38/Bbl). The average NGL frac spread realized by AltaGas in first quarter 2011 was \$32.45/Bbl (first quarter 2010 - \$30.42/Bbl). The Corporation has hedged an average of 3,625 Bbls/d, or approximately 70 percent of volumes that are exposed to spot prices for the remainder of 2011, at an average price of \$26.85/Bbl. For 2012, AltaGas has hedged approximately 50 percent of its volumes that are exposed to frac spread at an average price of \$35/Bbl.
- Interest rate forward contracts: The Corporation enters into interest rate swaps where cash flows of a fixed rate are exchanged for those of a floating rate. At March 31, 2011, the Corporation had interest rate swaps for \$80 million with varying terms to maturity until March 31, 2012. At March 31, 2011, the Corporation had fixed the interest rate on 100 percent of its debt including MTNs and capital leases (December 2010: 96 percent).
- Foreign exchange forward contracts: Foreign exchange exposure created by transacting commercial arrangements in foreign currency is managed through the use of foreign exchange forward contracts whereby a fixed rate is locked in against a floating rate and option agreements whereby an option to transact foreign currency at a future date is purchased or sold.

The fair value of power, natural gas and NGL derivatives was calculated using estimated forward prices from published sources for the relevant period. The calculation of fair value of the interest rate derivatives used quoted market rates.

AltaGas does not speculate on commodity prices and therefore does not engage in commodity transactions that create incremental exposure or are based solely on expectations of future energy market price movements. Commodity transactions are used to lock in margins, optimize underlying physical assets or reduce exposure to energy price movements. AltaGas' risk management group reviews commodity and credit risk on a daily basis and has created and adheres to a conservative risk policy and hedging program.

LIQUIDITY

AltaGas does not expect any currently known trend or uncertainty to affect its ability to access its historical sources of funding. On March 24, 2011, AltaGas issued \$200 million in Medium-Term Notes (MTNs) with a coupon rate of 4.10 percent maturing on March 24, 2016. This issuance, as well as the various financing initiatives completed in 2010, are indicative of AltaGas' strong financial position and access to capital markets.

Cash Flows	Three Months Ended	
	March 31	
(\$ millions)	2011	2010
Cash from operations	35.8	37.0
Investing activities	(47.0)	(28.4)
Financing activities	120.2	(6.1)
Change in cash	109.0	2.5

Cash from Operations

Cash from operations reported on the Consolidated Statements of Cash Flows was \$35.8 million in first quarter 2011 compared to \$37.0 million in first quarter 2010. The decrease in cash from operations was primarily a result of higher non-cash working capital. Higher working capital was driven by higher receivables as result of higher commodity prices and higher natural gas delivered to utility customers.

Working Capital	March 31	March 31
(\$ millions except current ratio)	2011	2010
Current assets	393.1	304.0
Current liabilities	360.7	323.3
Working capital	32.4	(19.3)
Current ratio	1.09	0.94

Working capital was \$32.4 million at March 31, 2011, compared to a deficit position of \$19.3 million at March 31, 2010. The working capital ratio was 1.09 at the end of first quarter 2011 compared to 0.94 at the end of first quarter 2010. The working capital ratio increased due to a higher cash balance as of March 31, 2011, lower accounts receivable and lower accounts payable. In addition, the working capital ratio was impacted by an increase in current portion of long-term debt.

Investing Activities

Cash used for investing activities in first quarter 2011 was \$47.0 million compared to \$28.4 million in first quarter 2010. The increase was due to the increase in capital asset expenditures.

Financing Activities

Cash obtained from financing activities was \$120.2 million in first quarter 2011 compared to cash used for financing activities of \$6.1 million in first quarter 2011. The net change in cash was due to issuance of MTNs in first quarter 2011 and lower payout to shareholders.

CAPITAL RESOURCES

The use of debt or equity funding is based on AltaGas' capital structure which is determined by considering the norms and risks associated with each of its business segments. At March 31, 2011, AltaGas had total debt outstanding of \$1,043.9 million, up from \$904.5 million as at December 31, 2010. At March 31, 2011, AltaGas had \$975 million in MTNs outstanding and had access to prime loans, base rate loans, LIBOR loans, bankers' acceptances and letters of credit through bank lines amounting to \$946 million. At March 31, 2011, AltaGas had drawn bank debt of \$54 million and letters of credit outstanding of \$59.2 million against the extendible revolving letter of credit facility, the syndicated credit facilities and the demand operating facilities. As at March 31, 2011, the Corporation had \$832.8 million in available credit facilities and \$111.2 million in cash and cash equivalents.

At March 31, 2011, AltaGas' current portion of long-term debt was \$105.9 million. The Corporation has a \$100 million MTN maturing in January of 2012.

All of the borrowing facilities have covenants customary for these types of facilities, which must be met at each quarter end. AltaGas has been in compliance with these covenants each quarter since the establishment of the facilities.

On March 24, 2011, AltaGas issued \$200 million of 4.1 percent senior unsecured MTNs. The notes mature on March 24, 2016.

Credit facilities (\$ millions)	Borrowing capacity	Drawn at March 31 2011	Drawn at December 31 2010
Demand operating facilities	71.0	2.9	7.9
Extendible revolving letter of credit facility	75.0	56.3	50.5
Syndicated revolving credit facility ⁽¹⁾	600.0	-	-
Utility Group revolving credit facility ⁽²⁾	200.0	54.0	114.5
	946.0	113.2	172.9

⁽¹⁾ Revolving credit facility maturing June 30, 2013.

⁽²⁾ Revolving credit facility maturing November 17, 2013.

At March 31, 2011, AltaGas held a \$75 million (December 31, 2010 - \$75.0 million) unsecured 3-year extendible revolving letter of credit facility with two Canadian chartered banks maturing on June 30, 2013. AltaGas may also borrow by way of prime loans, U.S. base rate loans, LIBOR loans or bankers' acceptances on the letter of credit facility. Borrowings on the facility bear fees and interest at rates relevant to the nature of the draws made. At March 31, 2011, AltaGas had letters of credit of \$56.3 million (December 31, 2010 - \$50.5 million) outstanding against the extendible revolving letter of credit facility, \$54 million outstanding against the syndicated credit facilities and \$2.9 million letters of credit (December 31, 2010 - \$2.9 million) outstanding against the demand operating facilities.

On November 17, 2010, AltaGas restated and amended the Utility Group's maturing \$130 million unsecured extendible revolving credit facility. Through a syndicate of five banks, this facility was increased to \$200 million and its term was extended by 3 years to mature on November 17, 2013. Borrowings on the facility can be by way of prime loans, U.S. base rate loans, letters of credit, LIBOR loans or bankers' acceptance equivalent loans. At March 31, 2011, AltaGas had drawn a principal of \$54 million (December 31, 2010 - \$114.5 million) against the Utility Group facility.

RELATED PARTIES

AltaGas pays rent under a lease for office space and equipment to 2013761 Ontario Inc., which is partially owned by an employee of AltaGas. Payments of \$23 thousand were made in first quarter 2011 (first quarter 2010 - \$23 thousand) which is the exchange value of the property agreed to by both parties. The lease expires December 2011.

SHARE INFORMATION

At March 31, 2011, AltaGas had 82.8 million common shares outstanding and a market capitalization of \$2.1 billion based on a closing trading price on March 31, 2011, of \$25.66 per share. At March 31, 2011, there were 4.7 million options outstanding and 1.9 million options exercisable under the terms of the share option plan.

DIVIDENDS AND DISTRIBUTIONS

Prior to corporate conversion, as of June 30, 2010, AltaGas declared distributions of \$85.4 million for the first half of 2010. Since the corporate conversion effective July 1, 2010, AltaGas Ltd. declares and pays a monthly dividend to its shareholders.

AltaGas dividends are determined by giving consideration to the ongoing sustainable cash flow as impacted by the consolidated net income, maintenance and growth capital expenditures and debt repayment requirements. In first quarter 2011, AltaGas declared dividends of \$27.3 million (first quarter 2010 distributions - \$43.0 million).

The following table summarizes AltaGas' distribution and dividend declaration history since 2009:

Distributions/Dividends

Years ended December 31

(\$ per share or unit)	2011	2010	2009
First quarter	0.33	0.54	0.54
Second quarter	-	0.54	0.54
Third quarter ⁽¹⁾	-	0.33	0.54
Fourth quarter	-	0.33	0.54
Total	0.33	1.74	2.16

⁽¹⁾ As of July 1, 2010, after AltaGas' conversion to a corporation, monthly dividends are declared to its shareholders.

NON-MONETARY TRANSACTION

AltaGas has entered into a non-monetary transaction with a third party in which it exchanged B.C. Renewable Energy Certificates (RECs) for verified emission offsets that were generated in Alberta. The RECs will be created through the generation of power at the Bear Mountain Wind Park between 2009 and 2011. The verified emission offsets received by AltaGas were used to offset the costs to comply with Specified Gas Emitters Regulation (SGER) in 2010. The contract was completed in second quarter 2010.

SUBSEQUENT EVENT

On April 26, 2011, AltaGas closed a \$125 million unsecured bilateral credit facility. AltaGas may borrow by way of letters of credit under the credit facility. Borrowings on the facility bear fees and interest at rates relevant to the nature of the draws made.

CHANGES IN ACCOUNTING POLICIES

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Accounting Standards Board (AcSB) confirmed in February 2008 that International Financial Reporting Standards (IFRS) will replace Canadian Generally Accepted Accounting Principles (CGAAP) for publicly accountable enterprises for financial periods beginning on or after January 1, 2011.

On September 10, 2010, AcSB amended the introduction to Part I of the CICA Handbook - Accounting - to permit, but not to require qualifying entities with rate regulated activities (RRA) to adopt IFRS for the first time no later than interim and annual financial statements relating to annual periods beginning on or after January 1, 2012, thereby providing a 1-year deferral.

AltaGas is a qualified entity for the deferral period permitted by AcSB, based on the activities of AUI and Heritage Gas. While AltaGas' IFRS conversion project was on track to meet the original conversion deadline, AltaGas has elected to use the deferral offered by the AcSB given the uncertainty with respect to the application of IFRS to the RRA. AltaGas will reassess the accounting policy choices available and will determine those most appropriate for AltaGas' business activities, including the option to adopt US GAAP rather than IFRS. If AltaGas decides to adopt IFRS accounting standards, the transition date will be effective January 1, 2011, and the conversion date will be January 1, 2012.

SIGNIFICANT ACCOUNTING POLICIES

AltaGas' significant accounting policies remain unchanged from December 31, 2010. For further information regarding these policies refer to the notes to the audited Consolidated Financial Statements in AltaGas' 2010 Annual Report.

CRITICAL ACCOUNTING ESTIMATES

Since a determination of the value of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of the AltaGas' Consolidated Financial Statements requires the use of estimates and assumptions that have been made using careful judgment. AltaGas' significant accounting policies are contained in the notes to the Consolidated Financial Statements. Certain of these policies involve critical accounting estimates as a result of the requirement to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

AltaGas' critical accounting estimates continue to be amortization expense, asset retirement obligations, asset impairment assessment, income taxes, pension and rate-regulated assets and liabilities. For a full discussion of these accounting estimates, refer to the MD&A in AltaGas' 2010 Annual Report and the notes to the interim Consolidated Financial Statements for the three months ended March 31, 2011.

OFF-BALANCE SHEET ARRANGEMENTS

AltaGas is not party to any contractual arrangement under which an unconsolidated entity may have any obligation under certain guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets. AltaGas has no obligation under derivative instruments or a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support or engages in leasing, hedging or research and development services.

DISCLOSURE CONTROLS AND PROCEDURES (DCP) AND INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

AltaGas' management is responsible for establishing and maintaining DC&P and ICFR, as those terms are defined in National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings". The objective of this instrument is to improve the quality, reliability and transparency of information that is filed or submitted under securities legislation.

The Chief Executive Officer and the Chief Financial Officer have designed, with the assistance of AltaGas employees, DC&P and ICFR to provide reasonable assurance that material information relating to AltaGas' business is made known to them, is reported on a timely basis, financial reporting is reliable, and financial statements prepared for external purposes are in accordance with Canadian GAAP. During the first quarter 2011, there were no changes made to AltaGas' ICFR that materially affected, or are reasonably likely to materially affect, its ICFR.

SUMMARY OF CONSOLIDATED RESULTS FOR THE EIGHT MOST RECENT QUARTERS

(\$ millions)	Q1-11	Q4-10	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09
Total revenue	403.4	362.2	297.4	334.0	360.5	336.4	291.4	285.8
Net revenue ⁽¹⁾	137.7	130.7	102.6	124.9	127.2	115.4	114.7	114.3
Operating income ⁽¹⁾	58.5	47.6	32.6	35.5	37.4	44.0	36.0	39.6
Net income applicable to common shares	26.6	26.5	6.0	28.4	36.4	32.1	34.7	36.9
(\$ per share)	Q1-11	Q4-10	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09
Net income applicable to common shares								
Basic	0.32	0.32	0.07	0.35	0.45	0.40	0.44	0.47
Diluted	0.31	0.32	0.07	0.35	0.45	0.40	0.43	0.46
Distributions / dividends declared	0.33	0.33	0.33	0.54	0.54	0.54	0.54	0.54

⁽¹⁾ Non-GAAP financial measure. See discussion in the "Non-GAAP Financial Measures" section of this MD&A.

Significant items that impacted individual quarterly earnings were as follows:

- In latter part of fourth quarter 2008 and during the first half 2009, prices for power, natural gas and NGL declined, breaking the historical price trend for these products. Reduced natural gas prices have directly affected the activity of producers within the WCSB;
- During 2009, AltaGas had adjusted liabilities related to natural gas transaction within energy services resulting in a one time revenue impact of \$9.2 million;
- During fourth quarter 2009, Bear Mountain Wind Park was fully connected to the B.C. power grid and met the conditions for commercial operations in order to receive the firm price under the 25-year EPA with BC Hydro;
- During fourth quarter 2009, acquired all the outstanding common shares of Utility Group not previously held by AltaGas for \$204.5 million including assumed debt;
- During fourth quarter 2009, acquired the 75.1 percent it did not already own of the outstanding shareholder loans and common shares of Heritage Gas Limited for \$111.0 million;
- During first quarter 2010, acquired all the outstanding common shares of Landis Energy Corporation for \$25.6 million;
- On July 1, 2010, AltaGas converted from an income trust to a corporation resulting in AltaGas being taxable as a corporation;
- In third quarter 2010, AltaGas reported \$21.1 million lower revenue as a result of mark-to-market accounting;
- Completed the construction of a 15-MW gas-fired cogeneration facility at the Harmattan Complex that came into service during fourth quarter 2010;
- During first quarter 2011, AltaGas accepted an offer from a producer to sell the Groundbirch facility. The offer allowed the Corporation to realize a pre-tax gain on the disposition of approximately \$6 million; and
- Results in the first quarter 2011 were also impacted by a settlement of a take-or-pay arrangement resulting in non-recurring pre-tax earnings of \$2 million.

Consolidated Balance Sheets

(unaudited)

(\$ thousands)	March 31 2011	December 31 2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 111,183	\$ 2,109
Accounts receivable	209,725	224,370
Inventory	9,907	13,107
Restricted cash holdings from customers	15,875	17,624
Regulatory assets	1,420	2
Risk management	39,967	41,226
Prepaid expense and other current assets	5,045	5,587
	393,122	304,025
Capital assets	2,010,268	1,995,632
Energy arrangements, contracts and relationships	122,317	120,848
Goodwill	199,497	199,497
Regulatory assets	76,742	76,515
Risk management	24,188	22,587
Long-term investments and other assets <i>(note 7)</i>	25,562	32,588
	\$ 2,851,696	\$ 2,751,692
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 173,161	\$ 228,772
Dividends payable	9,125	9,078
Short-term debt	840	9,478
Current portion of long-term debt <i>(note 5)</i>	105,859	1,508
Customer deposits	19,517	21,432
Regulatory liabilities	1,522	1,494
Risk management	43,445	39,209
Other current liabilities	7,237	12,302
	360,706	323,273
Long-term debt <i>(note 5)</i>	937,179	893,498
Asset retirement obligations	39,990	39,516
Future income taxes	241,395	233,763
Regulatory liabilities	19,094	18,518
Risk management	21,038	20,598
Future employee obligations	11,876	11,495
	1,631,278	1,540,661
Shareholders' equity	1,220,418	1,211,031
	\$ 2,851,696	\$ 2,751,692

See accompanying notes to the unaudited Consolidated Financial Statements.

Consolidated Statements of Income

(unaudited)

	Three Months Ended March 31	
<i>(\$ thousands except per share amounts)</i>	2011	2010
REVENUE		
Operating	\$ 413,871	\$ 354,958
Unrealized gain (loss) on risk management contracts <i>(note 7)</i>	(7,427)	5,282
Other revenue	(3,011)	256
	403,433	360,496
EXPENSES		
Cost of sales	265,697	233,290
Operating and administrative	64,476	60,791
Accretion of asset retirement obligations	608	720
Amortization:		
Capital assets	19,175	20,476
Energy arrangements, contracts and relationships	2,491	2,491
	352,447	317,768
Foreign exchange loss (gain)	(38)	248
Interest expense		
Short-term debt	177	406
Long-term debt	12,727	11,095
Income before income taxes	38,120	30,979
Income tax expense (recovery)		
Current	1,195	(1,217)
Future	7,622	(4,200)
Net income	29,303	36,396
Preferred share dividends (net of tax)	2,750	-
Net income applicable to common shares	\$ 26,553	\$ 36,396
Net income per share <i>(note 9)</i>		
Basic	\$ 0.32	\$ 0.45
Diluted	\$ 0.31	\$ 0.45
Weighted average number of shares outstanding (thousands) <i>(notes 8 and 9)</i>		
Basic	82,753	80,780
Diluted	84,618	81,110

See accompanying notes to the unaudited Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income and Accumulated Other Comprehensive (Loss) Income

(unaudited)

<i>(\$ thousands)</i>	Three Months Ended March 31	
	2011	2010
Net income	\$ 29,303	\$ 36,396
Other comprehensive income (loss), net of tax		
Unrealized net (loss) on available-for-sale financial assets	(2,166)	(2,307)
Unrealized net gain (loss) gain on derivatives designated as cash flow hedges	409	(11,994)
Reclassification to net income of net gain on derivatives designated as cash flow hedges pertaining to prior periods	410	3,531
	(1,347)	(10,770)
Comprehensive income	\$ 27,956	\$ 25,626
Accumulated other comprehensive (loss) income, beginning of period	\$ (2,752)	\$ 21,225
Other comprehensive loss, net of tax	(1,347)	(10,770)
Accumulated other comprehensive (loss) income, end of period <i>(note 7)</i>	\$ (4,099)	\$ 10,455

See accompanying notes to the unaudited Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

(unaudited)

<i>(\$ thousands)</i>	Three Months Ended	
	March 31	
	2011	2010
Common shares		
Balance, beginning of period	\$ 1,023,033	\$ 982,662
Shares issued for cash on exercise of options	1,801	617
Shares issued under DRIP ⁽¹⁾	9,839	9,114
Shares issued on exercise of warrants	-	3,394
Balance, end of period	1,034,673	995,787
Preferred shares		
Balance, beginning of period	194,126	-
Balance, end of period	194,126	-
Contributed surplus		
Balance, beginning of period	5,672	5,621
Amortization of share options	425	110
Exercise of share options	(507)	(148)
Cancellation of share options	(48)	-
Other adjustments	-	1,106
Balance, end of period	5,542	6,689
Warrants		
Balance, beginning of period	-	4,500
Exercised	-	(4,500)
Balance, end of period	-	-
Accumulated earnings		
Balance, beginning of period	(9,048)	34,849
Net income	29,303	36,396
Distributions	-	(43,018)
Common share dividends	(27,329)	-
Preferred share dividends (net of tax)	(2,750)	-
Balance, end of period	(9,824)	28,227
Accumulated other comprehensive (loss) income		
Balance, beginning of period	(2,752)	21,225
Other comprehensive loss	(1,347)	(10,770)
Balance, end of period	(4,099)	10,455
Total shareholders' equity	\$ 1,220,418	\$ 1,041,158

⁽¹⁾ Dividend Reinvestment and Optional Share Purchase Plan.

See accompanying notes to the unaudited Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(unaudited)

	Three Months Ended March 31	
<i>(\$ thousands)</i>	2011	2010
Cash from operations		
Net income	\$ 29,303	\$ 36,396
Items not involving cash:		
Amortization	21,666	22,967
Accretion of asset retirement obligations	608	720
Share-based compensation	(131)	(39)
Future income tax expense (recovery)	7,622	(4,200)
(Gain) on sale of assets	(6,172)	(1,396)
Unrealized (gains) losses	10,189	(3,898)
Other	892	1,127
Non-operating investment income	-	(345)
Asset retirement obligations settled	(134)	(66)
Net change in non-cash working capital <i>(note 11)</i>	(28,024)	(14,224)
	35,819	37,042
Investing activities		
Increase in restricted cash holdings from customers	1,749	1,770
Capital expenditures	(46,092)	(14,238)
Acquisition of energy services arrangements, contracts and relationships	(3,960)	-
Investment in regulatory assets	1,150	86
Distributions from equity investments	201	-
Disposition of short-term investments	-	4,716
Income from short-term investment	-	345
Business acquisition <i>(note 4)</i>	-	(21,917)
Disposition of long-term investments and other assets	-	850
	(46,952)	(28,388)
Financing activities		
Issuance (repayment) of short-term debt	(8,637)	4,333
Net issuance (repayment) of revolving long-term debt	(50,856)	(175,336)
Issuance of long-term debt	199,108	199,096
Repayment of long-term debt	(220)	(361)
Dividends and distributions	(30,829)	(43,539)
Net proceeds from issuance of common shares	11,641	9,731
	120,207	(6,076)
Change in cash and cash equivalents	109,074	2,578
Cash and cash equivalents, beginning of period	2,109	3,739
Cash and cash equivalents, end of period	\$ 111,183	\$ 6,317

See accompanying notes to the unaudited Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

(unaudited)

(Tabular amounts and amounts in footnotes to tables are in thousands of dollars unless otherwise indicated.)

1. BASIS OF PRESENTATION

The unaudited interim Consolidated Financial Statements of AltaGas Ltd. include the accounts of the Corporation and all of its wholly owned subsidiaries, and its proportionate interest in various partnerships and joint ventures including the Edmonton Ethane Extraction Plant, Empress ATCO Extraction Plant, Empress Provident Extraction Plant, Younger Extraction Plant, Sarnia Airport Storage Pool Limited, Alton Natural Gas Storage, ASTC Power Partnership (ASTC), Inuvik Gas Ltd. (Inuvik Gas) and Ikhil Joint Venture. Transactions between AltaGas Ltd. and its wholly owned subsidiaries and the proportionate interests are eliminated on consolidation.

The unaudited interim Consolidated Financial Statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles (CGAAP). The accounting policies applied are consistent with those outlined in the Corporation's annual Consolidated Financial Statements for the year ended December 31, 2010. These unaudited interim Consolidated Financial Statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the 2010 audited Consolidated Financial Statements included in AltaGas' Annual Report.

2. UPDATE TO SUMMARY OF ACCOUNTING POLICIES

Inventory

Inventory consists of materials, supplies, natural gas liquids (NGL) and proprietary natural gas held in storage. Materials, supplies and NGL inventories are valued at the lower of cost or net realizable value. Cost of inventories is assigned using a weighted average cost formula.

AltaGas has designated its natural gas storage business as a broker/trader business that purchases and sells natural gas on a back-to-back basis. As a result, proprietary natural gas held in storage is carried at fair value based on published market prices as at the balance sheet date less costs to sell. All changes in fair value of proprietary natural gas held in storage are recognized in inventory and unrealized gains or losses on risk management.

AltaGas changed the accounting policy for proprietary natural gas held in storage in third quarter 2010 from lower of cost and net realizable value to fair value. The change in policy provides more relevant information on the effects of the transactions on AltaGas' net income as the changes in fair value on the future sales of the proprietary natural gas are recognized as risk management assets/liabilities and unrealized gains or losses on risk management. The accounting policy was applied retrospectively to January 1, 2010, with minimal impact to inventory and net income and therefore no prior period adjustments were made.

Capital assets and amortization

In third quarter 2010, AltaGas revised the estimated useful lives of the Corporation's capital assets due to updated reservoir engineering studies, which directly affects reserve lives and therefore the expected useful lives of facilities within those locations. The result of the assessment is an increase in the useful lives of some facilities and a reduction in the useful lives of other facilities.

The Corporation continues to amortize the cost of capital assets, net of salvage value, on a straight-line basis over the estimated useful life of the assets, with the exception of regulated natural gas distribution assets, where amortization is calculated on a straight-line basis or over the contract term of a specific agreement at rates approved by the regulatory authorities.

The updated range of useful lives for AltaGas' capital assets as a result of the change in estimate is as follows:

<i>Gas</i>	
Extraction and transmission (E&T)	15 - 40 years
Field gathering and processing (FG&P)	15 - 36 years
Energy services	19 years
Natural Gas Storage	20 - 50 years
Natural gas distribution	0.85 - 23.82 percent
Other	1- 32 years
 <i>Power</i>	
Assets under capital lease	10 years
Power generation assets	20 - 30 years
 <i>Corporate</i>	
Other assets	1 - 5 years

The change in estimated useful lives was accounted for on a prospective basis from July 1, 2010. The change in estimate to the lives of AltaGas' facilities resulted in a decrease in amortization expense of \$1.8 million or an increase in after-tax earnings of \$1.4 million in Q3 2010. The change in estimate will affect amortization expense in future periods.

3. FUTURE ACCOUNTING CHANGES

Section 1582 "Business Combinations"

This section applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA Handbook Section 1582 replaced Section 1581 "Business Combinations" establishing standards for the accounting for a business combination that will more closely resemble those under International Financial Reporting Standards (IFRS). Earlier adoption of this section was permitted but AltaGas elected not to early adopt.

Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests"

Effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2011, the new CICA Handbook Sections 1601 and 1602 will replace Section 1600 "Consolidated Financial Statements". These sections establish standards for the preparation of consolidated financial statements and accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

International Financial Reporting Standards (IFRS)

The Accounting Standards Board (AcSB) confirmed in February 2008 that IFRS will replace CGAAP for publicly accountable enterprises for annual periods beginning on or after January 1, 2011. On September 10, 2010, AcSB amended the introduction to Part I of the CICA Handbook - Accounting - to permit, but not to require qualifying entities with rate-regulated activities (RRA) to adopt IFRS for the first time no later than interim and annual financial statements relating to annual periods beginning on or after January 1, 2012, thereby providing a 1-year deferral.

AltaGas is a qualified entity for the deferral period permitted by AcSB, based on the activities of AUI and Heritage Gas. While AltaGas' IFRS conversion project was on track to meet the original conversion deadline, AltaGas has elected to use the deferral offered by the AcSB given the uncertainty with respect to the application of IFRS to the RRA. AltaGas will reassess the accounting policy choices available and will determine those most appropriate for AltaGas' business activities, including the option to adopt US GAAP rather than IFRS. If AltaGas decides to adopt IFRS accounting standards, the transition date will be effective January 1, 2011, and the conversion date will be January 1, 2012.

4. ACQUISITIONS

Landis Energy Corporation (Landis)

On March 22, 2010, AltaGas acquired all of the outstanding common shares of Landis Energy Corporation. Landis is a developer of underground natural gas storage facilities, focused on opportunities in Atlantic Canada.

AltaGas paid Landis shareholders \$0.80 per common share in cash with an aggregate purchase price of \$23.1 million, including \$1 million for transaction costs. The acquisition was accounted for as an asset acquisition.

5. LONG-TERM DEBT

	March 31 2011	December 31 2010
Credit facilities	\$ 57,967	\$ 113,789
Medium-term notes	975,000	775,000
Loan from Province of Nova Scotia	4,605	4,535
Capital lease obligations	5,715	6,076
Promissory note	4,812	-
Other long-term debt	747	807
Unamortized deferred financing	(5,808)	(5,201)
	1,043,038	895,006
Less current portion	105,859	1,508
	\$ 937,179	\$ 893,498

Credit Facilities

At March 31, 2011, AltaGas held a \$600 million unsecured extendible revolving three-year credit facility with a syndicate of Canadian chartered banks. This credit facility was used to retire and replace the previously held \$150 million and \$375 million credit facilities which matured in August and September 30, 2010, respectively. Borrowings on the facility can be by way of prime loans, U.S. base rate loans, LIBOR loans, bankers' acceptances of letters of credit. Borrowings on the facility have fees and interest at rates relevant to the nature of the draw made. The credit facility matures on June 30, 2013.

On November 17, 2010, AltaGas restated and amended the Utility Group's maturing \$130 million unsecured extendible revolving credit facility. Through a syndicate of five banks, this facility was increased to \$200 million and its term was extended by three years to mature on November 17, 2013. Borrowings on the facility can be by way of prime loans, U.S. base rate loans, letters of credit, LIBOR loans or bankers' acceptance equivalent loans.

At March 31, 2011, AltaGas had drawn principal of \$54 million (December 31, 2010 - \$114.5 million) against the Utility Group facilities. The average rate on AltaGas bankers' acceptances at March 31, 2011, was 3.28 percent (December 31, 2010 - 3.01 percent).

On December 13, 2010, AltaGas entered into a promissory note agreement with the Toronto Dominion Bank as a lender. On January 17, 2011, the lender advanced the available funds under the promissory note agreement. The financing arrangement was used to fund the purchase of some of the equipment required in connection with the first Harmattan Cogeneration Project.

Medium-Term Notes

On January 19, 2007, AltaGas issued \$100 million of 5.07 percent senior unsecured MTNs. The notes mature on January 19, 2012.

On April 29, 2009, AltaGas issued \$200 million of 7.42 percent senior unsecured MTNs. The notes mature on April 29, 2014.

On June 29, 2009, AltaGas issued \$100 million of 6.94 percent senior unsecured MTNs. The notes mature on June 29, 2016.

On March 25, 2010, AltaGas issued \$200 million of 5.49 percent senior unsecured MTNs. The notes mature on March 27, 2017.

On November 26, 2010, AltaGas issued \$175 million of 4.6 percent senior unsecured MTNs. The notes mature on January 15, 2018.

On March 24, 2011, AltaGas issued \$200 million of 4.1 percent senior unsecured MTNs. The notes mature on March 24, 2016.

Letter of Credit Facility

On December 31, 2010, AltaGas held \$75 million unsecured three year extendible revolving term letter of credit facility with two Canadian chartered banks maturing on June 30, 2013. AltaGas may borrow by way of prime loans, U.S. base rate loans, LIBOR loans or bankers' acceptances on the letter of credit facility. Borrowings on the facility bear fees and interest at rates relevant to the nature of the draw made. At March 31, 2011, AltaGas had letters of credit of \$56.3 million (December 31, 2010 - \$50.5 million) outstanding against the extendible revolving-term letter of credit facility.

6. CAPITAL DISCLOSURE

AltaGas' objective for managing capital is to maintain its investment grade credit ratings and to maximize the profitability of its existing assets and grow its energy infrastructure to create long-term value and enhance returns for its investors. AltaGas considers shareholders' equity (including accumulated other comprehensive income), short-term and long-term debt (including current portion) less cash and cash equivalents to be part of its capital structure.

The use of debt or equity funding is based on AltaGas' capital structure, which is determined by considering the norms and risks associated with each of its business segments. AltaGas' target debt-to-total capitalization ratio is 45 to 50 percent. AltaGas' debt-to-total capitalization ratio as at March 31, 2011, was 43.3 percent (December 31, 2010 - 42.7 percent).

	March 31 2011	December 31 2010
Debt		
Short-term debt	\$ 840	\$ 9,478
Current portion of long-term debt	105,859	1,508
Long-term debt	937,179	893,498
Less cash and cash equivalent	(111,183)	(2,109)
	932,695	902,375
Shareholders' equity	1,220,418	1,211,031
Total capitalization	\$ 2,153,113	\$ 2,113,406
Debt-to-total capitalization ratio (%)	43.3	42.7

All of the borrowing facilities have covenants customary for the types of facilities that must be met at the end of each calendar quarter. AltaGas has been in compliance with these covenants each quarter since the issuance of the facilities.

7. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

In the course of normal operations the Corporation purchases and sells natural gas, natural gas liquids (NGLs) and power and issues short and long-term debt. The Corporation uses derivative instruments to reduce exposure to fluctuations in commodity prices, interest rates and foreign currency exchange rates that arise from these activities. The Corporation does not make use of derivative instruments for speculative purposes.

Fair Values of Financial Instruments

At March 31, 2011, all derivatives, other than those that meet the expected purchase, sale or usage requirements exemption, were carried on the Consolidated Balance Sheets at fair value. The fair value of power, natural gas and NGL derivatives was calculated using estimated forward prices from published sources for the relevant period. The fair value of interest rate and foreign exchange derivatives was calculated using quoted market rates.

Summary of Unrealized Gains (Losses) on Risk Management Recognized in Net Income

	Three Months Ended	
	2011	March 31 2010
Natural gas	\$ 1,414	\$ 2,804
Storage optimization	(1,456)	-
NGL Frac Spread	(6,713)	(1,577)
Power	(1,012)	3,664
Heat rate	697	(146)
Interest rate swaps	(105)	767
Foreign exchange	(252)	(230)
	\$ (7,427)	\$ 5,282

Summary of Unrealized Gains (Losses) and Tax Expense (Recovery) on Financial Instruments Recognized in Other Comprehensive Income

	Three Months			Unrealized		Tax (expense)	Three Months
	Unrealized (losses)	Tax recovery	Ended March 31 2011	gains (losses)	recovery	March 31 2010	
NGL Frac Spread	\$ (1,262)	\$ 323	\$ (939)	\$ (4,495)	\$ 1,269	\$ (3,226)	
Power	(405)	104	(301)	20,706	(5,856)	14,850	
Bond forward	(2,148)	-	(2,148)	(2,739)	-	(2,739)	
Available-for-sale	(817)	106	(711)	1,745	(175)	1,570	
OCI	\$ (4,632)	\$ 533	\$ (4,099)	\$ 15,217	\$ (4,762)	\$ 10,455	

Long-term Investments and other assets

In January 2009, AltaGas purchased common shares of Magma Energy Corp. (Magma) through a private-equity offering for \$10 million. These shares were classified as available-for-sale. The changes in value for these common shares are reported within OCI, which was an unrealized loss of \$2.2 million for first quarter 2011 (first quarter 2010 - unrealized loss of \$2.7 million).

In July 2009, AltaGas purchased common shares of Magma as part of its initial public offering. These shares were classified as held-for-trading. In July 2010, AltaGas purchased another tranche of common shares in Magma, which were classified as held for trading. In first quarter 2011, AltaGas recognized an unrealized loss of \$2.8 million in the Corporate reporting segment as other revenue (first quarter 2010 - unrealized loss \$3.3 million). All shares of Magma are reported in long-term investments and other assets.

8. SHAREHOLDERS' CAPITAL

Authorization

At March 31, 2011, pursuant to the Arrangement, AltaGas is authorized to issue an unlimited number of voting common shares. AltaGas is also authorized to issue preferred shares not to exceed 50 percent of the voting rights attached to the then issued and outstanding common shares.

Preferred shares

On August 19, 2010, AltaGas issued 8,000,000 cumulative redeemable 5-year rate-reset preferred shares, series A (the Series A Preferred Shares) at a price of \$25 per Series A Preferred Share for aggregate proceeds of \$200 million.

Holders of the Series A Preferred Shares will be entitled to receive a cumulative quarterly fixed dividend for the initial period ending on but excluding September 30, 2015 (the Initial Period) at an annual rate of 5.00 percent, payable quarterly, as and when declared by the board of directors of AltaGas. The first quarterly dividend payments of \$0.4589 per Series A Preferred Share was paid on December 31, 2010. The dividend rate will reset on September 30, 2015, and every five years thereafter at a rate equal to the sum of the then 5-year Government of Canada bond yield plus 2.66 percent. The Series A Preferred Shares are redeemable by AltaGas, at its option, on September 30, 2015, and on September 30 of every fifth year thereafter.

Holders of Series A Preferred Shares will have the right to convert all or any part of their shares into cumulative redeemable floating rate preferred shares, series B (the Series B Preferred Shares), subject to certain conditions, on September 30, 2015, and on September 30 of every fifth year thereafter. Holders of Series B Preferred Shares will be entitled to receive a cumulative quarterly floating dividend at a rate equal to the sum of the then 90-day Government of Canada Treasury Bill yield plus 2.66 percent, as and when declared by the board of directors of AltaGas.

Common Shares Issued and Outstanding	Number of shares	Amount
December 31, 2010	82,526,399	\$ 1,023,033
Shares issued for cash on exercise of options	79,250	1,801
Shares issued under DRIP	346,496	9,839
Issued and outstanding at March 31, 2011	82,952,145	\$ 1,034,673

On July 1, 2010, AltaGas completed the conversion from an income trust to a corporation. Pursuant to the Arrangement, securityholders received one common share of AltaGas Ltd. for each trust unit and exchangeable unit. AltaGas Ltd. assumed the obligations of the Trust in respect of outstanding unit options. Upon exercise of the outstanding unit options, holders will receive the number of common shares equal to the number of Trust units they would have been entitled to receive in accordance with the Trust Unit Option Plan. Pursuant to the Arrangement, AltaGas Ltd. also assumed the Trust's Distribution Reinvestment and Optional Unit Purchase Plan (DRIP) and all associated agreements. All existing participants in the DRIP were deemed to be participants in the amended DRIP.

All references to shares and shareholders pertain to common shares and common shareholders subsequent to the conversion and units and unitholders prior to the conversion.

Weighted Average Shares Outstanding	Three Months Ended	
	2011	March 31 2010
Number of shares - basic	82,753,280	80,780,225
Dilutive equity instruments ⁽¹⁾	1,865,161	330,007
Number of shares - diluted	84,618,441	81,110,232

⁽¹⁾ Includes options and warrants

Share option plan

AltaGas has an employee share option plan under which employees and directors are eligible to receive grants. At March 31, 2011, 3,604,964 shares were reserved for issuance under the plan. As at March 31, 2011, options granted under the plan generally had a term of 8 years until expiry and vested no longer than over a 4-year period.

At March 31, 2011, outstanding options were exercisable at various dates within the next ten years. As at March 31, 2011, the unexpensed fair value of share option compensation cost associated with future periods was \$3.5 million (December 31, 2010 - \$3.9 million).

The following table summarizes information about the Corporation's share options:

	Options outstanding	
	Number of options	Exercise price ⁽¹⁾
Share options outstanding, December 31, 2010	4,858,500	\$ 20.27
Granted	-	-
Exercised	(79,250)	16.33
Expired	(89,000)	20.46
Share options outstanding, March 31, 2011	4,690,250	\$ 20.31
Share options exercisable, March 31, 2011	1,877,463	\$ 22.21

⁽¹⁾ Weighted average.

The following table summarizes the employee share option plan as at March 31, 2011:

	Options outstanding			Options exercisable	
	Number outstanding	Weighted Average Exercise price	Weighted Average Remaining contractual life	Number exercisable	Exercise price
\$5.00 to \$15.25	938,625	\$ 14.07	7.61	470,713	\$ 14.00
\$15.26 to \$25.08	3,027,250	20.48	8.63	716,375	22.23
\$25.09 to \$29.15	724,375	27.70	5.61	690,375	27.79
	4,690,250	\$ 20.31	7.96	1,877,463	\$ 22.21

In 2004, AltaGas implemented an equity-based compensation plan, which awards phantom shares to certain employees. Beginning in 2008, all employees were eligible to receive phantom shares. The phantom shares are valued on dividends declared and the trading price of the Corporation's shares. The shares vest on a graded vesting schedule. The compensation expense recorded in first quarter 2011 in respect of this plan was \$2.1 million (first quarter 2010 - \$2.4 million). As at March 31, 2011, the unexpensed fair value of equity-based compensation costs associated with future periods was \$14.8 million (December 31, 2010 - \$15.6 million).

9. NET INCOME PER SHARE

The following table summarizes the computation of net income per share:

	Three Months Ended March 31	
	2011	2010
Numerator:		
Numerator for basic net income applicable to common shares	\$26,553	\$ 36,396
Numerator for diluted net income applicable to common shares	\$26,553	\$ 36,396
Denominator:		
Weighted-average number of shares	82,753	80,780
Dilutive equity instruments ⁽¹⁾	1,865	330
Denominator for diluted net income applicable to common shares	84,618	81,110
Basic net income applicable to common shares	\$ 0.32	\$ 0.45
Diluted net income per share	\$ 0.31	\$ 0.45

⁽¹⁾ Includes options and warrants.

10. COMMITMENTS

In 1999, the Corporation acquired an agreement to purchase natural gas from specific reserves for \$0.05/Mcf for the life of the reserves. The production from these reserves was 971 Mcf/d in first quarter 2011 (first quarter 2010 - 841 Mcf/d).

In 2007, AltaGas entered into a service and maintenance agreement with Enercon GmbH for the wind turbines for Bear Mountain Wind Park. AltaGas has an obligation to pay a minimum of \$13.4 million over the next 11 years.

In 2009, AltaGas entered into a 20-year storage contract at the Dawn Hub in southwest Ontario. AltaGas is obligated to pay approximately \$3.3 million per annum over the term of the contract for storage services.

In 2010, AltaGas entered into a 60-year CPI Indexed Electricity Purchase Agreement (EPA) with BC Hydro for its 195 MW Forrest Kerr run-of-river hydroelectric project. At March 31, 2011, AltaGas is obligated to approximately \$90 million to B.C. Hydro for construction work related to this project.

11. NET CHANGE IN NON-CASH WORKING CAPITAL

The net change in the following non-cash working capital items increased (decreased) cash flows from operations as follows:

	Three Months Ended March 31	
	2011	2010
Accounts receivable	\$ 14,645	\$ 18,969
Inventory	3,199	295
Other current assets	541	(4,527)
Regulatory assets	(1,418)	2,522
Accounts payable and accrued liabilities	(55,611)	(16,717)
Dividends payable	47	-
Customer deposits	(1,915)	(1,777)
Regulatory liabilities	28	324
Other current liabilities	(5,065)	(5,213)
	(45,549)	(6,124)
Add back: increase (decrease) in capital costs payable	17,525	(8,100)
Net change in non-cash working capital related to operations	\$ (28,024)	\$ (14,224)

The following cash payments have been included in the determination of earnings:

	Three Months Ended March 31	
	2011	2010
Interest paid	\$ 8,172	\$ 10,909
Income taxes paid	\$ 2,644	\$ 762

12. PENSION PLANS AND RETIREE BENEFITS

The costs of the defined benefit and post-retirement plans are based on management's estimate of the future rate of return on the fair value of pension plan assets, salary escalations, mortality and other factors affecting the payment of future benefits.

The net pension expense by plan for the period was as follows:

	Three Months Ended March 31	
	2011	2010
Defined contribution plan	\$ 635	\$ 655
Defined benefit plan	211	451
Supplemental executive retirement plan	484	355
Other post-retirement benefit plans	55	54
	\$ 1,385	\$ 1,515

13. NON-MONETARY TRANSACTION

AltaGas has entered into a non-monetary transaction with a third party in which it exchanged B.C. Renewable Energy Certificates (RECs) for verified emission offsets that were generated in Alberta. The RECs will be created through the generation of power at the Bear Mountain Wind Park between 2009 and 2011. The verified emission offsets received by AltaGas were used to offset the costs to comply with Specified Gas Emitters Regulation (SGER) in 2010. The contract was completed in second quarter 2010.

14. CONTINGENT LIABILITY

The Sundance B Unit 3 facility experienced an outage in second quarter 2010. The facility operator has notified AltaGas that it believes this event is a force majeure due to a high impact low probability event. AltaGas' management does not consider this to be a force majeure event. Mechanical failure has historically been treated as a maintenance item, rather than a force majeure event. Accordingly, AltaGas has not recorded a charge in its consolidated financial statements related to the notification from the facility operator.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current financial statement presentation.

16. SEASONALITY

The Utility business is highly seasonal with the majority of natural gas deliveries occurring during the winter heating season. Gas sales during the winter typically account for approximately two-thirds of annual utility operating segment revenue resulting in strong first and fourth quarter results and weaker second and third quarters.

17. SUBSEQUENT EVENT

On April 26, 2011, AltaGas closed a \$125 million unsecured bilateral credit facility. AltaGas may borrow by way of letters of credit under the credit facility. Borrowings on the facility bear fees and interest at rates relevant to the nature of the draws made.

18. SEGMENTED INFORMATION

AltaGas owns and operates a portfolio of assets and services used to move energy from the source to the end user. The majority of the transactions among the reporting segments are recorded at the market price of the commodities and the remainder is at the exchange amount. In accordance with the CICA Handbook Section 1700, in the year ended December 31, 2010, AltaGas changed the composition of its reportable segments as a result of modifications and growth of the enterprise. Comparative periods have been restated based on the current reportable segments. The following describes the Corporation's four reporting segments:

Gas	<ul style="list-style-type: none">– NGL processing and extraction plants– transmission pipelines to transport natural gas and NGL– natural gas gathering lines and field processing facilities– energy consulting and sale of natural gas and electricity– natural gas storage facilities
Power	<ul style="list-style-type: none">– coal-fired and gas-fired power output under power purchase arrangements and other agreements– gas-fired power plants– wind and run-of-river power plants– sale of power to commercial and industrial users in Alberta
Utilities	<ul style="list-style-type: none">– regulated natural gas distribution asset– production of natural gas to serve the power generation and heating needs of the town of Inuvik, Northwest Territories
Corporate	<ul style="list-style-type: none">– the costs of providing corporate services and general corporate overhead, investments in public and private entities, corporate assets and the effects of changes in the fair value of risk management contracts

The following tables show the composition by segment:

Three Months Ended

March 31, 2011

	Gas	Power	Utilities	Corporate	Intersegment Elimination	Total
Revenue	\$ 308,551	\$ 87,685	\$ 61,655	\$ (3,011)	\$ (44,020)	\$ 410,860
Unrealized losses on risk management	-	-	-	(7,427)	-	(7,427)
Cost of sales	(220,742)	(53,973)	(35,347)	-	44,365	(265,697)
Operating and administrative	(43,361)	(3,104)	(11,457)	(6,209)	(345)	(64,476)
Accretion of asset retirement obligations	(596)	(12)	-	-	-	(608)
Amortization	(13,675)	(4,023)	(3,084)	(884)	-	(21,666)
Foreign exchange gain	-	-	-	38	-	38
Interest expense	-	-	(2,825)	(10,079)	-	(12,904)
Income (loss) before income taxes	\$ 30,177	\$ 26,573	\$ 8,942	\$ (27,572)	-	\$ 38,120
Net additions (reductions) to:						
Capital assets ⁽¹⁾	\$ (2,300)	\$ 29,230	\$ 4,717	\$ 1,837	-	\$ 33,484
Long-term investment and other assets ⁽¹⁾	-	\$ (201)	-	\$ (6,192)	-	\$ (6,393)
Goodwill	\$ 143,726	-	\$ 55,771	-	-	\$ 199,497
Segmented assets	\$ 1,670,453	\$ 491,501	\$ 483,719	\$ 206,023	-	\$ 2,851,696

⁽¹⁾ Net additions to capital assets and long-term investments and other assets may not agree to other financial statements due to classification of acquisitions.

Three Months Ended

March 31, 2010

	Gas	Power	Utilities	Corporate	Intersegment Elimination	Total
Revenue	\$ 296,160	\$ 56,607	\$ 56,985	\$ 256	\$ (54,794)	\$ 355,214
Unrealized losses on risk management	-	-	-	5,282	-	5,282
Cost of sales	(216,303)	(33,149)	(37,859)	-	54,021	(233,290)
Operating and administrative	(40,842)	(3,103)	(9,525)	(8,094)	773	(60,791)
Accretion of asset retirement obligations	(710)	(8)	(2)	-	-	(720)
Amortization	(15,617)	(3,824)	(2,806)	(720)	-	(22,967)
Foreign exchange (loss)	-	-	-	(248)	-	(248)
Interest expense	-	-	(1,683)	(9,818)	-	(11,501)
Income (loss) before income taxes	\$ 22,688	\$ 16,523	\$ 5,110	\$ (13,342)	-	\$ 30,979
Net additions to:						
Capital assets ⁽¹⁾	\$ 36,844	\$ 3,691	\$ 5,723	\$ 2,084	-	\$ 48,342
Long-term investment and other assets ⁽¹⁾	\$ (265)	\$ (96)	-	\$ (4,831)	-	\$ (5,192)
Goodwill	\$ 143,726	-	\$ 58,038	-	-	\$ 201,764
Segmented assets	\$ 1,626,446	\$ 422,000	\$ 423,276	\$ 181,095	-	\$ 2,652,817

⁽¹⁾ Net additions to capital assets and long-term investments and other assets may not agree to other financial statements due to classification of acquisitions.

Supplementary Quarterly Financial Information

(unaudited)

(\$ millions unless otherwise indicated)	Q1-11	Q4-10	Q3-10	Q2-10	Q1-10
FINANCIAL HIGHLIGHTS⁽¹⁾					
Net Revenue ⁽²⁾					
Gas	87.8	79.4	75.6	77.7	79.9
Power	33.7	27.4	23.3	27.7	23.5
Utilities	26.3	22.0	14.8	16.0	19.1
Corporate	(10.4)	2.7	(10.0)	3.4	5.5
Intersegment Elimination	0.3	(0.8)	(1.1)	0.1	(0.8)
	137.7	130.7	102.6	124.9	127.2
EBITDA ⁽²⁾					
Gas	44.5	38.6	35.4	35.8	39.0
Power	30.7	24.3	20.8	24.6	20.3
Utilities	14.8	13.0	5.8	6.6	9.6
Corporate	(9.2)	(5.2)	(7.4)	(8.0)	(7.8)
	80.8	70.7	54.6	59.0	61.1
Operating Income (Loss) ⁽²⁾					
Gas	30.2	23.7	20.9	19.5	22.7
Power	26.6	20.4	17.0	20.8	16.5
Utilities	11.8	9.6	3.0	4.0	6.8
Corporate	(10.1)	(6.1)	(8.3)	(8.8)	(8.6)
	58.5	47.6	32.6	35.5	37.4

⁽¹⁾ Columns may not add due to rounding.

⁽²⁾ Non-GAAP financial measure.

Supplementary Quarterly Operating Information

(unaudited)

	Q1-11	Q4-10	Q3-10	Q2-10	Q1-10
OPERATING HIGHLIGHTS					
GAS					
E&T					
Extraction inlet gas processed (Mmcf/d) ⁽¹⁾	909	870	776	758	787
Extraction volumes (Bbls/d) ⁽¹⁾	42,248	39,329	37,642	37,023	38,430
Frac spread - realized (\$/Bbl) ⁽¹⁾⁽³⁾	32.45	27.59	24.02	27.51	30.42
Frac spread - average spot price (\$/Bbl) ⁽¹⁾⁽³⁾	40.91	34.74	26.86	31.06	35.38
FG&P					
Processing Throughput (gross Mmcf/d) ⁽¹⁾	375	401	426	431	432
Capacity utilization (%) ⁽¹⁾	32	34	36	37	37
Energy Services					
Average volumes transacted (GJ/d) ⁽¹⁾	507,461	428,669	356,981	367,280	405,048
UTILITIES					
Natural gas deliveries - end-use (PJ) ⁽⁴⁾	9.3	7.0	2.3	3.3	7.2
Natural gas deliveries - transportation (PJ) ⁽⁴⁾	1.3	1.3	1.3	1.4	1.3
Service sites ⁽²⁾	75,055	74,664	73,531	72,827	73,198
Degree day variance (%) - AUI ⁽⁵⁾	23.6	4.4	23.0	4.0	(18.6)
Degree day variance (%) - Heritage Gas ⁽⁵⁾	8.0	(11.0)	(48.1)	(15.4)	(14.0)
POWER					
Volume of power sold (GWh) ⁽¹⁾	740	752	711	706	685
Average price realized on sale of power (\$/MWh) ⁽¹⁾⁽⁶⁾	78.76	64.43	61.53	79.98	62.16
Alberta Power Pool average spot price (\$/MWh) ⁽¹⁾	83.33	45.90	35.69	80.56	40.88

⁽¹⁾ Average for the period.

⁽²⁾ As at period end.

⁽³⁾ Indicative frac spread or NGL margin, expressed in dollars per barrel of NGL, which is derived from Edmonton postings for propane, butane and condensate and the daily AECO natural gas price.

⁽⁴⁾ Petajoule (PJ) is one million gigajoules (GJ).

⁽⁵⁾ Degree days relate to AUI and Heritage Gas service areas. 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.

⁽⁶⁾ Includes both Alberta and British Columbia sale of power.

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 an energy infrastructure business with a focus on natural gas, power and regulated utilities. The Corporation creates value by acquiring, growing and optimizing its energy infrastructure, including a focus on renewable energy sources. For more information visit: www.altagas.ca.

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