ALTAGAS REPORTS SECOND QUARTER RESULTS

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

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

SECOND QUARTER HIGHLIGHTS:

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

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

Reorganization to a Dividend Paying Corporation

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

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

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

Forrest Kerr Project

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

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

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

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

Additional Growth Highlights

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

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

Financial Highlights [(1)]

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

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

CONFERENCE CALL AND WEBCAST DETAILS:

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

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

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

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. and AltaGas Income Trust (the "Trust") (collectively AltaGas Ltd. and the Trust are referred to as "AltaGas") as at and for the three and six months ended June 30, 2010 compared to the three and six months ended June 30, 2009. This MD&A dated July 28, 2010 should be read in conjunction with the accompanying unaudited interim Consolidated Financial Statements and notes thereto of the Trust as at and for the three and six months ended June 30, 2010 and with the audited Consolidated Financial Statements and MD&A contained in the annual report for the year ended December 31, 2009.

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 Segment Outlook"; "Power Segment 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 Income Trust, including its annual MD&A and Consolidated Financial Statements, Annual Information Form, Information Circular, and Proxy Statement, material change reports and press releases, are also available through AltaGas' website or directly through the SEDAR system at www.sedar.com.

ALTAGAS ORGANIZATION

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

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

CONSOLIDATED FINANCIAL RESULTS (unaudited) ($ millions)	Three Months Ended June 30 **2010**	2009	Six Months Ended June 30 **2010**	2009
Revenue	**334.0**	285.8	**694.5**	640.4
Unrealized gain on risk management	**3.8**	5.9	**9.1**	6.5
Net revenue[1]	**124.8**	114.3	**252.0**	226.4
EBITDA[1]	**62.0**	63.7	**127.5**	125.9
Operating income[1]	**39.4**	45.5	**82.1**	90.0
Net income	**28.4**	36.9	**64.8**	74.4
Net income before mark-to-market accounting	**26.3**	28.3	**59.9**	62.6
Net income before tax[1]	**26.3**	37.7	**57.3**	76.7
Total assets	**2,648.4**	2,253.0	**2,648.4**	2,253.0
Total long-term liabilities	**1,161.5**	966.5	**1,161.5**	966.5
Net additions to capital assets	**41.4**	58.8	**89.7**	84.6
Distributions declared[2]	**41.7**	42.7	**85.4**	83.9
Cash flows				
Cash from operations	**34.8**	66.0	**71.8**	96.7
Funds from operations[1]	**44.3**	45.4	**95.6**	102.4

($ per unit)	Three Months Ended June 30 **2010**	2009	Six Months Ended June 30 **2010**	2009
EBITDA[1]	**0.76**	0.81	**1.57**	1.63
Net income - basic	**0.35**	0.47	**0.80**	0.96
Net income - diluted	**0.35**	0.46	**0.80**	0.96
Net income before mark-to-market accounting	**0.32**	0.36	**0.74**	0.81
Net income before tax[1]	**0.32**	0.48	**0.71**	0.99
Distributions declared[2]	**0.54**	0.54	**1.08**	1.08
Cash flows				
Cash from operations	**0.43**	0.84	**0.89**	1.25
Funds from operations[1]	**0.54**	0.57	**1.18**	1.32
Units outstanding - basic (millions)				
During the period[3]	**81.4**	79.0	**81.1**	77.3
End of period	**81.6**	79.2	**81.6**	79.2

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

(2) Distributions declared of $0.18 per unit per month during 2009 and for the first six months of 2010.

(3) Weighted-average.

REORGANIZATION TO A CORPORATE STRUCTURE

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

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

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

CONSOLIDATED FINANCIAL REVIEW

Three Months Ended June 30

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

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

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

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

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

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

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

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

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

Six Months Ended June 30

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

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

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

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

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

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

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

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

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

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

CONSOLIDATED OUTLOOK

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

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

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

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

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

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

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

GROWTH CAPITAL

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

Harmattan Co-stream Project

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

Hydroelectric

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

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

NON-GAAP FINANCIAL MEASURES

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

References to net revenue, operating income, EBITDA, EBITDA before unrealized gain (loss) on risk management, net income before tax-adjusted unrealized gain (loss) on risk management, net income before tax and funds from operations throughout this document have the meanings as set out in this section.

Net Revenue		Three Months Ended		Six Months Ended	
(unaudited)			June 30		June 30
($ millions)		**2010**	2009	**2010**	2009
Net revenue		**124.8**	114.3	**252.0**	226.4
Add:	Cost of sales	**209.2**	171.5	**442.5**	414.0
Revenue (GAAP financial measure)		**334.0**	285.8	**694.5**	640.4

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		Three Months Ended		Six Months Ended	
(unaudited)			June 30		June 30
($ millions)		**2010**	2009	**2010**	2009
Operating income		**39.4**	45.5	**82.1**	90.0
Add (deduct):	Interest expense	**(13.1)**	(8.0)	**(24.6)**	(13.6)
	Foreign exchange (loss) gain	**-**	0.2	**(0.2)**	0.3
	Income tax (expense) recovery	**2.1**	(0.8)	**7.5**	(2.3)
Net income (GAAP financial measure)		**28.4**	36.9	**64.8**	74.4

Operating income is a measure of AltaGas' profitability from its principal business activities prior to how these activities are financed or how the results are taxed. 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 and Accumulated Earnings and is defined as net revenue less operating and administrative expenses and amortization.

Operating Income Before Unrealized Gains on Risk Management		Three Months Ended		Six Months Ended	
(unaudited)			June 30		June 30
($ millions)		**2010**	2009	**2010**	2009
Operating income before unrealized gains on risk management		**35.6**	39.6	**73.0**	83.5
Add (deduct):	Unrealized gain on risk management	**3.8**	5.9	**9.1**	6.5
Add (deduct):	Interest expense	**(13.1)**	(8.0)	**(24.6)**	(13.6)
	Foreign exchange (loss) gain	**-**	0.2	**(0.2)**	0.3
	Income tax (expense) recovery	**2.1**	(0.8)	**7.5**	(2.3)
Net income (GAAP financial measure)		**28.4**	36.9	**64.8**	74.4

Operating income before unrealized gains on risk management 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 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 before unrealized gains on risk management is calculated from the Consolidated Statements of Income and Accumulated Earnings and is defined as net revenue less operating and administrative expenses and amortization less any unrealized gains (losses) on risk management contracts.

EBITDA		Three Months Ended		Six Months Ended	
(unaudited)			June 30		June 30
($ millions)		**2010**	2009	**2010**	2009
EBITDA		**62.0**	63.7	**127.5**	125.9
Add (deduct):	Amortization	**(22.6)**	(18.0)	**(45.6)**	(35.6)
	Interest expense	**(13.1)**	(8.0)	**(24.6)**	(13.6)
	Income tax (expense) recovery	**2.1**	(0.8)	**7.5**	(2.3)
Net income (GAAP financial measure)		**28.4**	36.9	**64.8**	74.4

EBITDA is a measure of AltaGas' operating profitability. EBITDA provides an indication of the results generated by principal business activities prior to accounting for how these activities are financed, assets are amortized or how the results are taxed. EBITDA is calculated from the Consolidated Statements of Income and Accumulated Earnings and is defined as net revenue less operating and administrative expenses.

EBITDA Before Unrealized Gain on Risk Management		Three Months Ended		Six Months Ended	
(unaudited)			June 30		June 30
($ millions)		**2010**	2009	**2010**	2009
EBITDA before unrealized gain on risk management		**58.2**	57.8	**118.4**	119.4
Add (deduct):	Unrealized gain on risk management	**3.8**	5.9	**9.1**	6.5
	Amortization	**(22.6)**	(18.0)	**(45.6)**	(35.6)
	Interest expense	**(13.1)**	(8.0)	**(24.6)**	(13.6)
	Income tax (expense) recovery	**2.1**	(0.8)	**7.5**	(2.3)
Net income (GAAP financial measure)		**28.4**	36.9	**64.8**	74.4

EBITDA before unrealized gain on risk management is a measure of AltaGas' operating profitability without the impact of the change in fair value of risk management contracts. EBITDA before unrealized gain on risk management reports the results of business activities on a realized basis and prior to how business activities are financed, assets are amortized or how the results 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 gain from risk management activities. EBITDA before gains or losses on risk management is calculated from the Consolidated Statements of Income and Accumulated Earnings and is defined as net revenue adjusted for unrealized gain (loss) on risk management less operating and administrative expenses.

Net Income Before Tax-Adjusted Unrealized Gain on Risk Management		Three Months Ended		Six Months Ended	
(unaudited)			June 30		June 30
($ millions)		**2010**	2009	**2010**	2009
Net income before tax-adjusted unrealized gain on risk management		**25.6**	32.3	**58.0**	69.3
Add (deduct):	Unrealized gain on risk management	**3.8**	5.9	**9.1**	6.5
	Income tax expense on risk management	**(1.0)**	(1.3)	**(2.3)**	(1.4)
Net income (GAAP financial measure)		**28.4**	36.9	**64.8**	74.4

Net income before tax-adjusted unrealized gain on risk management is a better reflection of actual performance than net income, since changes related to risk management are based on unrealized estimates relating to commodity prices, interest rates and foreign exchange rates over time. AltaGas enters into financial instruments to manage risk, not as a principal business activity, and therefore evaluates performance prior to accounting for the unrealized gain from risk management activities. Net income before tax-adjusted unrealized gain on risk management is calculated from the Consolidated Statements of Income and Accumulated Earnings and is defined as net income adjusted for unrealized gain on risk management and its related income tax expense.

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

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

Net Income Before Tax		Three Months Ended		Six Months Ended	
(unaudited)			June 30		June 30
($ millions)		**2010**	2009	**2010**	2009
Net income before tax		**26.3**	37.7	**57.3**	76.7
Add (deduct):	Income tax (expense) recovery	**2.1**	(0.8)	**7.5**	(2.3)
Net income (GAAP financial measure)		**28.4**	36.9	**64.8**	74.4

Net income before tax is a better reflection of performance because it is not dependent on how those results are taxed, which can change from year to year. Net income before tax is calculated from the Consolidated Statements of Income and Accumulated Earnings and is defined as net income adjusted for income tax expenses or recoveries.

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

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

RESULTS OF OPERATIONS BY SEGMENT

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

GAS

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

Three Months Ended June 30

Operating income from the Gas Segment was $25.8 million in second quarter 2010 compared to $24.6 million for the same period in 2009. Operating income increased due to the new NGD assets which were acquired in fourth quarter 2009, lower operating costs, higher realized frac spread and the expiration of a gas marketing contract in fourth quarter 2009 which resulted in losses in previous quarters. The increases were partially offset by non-recurring adjustments to liabilities related to natural gas transactions reported in second quarter 2009. Operating income was also reduced by lower volumes processed at some extraction and FG&P facilities and increased provision for doubtful customer accounts.

Net revenue in the Gas Segment for second quarter 2010 was $93.7 million compared to $81.1 million for the same period in 2009. Net revenue increased $16.0 million due to the acquisition of the NGD assets, $1.7 million from higher realized frac spreads, $1.5 million in higher extraction fee-for-service revenues and $1.4 million due to the expiration of the legacy gas marketing contract. These increases were partially offset by a non-recurring $4.1 million adjustment to liabilities related to natural gas transactions reported in 2009, $1.7 million in lower volumes processed at FG&P facilities, $1.0 million provision for doubtful customer accounts and $0.7 million in lower extraction volumes.

Operating and administrative expense in second quarter 2010 was $49.8 million compared to $41.3 million in second quarter 2009. The increase was largely due to the addition of new assets and businesses acquired in second half 2009, partially offset by $3.3 million in lower operating costs at FG&P facilities.

Amortization expense in second quarter 2010 was $18.1 million compared to $15.2 million in second quarter 2009. The increase was due to the growth in AltaGas' asset base from acquisition and construction activities.

Six Months Ended June 30

Operating income from the Gas Segment was $58.4 million in the first six months of 2010 compared to $53.0 million for the same period in 2009. Operating income increased due to the NGD assets acquired in fourth quarter 2009, lower operating expenses in FG&P, the expiration of a legacy gas marketing contract in fourth quarter which resulted in losses in previous quarters and higher realized frac spread. The increases were partially offset by non recurring adjustments to liabilities related to natural gas transactions reported in the first half of 2009. Operating income was also impacted by lower volumes processed at some extraction and FG&P facilities and provision for doubtful customer accounts.

Net revenue in the Gas Segment in first half of 2010 was $192.7 million compared to $165.2 million for the same period in 2009. Net revenue increased $35.1 million due to the acquisition of the NGD assets, $2.8 due to the expiration of a legacy gas marketing contract, $2.7 million from higher realized frac spreads, $1.4 million higher fee for service revenues in the extraction business and $1.4 million due to natural gas storage. These increases were partially offset by a non-recurring $7.4 million adjustment to liabilities related to natural gas transactions reported in 2009, $3.2 million in lower volumes processed at FG&P facilities, $2.1 million in lower extraction volumes and $1.0 million increased provision for doubtful customer accounts.

Operating and administrative expense in first half 2010 was $97.7 million compared to $82.0 million in first half 2009. The increase was largely due to the addition of new assets and businesses acquired by AltaGas in the fourth quarter of 2009, partially offset by lower operating costs at processing facilities.

Amortization expense in first half 2010 was $36.5 million compared to $30.2 million in first half 2009. The increase was due to the growth in AltaGas' asset base from acquisition and construction activities.

Extraction and Transmission (E&T) Variance Analysis

Three Months Ended June 30

Operating income in the E&T business for second quarter 2010 was $21.7 million compared to $20.6 million reported for the same period in 2009. Operating income increased by $1.7 million due to higher realized frac spreads and $0.5 million from higher fee-for-service revenues. These increases were partially offset by $0.7 million in lower volumes processed and higher amortization and administrative costs. In second quarter 2010, contracting at certain frac exposed facilities was amended to increase the netback received at the plant gate and contributed an incremental $0.8 million in the quarter.

Six Months Ended June 30

Operating income in the E&T business for the first half of 2010 was $43.2 million similar to the $43.3 million reported for the same period in 2009. Operating income decreased by $2.1 million due to lower volumes processed and $1.2 million in higher amortization and administration costs. The decreases were partially offset by $2.7 million due to higher realized frac spreads, $0.5 million in lower operating expenses and higher fee-for-service revenues.

Field Gathering and Processing (FG&P) Variance Analysis

Three Months Ended June 30

Operating income from the FG&P business for second quarter 2010 was $1.0 million compared to $1.4 million for the same quarter of 2009. Operating income decreased by $1.7 million due to lower volumes processed and an additional

$1.0 million provision for doubtful customer accounts. These decreases were partially offset by $2.4 million in lower operating and administration costs. Adjusting for the one-time increase to the provision for doubtful accounts, operating income from FG&P was $2.1 million in second quarter 2010 compared to $2.3 million for first quarter 2010.

Six Months Ended June 30

Operating income from the FG&P business for the first half of 2010 was $3.3 million compared to $4.6 million for the same period of 2009. Operating income decreased by $3.2 million due to lower volumes processed, $1.0 million provision for doubtful customer accounts and $0.6 million from lower facility service revenues. These decreases were partially offset by $3.5 million in lower operating and administration costs.

Natural Gas Distribution Variance Analysis

Three and Six Months Ended June 30

The NGD business commenced with the acquisition of Utility Group on October 8, 2009 and the remaining 75.1 percent of Heritage Gas on November 18, 2009. The results of the NGD business are highly seasonal resulting in strong first and fourth quarter results and losses in second and third quarter due to the majority of natural gas deliveries occurring during the winter heating season. For second quarter 2010, the NGD business contributed $4.3 million to operating income. For the first half of 2010, the NGD business contributed $11.5 million to operating income.

Energy Services Variance Analysis

Three Months Ended June 30

Operating loss in the Energy Services business was $1.2 million for second quarter 2010 compared to operating income of $2.6 million for second quarter 2009. Operating income decreased approximately $4.1 million as a result of the non-recurring reduction of liabilities reported in second quarter 2009, $0.5 million in lower natural gas storage income, $0.6 million due to various impacts including lower transportation margins, reduced gas margins and lower gas sales. These decreases were partially offset by the second quarter 2009 loss of $1.4 million as a result of a legacy gas marketing contract.

Six Months Ended June 30

Operating income in the Energy Services business was $0.4 million for the first half of 2010 compared $5.1 million for the first half of 2009. Operating income decreased approximately $7.4 million as a result of the non-recurring reduction of liabilities reported in the first half of 2009, $0.8 million due to various impacts including lower transportation margins and reduced gas sales. These decreases were partially offset by the first half of 2009 loss of $2.8 million as a result of a legacy gas marketing contract and $0.9 higher income from natural gas storage. Weak natural gas prices resulted in a lower market value for natural gas storage at the Dawn Hub location.

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

(1) *Average for the period.*

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

(3) *Excludes NGL pipeline volumes.*

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

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

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

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

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

During second quarter 2010 average ethane and NGL volumes in the extraction business decreased by 1,355 Bbls/d and 956 Bbls/d respectively, compared to second quarter 2009. During the first half of 2010 average ethane and NGL volumes in the extraction business decreased by 1,922 Bbls/d and 1,461 Bbls/d respectively, compared to the first half of 2009. Volumes declined due to lower drilling north of Peace River, lower gas supply at Empress, leaner gas stream at the Edmonton Ethane Extraction plant and reduced throughput at the Harmattan Complex. These decreases were partially offset by slightly higher inlet volumes and NGL yields at the Joffre facility and higher NGL processing at Harmattan. Natural gas volumes transported in the transmission business in second quarter 2010 and first half of 2010 decreased from the 2009 comparable periods primarily due to lower volumes moved on the Suffield system. However, in the transmission business, pipeline throughput has minimal impact on the financial results due to cost-of-service and take-or-pay contractual arrangements in place.

In FG&P, throughput in the second quarter 2010 averaged 431 Mmcf/d compared to 475 Mmcf/d in the same quarter 2009. Throughput in first half 2010 averaged 432 Mmcf/d compared to 478 Mmcf/d in the first half of 2009. Utilization reported in second quarter and first half 2010 was 37 percent compared to 41 percent in the second quarter and first half of 2009, primarily due to lower throughput at most facilities. Although certain areas have experienced volume growth, the lack of producer activity in 2009 in response to low natural gas prices has resulted in overall lower processing volumes. The second quarter was relatively flat with the first quarter of 2010 however downtime at Ante Creek to perform expansion tie-ins resulted in lower volumes. The benefit of this expansion along with expansions at Pouce Coupe and Acme in the third quarter is expected to result in increased processing volumes.

Gas Segment Outlook

In 2010 the Gas Segment is expected to deliver stronger results than 2009. The expected increase is largely due to the addition of the NGD assets for a full year. In 2010, AltaGas expects to invest approximately $56 million in the NGD business to grow its average mid-year rate base by roughly $45 million or approximately 18 percent. AltaGas also expects stronger results due to higher frac spreads, increased producer activity in the FG&P business along with expansions at AltaGas' existing Pouce Coupe, Ante Creek and Acme gas processing plants and the expiration of a legacy gas marketing contract. These increases will be partially offset by non-recurring items reported in 2009, such as the reduction of liabilities in Energy Services and the Suffield deferred revenue balance.

The decline in natural gas production in the Western Canada Sedimentary Basin (WCSB) has resulted in lower volumes of natural gas available for the extraction of NGL at Empress straddle plants. Pricing for natural gas has pushed Alberta exports to flow southwest out of the province due to better netback returns rather than eastbound. Additional supplies of natural gas in the United States provided to major markets in the east is the primary factor driving netback prices. Extraction plants that are situated on eastbound natural gas transmission lines are affected by these economics and throughput volumes have decreased accordingly. Management expects supply to rebalance over time and eastbound export volumes to return to historical norms.

Well completions are considered to be an industry activity indicator, in which gas well completions within the WCSB for the six months ended June 30, 2010 were down 27 percent compared to first half of 2009. However, for the three months ended June 30, 2010 gas well completions have increased by 32 percent compared to the same period in 2009. AltaGas is optimistic that the royalty revisions which resulted from the Alberta government's recent competitiveness review of the oil and gas industry will encourage capital spending and lead to increased activity within AltaGas' operating areas. Industry analyst reports support this expectation and have forecasted growing producer activity based on increased well license applications in June and July 2010.

The lower NGL production at Empress is expected to be offset by increased NGL rich volumes at Younger as a result of new gas developments in the area and initiatives that would increase natural gas throughput at Harmattan and Joffre. Further reducing the impact of lower extraction volumes, higher than average frac spreads are expected continue through 2010. Based on management's analysis of historical NGL prices along with NGL published commodity prices, management expects NGL frac spreads to average approximately $25/Bbl for the remainder of 2010. In 2010, management expects 12 percent of extraction volumes will be exposed to frac spread. Of these, approximately two-thirds of the exposure has been hedged at an average price of $21/Bbl. Efforts continue to optimize assets and increase returns at existing extraction facilities. During the quarter extraction agreements were negotiated to improve commercial terms for a number of facilities that have frac exposed NGL volumes, thereby increasing the overall net revenue by approximately $1.0 million for the remainder of 2010.

AltaGas is well positioned to take advantage of new gas developments in northeast B.C. and northwest Alberta. AltaGas is working along side producers to develop new gas plays such as the Montney and Doig pools. In response to these activities, expansions at AltaGas' Pouce Coupe and Ante Creek gas plants are underway and the Groundbirch gas plant was recently announced. Given increased producer activity in northeast B.C., AltaGas is pursuing opportunities to increase the pipeline infrastructure around the Younger facility to serve Montney resource play producers and further enhance earnings and cash flow.

AltaGas will invest $11 million in its Ante Creek processing facility in several phases. The first phase of the Ante Creek expansion, which provided an additional 5 Mmcf/d of sweet gas processing capacity, was commissioned on April 21, 2010. The second phase of this expansion is currently underway and will convert the entire 20 Mmcf/d expanded plant capacity into sour gas processing service. The second phase is expected to be completed in fourth quarter 2010.

AltaGas expects to invest approximately $5 million to increase capacity by 10 Mmcf/d at the Acme gas processing facility in two phases. The increased capacity at Acme will serve the increased producer activity in the Horseshoe Canyon coalbed methane formation.

The Pouce Coupe expansion has received all regulatory approvals and is currently under construction and expected to be in service in early September 2010. The Pouce Coupe expansion is estimated to cost $30 million and increase capacity at the facility by 20 Mmcf/d. Both the Ante Creek and Pouce Coupe expansions are processing gas from producers active in the Montney resource play.

Due to the seasonal nature of the NGD business, third quarter results are expected to be lower than second quarter. As the heating season ramps up, results for fourth quarter are expected to be higher than the income reported in first quarter as a result of the growth in rate base this year.

Given its unique location and operational characteristics, AltaGas expects the demand for natural gas storage asset at the Dawn Hub location to increase with the return of improved industrial activity and higher natural gas prices over time.

POWER

Three Months Ended June 30

Operating income for second quarter 2010 was $21.2 million compared to $19.6 million for the same period in 2009. Operating income increased as a result of higher realized power prices, increased contributions from gas-fired peaking plants, contributions from Bear Mountain which commenced commercial operations in fourth quarter 2009 and contributions from the Alberta commercial and industrial power retail business. The increases were partially offset by higher PPA costs, higher environmental costs and higher amortization costs as a result of Bear Mountain.

Net revenue for second quarter 2010 was $27.5 million compared to $23.4 million for the same period in 2009. Net revenue increased $9.0 million due to higher realized power prices, $2.1 increased contributions from gas-fired peaking plants, $2.5 million from Bear Mountain and $0.9 million from the power retail business. These increases were partially offset by $10.0 million higher PPA costs and $0.6 million higher environmental costs.

Operating and administrative expense was $2.7 million for second quarter 2010 compared to $1.5 million for the same period in 2009. The increase was due to costs related to the development of renewable energy projects, the commercial and industrial power retail business and the commencement of commercial operations at Bear Mountain in fourth quarter 2009.

Amortization expense was $3.8 million in second quarter 2010 compared to $2.3 million in second quarter 2009. The increase was due to the addition of Bear Mountain.

Six Months Ended June 30

Operating income in the Power Segment for the first six months of 2010 was $38.1 million compared to $43.7 million for the same period in 2009. Operating income decreased primarily as a result of higher PPA costs, amortization and environmental costs. The decreases were partially offset by higher realized power prices, increased contributions from gas-fired peaking plants, contributions from the Alberta commercial and industrial power retail business and contributions from Bear Mountain.

Net revenue for the first half 2010 was $51.2 million compared to $50.9 million for the same period in 2009. Net revenue increased $1.4 million due to higher realized power prices, $0.9 increased contributions from gas-fired peaking plants, $5.3 million from Bear Mountain and $1.7 million from the commercial and industrial power retail business. These increases were partially offset by $7.3 million higher PPA costs and $2.1 million higher environmental costs.

Operating and administrative expense was $5.4 million for first half 2010 compared to $3.0 million for the same period in 2009. The increase was due to costs related to the development of renewable energy projects, the addition of the commercial and industrial power retail business and the commencement of commercial operations at Bear Mountain in fourth quarter 2009.

Amortization expense was $7.6 million in first half 2010 compared to $4.2 million in first half 2009. The increase was due to the addition of Bear Mountain.

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

(1) *Average for the period.*

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

Bear Mountain wind volumes were below historical averages in second quarter and the six months ended June 30, 2010. The EBITDA impact of the weaker wind for the quarter and first half of 2010 was approximately $2.0 million and $4.1 million, respectively, compared to expectations. A portion of 2010 green attributes associated with Bear Mountain were sold in a deal completed in 2009 at prices in-line with management's expectations.

Power Segment Outlook

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

On June 7 the operator of the Sundance B Unit 3 facility issued a press release highlighting the mechanical failure of critical generator components that led to the unit being off-line for several weeks. The unit has since returned to service and has been operating at a reduced capacity of approximately 325 MW or 92 percent of the rated generating capacity. Assuming the unit continues to operate at this level, the financial impact of the restricted output is not expected to be material for the remainder of 2010.

AltaGas is constructing a 13-MW gas-fired co-generation facility at its Harmattan Complex. The facility is expected to cost approximately $22 million. The facility will deliver power to the Alberta electrical grid and provide process heat to the Harmattan Complex from the steam produced. This is a highly efficient process of generating power and will reduce greenhouse gas emissions. It also adds further diversity to AltaGas' portfolio of generation assets and will provide another source of capacity to backstop the Sundance B PPAs. All regulatory approvals have been received and the facility is expected to be commissioned in fourth quarter 2010.

Renewable Energy Credits (RECs) related to Bear Mountain are attributed to AltaGas. As emission regulations evolve in North America, including the Canadian Federal government's plan to phase out coal plants, attractive opportunities to market the green attributes from this facility should arise in the future. Management is actively pursuing opportunities to maximize the value of the RECs.

CORPORATE

Description of Corporate Assets

The Corporate Segment includes the cost of providing corporate services and general corporate overhead, investments in public and private entities and the effects of changes in the value of risk management assets and liabilities. Management makes operating decisions and assesses performance of its operating segments based on realized results and key financial metrics such as return-on-equity and return-on-capital without the impact of the volatility in commodity prices, interest rates and foreign exchange rates. Management monitors the impact of mark-to-market accounting as part of the consolidated entity since risk is managed on a portfolio basis. Consequently, the impact of mark-to-market accounting on net income is reported and monitored in the Corporate Segment.

Corporate Variance Analysis

Three Months Ended June 30

The operating loss for second quarter 2010 was $7.6 million compared to an operating income of $1.3 million for second quarter 2009. The loss was due to an unrealized loss on investments compared to unrealized gains in the prior year, lower unrealized gains from risk management contracts and higher administration expenses related to AltaGas' growth and costs to comply with regulatory requirements.

Net revenue was $3.4 million in second quarter 2010 compared to $11.3 million for the same period in 2009. Net revenue decreased $5.9 million as a result of mark-to-market losses on investments compared to unrealized gains in the prior year and lower income from investments, and $2.0 million from reduced unrealized gains on risk management contracts.

Operating and administrative expense was $10.3 million in second quarter 2010 compared to $9.5 million in second quarter 2009. Increased expenses were incurred to support AltaGas' growth and compliance requirements, which include conversion to a corporation, International Financial Reporting Standards (IFRS) and Harmonized Sales Tax (HST).

Amortization expense was $0.7 million in second quarter 2010 compared to $0.6 million in same quarter 2009.

Six Months Ended June 30

The operating loss for the first half of 2010 was $14.4 million compared to $6.7 million for the first half of 2009. The increased loss was mainly due to mark-to-market losses on investments compared to unrealized gains in the prior year, no investment income from the Utility Group and higher administration expenses. The loss was partially offset by higher unrealized gains from risk management contracts and higher other investment income.

Net revenue was $9.0 million in the first half of 2010 compared to $12.5 million for the same period in 2009. Net revenue decreased $7.4 million as a result of mark-to-market losses on investments compared to unrealized gains in the prior year and $0.8 million less investment income since AltaGas no longer records income from Utility Group on an equity basis. The loss was partially offset by $2.6 million due to higher unrealized gains on risk management contracts and $1.3 million from higher investment income.

Operating and administrative expense was $21.9 million in the first half of 2010 compared to $18.0 million in the first half of 2009. Increased expenses were incurred to support AltaGas' growth, conversion to a corporation and compliance requirements for IFRS and HST.

Corporate Segment Outlook

Excluding the impact of mark-to-market accounting, the operating loss for 2010 is expected to be higher than the loss reported in 2009. Operating and administrative expenses are expected to be higher than 2009 as a result of AltaGas' growth as well as the cost of reorganizing into a corporate structure and meeting new financial reporting requirements as well as activities related to compliance with the Harmonized Sales Tax in Ontario and British Columbia. The Corporate Segment is also expected to report lower earnings from equity investments since Utility Group is no longer reported as an equity investment as well as lower income from other investments.

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. 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.

AltaGas will continue to incur increased compliance costs to finalize its conversion to a corporation, complete HST changes and ongoing efforts in adopting IFRS.

INVESTED CAPITAL

During second quarter 2010, AltaGas increased capital assets, long-term investments and other assets by $38.5 million compared to $59.4 million in second quarter 2009.

Net Invested Capital - Investment Type — Three Months Ended June 30, 2010

($ millions)	Gas Segment	Power Segment	Corporate	Total
Invested capital:				
Capital assets	**30.6**	**9.8**	**1.0**	**41.4**
Long-term investments and other assets	**0.3**	**-**	**(1.1)**	**(0.8)**
Net invested capital	**30.9**	**9.8**	**(0.1)**	**40.6**
Disposals:				
Long-term investments and other assets	**(2.1)**	**-**	**-**	**(2.1)**
Net invested capital	**28.8**	**9.8**	**(0.1)**	**38.5**

Net Invested Capital - Investment Type — Three Months Ended June 30, 2009

($ millions)	Gas Segment	Power Segment	Corporate	Total
Invested capital:				
Capital assets	12.4	45.6	0.8	58.8
Long-term investments and other assets	-	-	0.6	0.6
Net invested capital	12.4	45.6	1.4	59.4

Net Invested Capital - Investment Type

Six Months Ended June 30, 2010

($ millions)	Gas Segment	Power Segment	Corporate	Total
Invested capital:				
Capital assets	**72.8**	**13.5**	**3.4**	**89.7**
Long-term investments and other assets	**0.3**	**(0.1)**	**(5.9)**	**(5.7)**
	73.1	**13.4**	**(2.5)**	**84.0**
Disposals:				
Long-term investments and other assets	**(2.4)**	**-**	**-**	**(2.4)**
Net invested capital	**70.7**	**13.4**	**(2.5)**	**81.6**

Net Invested Capital - Investment Type

Six Months Ended June 30, 2009

($ millions)	Gas Segment	Power	Corporate	Total
Invested capital:				
Capital assets	25.0	57.5	2.1	84.6
Long-term investments and other assets	-	-	10.8	10.8
Net invested capital	25.0	57.5	12.9	95.4

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

Growth capital of $37.8 million was reported in second quarter 2010 (second quarter 2009 - $57.9 million). In the Gas Segment, growth capital comprised $7.4 million for a non-cash adjustment to the preliminary purchase price allocation for the Landis acquisition, $13.7 million for FG&P projects, $8.8 million for NGD projects and $0.6 million for the Harmattan fractionation project. Within the Power Segment, growth capital projects included $4.9 million for renewable power development projects and $3.5 million related to the Harmattan Cogeneration project. The Corporate Segment reported a reduction of growth capital of $1.1 million related to unrealized loss on mark-to-market valuation for Magma Energy Corporation. Administrative and maintenance capital expenditures in second quarter 2010 were $1.0 million and $1.8 million, respectively (second quarter 2009 - $1.1 million and $0.4 million, respectively).

Growth capital of $77.9 million was reported in the first half of 2010 (six months ended June 30, 2009 - $91.4 million). In the Gas Segment, growth capital comprised $33.4 million for the Landis acquisition, $22.8 million for FG&P projects, $13.7 million for NGD projects and $2.1 million for the Harmattan fractionation project. Within the Power Segment, growth capital projects included $6.6 million for renewable power development projects and $4.8 million related to the Harmattan Cogeneration project. The Corporate Segment reported a reduction of growth capital of $5.5 million related to unrealized loss on mark-to-market valuation for Magma Energy Corporation. Administrative and maintenance capital expenditures in first half 2010 were $3.0 million and $3.1 million, respectively (six months ended June 30, 2009 - $3.1 million and $0.9 million, respectively).

Invested Capital - Use

Three Months Ended June 30, 2010

($ millions)	Gas Segment	Power	Corporate	Total
Invested capital:				
Maintenance	**0.4**	**1.4**	**-**	**1.8**
Growth	**30.5**	**8.4**	**(1.1)**	**37.8**
Administrative	**-**	**-**	**1.0**	**1.0**
Invested capital	**30.9**	**9.8**	**(0.1)**	**40.6**

Invested Capital - Use

Three Months Ended June 30, 2009

($ millions)	Gas Segment	Power	Corporate	Total
Invested capital:				
Maintenance	**0.4**	**-**	**-**	**0.4**
Growth	**12.0**	**45.9**	**-**	**57.9**
Administrative	**0.5**	**-**	**0.6**	**1.1**
Invested capital	**12.9**	**45.9**	**0.6**	**59.4**

Invested Capital - Use

Six Months Ended June 30, 2010

($ millions)	Gas Segment	Power	Corporate	Total
Invested capital:				
Maintenance	**1.1**	**2.0**	**-**	**3.1**
Growth	**72.0**	**11.4**	**(5.5)**	**77.9**
Administrative	**-**	**-**	**3.0**	**3.0**
Invested capital	**73.1**	**13.4**	**(2.5)**	**84.0**

Invested Capital - Use

Six Months Ended June 30, 2009

($ millions)	Gas Segment	Power	Corporate	Total
Invested capital:				
Maintenance	0.9	-	-	0.9
Growth	24.0	67.4	-	91.4
Administrative	0.6	-	2.5	3.1
Invested capital	25.5	67.4	2.5	95.4

FINANCIAL INSTRUMENTS

AltaGas enters into financial derivative contracts to manage exposure to fluctuations in commodity prices, interest rates and foreign exchange rates. During second quarter 2010, AltaGas had positions in the following types of derivatives:

- Commodity forward contracts: Gas, power and other commodity forward contracts are used to manage AltaGas' power 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: Fixed-for-floating power price swaps are used to manage AltaGas' 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 Segment’s results are significantly affected by the price of electricity in Alberta. AltaGas employs derivative commodity instruments for the purpose of managing the Trust’s exposure to power price volatility. The Alberta Power Pool settles power prices on an hourly basis and prices ranged from $2.40/MWh to $999.99/MWh in second quarter 2010. The average spot price was $80.56/MWh in second quarter 2010 (second quarter 2009 - $32.31/MWh). AltaGas moderated the impact of this volatility on its business through the use of financial hedges and long-term contracts on a portion of its power portfolio. The average price realized for power by AltaGas in both Alberta and B.C. was $79.98/MWh in second quarter 2010 (second quarter 2009 - $63.84/MWh). In 2010, almost two-thirds of the power delivered to the Alberta Power Pool from the Sundance B Plant has been hedged at a price of approximately $72/MWh.

- NGL frac spread hedges: Fixed-for-floating NGL frac spread swaps are used to manage AltaGas' NGL frac spreads. The E&T business' results are affected by fluctuations in NGL frac spreads. At June 30, 2010, AltaGas had NGL frac spread agreements for 2,800 Bbls/d at an average price of approximately $21/Bbl. The average spot NGL frac spread for three and six months ended June 30, 2010 was $31.06/Bbl and $33.16/Bbl, respectively (three and six months ended June 30, 2009 - $16.34/Bbl and $15.76/Bbl, respectively). The average NGL frac spread realized for the three and six months ended June 30, 2010 was $27.51/Bbl and $28.92/Bbl, respectively (three and six months ended June 30, 2009 was $22.05/Bbl and $23.70/Bbl.

- Interest rate forward contracts: Interest rate swaps are used where cash flows of a fixed rate are exchanged for those of a floating rate. At June 30, 2010 AltaGas had interest rate swaps for $80 million with varying terms to maturity until March 31, 2012. At June 30, 2010, AltaGas had fixed the interest rate of 75 percent of its debt including medium-term notes (MTN) and capital leases.

- 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 and foreign exchange rate derivatives used quoted market rates.

AltaGas does not speculate on commodity prices and therefore does not engage in commodity transactions that create incremental market exposures that 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 has a risk management group that 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 cash. The credit facility renewal completed in second quarter 2010 is an indication of AltaGas' strong financial position and capacity to access financing. AltaGas' new credit facilities mature in 2013 but are extendible annually.

Cash Flows	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2010**	2009	**2010**	2009
Cash from operations	**34.8**	66.0	**71.8**	96.7
Investing activities	**(28.8)**	(86.9)	**(57.2)**	(135.0)
Financing activities	**(11.4)**	113.5	**(17.5)**	136.6
Change in cash	**(5.4)**	92.6	**(2.9)**	98.3

Cash from Operations

Cash from operations reported on the Consolidated Statements of Cash Flows was $34.8 million in second quarter 2010 compared to $66.0 million in second quarter 2009. The decrease in cash from operations was primarily result of lower non-cash working capital, lower net income an other non-cash items.

Working Capital	**June 30**	June 30
($ millions except current ratio)	**2010**	2009
Current assets	**302.2**	427.8
Current liabilities	**456.6**	235.8
Working capital	**(154.4)**	192.0
Current ratio	**0.66**	1.81

Working capital was in a deficit position of $154.4 million at June 30, 2010 compared to a positive balance of $192.0 million at June 30, 2009. The working capital ratio was 0.66 at the end of second quarter 2010 compared to 1.81 at the end of second quarter 2009. The working capital ratio decreased due to a lower cash balance as of June 30, 2010 related to proceeds of an MTN issue held as cash in June 2009. In addition, the working capital ratio was negatively impacted by an MTN and the Utility Group revolving term credit facility, both maturing in 2010 which is reported in current portion of long-term debt as at June 30, 2010.

Investing Activities

Cash used for investing activities in second quarter 2010 was $28.8 million compared to $86.9 million in second quarter 2009. The decrease was due to the reduction in capital asset expenditures, no acquisitions of short-term investments, a reduction in restricted cash holding from customers and the disposal of short-term investments and disposals of long-term investments. These decreases were partially offset by an increase in investment in regulatory assets.

Financing Activities

Cash used for financing activities was $11.4 million in second quarter 2010 compared to cash from financing activities of $113.5 million in second quarter 2009. The cash from financing activities decreased due to less issuance of long-term debt, an increase in distributions paid to unitholders and lower repayment of short-term debt.

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 June 30, 2010 AltaGas had total debt outstanding of $1,078.1 million, up from $1,014.7 million as at December 31, 2009. At June 30, 2010 AltaGas had $700.0 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 $891.0 million. At June 30, 2010 AltaGas had drawn bank debt of $370.0 million and letters of credit outstanding of $51.9 million against the extendible revolving letter of credit facility, the syndicated credit facilities and the demand operating facilities.

At June 30, 2010, AltaGas' current portion of long-term debt was $229.1 million. AltaGas has entered into a series of agreements for a new three-year $600 million extendible unsecured revolving term credit facility with a syndicate of nine banks. The new credit facility contains a $200 million accordion feature which allows AltaGas to increase the credit facility to an aggregate of $800 million. The credit facility was used to retire and replace LP# 1's $150 million credit facility and $375 million credit facility that would have matured in August and September 2010 respectively. AltaGas also entered into an agreement for a new $75 million credit facility with two banks to retire and replace LP#1's $75 million letter of credit facility.

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. AltaGas' earnings interest coverage for the rolling 12 months ended June 30, 2010 was 3.42 times.

On July 8, 2010 AltaGas filed a Short Form Base Shelf Prospectus to facilitate the issuance of common shares, preferred shares or unsecured debt securities. This shelf has a life of 25 months and permits AltaGas to issue up to an aggregate of $1 billion of securities.

Credit facilities ($ millions)	Borrowing capacity	**Drawn at June 30 2010**	Drawn at December 31 2009
Demand operating facilities	86.0	**4.2**	16.3
Letter of credit facility	75.0	**47.7**	56.7
Syndicated credit facility[(1)]	-	**-**	-
Syndicated revolving credit facility [(2)]	-	**-**	350.8
Syndicated credit facility [(3)]	600.0	**242.0**	-
Utility Group revolving term credit facility [(4)]	130.0	**128.0**	130.0
	891.0	**421.9**	553.8

(1) Revolving credit facility was cancelled on June 30, 2010.

(2) Revolving credit facility was cancelled on June 30, 2010.

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

(4) Revolving credit facility maturing November 17, 2010.

At June 30, 2010 the Trust held a $75.0 million (December 31, 2009 $75.0 million) unsecured three-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 June 30, 2010 the Trust had letters of credit of $47.7 million (December 31, 2009 - $46.7 million) outstanding against the extendible revolving letter of credit facility, $47.4 million outstanding against the syndicated credit facilities and $4.2 million letters of credit (December 31, 2009 - $5.1 million) outstanding against the demand operating facilities.

CONTINGENT LIABILITIES

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.

RELATED PARTIES

AltaGas pays rent under a lease for office space and equipment to 2013761 Ontario Inc., which is owned by certain employees of AltaGas. Payments of $22,496 were made in second quarter 2010 (second quarter 2009 - $22,635) which is the exchange value of the property agreed to by both parties. The lease expires December 2011.

TRUST UNIT INFORMATION

Prior to AltaGas' conversion from a trust to a corporation, at June 30, 2010 AltaGas had 79.6 million trust units and 2.1 million exchangeable units outstanding and a market capitalization of $1.5 billion based on a closing trading price on June 30, 2010 of $18.47 per trust unit. At June 30, 2010 there were 3.9 million options outstanding and 1.3 million options exercisable under the terms of the unit option plan.

DISTRIBUTIONS

AltaGas distributions are determined 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 second quarter 2010, AltaGas declared distributions of $41.7 million (second quarter 2009 - $42.7 million). In the first half of 2010 AltaGas declared distributions of $85.4 million (same period 2009 - $83.9 million).

Pursuant to the Arrangement, AltaGas paid the June distribution to unitholders on June 30, 2010. The June distribution was the last distribution declared prior to AltaGas' conversion to a dividend paying corporation.

Subsequent to conversion to a corporation, the Board of Directors of AltaGas Ltd. approved the July 2010 dividend of $0.11 per share payable to shareholders of record on July 23, 2010. The dividend for the month of July will be paid on August 16, 2010.

On July 28, 2010, the Board of Directors approved a dividend of $0.11 per share to share holders of record on August 25, 2010. The August dividend will be paid on September 15, 2010.

The following table summarizes AltaGas' distribution declaration history since 2008:

Distributions
Years ended December 31

($ per unit)	**2010**	2009	2008
First quarter	**0.54**	0.54	0.525
Second quarter	**0.54**	0.54	0.525
Third quarter	**-**	0.54	0.535
Fourth quarter	**-**	0.54	0.540
Total	**1.08**	2.16	2.125

NON-MONETARY TRANSACTIONS

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

SUBSEQUENT EVENTS

Conversion to a Corporation

On June 3, 2010, unitholders of the Trust and holders of exchangeable units (collectively the "Securityholders") voted and approved the reorganization of the Trust into a dividend paying corporation to be named "AltaGas Ltd.", pursuant to the plan of arrangement (the "Arrangement") under the Canada Business Corporations Act. Management and the Board of Directors have determined that enhanced securityholder and asset value could be realized and delivered more effectively through the reorganized structure rather than through the existing trust structure. On July 1, 2010, the Trust and AltaGas Ltd. successfully completed the Arrangement.

As a result of 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 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. assumed the Trust's Distributions 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.

CHANGES IN ACCOUNTING POLICIES

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Accounting Standards Board (AcSB) confirmed in February 2009 that IFRS will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on or after January 1, 2011.

Based on the Decision Summary released by the AcSB on July 23, 2010 with respect to rate-regulated activities, management will evaluate AltaGas' IFRS conversion options pending the release of details to be provided by the AcSB. The AcSB expects to issue an exposure draft on the subject at the end of July 2010. The disclosure provided below is based on IFRS conversion activities required to meet an IFRS conversion date of January 1, 2011.

AltaGas commenced a process to transition from Canadian GAAP to IFRS in April 2008. AltaGas has established a project team that is led by Finance management and includes representatives from various areas of the organization as necessary to plan for and achieve a smooth transition to IFRS. Regular progress reporting to the Audit Committee of the Board of Directors on the status of the IFRS implementation project has been instituted and enacted.

The implementation project consists of six phases, which in certain cases will be in process concurrently as IFRS are applied to specific areas from start to finish:

- Scoping phase – This phase involves a high-level assessment to identify key areas impacted by the transition to IFRS and to identify the Standards and Interpretations applicable to the Trust. This phase was completed in July 2008.
- Diagnostic phase – In this phase, each Standard and Interpretation is assessed to identify the changes required in the existing accounting policies, information systems and business processes. A working draft of financial statements in compliance with IFRS has been prepared for further guidance in the conversion process. This phase was completed in December 2008.
- Design and planning phase – Available alternatives in the accounting policies, elective exemptions and mandatory exceptions are assessed and adopted. Evaluation of the quantitative impact from the IFRS adoption is in progress.
- Solution development phase – Based on the adopted accounting policies, the project team defines and develops systems, processes and training required for the implementation of the target solutions under IFRS. The evaluation of the quantitative impact from IFRS adoption is in progress.
- Implementation phase – During the dual reporting period from January 1 until December 31, 2010, changes in accounting policies and procedures are executed and tested. Financial information in accordance with IFRS is collected, enabling the comparative reporting in 2011. Where appropriate, processes to support the CEO/CFO certification will be implemented. Training is provided to support IFRS adoption.
- Post-implementation phase – IFRS financial statements are produced for each reporting period. External auditors are requested to provide their opinion on the compliance of the financial statements with IFRS requirements. CEO/CFO certification process is fully deployed for the IFRS conversion in compliance with the disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR). The achieved results are compared with the target objectives, including enhancing the effectiveness of financial reporting, to confirm whether the project has been successful and consequently can be closed.

Financial Statements Adjustments

IFRS 1 “First time adoption of International Financial Reporting Standards” provides entities adopting IFRS for the first time with a number of elective exemptions and mandatory exceptions, in certain areas, to the general requirement for a full retrospective application of IFRS. Similarly, other Standards provide for an accounting choice that has been assessed and elected prospectively from January 1, 2010, the transition date to IFRS. AltaGas is in the process of evaluating the standards and policy choices.

AltaGas has analyzed the various accounting policy choices available and determined those most appropriate for AltaGas' business activities. The following accounting choices have been assessed by management for AltaGas' adoption:

IFRS 3 Business Combinations	• IFRS 1 exemption available and is expected to be applied from January 1, 2011, without retrospective application before January 1, 2011. • Business combinations closed during 2010 will be accounted for under Canadian GAAP and IFRS in the dual reporting period.

IAS 21 The effects of Changes in Foreign Exchange Rates	• IFRS 1 exemption available and is expected to be applied from January 1, 2010. Cumulative translation adjustment is expected to be reset to zero at January 1, 2010 • The recognition of the Standard is not expected to have a material impact on the consolidated financial statements.
IAS 19 Employee Benefits	• IFRS 1 exemption available and is expected to be applied from January 1, 2010. Cumulative actuarial gains and losses at December 31, 2009 are expected to be recognized to retained earnings. The recognition of the Standard is not expected to have a material impact on the consolidated financial statements. • Corridor approach method is expected to be selected after January 1, 2010 for the defined benefit pension plans.
IAS 16 Property, Plant and Equipment	• IFRS 1 exemption available and is expected to be applied to selected assets for the deemed cost at transition date. • Cost model is expected to be elected for all classes of assets to account for expenditures from January 1, 2010 onwards.
IAS 38 Intangible Assets	• Cost model is expected to be elected for intangible assets.
IAS 23 Borrowing Costs	• IFRS 1 exemption is available and is expected to be applied prospectively from January 1, 2010.
IAS 17 Leases	• IFRS 1 exemption available and is expected to be elected. • The classification of lease arrangements has been reviewed in accordance with IFRIC 4 "Determining whether an arrangement contains a lease", including for those lease arrangements previously grandfathered under Canadian Handbook.
IAS 32 Financial Instruments: Presentation IAS 39 Financial Instruments: Recognition and Measurement	• Classification of AltaGas' trust units has been confirmed to be an equity instrument. • Embedded derivatives previously grandfathered under Canadian Handbook identified and measured for recognition at transition date • Hedging effectiveness test has been performed in accordance with IAS 39 and the portion of ineffective hedge transactions reallocated from other comprehensive income to retained earnings. • Management is evaluating costs and benefits for early adopting the new standard for financial instruments (IFRS 9) for the classification of investments in equity instruments.
IAS 37 Provisions, Contingent Assets and Contingent Liabilities	• IFRS 1 exemption available and is expected to be applied prospectively from January 1, 2010. The process for the identification and the measurement of present obligations, legal and constructive, with recognition of provisions at transition date has been completed. • IAS 37 has been applied for measuring decommissioning, restoration and similar liabilities and to litigation claims.
IAS 36 Impairment of Assets	• Cash-generating units for testing the impairment of assets have been identified.
IAS 31 Interests in Joint Ventures	• Conversion process for accounting for joint ventures is on-hold, pending the issuance of a new standard by the IASB, which is expected to occur in third quarter 2010.

IAS 12 Income Taxes	• The current version of IAS 12 has been used for assessing the required adjustments in deferred tax assets and deferred tax liabilities. • As IFRS will impact AltaGas' reported pre-tax profits, these differences, both on adopting IFRS and on an on-going basis, will be assessed for determining the appropriate tax treatment on the tax return and on the tax provision calculation. Moreover, many of these differences will create new or additional temporary differences that need to be recognized.
IAS 34 Interim Reporting	• The first IFRS interim financial statements will be prepared for the three months ending March 31, 2011 in accordance with IAS 34. • Working draft financial statements have been prepared for testing the readiness and completeness for first time disclosure. Management has plans in place to address uncertainties related to new standards and guidelines.
IFRS Exposure Draft - Rate Regulated Activities	• Currently, Canadian GAAP allows rate regulated accounting. This approach is not in compliance with the recognition of assets and liabilities prescribed by IFRS. There are currently no IFRS allowing rate-regulated accounting. IFRS may require derecognition of regulated assets and liabilities. The final impact of the difference between Canadian GAAP and IFRS cannot be reasonably quantified at this time.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting Framework
A risk assessment on disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR) framework has been initiated.

The alignment between the IFRS conversion and the certification processes started during the design and planning phase and has been considered for quality and completeness in the IFRS implementation phase.

Expected Accounting Changes in the Standards before Conversion Date
AltaGas monitors the changes in the standards and where necessary, amends the implementation plan.

Project Status
There are currently no delays anticipated to AltaGas' project plan to meet IFRS reporting requirements in 2011.

At this time, it is not possible to reasonably quantify the overall total effect of IFRS to AltaGas' consolidated financial statements. AltaGas will provide additional disclosures of the key elements of the plan and progress of the project as the information becomes available.

SIGNIFICANT ACCOUNTING POLICIES

AltaGas' significant accounting policies remain unchanged from December 31, 2009, except as disclosed in the notes to the Interim Consolidated Financial Statements for the three and six months ended June 30, 2010. For further information regarding these policies refer to the notes to the audited Consolidated Financial Statements in AltaGas' 2009 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 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' 2009 Annual Report and the notes to the interim Consolidated Financial Statements for the three and six months ended June 30, 2010.

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 AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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 second quarter 2010 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)	**Q2-10**	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08	Q3-08
Total Revenue	**334.0**	360.5	336.4	291.4	285.8	354.6	424.6	460.7
Net revenue[(1)]	**124.8**	127.2	115.4	114.3	114.3	112.1	125.8	122.7
Operating income[(1)]	**39.4**	42.7	38.8	45.4	45.5	44.7	54.1	50.7
Net income	**28.4**	36.4	32.1	34.7	36.9	37.5	39.6	53.5

($ per unit)	**Q2-10**	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08	Q3-08
Net income								
Basic	**0.35**	0.45	0.40	0.44	0.47	0.50	0.55	0.75
Diluted	**0.35**	0.45	0.40	0.43	0.46	0.49	0.56	0.75
Distributions declared	**0.54**	0.54	0.54	0.54	0.54	0.54	0.54	0.535

(1) *Non-GAAP financial measure. See Non-GAAP Financial Measures.*

Identifiable trends in AltaGas' business in the past eight quarters reflect the organization's internal growth, acquisitions, generally increasing power prices in Alberta until 2009 and higher NGL frac spreads through most of 2008 and increased volatility in commodity prices in recent quarters.

Significant items that impacted individual quarterly earnings were as follows:

- In third quarter 2008, AltaGas recognized an income tax recovery of $13.8 million related to the reduction of future income tax liabilities, which was a result of the reorganization of legal entities within the Trust's structure and required the use of lower effective tax rates.
- In third quarter 2008, operating income was negatively impacted by two extraction plant turnarounds and unplanned outage due to a natural gas heater fire at the Harmattan Complex.
- 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.
- In second quarter 2009, the Trust purchased a short-term investment that resulted in an unrealized gain of $4.6 million.
- During 2009, the Trust 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 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 energy purchase agreement 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 Ltd. for $111.0 million.
- During first quarter 2010, acquired all the outstanding common shares of Landis for $25.6 million.

Consolidated Balance Sheets

(unaudited)

($ thousands)	**June 30 2010**	December 31 2009
ASSETS		
Current assets		
Cash and cash equivalents	**$ 888**	$ 3,739
Short-term investment *(note 7)*	**15,799**	19,436
Accounts receivable	**185,460**	203,673
Inventory	**4,723**	1,401
Restricted cash holdings from customers	**25,261**	27,228
Regulatory assets	**451**	2,567
Risk management	**56,479**	66,271
Prepaid expense and other current assets	**13,118**	7,505
	302,179	331,820
Capital assets	**1,906,968**	1,857,095
Energy arrangements, contracts and relationships	**124,505**	128,949
Goodwill	**201,764**	201,728
Regulatory assets	**66,051**	60,885
Risk management	**23,766**	18,132
Long-term investments and other assets *(note 7)*	**23,125**	30,487
	$ 2,648,358	$2,629,096
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 147,855**	$ 158,319
Distributions payable to unitholders	**-**	15,110
Short-term debt	**873**	14,626
Current portion of long-term debt *(note 5)*	**229,128**	591,944
Customer deposits	**28,761**	30,678
Deferred revenue	**755**	-
Regulatory liabilities	**897**	1,403
Risk management	**36,731**	34,200
Other current liabilities	**11,560**	14,830
	456,560	861,110
Long-term debt *(note 5)*	**848,074**	408,170
Asset retirement obligations	**43,121**	41,771
Future income taxes	**221,806**	228,596
Regulatory liabilities	**18,110**	16,610
Risk management	**19,716**	14,491
Future employee obligations and other liabilities	**10,679**	9,491
	1,618,066	1,580,239
Unitholders' equity *(notes 8, 9 and 10)*	**1,030,292**	1,048,857
	$ 2,648,358	$2,629,096

See accompanying notes to the unaudited Consolidated Financial Statements.

Consolidated Statements of Income and Accumulated Earnings

(unaudited)

($ thousands except per unit amounts)	Three Months Ended June 30 2010	2009	Six Months Ended June 30 2010	2009
REVENUE				
Operating	**$ 330,608**	$ 274,469	**$ 685,565**	$ 627,922
Unrealized gain on risk management *(note 7)*	**3,829**	5,904	**9,112**	6,539
Other *(note 7)*	**(400)**	5,524	**(144)**	5,993
	334,037	285,897	**694,533**	640,454
EXPENSES				
Cost of sales	**209,176**	171,609	**442,466**	414,019
Operating and administrative	**62,856**	50,848	**124,367**	100,846
Amortization:				
Capital assets	**20,154**	15,524	**40,629**	30,583
Energy arrangements, contracts and relationships	**2,491**	2,491	**4,982**	4,982
	294,677	240,472	**612,444**	550,430
Foreign exchange gain (loss)	**39**	186	**(209)**	337
Interest expense				
Short-term debt	**479**	444	**885**	637
Long-term debt	**12,608**	7,508	**23,703**	13,019
Income before income taxes	**26,312**	37,659	**57,292**	76,705
Income tax expense (recovery)				
Current income tax	**1,706**	179	**489**	266
Future income tax	**(3,759)**	618	**(7,958)**	2,042
Net income	**28,365**	36,862	**64,761**	74,397
Accumulated earnings, beginning of period	**851,265**	711,271	**814,869**	673,736
Accumulated earnings, end of period	**$ 879,630**	$ 748,133	**$ 879,630**	$ 748,133
Net income per unit *(note 11)*				
Basic	**$ 0.35**	$ 0.47	**$ 0.80**	$ 0.96
Diluted	**$ 0.35**	$ 0.46	**$ 0.80**	$ 0.96
Weighted average number of units outstanding (thousands) *(notes 9 and 11)*				
Basic	**81,354**	78,955	**81,069**	77,288
Diluted	**81,604**	79,962	**81,347**	78,247

See accompanying notes to the unaudited Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income and Accumulated Other Comprehensive Income

(unaudited)

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

See accompanying notes to the unaudited Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(unaudited)

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

See accompanying notes to the unaudited Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

(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 Income Trust (AltaGas or the Trust) include the accounts of the Trust and all of its wholly owned subsidiaries, and its proportionate interest in various partnerships and joint ventures.

The interim Consolidated Financial Statements have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). The accounting policies applied are consistent with those outlined in the Trust's annual Consolidated Financial Statements for the year ended December 31, 2009. These interim Consolidated Financial Statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the 2009 audited Consolidated Financial Statements included in the Trust's Annual Report.

2. UPDATE TO SUMMARY OF ACCOUNTING POLICIES

Inventory

Inventory consists of materials, supplies, natural gas liquid (NGL) and storage of natural gas product held for sale. All inventories are valued at the lower of cost or net realizable value. Cost of inventories is assigned using a weighted average cost formula or specific identification of individual costs.

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. The new CICA Handbook Section 1582 will replace 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 is permitted, however the Trust has 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. Earlier adoption of this section is permitted, however the Trust has elected not to early adopt.

International Financial Reporting Standards (IFRS)

Canadian publicly-traded companies will be required to prepare their financial statements in accordance with IFRS as issued by the International Accounting Standards Board, for financial years beginning on or after January 1, 2011. Effective January 1, 2011, AltaGas will adopt IFRS as the basis for preparing its Consolidated Financial Statements. Financial statements for all interim periods reported in 2011 shall be prepared on an IFRS basis, with comparative data on an IFRS basis, including an opening balance sheet, as at January 1, 2010. Management has not fully determined the overall financial impact of adopting IFRS on its financial statements; however, it should be noted that the current financial statements may be significantly different when presented in accordance with IFRS.

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 $25.6 million, including $3.5 million in estimated transaction costs. The preliminary purchase price allocation was adjusted for $7.0 million related to future income tax. The acquisition was accounted for as an asset acquisition.

2009

AltaGas Utility Group Inc. (Utility Group)

On October 8, 2009 AltaGas Holdings No.3 Inc. (AltaGas Holdings #3), an indirect wholly-owned subsidiary of AltaGas acquired all of the outstanding common shares of AltaGas Utility Group Inc. (Utility Group) not already owned by AltaGas and its affiliates.

Utility Group was a publicly traded company holding interests in AltaGas Utility Inc. (AUI), Heritage Gas Limited (Heritage Gas) and Inuvik Gas Ltd. (Inuvik Gas). Utility Group also holds a 33.3335 percent interest in the Ikhil Joint Venture (Ikhil) which produces and supplies natural gas in Inuvik, Northwest Territories.

AltaGas paid Utility Group shareholders $10.50 per common share in cash. The aggregate purchase price was $80.2 million, including $75.2 million of cash for the remaining 81.7 percent of Utility Group and $5.0 million in estimated transaction costs.

Until the date of acquisition, AltaGas accounted for its investment in Utility Group using the equity method. As a result, the Trust's portion of income earned by Utility Group was recorded as other revenue in the Corporate Segment. As of October 8, 2009, the operating results of Utility Group are consolidated with the results of the Trust within the Gas Segment.

AltaGas drew on its available credit facility to finance the cash consideration of $75.2 million for the Utility Group acquisition.

Heritage Gas Limited

On November 18, 2009 AltaGas acquired all of the Heritage Gas common shares and shareholder loans not already owned. Heritage Gas operates a full regulation class natural gas distribution franchise in Nova Scotia.

AltaGas paid approximately $109.8 million for the remaining 75.1 percent in Heritage Gas. The aggregate purchase price was $111.0 million, including $109.8 million of cash for all of the common shares and shareholder loans not previously owned and $1.2 million in estimated transaction costs.

Until the date of acquisition, AltaGas accounted for its investment in Heritage Gas using the proportional accounting method.

Purchase Price Allocation

The following table summarizes the total consideration and the estimated fair value of the assets acquired and liabilities assumed on October 8, 2009 and November 18, 2009 for Utility Group and Heritage Gas respectively. The preliminary allocation of the purchase price is as follows:

		Utility Group		Heritage Gas		Total
Cash consideration	$	75,199	$	109,828	$	185,027
Transaction costs		5,000		1,200		6,200
Total consideration					$	191,227

Purchase price allocation						
Assets acquired						
Current assets	$	16,743	$	5,377		
Capital assets		149,371		74,808		
Regulatory assets		16,633		34,509		
Goodwill		44,143		13,895		
Long-term investments and other assets		3,267		-	$	358,746
Less liabilities assumed						
Current liabilities		23,078		8,214		
Long-term debt		101,511		-		
Regulatory liabilities		13,587		-		
Asset retirement obligations		96		-		
Future income taxes		9,113		9,347		
Future employee obligations		2,573		-	$	167,519
					$	191,227

In accordance with CICA Handbook Section 1600 "Consolidated Financial Statements" AltaGas accounted for the Utility Group acquisition as a step acquisition purchase resulting from the Trust's original equity accounted investment in Utility Group. Accordingly, the $12.3 million investment was proportionately allocated to identifiable assets and liabilities of Utility Group.

5. LONG-TERM DEBT

		June 30 2010		December 31 2009
Credit facilities	**$**	**369,662**	$	490,518
Medium-term notes		**700,000**		500,000
Loan from Province of Nova Scotia		**4,403**		4,272
Capital lease obligations		**6,800**		7,484
Other long-term debt		**932**		1,049
Unamortized deferred financing		**(4,595)**		(3,209)
		1,077,202		1,000,114
Less current portion		**229,128**		591,944
	$	**848,074**	$	408,170

Credit Facilities

On June 30, 2010 the Trust entered into a new three-year $600.0 million extendible unsecured revolving term credit facility with a syndicate of nine banks. The new credit facility contains a $200 million accordion feature which allows AltaGas to increase the credit facility to an aggregate amount of $800 million. The credit facility was used to retire and replace the previously held $150 million and $375 million credit facilities maturing in August and September 2010 respectively. Borrowings on the facility can be by way of prime loans, U.S. base rate loans, LIBOR loans, banker's acceptances or letters of credit. Borrowings on the facility have fees and interest at rates relevant to the nature of the draw made.

On October 8, 2009 the Trust acquired Utility Group which has a $130 million unsecured extendible revolving credit facility with a syndicate of Canadian chartered banks with a maturity date of November 17, 2010. Borrowings on the facility can be by way of prime rate loans, U.S. base rate loans, letters of credit, LIBOR loans or bankers' acceptance equivalent loans.

At June 30, 2010 the Trust had drawn $370.0 million (December 31, 2009 - $490.5 million) against the facilities. The average rate on the Trust's bankers' acceptances at June 30, 2010 was 1.65 percent (December 31, 2009 - 1.2 percent).

Medium-Term Notes

AltaGas has a series of medium-term notes (MTNs) outstanding of which each has interest payable semi-annually.

On August 30, 2005 $100.0 million of 4.41 percent senior unsecured MTNs were issued. The notes mature on September 1, 2010.

On January 19, 2007 AltaGas issued $100.0 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.

Loan from Province of Nova Scotia

On October 8, 2009 AltaGas acquired a loan from the Province of Nova Scotia through the acquisition of Heritage Gas (note 3). The $5.6 million loan is non-interest bearing until certain revenue targets are achieved, at which time interest will be charged prospectively at 6 percent. On or before July 31, 2011, AltaGas must elect to repay the loan in full on July 1, 2014 or in five equal instalments beginning July 31, 2012. AltaGas may also elect to fully repay the loan at any time with no penalty.

Letter of Credit Facility

On June 23, 2010 the Trust entered into agreements for a new $75 million unsecured three-year extendible revolving-term letter of credit facility with two banks, replacing the previously held $75 million letter of credit facility maturing on September 30, 2010. 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 June 30, 2010 the Trust had letters of credit of $47.7 million (December 31, 2009 - $46.7 million) outstanding against the extendible revolving-term letter of credit facility.

6. CAPITAL DISCLOSURE

The Trust's objective for managing capital is to maintain its investment-grade credit ratings and allow the Trust to maximize the profitability of its existing assets and grow its energy infrastructure to create long-term value and enhance returns for its investors. The Trust considers unitholders' equity (including accumulated other comprehensive income), short-term and long-term debt (including current portion) to be part of its capital structure. The Trust's overall strategy remains unchanged from 2009.

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 was 40 to 45 percent until third quarter 2009. Subsequent to the acquisition of Utility Group (note 3), the Trust increased its target debt-to-total-capitalization ratio to 45 to 50 percent. The increase is the result of the addition of stable, regulated natural gas distribution assets to the Trust's portfolio of energy infrastructure assets. The Trust's debt-to-total capitalization ratio as at June 30, 2010 was 51.1 percent (December 31, 2009 - 49.2 percent).

	June 30 2010	December 31 2009
Debt		
Short-term debt	$ **873**	$ 14,626
Current portion of long-term debt	**229,128**	591,944
Long- term debt	**848,074**	408,170
	1,078,075	1,014,740
Unitholders' equity	**1,030,292**	1,048,857
Total capitalization	$ **2,108,367**	$ 2,063,597
Debt-to-total-capitalization ratio (%)	**51.1**	49.2

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

Fair Values of Financial Instruments

At June 30, 2010, 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 calculation of fair value of the interest rate and foreign exchange derivatives was calculated using quoted market rates.

Summary of Unrealized Gain (Loss) on Risk Management Recognized in Net Income

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	**2010**	2009
Natural gas	$ **3,341**	$ 2,092	$ **6,146**	$ 2,898
NGL	**3,031**	5,973	**1,454**	5,813
Power	**(1,991)**	(64)	**1,673**	67
Heat rate	**-**	614	**(146)**	581
Interest rate swaps	**(426)**	1,581	**341**	2,218
Foreign exchange	**(126)**	(4,292)	**(356)**	(5,038)
	$ **3,829**	$ 5,904	$ **9,112**	$ 6,539

In first quarter 2010 AltaGas changed the effectiveness testing of its power and NGL frac spread hedges to align the Trusts' methodology with IFRS requirements while still complying with Canadian GAAP requirements. The change eliminated the use of the critical terms method to test the effectiveness on a prospective basis. AltaGas now use's the dollar offset method to test the effectiveness of its cash flow hedges.

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

			Six Months Ended June 30 2010			Six Months Ended June 30 2009
	Unrealized gain (loss)	**Tax (expense) recovery**		Unrealized gain (loss)	Tax (expense) recovery	
NGL	**$ (3,025)**	**$ 861**	**$ (2,164)**	$ (547)	$ 324	$ (871)
Power	**10,070**	**(2,843)**	**7,227**	30,422	(8,661)	21,761
Bond forward	**(2,597)**	**-**	**(2,597)**	(2,565)	-	(2,565)
Interest rate swaps	**-**	**-**	**-**	-	-	-
Foreign exchange	**-**	**-**	**-**	3,641	1,056	2,585
Available-for-sale	**562**	**(81)**	**481**	-	-	-
OCI	**$ 5,010**	**$ (2,063)**	**$ 2,947**	$ 30,951	$ (7,281)	$ 20,910

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 $0.6 million as at June 30, 2010 (2009 - nil). In July 2009, AltaGas purchased additional common shares of Magma as part of its initial public offering. These shares were classified as held-for-trading and included in long-term investments and other assets. In second quarter 2010, the Trust recognized an unrealized loss of $0.4 million (2009 - nil) in the Corporate Segment.

In October 2009 AltaGas acquired an equity investment in a public company with the acquisition of Utility Group. The shares are classified as available-for-sale. The changes in value for these common shares were reported within OCI, and subsequently sold in 2010. In second quarter 2010, the Trust recognized a realized gain of $0.7 million in the NGD business as other revenue.

Short-Term Investment

In second quarter 2010 AltaGas recognized an unrealized loss of $0.4 million (2009 - unrealized gain of 4.6 million) in the Corporate Segment as other revenue.

8. UNITHOLDERS' EQUITY

	June 30 2010	December 31 2009
Unitholders' capital *(note 9)*	**$ 1,005,722**	$ 982,662
Contributed surplus *(note 10)*	**6,747**	5,621
Accumulated earnings	**879,629**	815,045
Warrants	**-**	4,500
Accumulated dividends	**(41,114)**	(41,114)
Accumulated unitholders' distributions declared[1]	**(793,791)**	(709,058)
Distributions of common shares of Utility Group	**(29,848)**	(29,848)
Transition adjustment resulting from adopting new financial instruments accounting standards	**-**	(176)
Accumulated other comprehensive income	**2,947**	21,225
	$ 1,030,292	$ 1,048,857

[1] Accumulated unitholders' distributions paid by the Trust as at June 30, 2010 were $793.8 million (as at December 31, 2009 - $694.0 million).

9. UNITHOLDERS' CAPITAL

As at June 30, 2010, the Trust was authorized to issue:

- An unlimited number of trust units redeemable for cash at the option of the holder;
- An unlimited number of AltaGas Holding Limited Partnership No. 1 (AltaGas LP #1) Class B limited partnership units, which are exchangeable into trust units on a one-for-one basis. Prior to May 1, 2014 the exchange is at the option of the unitholder at any time, and at the option of the Trust should the number of AltaGas LP #1 units outstanding fall below 750,000; and
- An unlimited number of AltaGas Holding Limited Partnership No. 2 (AltaGas LP #2) Class B limited partnership units, which are exchangeable into trust units on a one-for-one basis. Prior to May 1, 2009 the exchange was at the option of the unitholder at any time, and at the option of the Trust should the number of AltaGas LP #2 units outstanding fall below 1,000,000. Since May 1, 2009 the exchange is at the option of either the Trust or the unitholder.

Trust Units Issued and Outstanding	Number of units		Amount
December 31, 2009	78,231,948	$	968,519
Units issued for cash on exercise of options	39,500		738
Units issued under DRIP[(1)]	1,099,747		18,928
Units issued for exchangeable units	2,009		59
Units issued on exercise of warrants[(2)]	180,433		3,394
June 30, 2010	**79,553,637**	**$**	**991,638**

Exchangeable Units Issued and Outstanding	Number of units		Amount
December 31, 2009 issued by AltaGas LP #1	2,083,656	$	14,143
AltaGas LP #1 units redeemed for Trust units	(2,009)		(59)
June 30, 2010	**2,081,647**		**14,084**
Issued and outstanding at June 30, 2010	**81,635,284**	**$**	**1,005,722**

[(1)] *Distribution Reinvestment and Optional Unit Purchase Plan*.

[(2)] *On January 1, 2010 AltaGas issued 180,433 units on exercise of special warrants that were originally issued in February 2008 on a one-for-one basis at $24.94 per special warrant.*

		Three Months Ended June 30		Six Months Ended June 30
Weighted Average Units Outstanding [(1)]	**2010**	2009	**2010**	2009
Number of units - basic	**81,353,612**	78,954,717	**81,068,503**	77,287,551
Dilutive equity instruments [(2)]	**250,123**	1,007,294	**277,993**	959,289
Number of units - diluted	**81,603,735**	79,962,011	**81,346,496**	78,246,840

[(1)] *Includes exchangeable units.*

[(2)] *Includes options, convertible debentures and warrants*

The Trust has an employee unit option plan under which employees and directors are eligible to receive grants. At June 30, 2010, 10 percent of units outstanding were reserved for issuance under the plan. As at June 30, 2010 options granted under the plan generally had a term of 8 years until expiry and vested no longer than over a four-year period.

At June 30, 2010 outstanding options were exercisable at various dates within the next ten years. As at June 30, 2010 the unexpensed fair value of unit option compensation cost associated with future periods was $0.6 million (December 31, 2009 - $0.7 million).

The following table summarizes information about the Trust's unit options:

	Options outstanding	
	Number of options	Exercise price[(1)]
Unit options outstanding, December 31, 2009	3,807,250	$ 19.86
Granted	327,000	17.28
Exercised	(39,500)	14.24
Expired	(160,250)	18.89
Unit options outstanding, June 30, 2010	**3,934,500**	**$ 19.73**
Unit options exercisable, June 30, 2010	**1,260,626**	**$ 23.87**

[(1)] *Weighted average.*

The following table summarizes the employee unit option plan as at June 30, 2010:

	Options outstanding			Options exercisable	
	Number outstanding	Weighted Average Exercise price	Weighted Average Remaining contractual life	Number exercisable	Exercise price
$5.00 to $15.25	1,205,000	$ 14.17	8.37	255,500	$ 13.90
$15.26 to $25.08	1,950,000	20.00	7.40	380,376	24.18
$25.09 to $29.15	779,500	27.69	6.38	624,750	27.74
	3,934,500	$ 19.73	7.49	1,260,626	$ 23.87

In 2004 AltaGas implemented a unit-based compensation plan, which awards phantom units to certain employees. Beginning in 2008, all employees were eligible to receive phantom units. The phantom units are valued on distributions declared and the trading price of the Trust's units. The units vest on a graded vesting schedule. The compensation expense recorded in second quarter 2010 in respect of this plan was $1.5 million (second quarter 2009 - $1.5 million). As at June 30, 2010 the unexpensed fair value of unit-based compensation costs associated with future periods was $19.4 million (December 31, 2009 - $26.4 million).

10. CONTRIBUTED SURPLUS

	June 30 2010	December 31 2009
Balance, beginning of period	**$ 5,621**	$ 4,261
Amortization of unit options	**195**	376
Exercise of unit options	**(175)**	(318)
Cancellation of unit options	**-**	(213)
Other adjustments [(1)]	**1,106**	1,515
Balance, end of period	**$ 6,747**	$ 5,621

[(1)] *Includes exercise of warrants in January 2010 and equity portion of convertible debentures redeemed in September 2009.*

11. NET INCOME PER UNIT

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

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	**2010**	2009
Numerator:				
Numerator for basic net income per unit	**$ 28,365**	$ 36,862	**$ 64,761**	$ 74,397
Numerator for diluted net income per unit	**$ 28,365**	$ 37,104	**$ 64,761**	$ 74,879
Denominator:				
Weighted-average number of units	**81,354**	78,955	**81,069**	77,288
Dilutive equity instruments[1]	**250**	1,007	**278**	959
Denominator for diluted net income per unit	**81,604**	79,962	**81,347**	78,247
Basic net income per unit	**$ 0.35**	$ 0.47	**$ 0.80**	$ 0.96
Diluted net income per unit	**$ 0.35**	$ 0.46	**$ 0.80**	$ 0.96

(1 Includes options, convertible debentures and warrants.

12. COMMITMENTS

In April 2010 AltaGas entered into an agreement to acquire the 28 Mmcf/d Groundbirch sour gas plant currently under construction in northeast British Columbia. Under the agreement, AltaGas has committed approximately $28 million to construct the gas plant and related infrastructure in return for 100 percent ownership of the gas plant and a dedicated take-or-pay processing obligation. The facilities are expected to be fully commissioned in fourth quarter 2010.

On May 28, 2010 AltaGas signed a 60-year CPI indexed Electricity Purchase Agreement (EPA) with BC Hydro for its 195-MW Forrest Kerr run-of-river hydro-electricity generation project. The Forrest Kerr project is expected to come into service in mid-2014.

13. 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 June 30		Six Months Ended June 30	
	2010[1]	2009	**2010**[1]	2009
Accounts receivable	**$ (441)**	$ 43,172	**$ 18,528**	$ 65,938
Inventory	**(3,617)**	629	**(3,322)**	269
Other current assets	**(1,086)**	(239)	**(5,613)**	(176)
Regulatory assets	**(406)**	-	**2,116**	-
Accounts payable and accrued liabilities	**2,725**	(27,214)	**(13,992)**	(80,681)
Customer deposits	**(140)**	5,592	**(1,917)**	9,515
Deferred revenue	**755**	-	**755**	456
Regulatory liabilities	**(830)**	184	**(506)**	-
Other current liabilities	**1,943**	3,405	**(3,270)**	(5,163)
	(1,097)	25,529	**(7,221)**	(9,842)
Add back: decrease in capital costs payable	**(8,384)**	(4,913)	**(16,484)**	4,284
Net change in non-cash working capital related to operations	**$ (9,481)**	$ 20,616	**$ (23,705)**	$ (5,558)

(1) Specific line items may not agree with the net change in the unaudited Consolidated Balance Sheets due to acquisitions (note 3).

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

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	**2010**	2009
Interest paid	**$ 15,905**	$ 7,038	**$ 26,814**	$ 14,719
Income taxes paid (recovered)	**$ 607**	$ 125	**$ 1,369**	$ 128

14. 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 June 30		Six Months Ended June 30	
	2010	2009	**2010**	2009
Defined contribution plan	**$ 665**	$ 602	**$ 1,320**	$ 1,168
Defined benefit plan	**509**	275	**960**	445
Supplemental executive retirement plan	**380**	294	**735**	589
Other post-retirement benefit plans	**107**	-	**161**	-
	$ 1,661	$ 1,171	**$ 3,176**	$ 2,202

15. 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.

16. 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.

17. COMPARATIVE FIGURES

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

18. SEASONALITY

The natural gas distribution (NGD) 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 NGD revenue resulting in strong first and fourth quarter results and losses in the second and third quarters.

19. SUBSEQUENT EVENT

Conversion to a Corporation

On June 3, 2010, unitholders of the Trust and holders of exchangeable units (collectively the “Securityholders”) voted and approved the reorganization of the Trust into a dividend paying corporation to be named “AltaGas Ltd.”, pursuant to the plan of arrangement (the “Arrangement”) under the Canada Business Corporations Act. Management and the Board of Directors have determined that enhanced securityholder and asset value could be realized and delivered more effectively through the reorganized structure rather than through the existing trust structure. On July 1, 2010, the Trust and AltaGas Ltd. successfully completed the Arrangement.

As a result of 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 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 Distributions 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.

20. 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, 2009, 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 Trust's three reporting segments:

Gas	– 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 – regulated natural gas distribution assets
Power	– 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
Corporate	– 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 June 30, 2010	Gas	Power	Corporate	Intersegment Elimination	Total
Revenue	$ **270,817**	$ **79,650**	$ **(400)**	$ **(19,859)**	$ **330,208**
Unrealized gain on risk management	**-**	**-**	**3,829**	**-**	**3,829**
Cost of sales	**(177,144)**	**(51,950)**	**-**	**19,918**	**(209,176)**
Operating and administrative	**(49,806)**	**(2,700)**	**(10,291)**	**(59)**	**(62,856)**
Amortization	**(18,112)**	**(3,822)**	**(711)**	**-**	**(22,645)**
Foreign exchange gain	**-**	**-**	**39**	**-**	**39**
Interest expense	**-**	**-**	**(13,087)**	**-**	**(13,087)**
Income (loss) before income taxes	$ **25,755**	$ **21,178**	$ **(20,621)**	**-**	$ **26,312**
Net additions (reductions) to:					
Capital assets[1]	$ **30,534**	$ **9,793**	$ **926**	**-**	$ **41,253**
Energy services arrangements, contracts and relationships	**-**	$ **539**	**-**	**-**	$ **539**
Long-term investment and other assets[2]	**(1,678)**	$ **(22)**	$ **(1,095)**	**-**	$ **(2,795)**
Goodwill	$ **201,764**	**-**	**-**	**-**	$ **201,764**
Segmented assets	$ **2,069,198**	$ **439,644**	$ **139,516**	**-**	$ **2,648,358**

[1] *Difference in timing of cash flows, non-cash transactions and assets acquired in business or asset acquisitions (note 3), recorded as acquisition on the statement of cash flow of $15,363.*

[2] *Difference in timing of cash flows, non-cash transactions recorded on the statement of cash flow of $1,639.*

Six Months Ended June 30, 2010	Gas	Power	Corporate	Intersegment Elimination	Total
Revenue	$ **623,962**	$ **136,257**	$ **(145)**	$ **(74,653)**	$ **685,421**
Unrealized gain on risk management	**-**	**-**	**9,112**	**-**	**9,112**
Cost of sales	**(431,306)**	**(85,099)**	**-**	**73,939**	**(442,466)**
Operating and administrative	**(97,727)**	**(5,419)**	**(21,935)**	**714**	**(124,367)**
Amortization	**(36,534)**	**(7,646)**	**(1,431)**	**-**	**(45,611)**
Foreign exchange loss	**-**	**-**	**(209)**	**-**	**(209)**
Interest expense	**-**	**-**	**(24,588)**	**-**	**(24,588)**
Income (loss) before income taxes	$ **58,395**	$ **38,093**	$ **(39,196)**	**-**	$ **57,292**
Net additions (reductions) to:					
Capital assets[1]	$ **72,921**	$ **13,484**	$ **3,009**	**-**	$ **89,414**
Energy service arrangements, contracts and relationships	**-**	$ **539**	**-**	**-**	$ **539**
Long-term investment and other assets[2]	$ **(2,102)**	$ **(119)**	$ **(5,584)**	**-**	$ **(7,805)**
Goodwill	$ **201,764**	**-**	**-**	**-**	$ **201,764**
Segmented assets	$ **2,069,198**	$ **439,644**	$ **139,516**	**-**	$ **2,648,358**

[1] *Difference in timing of cash flows, non-cash transactions and assets acquired in business or asset acquisitions (note 3), recorded as acquisition on the statement of cash flow of $49,466.*

[2] *Difference in timing of cash flows, non-cash transactions recorded on the statement of cash flow of$5,979.*

Three Months Ended June 30, 2009	Gas	Power	Corporate	Intersegment Elimination	Total
Revenue	$ 246,364	$ 42,992	$ 5,421	$ (14,784)	$ 279,993
Unrealized gains on risk management	-	-	5,904	-	5,904
Cost of sales	(165,208)	(19,640)	-	13,239	(171,609)
Operating and administrative	(41,316)	(1,565)	(9,512)	1,545	(50,848)
Amortization	(15,219)	(2,163)	(633)	-	(18,015)
Foreign exchange gain	-	-	186	-	186
Interest expense	-	-	(7,952)	-	(7,952)
Income (loss) before income taxes	$ 24,621	$ 19,624	$ (6,586)	-	$ 37,659
Net additions to:					
Capital assets(1)	$ 12,404	$ 45,625	$ 806	-	$ 58,835
Long-term investment and other assets(2)	-	$ 276	$ 297	-	$ 573
Goodwill	$ 143,840	-	-	-	$ 143,840
Segmented assets	$ 1,640,114	$ 321,864	$ 290,977	-	$ 2,252,955

(1) *Difference in timing of cash flows, non-cash transactions and assets acquired in business or asset acquisitions (note 3), recorded as acquisition on the statement of cash flow of $4,653.*

(2) *Difference in timing of cash flows, non-cash transactions recorded on the statement of cash flow of $573.*

Six Months Ended June 30, 2009	Gas	Power	Corporate	Intersegment Elimination	Total
Revenue	$ 564,111	$ 92,286	$ 5,992	$ (28,474)	$ 633,915
Unrealized gain on risk management	-	-	6,539	-	6,539
Cost of sales	(398,898)	(41,396)	-	26,275	(414,019)
Operating and administrative	(82,015)	(3,030)	(18,000)	2,199	(100,846)
Amortization	(30,152)	(4,154)	(1,259)	-	(35,565)
Foreign exchange gain	-	-	337	-	337
Interest expense	-	-	(13,656)	-	(13,656)
Income (loss) before income taxes	$ 53,046	$ 43,706	$ (20,047)	-	$ 76,705
Net additions to:					
Capital assets(1)	$ 25,055	$ 57,571	$ 1,972	-	$ 84,598
Long-term investment and other assets(2)	-	$ -	$ 10,826	-	$ 10,826
Goodwill	$ 143,840	-	-	-	$ 143,840
Segmented assets	$ 1,640,114	$ 321,864	$ 290,977	-	$ 2,252,955

(1) *Difference in timing of cash flows, non-cash transactions and assets acquired in business or asset acquisitions (note 3), recorded as acquisition on the statement of cash flow of $3,946.*

(2) *Difference in timing of cash flows, non-cash transactions recorded on the statement of cash flow of $826.*

Supplementary Quarterly Financial Information

(unaudited)

($ millions unless otherwise indicated)	**Q2-10**	Q1-10	Q4-09	Q3-09	Q2-09
FINANCIAL HIGHLIGHTS[1]					
Net Revenue[2]					
Gas	**93.7**	99.0	93.6	81.4	81.1
Power	**27.5**	23.5	26.5	24.8	23.4
Corporate	**3.5**	5.5	(3.5)	9.5	11.3
Intersegment Elimination	**0.1**	(0.8)	(1.2)	(1.0)	(1.5)
	124.8	127.2	115.4	114.7	114.3
EBITDA[2]					
Gas	**44.0**	51.0	49.6	40.8	39.9
Power	**24.9**	20.8	24.9	23.4	21.9
Corporate	**(6.9)**	(6.3)	(15.7)	(0.6)	1.8
	62.0	65.5	58.8	63.6	63.6
Operating Income (Loss)[2]					
Gas	**25.8**	32.6	32.0	25.3	24.6
Power	**21.2**	16.9	22.9	21.4	19.6
Corporate	**(7.6)**	(6.8)	(16.1)	(1.3)	1.3
	39.4	42.7	38.8	45.4	45.5

(1) *Columns may not add due to rounding*.

(2) *Non-GAAP financial measure.*

Supplementary Quarterly Operating Information

(unaudited)

	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09
OPERATING HIGHLIGHTS					
GAS					
E&T					
Extraction inlet gas processed (Mmcf/d)[(1)]	**758**	787	844	839	798
Extraction volumes (Bbls/d)[(1)]	**37,023**	38,429	39,812	38,222	39,334
Frac spread - realized ($/Bbl)[(1)(4)]	**27.51**	30.42	25.96	20.55	22.05
Frac spread - average spot price ($/Bbl)[(1)(4)]	**31.06**	35.38	26.87	19.74	16.34
Transmission volumes (Mmcf/d)[(1)(3)]	**294**	310	320	332	345
FG&P					
Processing Capacity (gross Mmcf/d)[(2)]	**1,177**	1,172	1,172	1,172	1,172
Processing Throughput (gross Mmcf/d)[(1)]	**431**	432	423	433	475
Capacity utilization (%)[(1)]	**37**	37	39	37	41
NGD					
Natural gas deliveries - end-use (PJ)[(5)(6)]	**3.30**	7.20	6.62	-	-
Natural gas deliveries - transportation (PJ) [(5)(6)]	**1.40**	1.30	0.55	-	-
Service sites [(2)(6)]	**72,827**	73,198	72,717	-	-
Degree day variance (%) - AUI[(6)(7)]	**4.0**	(10.3)	9.9	-	-
Degree day variance (%) - Heritage Gas [(6)(7)]	**(15.4)**	(10.5)	-	-	-
Energy Services					
Energy management service contracts[(2)]	**413**	416	412	425	424
Average volumes transacted (GJ/d)[(1)]	**367,280**	405,048	377,580	329,192	287,315
POWER					
Volume of power sold (GWh)[(1)]	**706**	685	707	683	672
Average price realized on sale of power ($/MWh)[(1)(8)]	**79.98**	62.16	67.54	70.22	63.84
Alberta Power Pool average spot price ($/MWh)[(1)]	**80.56**	40.88	46.32	49.75	32.31

(1) *Average for the period.*

(2) *As at period end.*

(3) *Excludes natural gas liquids pipeline volumes.*

(4) *AltaGas reports an 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.*

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

(6) *Deliveries reflect AltaGas' 100 percent share in AUGI and Heritage Gas as at October 8 and November 18, 2009 respectively.*

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

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

For further information contact:

Investment Community
Myles Dougan
(403) 691-7594
1-877-691-7199
investor.relations@altagas.ca

Media
Adrianne Lovric
(403) 691-9873
adrianne.lovric@altagas.ca