



NEWS RELEASE

ALTAGAS REPORTS THIRD QUARTER RESULTS

Calgary, Alberta (October 28, 2010) – AltaGas Ltd. (AltaGas) (TSX: ALA) today reported net income applicable to common shares for the three months ended September 30, 2010 of \$6.0 million (\$0.07 per share). Adjusting for the impact of mark-to-market accounting net income applicable to common shares in third quarter 2010 was \$16.4 million (\$0.20 per share).

Earnings before interest, taxes, depreciation and amortization (EBITDA) adjusted for the impact of mark-to-market accounting was \$56.8 million (\$0.70 per share) in third quarter 2010 compared to \$55.8 million (\$0.70 per share) in the same period last year. Funds from operations for the three months ended September 30, 2010 were \$41.5 million (\$0.51 per share) compared to \$50.5 million (\$0.64 per share) for the same period last year.

"Our diversified business strategy continues to produce stable earnings and cash flow in the face of weak commodity prices in some parts of our business," said David Cornhill, Chairman and Chief Executive Officer of AltaGas. "We continue to make progress optimizing our business and growing our company. We commenced construction on Forrest Kerr and completed a number of gas and power construction projects this quarter that will contribute to long-term growth and cash flow generation."

THIRD QUARTER HIGHLIGHTS:

Operating income adjusted for mark-to-market accounting was \$35.5 million in third quarter 2010 compared to \$37.7 million in the same quarter last year. The Gas Segment reported higher operating income primarily due to the addition of the natural gas distribution business in fourth quarter 2009, higher realized frac spreads in the extraction business and lower amortization. The Power Segment reported lower operating income primarily due to continued weaker power markets in Alberta, but benefited from no outage at Sundance B unlike the prior year and the addition of Bear Mountain Wind Park. Adjusting for the impact of mark-to-market accounting Corporate costs in third quarter 2010 remained flat compared to the same quarter last year.

On a cash flow basis, funds from operations for the three months ended September 30, 2010 was \$41.5 million (\$0.51 per share) compared to \$50.5 million (\$0.64 per share) in the third quarter 2009. The decrease in funds from operations is primarily due to lower power prices. AltaGas' hedging strategy has helped to stabilize cash flows and offset the impact of the decline in power prices. Funds from operations are also affected by the seasonality of the natural gas distribution business. Strong first and fourth quarter earnings are due to the majority of natural gas deliveries occurring during the winter heating season followed by lower contributions in the shoulder seasons during the second and third quarters.

Preferred Share Financing

AltaGas announced on August 19, 2010 it had completed a public offering of 8,000,000 Cumulative Redeemable Five-Year Rate Reset Preferred Shares, Series A (the "Series A Preferred Shares") at a price of \$25 per Series A Preferred Share (the "Offering"). The Offering resulted in gross proceeds of \$200 million.

Net proceeds from the Offering were used to reduce outstanding indebtedness under AltaGas' credit facilities, thereby strengthening AltaGas' balance sheet and providing the financial flexibility to support construction activities related to the Forrest Kerr Project and other capital growth projects.

"We have completed approximately \$1 billion dollars in finance initiatives this year, including our very successful preferred share issue in August. When combined with our sustainable cash flow, dividend reinvestment program and strong balance sheet we are well positioned to fund our \$1.2 billion current committed capital program in a cost effective manner", said David Cornhill. "We will continue a prudent financing strategy as we pursue our goal of securing over \$2 billion of organic growth in the next five years."

Growth Highlights

During the third 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:

- Construction of the 13 MW gas-fired cogeneration facility at the Harmattan complex was completed on time and under budget. The project is now in the commissioning phase and is expected to commence operations in fourth quarter, 2010. The facility will provide steam required to process natural gas at the Harmattan complex as well as produce electricity for on-site consumption with excess low cost generation sold in the Alberta market.
- Construction commenced on the Forrest Kerr run-of-river hydro project. During the third quarter road, bridge and camp work started in support of tunneling activities. Tunneling activities are scheduled to commence in first quarter 2011.
- 20 Mmcf/d expansion at the Pouce Coupe gas processing facility located in the Montney resource play area was completed at the end of the third quarter, 2010. A portion of the expanded capacity has been contracted to a producer under a take-or-pay contract.
- 5 Mmcf/d expansion at the Acme gas processing facility was completed in third quarter 2010. The facility will serve increased producer activity in the Horseshoe Canyon coalbed methane formation. An additional expansion of 5 Mmcf/d is anticipated to occur in 2011.
- Harmattan Co-stream Project public hearing was completed by the ERCB on September 3, 2010. A decision is expected in fourth quarter 2010. The project as currently designed is expected to cost in the range of \$100 to \$120 million.
- Heritage Gas Ltd. completed a \$17 million natural gas distribution pipeline project to Bedford, Nova Scotia. The pipeline provides the foundation for further expansion into the growing communities in the Halifax Regional Municipality over the next several years.

Additional Financial Highlights ⁽¹⁾

- Total assets of \$2.65 billion at September 30, 2010 compared to \$2.24 billion at September 30, 2009.
- AltaGas' debt-to-total capitalization ratio as at September 30, 2010 was 42.3 percent, versus 51.1 percent at June 30, 2010 and 49.2 percent at December 31, 2009.
- AltaGas declared dividends for the three months ended September 30, 2010 of \$0.33 per share.

CONFERENCE CALL AND WEBCAST DETAILS:

AltaGas will hold a conference call today at 9:30 a.m. MT (11:30 a.m. ET) to discuss the third quarter 2010 financial and operating results and other general issues and developments.

Members of the investment community, media and other interested parties may dial (416) 340-2216 or call toll free at 1 866 226-1792. No pass code is required. Please note that the conference call will also be webcast. A live audio webcast will also be available at http://www.altagas.ca/investors/presentations_and_webcasts.

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 1558721. The replay will expire at midnight (ET) on November 5, 2010. The webcast will be 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 nine months ended September 30, 2010 compared to the three and nine months ended September 30, 2009. This MD&A dated October 27, 2010 should be read in conjunction with the accompanying unaudited interim Consolidated Financial Statements and notes thereto of AltaGas as at and for the three and nine months ended September 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 Ltd. and AltaGas Income Trust, including its annual MD&A and Consolidated Financial Statements, Annual Information Form, Information Circular, and Proxy Statement, material change reports and press releases, are also available through AltaGas' website or directly through the SEDAR system at www.sedar.com.

ALTAGAS ORGANIZATION

The material businesses of AltaGas 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 appointed by the Trustee at the direction of the Trust's 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 REVIEW

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

Three Months Ended September 30

Net income applicable to common shares for the three months ended September 30, 2010 was \$6.0 million (\$0.07 per share) compared to \$34.7 million (\$0.44 per share) in the same period in 2009. Adjusting for the impact of mark-to-market accounting, net income applicable to common shares in third quarter 2010 was \$16.4 million (\$0.20 per share) compared to \$28.4 million (\$0.36 per share) for the same period last year. Adjusted for the impact of mark-to-market accounting, earnings reported by the operating segments, including the Corporate Segment were strong at \$35.5 million in the quarter compared to \$37.7 million in third quarter last year. Operating results were strong, driven by the addition of new assets, strong contractual underpinnings and higher frac spreads which offset the impact of weaker power prices in Alberta. The gas and power businesses reported operating income of \$44.1 million in the quarter compared to \$46.7 million in third quarter last year.

The Gas Segment reported higher operating income primarily due to the addition of the natural gas distribution (NGD) business in fourth quarter 2009 despite the seasonality of this business in which third quarter results are usually lower. Operating income also increased due to higher realized frac spreads and lower amortization. The Power Segment reported lower earnings as a result of the continued weaker power markets in Alberta but benefited from no outage at Sundance B unlike the prior year and the addition of Bear Mountain Wind Park in British Columbia. Despite a 28 percent decline in power prices quarter over quarter, AltaGas reported strong results in the power segment as result of the hedges executed in early 2009 prior to the weakness in power prices experienced since the second quarter of 2009. Corporate costs adjusted for mark-to-market accounting were \$8.6 million in third quarter 2010 compared to \$9.0 million in the same quarter last year.

On a cash flow basis, funds from operations for the three months ended September 30, 2010 was \$41.5 million compared to \$50.5 million in the third quarter 2009. Funds from operations was \$0.51 per share compared to \$0.64 per share for the same period in 2009. The decrease in funds from operations are attributed primarily due to lower power prices. Funds from operations are also affected by the seasonality of the NGD business. AltaGas' hedging strategy has helped to stabilize cash flows and offset the impact of the decline in power prices. EBITDA adjusted for the impact of mark-to-market accounting in third quarter was \$56.8 million (\$0.70 per share) and \$55.8 million (\$0.70 per share) in 2010 and 2009 respectively.

On a consolidated basis, net revenue for the quarter ended September 30, 2010 was \$102.6 million compared to \$114.7 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 in late 2009 and higher realized frac spreads. These increases were partially offset by the reversal of deferred revenue related to the Suffield pipeline and the reduction in liabilities related to natural gas transactions reported in third quarter 2009 and lower natural gas storage margins realized. The Power Segment's net revenue decreased due to lower realized power prices in Alberta, lower contributions from gas-fired peaking plants, partially offset by the addition of Bear Mountain. The Corporate Segment reported lower net revenue due to changes in mark-to-market valuation of investments, unrealized losses on risk management contracts and lower investment income.

Operating and administrative expense for third quarter 2010 was \$59.2 million, up from \$51.0 million in same quarter 2009. The increase was due to incremental costs associated with AltaGas' growth including the addition of NGD assets, 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 and cost control measures.

Amortization expense for third quarter 2010 was \$21.1 million compared to \$18.2 million in 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. In third quarter 2010, the amortization expense was reduced by \$1.8 million to account for a change in estimates for the expected remaining useful lives of certain assets within the Gas Segment.

Interest expense in third quarter 2010 was \$12.1 million compared to \$8.8 million in third quarter 2009. The average borrowing rate was 5.7 percent in third quarter 2010 compared to 6.9 percent in third quarter 2009. The increase in interest expense was due to higher average debt balance of \$985.1 million compared to \$657.8 million for the same period in 2009. The average debt balances increased primarily as a result of the acquisition of the NGD business in fourth quarter 2009 and the Landis acquisition in the first quarter of 2010. Interest expense related to \$159.5 million of debt is recovered from customers in the NGD business. Interest capitalized in third quarter 2010 was \$1.9 million compared to \$2.5 million in same quarter 2009.

Income tax expense in third quarter 2010 was \$3.0 million compared to \$1.8 million in same quarter 2009. The increase was due to \$5.5 million associated with higher income subject to tax as a result of conversion to a corporate structure and current tax of \$0.5 million incurred by the Utility Group, partially offset by \$3.5 million related to the tax affect of losses reported on risk management contracts and \$1.5 million related to the 2009 purchase price adjustment for the acquisition of wind development projects. Income subject to tax in a trust structure was based on income for accounting purposes less the amount distributed to unitholders of the Trust. As a corporation, income tax expense is based on income for accounting purposes. As a corporation, AltaGas expects to report higher income tax expense.

Nine Months Ended September 30

Net income applicable to common shares for the nine months ended September 30, 2010 was \$70.7 million (\$0.87 per share) compared to \$109.1 million (\$1.40 per share) in the same period in 2009. Adjusting for the impact of mark-to-market accounting, net income applicable to common shares in the nine months ended September 30, 2010 was \$76.1 million compared to \$93.6 million for the same period last year. On a per share basis net income adjusted for the impact of mark-to-market accounting was \$0.94 for the nine months ended September 30, 2010 compared to \$1.20 for the same period last year. Adjusted for mark-to-market accounting, operating income for all segments for the nine months ended September 30 2010 was \$110.6 million compared to \$116.5 million for the same period last year.

Operating income for the nine months ended September 30, 2010 from the Gas and Power Segments was \$140.6 million compared to \$143.5 million for the same period of 2009. Results were impacted by the addition of the NGD business and Bear Mountain Wind Park, higher frac spreads, no Sundance B outage unlike last year and lower amortization, partially offset by the reduction in liabilities related to natural gas transactions and the reversal of deferred revenue related to the Suffield pipeline reported in third quarter 2009, lower power prices in Alberta and the impact of lower throughput at some of the processing facilities. Corporate costs adjusted for mark-to-market accounting were \$30.0 million in the nine months ended September 30, 2010 compared to \$27.1 million in the same period last year.

On a cash flow basis, funds from operations for the nine months ended September 30, 2010 was \$137.2 million compared to \$153.6 million for the same period in 2009. Funds from operations was \$1.69 per share compared to \$1.97 per share for the same period in 2009. The decrease in funds from operations is primarily attributed to lower power prices and higher interest expense partially offset by the contribution from the NGD business. The NGD business is seasonal when results are typically higher in the first and fourth quarters. EBITDA adjusted for the impact of mark-to-market accounting in the nine months ended September 30 was \$177.4 million (\$2.18 per share) and \$170.6 million (\$2.19 per share) in 2010 and 2009, respectively.

On a consolidated basis, net revenue for the first nine months of 2010 was \$354.7 million compared to \$341.1 million in same period 2009. The Gas Segment's net revenue increased due to the addition of the NGD assets, expiration of a legacy gas marketing contract in late 2009, higher realized frac spreads and higher extraction and transmission operating cost recoveries. These increases were partially offset by the reduction in liabilities related to natural gas transactions and the reversal of deferred revenue related to the Suffield pipeline reported in the first nine months of

2009, lower gas processing fees and volumes processed, lower volumes exposed to frac spreads, movement of the retail power business to the Power Segment and a provision for doubtful customer accounts. The Power Segment's net revenue decreased due to lower realized power prices in Alberta and higher PPA costs, partially offset by contributions from the addition of Bear Mountain and the power retail business. The Corporate Segment reported unrealized losses on risk management contracts compared to unrealized gains last year, no investment income from the Utility Group since it is now fully consolidated due to the acquisition of the shares that were not already owned by AltaGas in fourth quarter 2009, partially offset by higher investment income.

Operating and administrative expense for the first nine months of 2010 was \$183.6 million, up from \$151.9 million in same period 2009. The increase was due to incremental costs associated with AltaGas' growth including the addition of NGD business, conversion to a corporation and other regulatory compliance initiatives and higher environmental costs. These increases were partially offset by lower operating costs related to the gas processing business due to lower volumes processed as well as cost control measures.

Amortization expense for the first nine months of 2010 was \$66.8 million compared to \$53.8 million in the same period last year. The increase was due to the growth in AltaGas' asset base from acquisition and construction activities, partially offset by the adjustment to amortization expense as a result of change in estimates for the expected remaining useful lives of certain assets.

Interest expense in the first nine months of 2010 was \$36.8 million compared to \$22.5 million in the first nine months of 2009. The increase was due to higher average debt balances of \$1,018.3 million compared to \$606.0 million for the same period in 2009. Interest capitalized in the first nine months of 2010 was \$2.5 million compared to \$4.5 million in the same period in 2009. The average borrowing rate was 5.2 percent in the first nine months of 2010 compared to 6.0 percent in the first nine months of 2009.

Income tax recovery in the first nine months of 2010 was \$4.5 million compared to income tax expense of \$4.1 million in the same period 2009. The decrease in expense of \$4.4 million was primarily due to lower income subject to tax, \$2.5 million lower tax related to risk management contracts, \$1.5 million related to a purchase price adjustment for a business combination and \$0.9 million related to transactions surrounding the Utility Group acquisition. The decrease was partially offset by \$0.5 million of current tax in the NGD business that will be recovered from Utility Group customers.

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 to reduce its cash taxes payable. 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. Given the current tax pools of approximately \$1.2 billion and committed capital program of \$1.2 billion over the next five years, AltaGas does not expect to be cash taxable until approximately 2015. To the extent that the NGD business is cash taxable, these amounts are recovered from customers. The new dividend policy is expected to increase free cash flow to finance growth projects.

AltaGas expects 2010 operating results to be similar to 2009. AltaGas' operations are expected 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 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 the remainder of 2010, approximately two-thirds of volumes exposed to NGL frac spreads have been hedged at approximately \$22/Bbl and almost two-thirds of Alberta power volumes have been hedged at approximately \$72/MWh. For 2011, 60 percent of volumes exposed to NGL frac spreads and 20 percent of power volumes have been hedged at approximately \$25/Bbl and \$65/MWh respectively.

The Gas Segment is expected to deliver increased earnings and cash flow in fourth quarter 2010 from expansions, plant efficiencies, the start of the winter heating season for the NGD business, improved storage spreads and higher frac spreads. The expansion at the Pouce Coupe gas processing facility has been completed and is in operation. The first phase of expansion at the Acme gas processing facility was completed in third quarter; however, due to producer drilling delays, the expansion is not expected to contribute to operating income until fourth quarter. The NGD business expects to increase its rate base by approximately 17 percent from 2009. The Gas Segment is also expected to benefit from higher volumes at the Younger facility as a result of increased producer activity in the area. 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 B Plant is hedged at a price of approximately \$72/MWh, slightly lower than the average hedge price in 2009. Current forward prices per MWh, as published in daily broker reports, are in the \$40's 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. 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 commence operations during fourth quarter 2010.

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 projects and 40 percent for power projects. As at September 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 second quarter interim report with an expected in-service date post-2010 are discussed below.

Harmattan Co-stream

The ERCB completed its public hearing for AltaGas' co-stream application on September 3, 2010. A decision is expected in fourth quarter 2010. The project, as currently designed, is expected to cost in the range of \$100 to \$120 million.

Forrest Kerr

The construction has commenced on the Forrest Kerr run-of-river hydro project. During the third quarter, road, bridge and camp work started in support of tunneling activities. Tunneling activities are scheduled to commence in first quarter 2011.

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, operating income adjusted for mark-to-market accounting, EBITDA, EBITDA adjusted for mark-to-market accounting, net income applicable to common shares adjusted for mark-to-market accounting and funds from operations throughout this document have the meanings as set out in this section.

Net Revenue (unaudited) (\$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Net revenue	102.6	114.7	354.7	341.1
Add: Cost of sales	194.8	176.7	637.2	590.7
Revenue (GAAP financial measure)	297.4	291.4	991.9	931.8

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

Operating Income (unaudited) (\$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Operating income	22.2	45.4	104.3	135.4
Add (deduct): Interest expense	(12.1)	(8.8)	(36.8)	(22.5)
Foreign exchange (loss) gain	0.2	(0.1)	-	0.3
Income tax (expense) recovery	(3.0)	(1.8)	4.5	(4.1)
Preferred shares (net of tax)	(1.3)	-	(1.3)	-
Net income applicable to common shares (GAAP financial measure)	6.0	34.7	70.7	109.1

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 is defined as net revenue less operating and administrative expenses and amortization.

Operating Income Adjusted for Mark-to-Market Accounting (unaudited) (\$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Operating income before unrealized gains (losses) on mark-to-market accounting	35.5	37.7	110.6	116.5
Add (deduct): Unrealized gains (losses) on mark-to-market accounting	(13.3)	7.7	(6.3)	18.9
Interest expense	(12.1)	(8.8)	(36.8)	(22.5)
Foreign exchange (loss) gain	0.2	(0.1)	-	0.3
Income tax (expense) recovery	(3.0)	(1.8)	4.5	(4.1)
Preferred share dividend (net of tax)	(1.3)	-	(1.3)	-
Net income applicable to common shares (GAAP financial measure)	6.0	34.7	70.7	109.1

Operating income adjusted for mark-to-market accounting is a measure of AltaGas' profitability from its principal operating activities prior to how these activities are financed, how the results are taxed, or the impact of unrealized gains or losses on risk management contracts and investments. 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 adjusted for mark-to-market accounting is calculated from the Consolidated Statements of Income and is defined as net revenue less operating and administrative expenses and amortization less any unrealized gains or losses on risk management contracts and investments.

EBITDA (unaudited) (\$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
EBITDA	43.5	63.5	171.1	189.5
Add (deduct):				
Amortization	(21.1)	(18.2)	(66.8)	(53.8)
Interest expense	(12.1)	(8.8)	(36.8)	(22.5)
Income tax (expense) recovery	(3.0)	(1.8)	4.5	(4.1)
Preferred share dividends (net of tax)	(1.3)	-	(1.3)	-
Net income applicable to common shares (GAAP financial measure)	6.0	34.7	70.7	109.1

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 is defined as net revenue less operating and administrative expenses.

EBITDA Adjusted for Mark-to-Market Accounting (unaudited) (\$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
EBITDA adjusted for mark-to-market accounting	56.8	55.8	177.4	170.6
Add (deduct):				
Unrealized gains (losses) on mark-to-market accounting	(13.3)	7.7	(6.3)	18.9
Amortization	(21.1)	(18.2)	(66.8)	(53.8)
Interest expense	(12.1)	(8.8)	(36.8)	(22.5)
Income tax (expense) recovery	(3.0)	(1.8)	4.5	(4.1)
Preferred share dividends (net of tax)	(1.3)	-	(1.3)	-
Net income applicable to common shares (GAAP financial measure)	6.0	34.7	70.7	109.1

EBITDA adjusted for mark-to-market accounting is a measure of AltaGas' operating profitability without the impact of the change in fair value of risk management contracts and the mark-to-market on investments. EBITDA adjusted for mark-to-market accounting 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 gains or losses from risk management contracts and investing activities. EBITDA adjusted for mark-to-market accounting is calculated from the Consolidated Statements of Income and is defined as net revenue adjusted for unrealized gains or losses on risk management contracts and investments less operating and administrative expenses.

Net Income Applicable to Common Shares Adjusted for Mark-to-Market Accounting (unaudited) (\$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Net income applicable to common shares before mark-to-market accounting	16.4	28.4	76.1	93.6
Add (deduct): Unrealized gains (losses) on mark-to-market accounting after tax	(10.4)	6.3	(5.4)	15.5
Net income applicable to common shares (GAAP financial measure)	6.0	34.7	70.7	109.1

Net income applicable to common shares adjusted for 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 applicable to common shares adjusted for mark-to-market accounting is calculated from the Consolidated Statements of Income and is defined as net income adjusted for unrealized gains or losses on risk management contracts, investments and its related income tax expense.

Funds from Operations (unaudited) (\$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Funds from operations	41.5	50.5	137.2	153.6
Add (deduct): Net change in non-cash working capital	29.1	(6.8)	5.3	(12.4)
Asset retirement obligations settled	(0.2)	-	(0.3)	(0.1)
Cash from operations (GAAP financial measure)	70.4	43.7	142.2	141.1

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

RESULTS OF OPERATIONS BY SEGMENT

Operating Income (unaudited) (\$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Gas	26.6	25.3	85.0	78.3
Power	17.5	21.4	55.6	65.1
Corporate	(21.9)	(1.3)	(36.3)	(8.0)
	22.2	45.4	104.3	135.4

GAS

Three Months Ended September 30

Operating income reported from the Gas Segment was \$26.6 million in third quarter 2010 compared to \$25.3 million for the same quarter in 2009. Operating income increased due to the NGD assets that were acquired in fourth quarter 2009, the expiration of a gas marketing contract in fourth quarter 2009 which resulted in losses, higher realized frac spreads

and lower amortization. The increases were partially offset by the reversal of deferred revenue related to the Suffield pipeline and non-recurring adjustments to liabilities related to natural gas transactions which were both reported in third quarter 2009 and lower margins realized on natural gas storage.

Net revenue in the Gas Segment for third quarter 2010 was \$90.4 million compared to \$81.4 million for the same period in 2009. Net revenue increased \$14.8 million due to the acquisition of the NGD assets, \$1.4 million due to the expiration of the legacy gas marketing contract, \$1.3 million from higher realized frac spreads and \$0.7 million due to higher gas sales volumes and margins. These increases were partially offset by \$3.3 million in lower transmission fee for service revenues due to the reversal of deferred revenue and non-recurring \$1.8 million adjustment to liabilities related to natural gas transactions reported in third quarter 2009 and \$1.5 million lower margins realized on natural gas storage .

Operating and administrative expense in third quarter 2010 was \$47.2 million compared to \$40.5 million in third quarter 2009. The increase was largely due to the addition of new assets.

Amortization expense in third quarter 2010 was \$16.6 million compared to \$15.5 million in third quarter 2009. The increase was due to the growth in AltaGas' asset base from acquisition and construction activities partially offset by \$1.8 million as a result of the impact of revised estimates to property, plant and equipment.

Nine Months Ended September 30

Operating income reported from the Gas Segment was \$85.0 million in the first nine months of 2010 compared to \$78.4 million for the same period in 2009. Operating income increased due to the NGD assets acquired in fourth quarter 2009, the expiration of a legacy gas marketing contract in fourth quarter which resulted in losses in previous quarters, higher realized frac spread and lower operating expenses in FG&P. The increases were partially offset by non-recurring adjustments to liabilities related to natural gas transactions and the reversal of deferred revenue related to the Suffield pipeline reported in the nine months ended September 30, 2009. Operating income was also impacted by lower volumes processed at some extraction and FG&P facilities, movement of retail power business margin to the Power Segment and increased provision for doubtful customer accounts.

Net revenue in the Gas Segment for the first nine months of 2010 was \$283.1 million compared to \$246.6 million for the same period in 2009. Net revenue increased \$49.9 million due to the acquisition of the NGD assets, \$4.2 due to the expiration of a legacy gas marketing contract and \$4.1 million from higher realized frac spreads. These increases were partially offset by a non-recurring \$9.2 million adjustment to liabilities related to natural gas transactions reported in 2009, \$4.4 million decrease in FG&P fee for service revenues and volumes processed, \$3.3 million decrease due to the reversal of Suffield revenue deferral in third quarter 2009, \$2.5 million from lower extraction volumes, \$2.1 million of retail power revenues moved to the Power Segment and \$1.0 million incremental provision for doubtful customer accounts.

Operating and administrative expense for the first nine months of 2010 was \$145.0 million compared to \$122.5 million for the same period in 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 and administrative resulting from cost control measures.

Amortization expense in the first nine months of 2010 was \$53.1 million compared to \$45.7 million in the same period in 2009. The increase was due to the growth in AltaGas' asset base from acquisition and construction activities partially offset by the impact of revised estimates to the lives of certain facilities.

Extraction and Transmission (E&T) Variance Analysis

Three Months Ended September 30

Operating income in the E&T business for third quarter 2010 was \$22.2 million compared to \$23.7 million reported for the same period in 2009. Operating income decreased due to the reversal of the Suffield revenue deferral of \$3.3 million reported in third quarter 2009. This decrease was partially offset by \$1.3 million due to higher realized frac spreads.

Nine Months Ended September 30

Operating income in the E&T business for the first nine months of 2010 was \$65.3 million compared to \$67.0 million reported for the same period in 2009. Operating income decreased due to the \$3.3 million reversal of Suffield revenue deferral in 2009, \$2.5 million in lower frac exposed volumes and \$1.0 million in higher amortization and administration costs. The decreases were partially offset by \$4.1 million from higher realized frac spreads, \$1.0 million in lower operating expenses and higher transmission fees earned on the Suffield pipeline.

Field Gathering and Processing (FG&P) Variance Analysis

Three Months Ended September 30

Operating income from the FG&P business for third quarter 2010 was \$1.0 million compared to \$0.1 million for the same quarter of 2009. Operating income increased by \$1.8 million due to revised estimates to the lives of certain facilities and lower administration costs. These increases were partially offset by \$0.8 million on lower rates and fees.

Nine Months Ended September 30

Operating income from the FG&P business for the first nine months of 2010 was \$4.4 million compared to \$4.7 million for the same period of 2009. Operating income decreased by \$2.7 million due to lower volumes processed mostly in the first half of 2010 and \$1.9 million in lower other revenues including a provision for doubtful customer accounts. These decreases were partially offset by \$2.7 million in lower operating expenses and \$2.4 million in lower administrative expenses including amortization.

Natural Gas Distribution Variance Analysis

Three and Nine Months Ended September 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 weaker second and third quarter results due to the majority of natural gas deliveries occurring during the winter heating season. For third quarter 2010, the NGD business contributed \$3.4 million to operating income compared to \$4.2 million and \$7.3 million in the second and first quarters of 2010 respectively. For the first nine months of 2010, the NGD business contributed \$14.9 million to operating income.

Energy Services Variance Analysis

Three Months Ended September 30

Operating income in the Energy Services business was nil for third quarter 2010 compared to \$1.5 million for third quarter 2009. Operating income decreased approximately \$1.8 million as a result of the non-recurring reduction of liabilities reported in third quarter 2009, and \$1.5 million from lower natural gas storage margins. These decreases were partially offset by the third quarter 2009 loss of \$1.4 million as a result of a legacy gas marketing contract and \$0.6 million due to various impacts including higher gas sales volumes and margins.

Nine Months Ended September 30

Operating income in the Energy Services business was \$0.4 million for the first nine months of 2010 compared \$6.6 million for the first nine months of 2009. Operating income decreased approximately \$9.2 million as a result of the non-recurring reduction of liabilities reported in the first nine months of 2009, \$2.1 million of retail power revenues moved to the Power Segment and \$0.4 million from lower natural gas storage margins. These decreases were partially offset by the first nine months of 2009 loss of \$4.2 million as a result of a legacy gas marketing contract.

GAS OPERATING STATISTICS	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2010	2009	2010	2009
E&T				
Extraction inlet gas processed (Mmcf/d) ⁽¹⁾	776	839	773	840
Extraction ethane volumes (Bbls/d) ⁽¹⁾	24,589	25,088	25,339	26,782
Extraction NGL volumes (Bbls/d) ⁽¹⁾	13,053	13,134	12,356	13,352
Total Extraction volumes (Bbls/d) ⁽¹⁾	37,642	38,222	37,695	40,134
Frac spread - realized (\$/Bbl) ^{(1) (2)}	24.02	20.55	27.14	22.64
Frac spread - average spot price (\$/Bbl) ⁽¹⁾	26.86	19.74	30.87	17.10
Transmission volumes (Mmcf/d) ^{(1) (3)}	289	332	298	342
FG&P				
Processing capacity (Mmcf/d) ⁽⁴⁾	1,185	1,172	1,185	1,172
Processing throughput (gross Mmcf/d) ⁽¹⁾	426	433	430	463
Capacity utilization (%) ⁽⁴⁾	36	37	36	40
Average working interest (%) ⁽⁴⁾	93	95	93	94
NGD				
Natural gas deliveries - end-use (PJ) ⁽⁵⁾⁽⁶⁾	2.3	-	12.9	-
Natural gas deliveries - transportation (PJ) ⁽⁵⁾⁽⁶⁾	1.3	-	4.0	-
Service sites ⁽⁴⁾⁽⁶⁾	73,531	-	73,531	-
Degree day variance - AUI (%) ⁽⁶⁾⁽⁷⁾	23.0	-	(5.4)	-
Degree day variance - Heritage Gas (%) ⁽⁶⁾⁽⁷⁾	(48.1)	-	(14.3)	-
Energy Services				
Energy management service contracts	427	425	427	425
Average volumes transacted (GJ/d) ⁽⁸⁾	356,981	329,192	376,436	346,823

⁽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 AltaGas 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 third quarter 2010 average ethane and NGL volumes in the extraction business decreased by 499 Bbls/d and 81 Bbls/d respectively, compared to third quarter 2009. Growth occurred in liquid rich gas areas; however declines in other areas have offset these increases. During the first nine months of 2010 average ethane and NGL volumes in the extraction business decreased by 1,443 Bbls/d and 996 Bbls/d respectively, compared to the first nine months 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 third quarter 2010 and first nine months 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 third quarter 2010 averaged 426 Mmcf/d compared to 433 Mmcf/d in the same quarter 2009. Throughput in first nine months 2010 averaged 430 Mmcf/d compared to 463 Mmcf/d in the first nine months of 2009. In third quarter, throughput was adjusted by an increase of 12 Mmcf/d to true-up the year-to-date average volumes processed. Utilization was 36 percent for the third quarter and first nine months of 2010, which was lower than 2009 primarily due to lower throughput at most facilities (2009 - 37 percent in the third quarter and 40 percent for the first nine months). Although certain areas have experienced volume growth, the lack of producer activity in 2009 and 2010 in response to low natural gas prices has resulted in overall lower processing volumes. The third quarter was relatively flat with the first and second quarter of 2010 however downtime at Pouce Coupe to complete the expansion resulted in lower 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 approximately \$43 million or 17 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 reversal of 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. AltaGas has secured gas supply for processing at Empress which will begin operating close to full capacity starting early November 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 at Empress, higher than average frac spreads are expected to continue through the remainder of 2010. Based on management's analysis of historical NGL prices along with NGL published commodity prices, management expects NGL frac spreads to average approximately \$28/Bbl for the remainder of 2010. In 2011, management expects 12 percent of extraction volumes will be exposed to frac spread. Of these, approximately 60 percent of the exposure has been hedged at an average price of \$25/Bbl. Efforts continue to optimize assets and increase returns at existing extraction facilities.

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.

The construction of the Pouce Coupe expansion was completed in August and put into service in September 2010. The Pouce Coupe expansion cost approximately \$33 million and increased capacity at the facility by 20 Mmcf/d. Both the Ante Creek and Pouce Coupe expansions are processing gas from producers active in the liquid rich Montney resource play.

AltaGas will invest \$13 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 early 2011.

AltaGas expects to invest approximately \$5 million to increase capacity by 10 Mmcf/d at the Acme gas processing facility in two phases. The first phase was completed in third quarter 2010. The increased capacity at Acme will serve the increased producer activity in the Horseshoe Canyon coalbed methane formation.

Due to the seasonal nature of the NGD business, fourth quarter results are expected to be higher than third quarter. As the heating season ramps up, demand for space heating rises and revenues increase.

Given its unique location and operational characteristics, AltaGas expects the demand for natural gas storage 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 September 30

Operating income for third quarter 2010 was \$17.5 million compared to \$21.4 million for the same period in 2009. Operating income decreased due to lower realized power prices, lower contributions from gas-fired peaking plants and higher environmental costs. These decreases were partially offset by the Sundance B outage in 2009 and the addition of Bear Mountain Wind Park and Alberta commercial and industrial power retail business.

Net revenue for third quarter 2010 was \$23.3 million compared to \$24.8 million for the same period in 2009. Net revenue decreased \$5.8 million due to lower realized power prices, \$1.1 decreased contributions from gas-fired peaking plants, and \$0.7 million higher environmental costs. These decreases were partially offset by \$2.8 million from Bear Mountain, \$2.2 million due to lower PPA costs and \$0.9 million from the power retail business.

Operating and administrative expense was \$2.0 million for third quarter 2010 compared to \$1.4 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 to the Power Segment in 2010 and the commencement of commercial operations at Bear Mountain in fourth quarter 2009.

Amortization expense was \$3.8 million in third quarter 2010 compared to \$2.0 million in third quarter 2009. The increase was due to the addition of Bear Mountain.

Nine Months Ended September 30

Operating income in the Power Segment for the first nine months of 2010 was \$55.6 million compared to \$65.1 million for the same period in 2009. Operating income decreased primarily as a result of lower realized power prices, higher PPA costs and higher environmental costs. The decreases were partially offset by the addition of Bear Mountain, contributions from the Alberta commercial and industrial power retail business and no Sundance B outage unlike 2009.

Net revenue for the first nine months of 2010 was \$74.4 million compared to \$75.7 million for the same period in 2009. Net revenue decreased \$7.4 million due to higher PPA costs, \$4.3 million due to lower realized power prices and \$2.9 million from higher environmental costs. These decreases were partially offset by \$8.2 million from Bear Mountain, \$2.7 million from the commercial and industrial power retail business, and \$2.4 million due lower other costs and no Sundance B outage.

Operating and administrative expense was \$7.4 million for the first nine months of 2010 compared to \$4.4 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, which is new to the Power Segment in 2010 and the commencement of commercial operations at Bear Mountain in fourth quarter 2009.

Amortization expense was \$11.5 million for the first nine months of 2010 compared to \$6.2 million for the same period in 2009. The increase was due to the addition of Bear Mountain.

POWER OPERATING STATISTICS	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2010	2009	2010	2009
Volume of power sold (GWh) ⁽¹⁾⁽²⁾	711	683	2,103	2,019
Average price realized on the sale of power (\$/MWh) ⁽¹⁾⁽²⁾	61.53	70.22	68.37	69.45
Alberta Power Pool average spot price (\$/MWh) ⁽¹⁾	35.69	49.75	52.38	48.35

⁽¹⁾ Average for the period.

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

Bear Mountain wind volumes were below historical averages in the three and nine months ended September 30, 2010. The EBITDA impact of the weaker wind for the three and nine months ended September 30, 2010 was approximately \$1.8 million and \$6.3 million, respectively, compared to expectations. A portion of 2010 green attributes associated with Bear Mountain was sold in a deal completed in 2009 at prices in-line with management's expectations.

Power Segment Outlook

In 2010 almost two-thirds of the power delivered to the Alberta Power Pool from the Sundance B Plant is hedged at approximately \$72/MWh, slightly lower than the average hedge price in 2009. Current forward prices per MWh, as published in daily broker reports, are in the \$40's for the balance of 2010. Continued low natural gas prices and a generation over supply situation have created a power pricing environment that management does not believe is sustainable over the long-term. 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.

AltaGas has completed construction on a 13 MW gas-fired co-generation facility at its Harmattan Complex and is currently in the commissioning phase. The facility was completed below budget with a total cost of approximately \$20 million. The facility will deliver power to the Alberta electrical grid and provide process heat to the Harmattan Complex from the steam produced. This highly efficient process of generating power 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.

For the remainder of 2010, 60 percent of power volumes have been hedged at approximately \$72/MWh. For 2011, approximately 20 percent of power volumes have been hedged at approximately \$65/MWh.

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 September 30

The operating loss for third quarter 2010 was \$21.9 million compared to \$1.3 million for third quarter 2009. The increased loss was due to unrealized losses from risk management contracts of \$10.4 million compared to gains of \$4.4 million in the prior year quarter, loss on mark-to-market adjustments for investments of \$2.9 million compared to a gain of \$3.5 million last year and higher administration expenses related to AltaGas' growth and costs to comply with regulatory requirements. These increases were partially offset by higher investment income of \$3.3 million during the quarter compared to \$1.7 million in the prior year quarter. Adjusting for mark-to-market accounting, the Corporate Segment reported costs of \$8.6 million in third quarter 2010 compared to \$9.0 million in the same quarter last year.

Net revenue was in a loss position of \$10.0 million in third quarter 2010 compared to gains of \$9.5 million for the same period in 2009. Net revenue decreased \$14.8 million from unrealized losses on risk management contracts and \$4.8 million on mark-to-market losses on investments compared to the prior year.

Operating and administrative expense was \$11.1 million in third quarter 2010 compared to \$10.1 million in third quarter 2009. Increased expenses were incurred to support AltaGas' growth and conversion to a corporation.

Amortization expense was \$0.7 million in third quarter 2010 similar to the same quarter 2009.

Nine Months Ended September 30

The operating loss for the first nine months of 2010 was \$36.3 million compared to \$8.0 million for the first nine months of 2009. The increased loss was due to unrealized losses from risk management contracts of \$1.3 million compared to gains of \$10.9 million in the prior year quarter, unrealized losses on investments of \$5.0 million compared to gains of \$8.0 million last year and higher administration expenses related to AltaGas' growth and costs to comply with regulatory requirements. These increases were partially offset by higher investment income of \$5.2 million during the quarter compared to \$2.4 million in the prior year quarter. Adjusting for mark-to-market accounting, the Corporate Segment reported costs of \$30.0 million in the nine months ended September 30, 2010 compared to \$27.1 million in the same period last year.

Net revenue was in a loss position of \$1.1 million in the first nine months of 2010 compared to gains of \$22.0 million for the same period in 2009. Net revenue decreased \$13.1 million as a result of mark-to-market losses on investments compared to unrealized gains in the prior year, and \$12.2 million due to unrealized losses on risk management contracts compared to a gain. The loss was partially offset \$2.9 million from higher investment income.

Operating and administrative expense was \$33.0 million in the first nine months of 2010 compared to \$28.1 million in the first nine months of 2009. Increased expenses were incurred to support AltaGas' growth, conversion to a corporation, Harmonized Sales Tax compliance and activities surrounding changes in accounting standards.

Amortization expense was \$2.2 million in the first nine months of 2010 compared to \$1.9 million in the same period of 2009.

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.

INVESTED CAPITAL

During third quarter 2010, AltaGas increased capital assets, long-term investments and other assets by \$52.8 million compared to \$92.6 million in third quarter 2009.

Net Invested Capital - Investment Type

Three Months Ended
September 30, 2010

(\$ millions)	Gas Segment	Power Segment	Corporate	Total
Invested capital:				
Capital assets	37.5	11.1	0.9	49.5
Long-term investments and other assets	0.5	-	2.9	3.4
Net invested capital	38.0	11.1	3.8	52.9
Disposals:				
Long-term investments and other assets	-	-	(0.1)	(0.1)
Net invested capital	38.0	11.1	3.7	52.8

Net Invested Capital - Investment Type

Three Months Ended
September 30, 2009

(\$ millions)	Gas Segment	Power Segment	Corporate	Total
Invested capital:				
Capital assets	13.6	65.1	0.8	79.5
Long-term investments and other assets	-	(10.0)	23.0	13.0
Net invested capital	13.6	55.1	23.8	92.5
Disposals:				
Capital assets	0.1	-	-	0.1
Net invested capital	13.7	55.1	23.8	92.6

Net Invested Capital - Investment Type

Nine Months Ended
September 30, 2010

(\$ millions)	Gas Segment	Power Segment	Corporate	Total
Invested capital:				
Capital assets	110.6	24.5	4.2	139.3
Long-term investments and other assets	0.5	-	(3.0)	(2.5)
	111.1	24.5	1.2	136.8
Disposals:				
Capital assets	-	-	(0.3)	(0.3)
Long-term investments and other assets	(2.4)	-	-	(2.4)
Net invested capital	108.7	24.5	0.9	134.1

Net Invested Capital - Investment TypeNine Months Ended
September 30, 2009

(\$ millions)	Gas Segment	Power	Corporate	Total
Invested capital:				
Capital assets	38.7	122.6	2.7	164.0
Long-term investments and other assets	-	-	23.9	23.9
	38.7	122.6	26.6	187.9
Disposals:				
Capital assets	0.1	-	-	0.1
Long-term investments and other assets	-	-	-	-
Net invested capital	38.8	122.6	26.6	188.0

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

Growth capital of \$50.2 million was reported in third quarter 2010 (third quarter 2009 - \$91.4 million). In the Gas Segment, growth capital comprised \$21.4 million for NGD projects, \$10.6 million for FG&P projects, \$1.5 million on the Harmattan fractionation project and \$2.8 million on other gas projects. Within the Power Segment, growth capital projects included \$5.8 million for renewable power development projects and \$5.0 million related to the Harmattan Cogeneration project. The Corporate Segment reported growth capital of \$5.0 million related to the acquisition of Magma Energy Corporation shares, partially offset by \$1.9 million mark-to-market loss on Magma Energy Corporation shares. Administrative and maintenance capital expenditures in third quarter 2010 were \$1.2 million and \$1.5 million, respectively (third quarter 2009 - \$0.3 million and \$0.9 million, respectively).

Growth capital of \$128.3 million was reported in the first nine months of 2010 (nine months ended September 30, 2009 - \$182.9 million). In the Gas Segment, growth capital comprised \$33.4 million for the Landis acquisition, \$32.5 million for FG&P projects, \$35.7 million for NGD projects, \$3.6 million for the Harmattan fractionation project and \$3.2 million on other gas projects. Within the Power Segment, growth capital projects included \$12.5 million for renewable power development projects and \$9.7 million related to the Harmattan Cogeneration project. The Corporate Segment reported a reduction of growth capital of \$7.3 million related to the decrease in the carrying value of Magma Energy Corporation, partially offset by an acquisition of Magma Energy Corporation shares of \$5.0 million. Administrative and maintenance capital expenditures in first nine months of 2010 were \$4.1 million and \$4.4 million, respectively (nine months ended September 30, 2009 - \$3.2 million and \$1.8 million, respectively).

Invested Capital - UseThree Months Ended
September 30, 2010

(\$ millions)	Gas Segment	Power	Corporate	Total
Invested capital:				
Maintenance	1.2	0.3	-	1.5
Growth	36.3	10.8	3.1	50.2
Administrative	0.5	-	0.7	1.2
Invested capital	38.0	11.1	3.8	52.9

Invested Capital - UseThree Months Ended
September 30, 2009

(\$ millions)	Gas Segment	Power	Corporate	Total
Invested capital:				
Maintenance	0.9	-	-	0.9
Growth	12.8	55.1	23.5	91.4
Administrative	-	-	0.3	0.3
Invested capital	13.7	55.1	23.8	92.6

Invested Capital - UseNine Months Ended
September 30, 2010

(\$ millions)	Gas Segment	Power	Corporate	Total
Invested capital:				
Maintenance	2.1	2.3	-	4.4
Growth	108.4	22.2	(2.3)	128.3
Administrative	0.6	-	3.5	4.1
Invested capital	111.1	24.5	1.2	136.8

Invested Capital - UseNine Months Ended
September 30, 2009

(\$ millions)	Gas Segment	Power	Corporate	Total
Invested capital:				
Maintenance	1.8	-	-	1.8
Growth	36.7	122.6	23.6	182.9
Administrative	0.1	-	3.1	3.2
Invested capital	38.6	122.6	26.7	187.9

FINANCIAL INSTRUMENTS

AltaGas enters into financial derivative contracts to manage exposure to fluctuations in commodity prices, interest rates and foreign exchange rates. During third 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 AltaGas' exposure to power price volatility. The Alberta Power Pool settles power prices on an hourly basis and prices ranged from \$0.00/MWh to \$653.36/MWh in third quarter 2010. The average spot price was \$35.69/MWh in third quarter 2010 (third quarter 2009 - \$49.75/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 \$61.53/MWh in third quarter 2010 (third quarter 2009 - \$70.22/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 September 30, 2010, AltaGas had NGL frac spread agreements for 2010 for 3,150 Bbls/d at an average price of approximately \$22/Bbl. The average spot NGL frac spread for three and nine months ended September 30, 2010 was \$26.86/Bbl and \$30.87/Bbl, respectively (three and nine months ended September 30, 2009 - \$19.74/Bbl and \$17.10/Bbl, respectively). The average NGL frac spread realized for the three and nine months ended September 30, 2010 was \$24.02/Bbl and \$27.14/Bbl, respectively (three and nine months ended September 30, 2009 was \$20.55/Bbl and \$22.64/Bbl respectively). AltaGas has also hedged an average of 3,200 Bbls/d or approximately 60 percent of volumes that are exposed to spot prices for 2011 at a price of approximately \$25/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 September 30, 2010 AltaGas had interest rate swaps for \$80 million with varying terms to maturity until March 31, 2012. At September 30, 2010, AltaGas had fixed the interest rate of 78 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 derivatives 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		Nine Months Ended	
	September 30		September 30	
(\$ millions)	2010	2009	2010	2009
Cash from operations	70.4	43.7	142.2	141.1
Investing activities	(48.9)	(82.1)	(106.1)	(217.8)
Financing activities	(18.6)	(59.8)	(36.1)	76.8
Change in cash	2.9	(98.2)	-	0.1

Cash from Operations

Cash from operations reported on the Consolidated Statements of Cash Flows was \$70.4 million in third quarter 2010 compared to \$43.7 million in third quarter 2009. The increase in cash from operations was primarily a result of higher non-cash working capital, partially offset by lower net income and other non-cash items.

Working Capital	September 30	September 30
(\$ millions except current ratio)	2010	2009
Current assets	267.4	342.8
Current liabilities	401.7	339.1
Working capital	(134.3)	3.7
Current ratio	0.67	1.01

Working capital was in a deficit position of \$134.3 million at September 30, 2010 compared to a positive balance of \$3.7 million at September 30, 2009. The working capital ratio was 0.67 at the end of third quarter 2010 compared to 1.01 at the end of third quarter 2009. The working capital ratio decreased due to a lower cash balance as of September 30, 2010, lower accounts receivable as a result of lower power prices, higher accounts payable and lower short-term investments. In addition, the working capital ratio was negatively impacted by an increase in current portion of long-term debt and an increase in accounts payable.

Investing Activities

Cash used for investing activities in third quarter 2010 was \$48.9 million compared to \$82.1 million in third quarter 2009. The decrease was due to the reduction in capital asset expenditures, a disposition of short-term investments in third quarter 2010 compared to an acquisition in third quarter 2009, a reduction in restricted cash holdings from customers. These decreases were partially offset by an increase in investment in regulatory assets and acquisition of energy service arrangements, contracts and relationships.

Financing Activities

Cash used for financing activities was \$18.6 million in third quarter 2010 compared to \$59.8 million in third quarter 2009. The cash from financing activities decreased due to the issuance of preferred shares, drawings on short-term debt and a decrease in dividends paid to shareholders. The decrease was partially offset by the maturing of a medium-term note (MTN).

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 September 30, 2010 AltaGas had total debt outstanding of \$881.1 million, down from \$1,014.7 million as at December 31, 2009. At September 30, 2010 AltaGas had \$600.0 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 September 30, 2010 AltaGas had drawn bank debt of \$266.3 million and letters of credit outstanding of \$66.0 million against the extendible revolving letter of credit facility, the syndicated credit facilities and the demand operating facilities.

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 September 30, 2010 was 2.79 times.

On August 10, 2010, AltaGas issued 8,000,000 Cumulative Redeemable Five-Year Fixed Rate reset Preferred Shares for aggregate gross proceeds of \$200 million to a syndicate of underwriters. The preferred shares pay a cumulative quarterly fixed dividend for the initial period ending September 30, 2015 at an annual rate of 5.00 percent. The dividend rate will reset on September 30, 2015 and on September 30 of every fifth year thereafter. Net proceeds were used to reduce outstanding indebtedness under AltaGas' credit facilities.

Credit facilities (\$ millions)	Borrowing capacity	Drawn at	
		September 30 2010	December 31 2009
Demand operating facilities	86.0	22.4	16.3
Letter of credit facility	75.0	54.1	56.7
Syndicated revolving credit facility ⁽¹⁾	-	-	350.8
Syndicated credit facility ⁽²⁾	600.0	125.7	-
Utility Group revolving term credit facility ⁽³⁾	130.0	130.0	130.0
	891.0	332.2	553.8

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

⁽²⁾ Revolving credit facility maturing June 30, 2013.

⁽³⁾ Revolving credit facility maturing November 17, 2010.

At September 30, 2010 AltaGas 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 September 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 September 30, 2010 AltaGas had letters of credit of \$54.1 million (December 31, 2009 - \$46.7 million) outstanding against the extendible revolving letter of credit facility, \$5.7 million outstanding against the syndicated credit facilities and \$6.2 million letters of credit (December 31, 2009 - \$5.1 million) outstanding against the demand operating facilities.

The Utility Group revolving term credit facility of \$130.0 million expires on November 17, 2010. AltaGas is currently in negotiations to renew the credit facility. Management expects to complete negotiations for a new \$200 million facility in fourth quarter 2010.

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 third quarter 2010 (third quarter 2009 - \$22,635) which is the exchange value of the property agreed to by both parties. The lease expires December 2011.

SHARE INFORMATION

At September 30, 2010 AltaGas had 81.9 million common shares outstanding and a market capitalization of \$1.8 billion based on a closing trading price on September 30, 2010 of \$21.40 per share. At September 30, 2010 there were 3.9 million options outstanding and 1.3 million options exercisable under the terms of the share option plan.

DIVIDENDS AND DISTRIBUTIONS

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

AltaGas dividends 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 third quarter 2010, AltaGas declared dividends of \$27.0 million (third quarter distributions 2009 - \$42.8 million).

On October 27, 2010, the Board of Directors declared a dividend of \$0.11 per share to shareholders of record on November 25, 2010. The November dividend will be paid on December 15, 2010.

On October 27, 2010, the Board of Directors also declared a preferred dividend of \$0.4589 per preferred share to preferred shareholders of record on December 16, 2010. The preferred dividend will be paid on December 31, 2010.

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

Distributions/Dividends

Years ended December 31

(\$ per share or unit)	2010	2009	2008
First quarter	0.54	0.54	0.525
Second quarter	0.54	0.54	0.525
Third quarter ⁽¹⁾	0.33	0.54	0.535
Fourth quarter	-	0.54	0.540
Total	1.41	2.16	2.125

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

CHANGES IN ACCOUNTING POLICIES

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

On October 1, 2010 the AcSB issued an amendment to Part I of the CICA Handbook that allowed qualifying entities with rate regulated activities (RRA) to adopt IFRS for the first time no later than interim and annual financial statements relating to annual periods beginning on or after January 1, 2012, thereby providing a one-year deferral.

AltaGas is a qualified entity for the deferral period based on the activities of AltaGas Utility Group Inc. (Utility Group). While AltaGas' IFRS conversion project is on track to meet the original conversion deadline, AltaGas has elected to use the deferral offered by the AcSB given the uncertainty with respect to the application of IFRS to the RRA, which are important to AltaGas' business model and one of the key drivers of financial performance.

As a result of the elected deferral option, the IFRS transition date has been reset to January 1, 2011 with a conversion date of January 1, 2012. AltaGas will reassess the accounting policy choices available and will determine those most appropriate for AltaGas' business activity, including the option to adopt US GAAP rather than IFRS.

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 nine months ended September 30, 2010. In third quarter 2010 AltaGas changed its inventory policy related to its natural gas storage and its proprietary natural gas held in storage. The pre-tax impact of the change in the inventory policy resulted in an unrealized gain of \$0.4 million.

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.

In third quarter 2010, management revised the estimated useful lives of AltaGas' capital assets due to updated reservoir engineering studies, which directly affected reserve lives and the expected useful lives of facilities within those locations. The assessment resulted in an increase in the useful lives of larger facilities and reductions to smaller facilities held by AltaGas. The change in estimated useful lives was accounted for on a prospective basis from July 1, 2010. The change in estimate to the lives of AltaGas' facilities resulted in a decrease in amortization expense of \$1.8 million or an increase in after tax earnings of \$1.3 million in third quarter 2010. The change in estimate will affect amortization expense in future periods.

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

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 nine months ended September 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 (DCP) AND INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

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

The Chief Executive Officer and the Chief Financial Officer have designed, with the assistance of AltaGas employees, DC&P and ICFR to provide reasonable assurance that material information relating to AltaGas' business is made known to them; is reported on a timely basis; financial reporting is reliable; and financial statements prepared for external purposes are in accordance with Canadian GAAP. During third 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)	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08
Total Revenue	297.4	334.0	360.5	336.4	291.4	285.8	354.6	424.6
Net revenue ⁽¹⁾	102.6	124.8	127.2	115.4	114.3	114.3	112.1	125.8
Operating income ⁽¹⁾	22.2	39.4	42.7	38.8	45.4	45.5	44.7	54.1
Net income applicable to common shares	6.0	28.4	36.4	32.1	34.7	36.9	37.5	39.6
(\$ per share or unit)	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08
Net income applicable to common shares								
Basic	0.07	0.35	0.45	0.40	0.44	0.47	0.50	0.55
Diluted	0.07	0.35	0.45	0.40	0.43	0.46	0.49	0.56
Distributions/Dividends declared ⁽²⁾	0.33	0.54	0.54	0.54	0.54	0.54	0.54	0.540

⁽¹⁾ See Non-GAAP Financial Measure.

⁽²⁾ Dividends declared began in third quarter 2010. Prior to corporate conversion, distributions were declared.

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 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, AltaGas purchased a short-term investment that resulted in an unrealized gain of \$4.6 million.
- During 2009, AltaGas had adjusted liabilities related to natural gas transaction within Energy Services resulting in a one-time revenue impact of \$9.2 million.
- During fourth quarter 2009, Bear Mountain 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.
- On July 1, 2010, AltaGas converted from an income trust to a corporation resulting in AltaGas now being taxable.
- In third quarter 2010 AltaGas reported \$21.1 million lower revenue as a result of mark-to-market accounting.

Consolidated Balance Sheets

(unaudited)

(\$ thousands)	September 30 2010	December 31 2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,576	\$ 3,739
Short-term investment <i>(note 8)</i>	5,819	19,436
Accounts receivable	164,464	203,673
Inventory	12,706	1,401
Restricted cash holdings from customers	22,211	27,228
Regulatory assets	587	2,567
Risk management	51,998	66,271
Prepaid expense and other current assets	6,042	7,505
	267,403	331,820
Capital assets	1,937,775	1,857,095
Energy arrangements, contracts and relationships	123,339	128,949
Goodwill	199,802	201,728
Regulatory assets	71,506	60,885
Risk management	26,348	18,132
Long-term investments and other assets <i>(note 8)</i>	26,477	30,487
	\$ 2,652,650	\$ 2,629,096
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 155,580	\$ 158,319
Dividend or Distributions payable to shareholders	9,013	15,110
Short-term debt	24,086	14,626
Current portion of long-term debt <i>(note 6)</i>	131,165	591,944
Customer deposits	25,847	30,678
Deferred revenue	178	-
Regulatory liabilities	823	1,403
Risk management	42,910	34,200
Other current liabilities	12,050	14,830
	401,652	861,110
Long-term debt <i>(note 6)</i>	725,876	408,170
Asset retirement obligations	43,658	41,771
Future income taxes	223,694	228,596
Regulatory liabilities	18,312	16,610
Risk management	24,886	14,491
Future employee obligations and other liabilities	10,733	9,491
	1,448,811	1,580,239
Shareholders' equity	1,203,839	1,048,857
	\$ 2,652,650	\$ 2,629,096

See accompanying notes to the unaudited Consolidated Financial Statements.

Consolidated Statements of Income

(unaudited)

(\$ thousands except per share amounts)	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
REVENUE				
Operating	\$ 307,400	\$ 281,843	\$ 992,965	\$ 909,765
Unrealized gains (losses) on risk management <i>(note 8)</i>	(10,424)	4,364	(1,312)	10,903
Other <i>(note 8)</i>	378	5,170	234	11,163
	297,354	291,377	991,887	931,831
EXPENSES				
Cost of sales	194,755	176,676	637,221	590,695
Operating and administrative	59,252	51,018	183,619	151,864
Amortization:				
Capital assets	18,657	15,756	59,287	46,339
Energy arrangements, contracts and relationships	2,491	2,491	7,473	7,473
	275,155	245,941	887,600	796,371
Foreign exchange gain (loss)	224	(78)	15	259
Interest expense				
Short-term debt	369	401	1,253	1,038
Long-term debt	11,803	8,422	35,506	21,441
Income before income taxes	10,251	36,535	67,543	113,240
Income tax expense (recovery)				
Current income tax	451	(99)	940	167
Future income tax	2,529	1,868	(5,429)	3,910
Net income	7,271	34,766	72,032	109,163
Preferred share dividends (net of tax)	(1,266)	-	(1,266)	-
Net income applicable to common shares	\$ 6,005	\$ 34,766	\$ 70,766	\$ 109,163
Net income per share <i>(note 10)</i>				
Basic	\$ 0.07	\$ 0.44	\$ 0.87	\$ 1.40
Diluted	\$ 0.07	\$ 0.43	\$ 0.87	\$ 1.39
Weighted average number of shares outstanding (thousands) <i>(notes 9 and 10)</i>				
Basic	81,734	79,501	81,283	78,034
Diluted	82,191	80,449	81,624	78,993

See accompanying notes to the unaudited Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(unaudited)

<i>(\$ thousands)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Net income	\$ 7,271	\$ 34,766	\$ 72,032	\$ 109,163
Other comprehensive income (loss), net of tax				
Unrealized net gains (losses) on available-for-sale financial assets	(1,183)	4,578	(4,580)	4,578
Unrealized net gains (losses) on derivatives designated as cash flow hedges	(3,229)	7,664	(9,383)	12,060
Reclassification to net income of net gains (losses) on derivatives designated as cash flow hedges pertaining to prior periods	1,590	(5,631)	(7,137)	(20,686)
	(2,822)	6,611	(21,100)	(4,048)
Comprehensive income	\$ 4,449	\$ 41,377	\$ 50,932	\$ 105,115

See accompanying notes to the unaudited Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

(unaudited)

(\$ thousands)	September 30 2010	September 30 2009
Common shares		
Balance, beginning of period	\$ -	\$ 850,992
Shares issued pursuant to the Arrangement - July 1, 2010	1,005,722	-
Shares issued for cash on exercise of options	332	267
Shares issued under DRIP ⁽¹⁾	5,212	26,200
Shares issued on conversion of convertible debentures	-	71
Shares issued on public offering (net of issuance costs and tax benefit)	-	96,184
Balance, end of period	1,011,266	973,714
Preferred shares		
Balance, beginning of period	-	-
Shares issued on public offering (net of issuance costs)	194,126	-
Balance, end of period	194,126	-
Contributed surplus		
Balance, beginning of period	5,621	4,261
Amortization of share options	342	265
Exercise of share options	(286)	(83)
Cancellation of share options	(49)	(213)
Other adjustments	1,106	1,515
Balance, end of period	6,734	5,745
Warrants		
Balance, beginning of period	4,500	4,500
Exercised	(4,500)	-
Balance, end of period	-	4,500
Accumulated earnings		
Balance, beginning of period	34,849	64,547
Net income	72,032	109,163
Distributions	(86,982)	(126,912)
Common share dividends	(26,987)	-
Preferred share dividends (net of tax)	(1,266)	-
Transition adjustment resulting from adopting new financial instruments accounting standards	-	(176)
Prior period adjustment	(58)	-
Balance, end of period	(8,412)	46,622
Accumulated other comprehensive income		
Balance, beginning of period	21,225	31,569
Other comprehensive income (loss)	(21,100)	(4,048)
Balance, end of period	125	27,521
Total shareholders' equity	\$ 1,203,839	\$ 1,058,102

⁽¹⁾ Dividend Reinvestment and Optional Share Purchase Plan.

See accompanying notes to the unaudited Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(unaudited)

(\$ thousands)	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Cash from operations				
Net income	\$ 7,271	\$ 34,766	\$ 72,032	\$ 109,163
Items not involving cash:				
Amortization	21,149	18,247	66,760	53,812
Accretion of asset retirement obligations	716	794	2,161	2,331
Stock-based compensation	(12)	1,548	7	1,484
Future income tax expense (recovery)	2,529	1,958	(5,429)	4,000
Gain on sale of investments	(3,180)	-	(5,035)	(28)
Equity (income) loss	(256)	171	(256)	(899)
Unrealized losses (gains) on risk management	10,424	(4,364)	1,312	(10,903)
Unrealized losses (gains) on held-for-trading investments	2,895	(3,467)	5,046	(8,029)
Other	128	886	1,350	2,677
Non-operating investment income	(157)	-	(840)	-
Asset retirement obligations settled	(178)	-	(273)	(145)
Net change in non-cash working capital <i>(note 12)</i>	29,059	(6,830)	5,354	(12,388)
	70,388	43,709	142,189	141,075
Investing activities				
Increase (decrease) in restricted cash holdings from customers	3,051	5,208	5,018	(4,307)
Capital expenditures	(52,265)	(69,748)	(92,394)	(158,292)
Disposition of capital assets	320	-	320	-
Acquisition of energy services arrangements, contracts and relationships	(1,324)	-	(1,863)	-
Investment in regulatory assets	(5,221)	-	(9,108)	-
Distributions from equity investments	169	81	288	380
Distributions from short-term investment	157	-	840	-
Disposition (acquisition) of short-term investments <i>(note 8)</i>	10,767	(11,403)	15,483	(39,323)
Business or asset acquisition <i>(note 5)</i>	-	-	(22,719)	-
Acquisition of long-term investments and other assets	(4,598)	(6,223)	(4,839)	(16,223)
Disposition of long-term investments	-	-	2,871	-
	(48,944)	(82,085)	(106,103)	(217,765)
Financing activities				
Issuance (repayment) of short-term debt	23,212	(47)	9,460	(3,889)
Net repayment of revolving long-term debt	(119,676)	(7,090)	(240,656)	(191,391)
Issuance of long-term debt	(43)	(330)	198,869	295,146
Repayment of long-term debt	(100,441)	(16,968)	(101,284)	(17,652)
Dividends and distributions paid to shareholders	(21,374)	(42,876)	(121,870)	(125,493)
Net proceeds from issuance of common shares	5,595	7,519	25,261	120,125
Net proceeds from issuance of preferred shares	194,126	-	194,126	-
	(18,601)	(59,792)	(36,094)	76,846
Change in cash and cash equivalents	2,843	(98,168)	(8)	156
Cash and cash equivalents, beginning of period ⁽¹⁾	733	116,628	3,584	18,304
Cash and cash equivalents, end of period	\$ 3,576	\$ 18,460	\$ 3,576	\$ 18,460

⁽¹⁾ Opening balance of cash and cash equivalents adjusted to reflect a prior period adjustment to a non-operated joint venture.

See accompanying notes to the unaudited Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

(unaudited)

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

1. STRUCTURE OF ALTAGAS LTD.

On July 1, 2010 AltaGas Ltd. (AltaGas or the Corporation) completed the conversion from an income trust to a corporation pursuant to a plan of arrangement (the Arrangement) under the Canadian Business Corporations Act. Pursuant to the Arrangement, securityholders exchanged each trust unit and exchangeable unit for common shares of AltaGas Ltd. on a one-for-one basis.

The interim Consolidated Financial Statements follow the continuity of interest basis of accounting whereby the Corporation is considered a continuation of AltaGas Income Trust (the Trust). As a result, the comparative balance sheet, statements of income, statements of shareholders' equity and cash flows include the Trust's results of operations for the period up to and including June 30, 2010 and the Corporation's results of operations thereafter. All references to shares and shareholders in the consolidated financial statements and notes pertain to common shares and common shareholders subsequent to the conversion and units and unitholders prior to the conversion.

2. BASIS OF PRESENTATION

The unaudited interim Consolidated Financial Statements of AltaGas Ltd. include the accounts of the Corporation and all of its wholly owned subsidiaries, and its proportionate interest in various partnerships and joint ventures.

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 Corporation'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 AltaGas' Annual Report.

3. UPDATE TO SUMMARY OF ACCOUNTING POLICIES

Inventory

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

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

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

Capital assets and amortization

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

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

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

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

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

4. 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 Corporation 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 Corporation 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.

On July 28, 2010 the Accounting Standards Board (AcSB) issued an exposure draft proposing that qualifying entities with Rate Regulated Activities (RRA) will be permitted, but not required, to continue applying the accounting standards in Part V of the Handbook for an additional two years, with conversion required January 1, 2013. On September 10,

2010 the AcSB amended the proposal to require qualifying entities to adopt IFRS for the first time no later than interim and annual financial statements relating to annual periods beginning on or after January 1, 2012. Part V of the Handbook is Canadian GAAP as AltaGas currently follows today.

AltaGas is a qualified entity for the deferral period proposed by AcSB, based on the activities of its Natural Gas Distribution business and will elect to defer its implementation of IFRS until January 1, 2012. AltaGas will reassess the accounting policy choices available and will determine those most appropriate for AltaGas' business activity, including the option to adopt US GAAP rather than IFRS.

5. 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 Utilities 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 \$77.6 million, including \$75.2 million of cash for the remaining 81.7 percent of Utility Group and \$2.4 million in transaction costs.

Until the date of acquisition, AltaGas accounted for its investment in Utility Group using the equity method. As a result, the Corporation'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 Corporation within the Gas Segment.

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 final allocation of the purchase price for Utility Group and the preliminary allocation of the purchase price for Heritage Gas are as follows:

	Utility Group	Heritage Gas	Total
Cash consideration	\$ 75,199	\$ 109,828	\$ 185,027
Transaction costs	2,430	1,200	3,630
Total consideration			\$ 188,657
Purchase price allocation			
Assets acquired			
Current assets	\$ 16,743	\$ 5,377	
Capital assets	149,371	74,808	
Regulatory assets	16,633	34,509	
Goodwill	42,180	13,895	
Long-term investments and other assets	3,267	-	\$ 356,783
Less liabilities assumed			
Current liabilities	23,685	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	-	\$ 168,126
			\$ 188,657

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 Corporation'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.

The final adjustment to the Utility Group purchase price allocation was primarily due to finalizing transaction costs related to the acquisition.

6. LONG-TERM DEBT

	September 30 2010	December 31 2009
Credit facilities	\$ 249,678	\$ 490,518
Medium-term notes	600,000	500,000
Loan from Province of Nova Scotia	4,469	4,272
Capital lease obligations	6,441	7,484
Other long-term debt	870	1,049
Unamortized deferred financing	(4,417)	(3,209)
	857,041	1,000,114
Less current portion	131,165	591,944
	\$ 725,876	\$ 408,170

Credit Facilities

On June 30, 2010 the Corporation entered into 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 that 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 Corporation acquired Utility Group that had 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 September 30, 2010 the Corporation had drawn \$249.7 million (December 31, 2009 - \$490.5 million) against the facilities. The average rate on the Corporation's bankers' acceptances outstanding at September 30, 2010 was 2.3 percent (2009 - 1.1 percent).

Medium-Term Notes

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

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) with face value of \$5.6 million. The 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 without penalty.

Letter of Credit Facility

On June 23, 2010 AltaGas 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 September 30, 2010 the Corporation had letters of credit of \$54.1 million (December 31, 2009 - \$46.7 million) outstanding against the extendible revolving-term letter of credit facility.

7. CAPITAL DISCLOSURE

The Corporation's objective for managing capital is to maintain its investment-grade credit ratings and allow the Corporation 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 Corporation considers shareholders' equity (including accumulated other comprehensive income), short-term and long-term debt (including current portion) to be part of its capital structure. The Corporation'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 Corporation 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 Corporation's portfolio of energy infrastructure assets. The Corporation's debt-to-total capitalization ratio as at September 30, 2010 was 42.3 percent (December 31, 2009 - 49.2 percent).

	September 30 2010	December 31 2009
Debt		
Short-term debt	\$ 24,086	\$ 14,626
Current portion of long-term debt	131,165	591,944
Long-term debt	725,876	408,170
	881,127	1,014,740
Shareholders' equity	1,203,839	1,048,857
Total capitalization	\$ 2,084,966	\$ 2,063,597
Debt-to-total-capitalization ratio (%)	42.3	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 complied with these covenants each quarter since the issuance of the facilities.

8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Fair Values of Financial Instruments

At September 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 Gains (Losses) on Risk Management Recognized in Net Income

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2010	2009	2010	2009
Natural gas	\$ (5,038)	\$ 4,781	\$ 1,025	\$ 7,679
Storage	633	-	716	-
NGL	(6,062)	213	(4,608)	6,026
Power	(61)	-	1,612	67
Heat rate	92	(1,287)	(54)	(706)
Interest rate swaps	59	1,266	400	3,484
Foreign exchange	(47)	(609)	(403)	(5,647)
	\$ (10,424)	\$ 4,364	\$ (1,312)	\$ 10,903

In first quarter 2010 AltaGas changed the effectiveness testing of its power and NGL frac spread hedges to align the Corporations' 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 uses the dollar-offset method to test the effectiveness of its cash flow hedges.

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

	Nine Months Ended			Nine Months Ended		
	Unrealized gains (losses)	Tax (expense) recovery	September 30 2010	Unrealized gains (losses)	Tax (expense) recovery	September 30 2009
NGL	\$ (3,509)	\$ 965	\$ (2,544)	\$ 1,190	\$ (354)	\$ 836
Power	8,110	(2,290)	5,820	33,541	(9,464)	24,077
Bond forward	(2,449)	-	(2,449)	(3,018)	-	(3,018)
Interest rate swaps	-	-	-	-	-	-
Foreign exchange	-	-	-	1,475	(428)	1,047
Available-for-sale	(797)	95	(702)	5,263	(684)	4,579
OCI	\$ 1,355	\$ (1,230)	\$ 125	\$ 38,451	\$ (10,930)	\$ 27,521

Long-term Investments and Other Assets

In January 2009 AltaGas purchased common shares of Magma Energy Corp. (Magma) through a private-equity offering for \$10 million. These shares were classified as available-for-sale. The changes in value for these common shares are reported within OCI, which was an unrealized loss of \$0.7 million at September 30, 2010 (2009 - unrealized gain of \$4.6 million). In July 2009, AltaGas purchased common shares of Magma as part of its initial public offering and additional shares in July 2010. These shares were classified as held-for-trading and included in long-term investments and other assets. In third quarter 2010, the Corporation recognized an unrealized loss of \$0.5 million (2009 - unrealized gain of \$1.7 million) in the Corporate Segment related to Magma shares classified as held-for-trading.

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

Short-Term Investment

In third quarter 2010 AltaGas recognized a realized gain of \$3.2 million (2009 - \$0.6 million) and an unrealized loss of \$2.4 million (2009 - unrealized gain of \$1.7 million) in the Corporate Segment as other revenue. For the nine months

ended September 30, 2010, AltaGas recognized a realized gain of \$4.4 million (2009 - \$0.6 million) and unrealized loss of \$2.5 million (2009 - unrealized gain of \$6.3 million).

9. SHAREHOLDERS' CAPITAL

Authorization

As at September 30, 2010, pursuant to the Arrangement, AltaGas is authorized to issue an unlimited number of voting common shares. AltaGas is also authorized to issue preferred shares not to exceed 50 percent of the voting rights attached to the then issued and outstanding common shares.

Preferred shares

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

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

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

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	1,099,747	18,928
Units issued for exchangeable units	2,009	59
Units issued on exercise of warrants ⁽¹⁾	180,433	3,394
Units cancelled pursuant to the Arrangement - July 1, 2010	(79,553,637)	(991,638)
September 30, 2010	-	\$ -

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)
Units cancelled pursuant to the Arrangement - July 1, 2010	(2,081,647)	(14,084)
September 30, 2010	-	-
Issued and outstanding at September 30, 2010	-	\$ -

⁽¹⁾ 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.

Common Shares Issued and Outstanding	Number of shares	Amount
December 31, 2009	-	\$ -
Shares issued pursuant to the Arrangement - July 1, 2010	81,635,284	1,005,722
Shares issued for cash on exercise of options	19,125	332
Shares issued under DRIP	276,410	5,212
Issued and outstanding at September 30, 2010	81,930,819	\$ 1,011,266

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

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

Weighted Average Shares Outstanding	Three Months Ended		Nine Months Ended	
	2010	2009	2010	2009
Number of shares - basic	81,733,759	79,501,209	81,283,418	78,033,546
Dilutive equity instruments ⁽¹⁾	457,248	947,874	340,687	959,412
Number of shares - diluted	82,191,007	80,449,083	81,624,105	78,992,958

⁽²⁾ Includes options, convertible debentures and warrants

The Corporation has an employee share option plan under which employees and directors are eligible to receive grants. At September 30, 2010, 10 percent of shares outstanding were reserved for issuance under the plan. As at September 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 September 30, 2010 outstanding options were exercisable at various dates within the next ten years. As at September 30, 2010 the unexpensed fair value of share option compensation cost associated with future periods was \$0.4 million (December 31, 2009 - \$0.7 million).

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

	Options outstanding	
	Number of options	Exercise price ⁽¹⁾
Share options outstanding, December 31, 2009	3,807,250	\$ 19.86
Granted	327,000	17.28
Exercised	(58,625)	14.24
Expired	(220,750)	18.86
Share options outstanding, September 30, 2010	3,854,875	\$ 19.78
Share options exercisable, September 30, 2010	1,334,001	\$ 24.29

⁽¹⁾ Weighted average.

The following table summarizes the employee share option plan as at September 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	1,158,000	\$ 14.17	8.11	235,125	\$ 13.87	
\$15.26 to \$25.08	1,927,250	19.99	8.44	393,251	24.05	
\$25.09 to \$29.15	769,625	27.70	6.11	705,625	27.87	
	3,854,875	\$ 19.78	7.88	1,334,001	\$ 24.29	

In 2004 AltaGas implemented an equity-based compensation plan, which awards phantom shares to certain employees. Beginning in 2008, all employees were eligible to receive phantom shares. The phantom shares are valued on dividends declared and the trading price of the Corporation's shares. The shares vest on a graded vesting schedule. The compensation expense recorded in third quarter 2010 in respect of this plan was \$2.8 million (third quarter 2009 - \$2.1 million). As at September 30, 2010 the unexpensed fair value of equity-based compensation costs associated with future periods was \$21.4 million (December 31, 2009 - \$26.4 million).

10. NET INCOME PER SHARE

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Numerator:				
Numerator for basic net income applicable to common shares	\$ 6,005	\$ 34,766	\$ 70,766	\$ 109,163
Numerator for diluted net income applicable to common shares	\$ 6,005	\$ 34,969	\$ 70,766	\$ 109,852
Denominator:				
Weighted-average number of share	81,734	79,501	81,283	78,034
Dilutive equity instruments ⁽¹⁾	457	948	341	959
Denominator for diluted net income applicable to common shares	82,191	80,449	81,624	78,993
Basic net income applicable to common shares	\$ 0.07	\$ 0.44	\$ 0.87	\$ 1.40
Diluted net income per share	\$ 0.07	\$ 0.43	\$ 0.87	\$ 1.39

⁽¹⁾ Includes options and warrants.

11. 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.

12. 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		Nine Months Ended	
	September 30		September 30	
	2010 ⁽¹⁾	2009	2010 ⁽¹⁾	2009
Accounts receivable	\$ 21,105	\$ 1,157	\$ 39,633	\$ 67,095
Inventory	(7,604)	(52)	(10,926)	217
Other current assets	7,075	(4,261)	1,462	(4,437)
Regulatory assets	(136)	-	1,980	-
Accounts payable and accrued liabilities	9,687	18,996	(4,305)	(61,685)
Customer deposits	(2,914)	(5,208)	(4,831)	4,307
Deferred revenue	(577)	(3,193)	178	(2,737)
Regulatory liabilities	(74)	-	(580)	-
Other current liabilities	489	(4,325)	(2,781)	(9,488)
	27,051	3,114	19,830	(6,728)
Add back: decrease in capital costs payable	2,008	(9,944)	(14,476)	(5,660)
Net change in non-cash working capital related to operations	\$ 29,059	\$ (6,830)	\$ 5,354	\$ (12,388)

⁽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		Nine Months Ended	
	September 30		September 30	
	2010	2009	2010	2009
Interest paid	\$ 14,339	\$ 9,519	\$ 41,153	\$ 24,238
Income taxes paid (recovered)	\$ 318	\$ (218)	\$ 1,687	\$ (90)

13. 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		Nine Months Ended	
	September 30		September 30	
	2010	2009	2010	2009
Defined contribution plan	\$ 628	\$ 616	\$ 1,948	\$ 1,784
Defined benefit plan	558	(9)	1,518	436
Supplemental executive retirement plan	396	295	1,131	884
Other post-retirement benefit plans	65	-	226	-
	\$ 1,647	\$ 902	\$ 4,823	\$ 3,104

14. NON-MONETARY TRANSACTION

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

15. 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.

16. COMPARATIVE FIGURES

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

17. 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 weaker second and third quarters.

18. SEGMENTED INFORMATION

AltaGas owns and operates a portfolio of assets and services used to move energy from the source to the end-user. The majority of the transactions among the reporting segments are recorded at the market price of the commodities and the remainder is at the exchange amount. In accordance with the CICA Handbook Section 1700, in the year ended December 31, 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 Corporation's three reporting segments:

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

The following tables show the composition by segment:

Three Months Ended**September 30, 2010**

	Gas	Power	Corporate	Intersegment Elimination	Total
Revenue	\$ 266,054	\$ 58,618	\$ 379	\$ (17,273)	\$ 307,778
Unrealized losses on risk management	-	-	(10,424)	-	(10,424)
Cost of sales	(175,617)	(35,328)	-	16,190	(194,755)
Operating and administrative	(47,244)	(1,989)	(11,102)	1,083	(59,252)
Amortization	(16,607)	(3,818)	(723)	-	(21,148)
Foreign exchange gain	-	-	224	-	224
Interest expense	-	-	(12,172)	-	(12,172)
Income (loss) before income taxes	\$ 26,586	\$ 17,483	\$ (33,818)	-	\$ 10,251
Net additions (reductions) to:					
Capital assets ⁽¹⁾	\$ 37,483	\$ 11,036	\$ 914	-	\$ 49,433
Energy services arrangements, contracts and relationships	-	\$ 1,324	-	-	\$ 1,324
Long-term investment and other assets ⁽²⁾	462	\$ 87	\$ 2,804	-	\$ 3,353
Goodwill	\$ 199,802	-	-	-	\$ 199,802
Segmented assets	\$ 2,096,706	\$ 437,313	\$ 118,631	-	\$ 2,652,650

⁽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 \$2,512.

⁽²⁾ Difference in timing of cash flows, non-cash transactions recorded on the statement of cash flow of \$1,245.

Nine Months Ended**September 30, 2010**

	Gas	Power	Corporate	Intersegment Elimination	Total
Revenue	\$ 890,016	\$ 194,875	\$ 234	\$ (91,926)	\$ 993,199
Unrealized losses on risk management	-	-	(1,312)	-	(1,312)
Cost of sales	(606,923)	(120,427)	-	90,129	(637,221)
Operating and administrative	(144,971)	(7,408)	(33,037)	1,797	(183,619)
Amortization	(53,142)	(11,464)	(2,154)	-	(66,760)
Foreign exchange gain	-	-	15	-	15
Interest expense	-	-	(36,759)	-	(36,759)
Income (loss) before income taxes	\$ 84,980	\$ 55,576	\$ (73,013)	-	\$ 67,543
Net additions (reductions) to:					
Capital assets ⁽¹⁾	\$ 110,584	\$ 24,520	\$ 3,924	-	\$ 139,028
Energy service arrangements, contracts and relationships	-	\$ 1,863	-	-	\$ 1,863
Long-term investment and other assets ⁽²⁾	\$ (1,890)	\$ (31)	\$ (2,962)	-	\$ (4,883)
Goodwill	\$ 199,802	-	-	-	\$ 199,802
Segmented assets	\$ 2,096,706	\$ 437,313	\$ 118,631	-	\$ 2,652,650

⁽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 statements of cash flows of \$46,954.

⁽²⁾ Difference in timing of cash flows, non-cash transactions recorded on the statements of cash flows of \$2,915.

Three Months Ended					
September 30, 2009					
	Gas	Power	Corporate	Intersegment Elimination	Total
Revenue	\$ 245,928	\$ 47,892	\$ 5,170	\$ (11,977)	\$ 287,013
Unrealized gains on risk management	-	-	4,364	-	4,364
Cost of sales	(164,548)	(23,065)	-	10,937	(176,676)
Operating and administrative	(40,493)	(1,392)	(10,173)	1,040	(51,018)
Amortization	(15,554)	(2,061)	(632)	-	(18,247)
Foreign exchange gain	-	-	(78)	-	(78)
Interest expense	-	-	(8,823)	-	(8,823)
Income (loss) before income taxes	\$ 25,333	\$ 21,374	\$ (10,172)	-	\$ 36,535
Net additions to:					
Capital assets ⁽¹⁾	\$ 13,673	\$ 65,092	\$ 739	-	\$ 79,504
Long-term investment and other assets ⁽²⁾	-	\$ (9,955)	\$ 23,040	-	\$ 13,085
Goodwill	\$ 143,840	-	-	-	\$ 143,840
Segmented assets	\$ 1,667,958	\$ 383,479	\$ 191,935	-	\$ 2,243,372

⁽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 statements of cash flows of \$9,756.

⁽²⁾ Difference in timing of cash flows, non-cash transactions recorded on the statements of cash flows of \$6,862.

Nine Months Ended					
September 30, 2009					
	Gas	Power	Corporate	Intersegment Elimination	Total
Revenue	\$ 810,039	\$ 140,178	\$ 11,162	\$ (40,451)	\$ 920,928
Unrealized gains on risk management	-	-	10,903	-	10,903
Cost of sales	(563,446)	(64,461)	-	37,212	(590,695)
Operating and administrative	(122,508)	(4,422)	(28,173)	3,239	(151,864)
Amortization	(45,706)	(6,215)	(1,891)	-	(53,812)
Foreign exchange gain	-	-	259	-	259
Interest expense	-	-	(22,479)	-	(22,479)
Income (loss) before income taxes	\$ 78,379	\$ 65,080	\$ (30,219)	-	\$ 113,240
Net additions to:					
Capital assets ⁽¹⁾	\$ 38,730	\$ 122,662	\$ 2,711	-	\$ 164,103
Long-term investment and other assets ⁽²⁾	-	\$ (20)	\$ 23,931	-	\$ 23,911
Goodwill	\$ 143,840	-	-	-	\$ 143,840
Segmented assets	\$ 1,667,958	\$ 383,479	\$ 191,935	-	\$ 2,243,372

⁽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 statements of cash flows of \$5,811.

⁽²⁾ Difference in timing of cash flows, non-cash transactions recorded on the statements of cash flows of \$7,688.

Supplementary Quarterly Financial Information

(unaudited)

(\$ millions unless otherwise indicated)	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09
FINANCIAL HIGHLIGHTS⁽¹⁾					
Net Revenue ⁽²⁾					
Gas	90.4	93.7	99.0	93.6	81.4
Power	23.3	27.5	23.5	26.5	24.8
Corporate	(10.0)	3.5	5.5	(3.5)	9.5
Intersegment Elimination	(1.1)	0.1	(0.8)	(1.2)	(1.0)
	102.6	124.8	127.2	115.4	114.7
EBITDA ⁽²⁾					
Gas	43.1	44.0	51.0	49.6	40.8
Power	21.3	24.9	20.8	24.9	23.4
Corporate	(20.9)	(6.9)	(6.3)	(15.7)	(0.6)
	43.5	62.0	65.5	58.8	63.5
Operating Income (Loss) ⁽²⁾					
Gas	26.6	25.8	32.6	32.0	25.3
Power	17.5	21.2	16.9	22.9	21.4
Corporate	(21.9)	(7.6)	(6.8)	(16.1)	(1.3)
	22.2	39.4	42.7	38.8	45.4

⁽¹⁾ Columns may not add due to rounding.

⁽²⁾ Non-GAAP financial measure.

Supplementary Quarterly Operating Information

(unaudited)

	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09
OPERATING HIGHLIGHTS					
GAS					
E&T					
Extraction inlet gas processed (Mmcf/d) ⁽¹⁾	776	758	787	844	839
Extraction volumes (Bbls/d) ⁽¹⁾	37,642	37,023	38,429	39,812	38,222
Frac spread - realized (\$/Bbl) ⁽¹⁾⁽⁴⁾	24.02	27.51	30.42	25.96	20.55
Frac spread - average spot price (\$/Bbl) ⁽¹⁾⁽⁴⁾	26.86	31.06	35.38	26.87	19.74
Transmission volumes (Mmcf/d) ⁽¹⁾⁽³⁾	289	294	310	320	332
FG&P					
Processing Capacity (gross Mmcf/d) ⁽²⁾	1,185	1,177	1,172	1,172	1,172
Processing Throughput (gross Mmcf/d) ⁽¹⁾	426	431	432	423	433
Capacity utilization (%) ⁽¹⁾	36	37	37	39	37
NGD					
Natural gas deliveries - end-use (PJ) ⁽⁵⁾⁽⁶⁾	2.30	3.30	7.20	6.62	-
Natural gas deliveries - transportation (PJ) ⁽⁵⁾⁽⁶⁾	1.30	1.40	1.30	0.55	-
Service sites ⁽²⁾⁽⁶⁾	73,531	72,827	73,198	72,717	-
Degree day variance (%) - AUI ⁽⁶⁾⁽⁷⁾	23.0	4.0	(10.3)	9.9	-
Degree day variance (%) - Heritage Gas ⁽⁶⁾⁽⁷⁾	(48.1)	(15.4)	(10.5)	-	-
Energy Services					
Energy management service contracts ⁽²⁾	427	413	416	412	425
Average volumes transacted (GJ/d) ⁽¹⁾	356,981	367,280	405,048	377,580	329,192
POWER					
Volume of power sold (GWh) ⁽¹⁾	711	706	685	707	683
Average price realized on sale of power (\$/MWh) ⁽¹⁾⁽⁸⁾	61.53	79.98	62.16	67.54	70.22
Alberta Power Pool average spot price (\$/MWh) ⁽¹⁾	35.69	80.56	40.88	46.32	49.75

⁽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 AUI 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.

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