

NEWS RELEASE AND FIRST QUARTER REPORT

ALTAGAS DELIVERS RECORD FIRST QUARTER
NET INCOME OF \$10 MILLION

CALGARY, Alberta - May 14, 2003

First Quarter 2003 Highlights

(All financial figures are in Canadian dollars unless otherwise stated.)

- AltaGas Services Inc. delivered record first quarter net income of \$10.0 million or \$0.22 per basic and diluted share, compared to \$7.4 million or \$0.19 per basic and diluted share for the same period of 2002. This is a 35 percent increase in net income and a 16 percent increase in earnings per share. Net income for the first quarter of 2002 included a \$1.8 million or \$0.04 per share after tax net gain on the sale of investments. Excluding the impact of the gain in the first quarter of 2002, the year over year growth in first quarter earnings per share was \$0.07 or 47 percent.
- Net income for the first quarter of 2003 primarily reflects the higher price received for power and the first full quarter impact of the acquisitions of the Wabasca gathering and processing facilities and Suffield transmission pipelines and the commissioning of the Joffre ethane extraction plant, all in late December, 2002.
- Funds generated from operations for the first quarter of 2003 grew 48 percent to \$21.9 million when compared to the first quarter of 2002.
- AltaGas' total debt decreased by \$20.0 million to \$399.5 million at the end of the first quarter of 2003 compared to \$419.5 million at the end of Q4 2002. As a result, the Company's debt to total capitalization ratio decreased to 54 percent from 56 percent at December 31, 2002.
- The Board of Directors declared a dividend of \$0.08 per common and participating share to be paid on June 30, 2003 to shareholders of record as at May 30, 2003.
- On March 18, 2003 AltaGas announced it was a successful bidder for 100 megawatts of power capacity in the Alberta government's third phase of the MAP II ("Market Achievement Plan") auction. Accordingly, the Company entered into an energy strip contract with the Balancing Pool Administrator (BPA) for the right to 100 megawatts of power capacity at the EPCOR Generation Inc. operated Genesee power plant located southwest of Edmonton, Alberta for a three year term commencing April 1, 2003. The 100 megawatts of power capacity is a portion of the capacity at Genesee to which the BPA has rights pursuant to a power purchase arrangement.
- On April 23, 2003 the Company acquired 1,872,735 limited partnership units of Taylor NGL Limited Partnership ("Taylor") representing approximately 19.2 percent of Taylor's partnership units outstanding. This \$9.4 million acquisition fits AltaGas' strategy of making infrastructure-based investments that provide stable and predictable earnings. This purchase strengthens the existing business relationship between AltaGas and Taylor and is expected to create growth opportunities for both companies. AltaGas and Taylor currently each own a 50 percent interest in the Joffre ethane extraction plant.

Commenting on the quarter, AltaGas' Chairman and Chief Executive Officer, David Cornhill, said, "Our first quarter results indicate we are on the right path to deliver another year of solid growth in earnings, cash flow and assets. Our earnings per share in the first quarter of 2003 increased \$0.07 over earnings per share in the first quarter of 2002, excluding the gain on sale of investments. This 47 percent growth in earnings per share, realized with an approximate seven million increase in the number of basic shares outstanding in 2003, clearly demonstrates the successful execution of our growth strategies."

Net revenue for the Gathering and Processing segment was \$34.1 million for the first quarter of 2003 compared to \$25.4 million for the first quarter of 2002. The first quarter of 2002 included a pre-tax gain of \$2.4 million on the sale of investments. Net revenue growth in this segment was achieved in the field gathering and processing, extraction, and transmission components largely due to the first full quarter income impact of the acquisitions of the Wabasca gathering and processing facilities and Suffield transmission pipelines and the commissioning of the Joffre ethane extraction plant.

In AltaGas' field gathering and processing component, tie-in activity increased sharply with a record high 85 wells tied-in during the first quarter of 2003. This compares with 50 wells tied-in during the same period in 2002. This increase can be attributed to continued strength in natural gas prices, resulting in strong drilling activity. Well tie-ins and the addition of the Wabasca acquisition volumes offset natural production declines and resulted in an increase in gross average throughput for the first quarter of 2003 to 535 Mmcf/d from 482 Mmcf/d in the first quarter of 2002.

In the extraction component, volume increases were driven by the commissioning of the Joffre ethane extraction plant at Joffre, Alberta in late December 2002. AltaGas' 50 percent net share of inlet volumes of approximately 57 Mmcf/d of natural gas resulted in the production of approximately 3,013 Bbls/d of ethane and natural gas liquids during the quarter. AltaGas' total average extraction volumes for the first quarter of 2003 increased to 6,416 Bbls/d from 3,248 Bbls/d for the same period in 2002.

Total average transmission volumes increased to 319 Mmcf/d for the first quarter of 2003 from 48 Mmcf/d for the same period in 2002. This is primarily a result of the Suffield pipelines acquisition which increased natural gas transmission capacity by 400 Mmcf/d and due to the re-classification of certain pipeline segments in the Cold Lake operating area from gathering lines to transmission pipelines.

The Energy Services segment generated net revenue of \$9.8 million for the first quarter of 2003 compared to \$6.4 million for the same period in 2002. The majority of net revenues in this segment for the first quarter are attributable to power sales associated with AltaGas' ownership in the Sundance B power purchase arrangement ("PPA"). Increased transmission costs and an unplanned outage at the Sundance plant in March, 2003 reduced operating margins in this very strong quarter. AltaGas does not engage in speculative trading of power; instead, the Company manages its power capacity to provide stable, predictable earnings and cash flow over time. The average price AltaGas received from power sales in the first quarter of 2003 was \$46.07 per MWh compared to \$34.80 per MWh in the first quarter of 2002. AltaGas did not start hedging its power until late in the first quarter of 2002. Average Alberta Power Pool spot prices were \$83.85 per MWh and \$35.74 per MWh in the first quarter 2003 and 2002 respectively.

During the quarter, AltaGas entered into an energy strip contract for the right for a three year term commencing April 1, 2003, to 100 megawatts of power capacity at the EPCOR Generation Inc. operated Genesee power plant located southwest of Edmonton, Alberta. The energy strip contract required no capital outlay by AltaGas, but instead requires AltaGas to pay a competitively priced fixed monthly capacity charge for the power capacity. With the Genesee Strip contract, AltaGas' total power supply consists of 453 megawatts of power from four independent generation units at two of the lowest cost coal-fired plants in the Alberta marketplace. This unit diversification mitigates future unplanned outage risk. AltaGas' power portfolio, including the Genesee volume, is sold in accordance with the Company's current hedging strategy of selling 65 percent of its power three to five years forward. This target provides AltaGas with an optimal balance between operating margin predictability and operational flexibility. A significant portion of the Company's power has been sold forward for 2003 and the Company expects to realize between \$43.00 per MWh and \$45.00 per MWh on its power volumes.

In the Natural Gas Distribution segment net revenue for the first quarter of 2003 was \$10.6 million compared to \$10.0 million for the same period in 2002. Higher net revenue in this segment is due to an increase in AltaGas Utilities'("AUI") customer base offset by slightly warmer weather in AUI's franchise area.

In the fourth quarter of 2002, AUI commenced the conversion of customers at the Gift Lake Metis Settlement to natural gas from propane, which had been the primary source of fuel for heating. During the first quarter of 2003, AUI worked on finalizing the activation of all services to the Gift Lake Metis Settlement. AUI also captured an opportunity to expand outside of its franchise area and install approximately 3.1 kilometres of pipeline in the Rainbow Lake area of Northern Alberta.

On February 7, 2003 a decision by the Nova Scotia Utility and Review Board granted Heritage Gas Limited ("Heritage Gas"), a Nova Scotia company owned by AltaGas (24.9 percent), SaskEnergy International Inc. (50.1 percent), and Scotia Investments Limited (25.0 percent), a full regulation class natural gas distribution franchise for a period of 25 years. Heritage Gas is continuing to assess the viability of the opportunity and expects to make its decision, regarding acceptance of the franchise grant, known by mid-2003.

David Cornhill, in his role as Chairman and Chief Executive Officer of AltaGas, is focused on strategy, growth and direction of the Company. Mr. Cornhill is pleased to have Gary Holden on the AltaGas team as of April 1, 2003 in the new role of President and Chief Operating Officer. Mr. Holden brings to AltaGas extensive energy industry experience, both in the electrical and oil and gas markets. He will provide leadership and direction to the operational groups of AltaGas in implementing the Company's business strategy and will drive operational excellence for the corporation.

David Cornhill stated "We have the management team in place to support a larger, more dynamic AltaGas. With this team, our strong balance sheet and the cash flow generation capabilities of our assets we look forward to the continued execution of our growth strategies through the remainder of 2003 and into the future".

Consolidated Financial Highlights

(\$ millions)	Three months ended March 31	
	2003	2002
Revenue	203.4	120.6
Net revenue ⁽¹⁾	52.3	40.8
EBITDA ⁽²⁾	30.9	24.2
Net income	10.0	7.4
Funds generated from operations	21.9	14.8
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Results per basic and diluted share (dollars except number of shares)	2003	2002
EBITDA ⁽²⁾	0.68	0.63
Net income	0.22	0.19
Funds generated from operations	0.48	0.38
Dividends paid per share	0.08	0.06
Basic shares outstanding for the period (millions) ⁽³⁾	45.3	38.6
Shares outstanding at period end (millions)	45.3	38.7

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

(1) Net revenue is gross revenue less the costs of the purchase of natural gas for resale and the costs to purchase power under power purchase arrangements.

(2) Earnings before interest expense, income taxes, and amortization. EBITDA is provided to assist investors in determining the ability of AltaGas to generate cash from operations. This measure does not have any standardized meaning prescribed by generally accepted accounting principles and may not be comparable to similar measures presented by other companies.

(3) Based on the weighted average number of shares outstanding for the period.

About AltaGas

AltaGas is Canada's only publicly-traded pure play midstream energy company. AltaGas moves energy from its source to the end user, adding value through the process. The Company has over \$900 million of assets and a market capitalization of approximately \$450 million. Its steadily expanding asset base, primarily located in Alberta and Saskatchewan, today includes natural gas gathering and processing facilities, interests in ethane and natural gas liquids extraction plants, and transmission pipelines. AltaGas distributes natural gas to Alberta customers through AltaGas Utilities Inc. and to customers in the Northwest Territories through the Ikhil Gas Project. The Company provides energy services to customers, including marketing of natural gas and natural gas liquids and sale of power from its power purchase arrangements.

AltaGas' common shares are listed on the Toronto Stock Exchange under the symbol ALA. The Company is included in the S&P/TSX Composite Index, S&P/TSX Canadian Smallcap Index and the S&P/TSX Canadian Energy Index.

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When used in this press release, the words "anticipate," "estimate," and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated in the forward-looking statements. These risks and uncertainties include operating performance, regulatory and environmental issues, weather and economic conditions, competition and financing availability.

FIRST QUARTER REPORT

INTERIM REPORT TO SHAREHOLDERS
FOR THE THREE MONTHS ENDED MARCH 31, 2003

RESULTS AT A GLANCE

	Three months ended March 31	
	2003	2002
Net income (millions of dollars)	10.0	7.4
Net income excluding net gains from sale of investments (millions of dollars)	10.0	5.6
Net income per share	0.22	0.19
Net income per share excluding net gains from sale of investments	0.22	0.15

Note: Per share amounts are based on the weighted average number of shares outstanding for the period or basic shares.

Net income excluding gains is provided to assist in determining normal income for ongoing operations.

Net income excluding gains does not have any standardized meaning prescribed by Canadian generally accepted accounting principles.

MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion and analysis should be read in conjunction with the accompanying unaudited consolidated financial statements and in conjunction with the audited consolidated financial statements and the Management's Discussion and Analysis contained in the Company's annual report for the year ended December 31, 2002.

RESULTS OF OPERATIONS

Consolidated Operations

(\$ millions)	Three Months Ended March 31	
	2003	2002
Revenue ⁽¹⁾	203.4	120.6
Net revenue ⁽¹⁾⁽²⁾	52.3	40.8
EBITDA ⁽¹⁾⁽³⁾	30.9	24.2
Operating income ⁽¹⁾	20.6	15.4

(1) 2002 includes a pre-tax net gain of \$2.4 million from the sale of shares of Applied Terravision Systems Inc.

(2) Net revenue is gross revenue less cost of sales (the costs of the purchase of natural gas for resale, and the costs to purchase power under power purchase arrangements).

(3) EBITDA (operating income plus amortization) is provided to assist in determining the ability of AltaGas to generate cash from operations. This measure does not have any standardized meaning prescribed by Canadian generally accepted accounting principles and may not be comparable to similar measures presented by other companies.

AltaGas' record first quarter growth primarily relates to the first full quarter impact of the late December 2002 acquisitions of two natural gas transmission pipelines at Suffield and eight field gathering and processing facilities in the Wabasca area. The start-up of the Joffre ethane extraction plant in late December 2002 also contributed to the growth in operating and financial results in the first quarter of 2003.

Revenue for the three months ended March 31, 2002 rose 69 percent compared to the same period in 2002. The increase in revenue is primarily due to the higher price received for natural gas and the higher price for power sold in the Energy Services segment.

Net revenue increased 28 percent in the first quarter of 2003 compared to the first quarter of 2002. In the extraction component, the Natural Gas Distribution segment and the gas services component of the Energy Services segment, net revenue better reflects performance than does revenue, as changes in the market price of natural gas affect both revenue and the cost of goods sold.

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the three months ended March 31, 2003 rose 28 percent compared to the three months ended March 31, 2002 consistent with net revenue. EBITDA per share increased to \$0.68 for 2003 compared to \$0.63 per share for 2002. EBITDA for the quarter ended March 31, 2002 includes a net gain from the sale of investments of \$2.4 million or \$0.06 per share.

Net income for the three months ended March 31, 2003 was \$10.0 million or \$0.22 per share compared to \$7.4 million or \$0.19 per share for the three months ended March 31, 2002. After tax net gains on the sale of investments included in the first quarter results for 2002 were \$1.8 million or \$0.04 per share.

The growth in net revenue, EBITDA, operating income and net income in the first quarter of 2003 was due to the late December 2002 acquisitions, the higher price received for power sold and expansions at extraction and field gathering and processing facilities. The growth was partially offset by increased income taxes and higher interest costs.

Results by Operating Segment

On January 1, 2002 AltaGas began reporting consolidated financial and operating results on the basis of three business segments: Gathering and Processing, Energy Services and Natural Gas Distribution. Gathering and Processing includes natural gas field gathering and processing facilities, ethane and natural gas liquids extraction plant interests and natural gas transmission pipelines. Energy Services includes power services, gas services, and oil and natural gas production. Natural Gas Distribution includes AltaGas' wholly-owned subsidiary AltaGas Utilities Inc. and the Company's one-third interest in Inuvik Gas Ltd., a company that distributes natural gas within the Town of Inuvik.

Gathering and Processing

FINANCIAL RESULTS

(\$ millions)	Three Months Ended March 31	
	2003	2002
Revenue ⁽¹⁾	39.5	26.8
Net revenue ⁽¹⁾	34.1	25.4
Operating and administrative expenses	18.3	11.5
Amortization expense	6.6	5.1
Operating income	9.2	8.8 ⁽¹⁾

(1) 2002 includes a pre-tax gain of \$2.4 million on the sale of investments. Operating income excluding the gain was \$6.4 million for 2002.

Growth in operating income in the Gathering and Processing segment in the first quarter of 2003 compared to the same period in 2002 was primarily due to the late December 2002 acquisitions of the Suffield transmission pipelines and the Wabasca field gathering and processing facilities, and the commissioning of the Joffre ethane extraction plant.

Revenue in this segment for the three months ended March 31, 2003 increased 47 percent when compared to the three months ended March 31, 2002. Net revenue, revenue minus the costs associated with the purchase of shrinkage gas at extraction facilities, increased in the first quarter of 2003 by 34 percent compared to the same period in 2002. The extraction component purchases shrinkage gas or natural gas to make up the heating value of natural gas liquids extracted.

Operating and administrative expenses increased in the first quarter of 2003 compared to the first quarter of 2002 due to costs associated with acquisitions and expansions in the field gathering and processing component, compressor repairs and general increases in power prices and property taxes.

Amortization expense increased for the three months ended March 31, 2003 compared to the same period in 2002 primarily due to the 2002 acquisitions increasing amortization by \$1.5 million.

OPERATING STATISTICS

	Three Months Ended March 31	
	2003	2002
Field gathering and processing		
Capacity (gross Mmcf/d) ⁽¹⁾	847	768
Throughput (gross Mmcf/d) ⁽²⁾	535	482
Capacity utilization (percent) ⁽²⁾	63	63
Average working interest (percent) ⁽¹⁾	88	88
Extraction		
Inlet capacity (Mmcf/d) ⁽¹⁾	349	219
Production (Bbls/d) ⁽²⁾	6,416	3,248
Transmission volumes (Mmcf/d) ⁽²⁾⁽³⁾	319	48

(1) As at March 31

(2) Quarter average

(3) Excludes condensate pipeline volumes

Throughput volumes increased in the first quarter of 2003 compared to the first quarter of 2002 by 11 percent due to acquisitions of new facilities and expansions at existing field gathering and processing facilities which added 53 Mmcf/d to processing capacity after facility rationalizations.

Transmission volumes increased during the three months ended March 31, 2003 compared to the three months ended March 31, 2002 primarily due to the acquisition of the Suffield transmission pipelines in December 2002 which increased AltaGas' transmission capacity by 400 Mmcf/d.

In the extraction component, higher average production and extraction inlet capacity in the first three months of 2003 compared to 2002 relates to the start up of the Joffre ethane extraction plant in December 2002. AltaGas monitors the price differential between the price received for the natural gas liquids (NGLs) extracted and the price paid for the natural gas purchased to make up the heating value of the NGLs extracted, after subtracting operating costs. If commodity prices or operating costs make NGLs extraction uneconomical, the NGLs may be reinjected or the facilities shut in.

Net additions to capital assets in the Gathering and Processing segment were \$5.1 million during the first three months of 2003 compared to \$9.2 million during the same period of 2002. Approximately 60 percent of the capital invested in 2003 was related to the expansion of existing field gathering and processing facilities and the remaining 40 percent related to the expansion of the EnCana-operated Empress extraction plant which is expected to be on-stream in late 2003.

Energy Services

FINANCIAL RESULTS

(\$ millions)	Three Months Ended March 31	
	2003	2002
Revenue	152.6	77.9
Net revenue	9.8	6.4
Operating and administrative expenses	1.5	2.6
Amortization expense	2.1	2.3
Operating income	6.2	1.5

Operating income in 2003 in the Energy Services segment increased primarily due to the higher price received for power sold in the power services component.

Revenue increased 96 percent in the first quarter of 2003 compared to the first quarter of 2002. Revenue increased primarily due to the higher price of gas received in the gas services component and the higher price received for power sold in the power services component in 2003. Net revenue, gross revenue less the costs of the purchase of natural gas for resale and the costs to purchase power under power purchase arrangements, and operating income increased for the three months ended March 31, 2003 compared to the same period in 2002 primarily due to the higher price received for power sold.

The decrease in operating and administrative expenses was due to lower costs related to oil and gas production.

OPERATING STATISTICS

	Three Months Ended March 31	
	2003	2002
Volume of power sold (thousands of MWh)	660	659
Average price received on the sale of power (\$/MWh) ⁽¹⁾	46.07	34.80
Alberta Power Pool average spot price (\$/MWh) ⁽¹⁾	83.85	35.74

(1) Quarter average

The average price received on the sale of power increased for the three months ended March 31, 2003 compared to the three months ended March 31, 2002 due to higher average industry power prices. AltaGas reduces its exposure to floating electricity prices by supplying internal electrical demand requirements and locking in margins with financial instruments at levels consistent with the Company's hedging strategy. The Company did not enter the power business until late 2001 and consequently did not start hedging its power capacity until late in the first quarter of 2002.

Net additions to capital assets in the Energy Services segment were \$0.9 million during the three months ended March 31, 2003 compared to \$0.7 million during the same period of 2002. The 2003 net additions to capital assets were primarily related to development costs in the oil and natural gas production component.

Natural Gas Distribution

The Natural Gas Distribution segment includes AltaGas Utilities Inc. (AUI) and AltaGas' one-third interest in Inuvik Gas Ltd.

FINANCIAL RESULTS

(\$ millions)	Three Months Ended March 31	
	2003	2002
Revenue	58.3	35.8
Net revenue	10.6	10.0
Operating and administrative expenses	3.8	3.5
Amortization expense	1.6	1.4
Operating income	5.2	5.1

Operating income in the Natural Gas Distribution segment for the first quarter of 2003 remained consistent with the first quarter of 2002.

Natural Gas Distribution revenue increases in the first quarter of 2003 compared to the first quarter of 2002 were primarily due to the impact of higher natural gas prices in 2003. Net revenue for the quarter ended March 31, 2003 increased compared to the quarter ended March 31, 2002 due to an increase in the number of service customers and an increase in revenue requirement, where revenue requirement is the sum of the return of and on capital, taxes and operating costs. These increases were offset by warmer weather in the period. The majority of Natural Gas Distribution

net revenue is generated from AUI. AUI's net revenue is unaffected by changes in the cost of gas as the actual cost is permitted, subject to approval by the Alberta Energy and Utilities Board, to be passed through to the distribution customers.

Higher operating and administrative expenses in this segment in 2003 were related to benefits and insurance costs. The natural gas distribution 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 gas distribution revenue, resulting in strong first and fourth quarter results and second and third quarters that show either small profits or losses.

OPERATING STATISTICS

	Three Months Ended March 31	
	2003	2002
Volume of natural gas distributed		
Sales (Bcf)	5.9	5.9
Transportation (Bcf)	1.9	2.0
Customers ⁽¹⁾	58,700	57,638
Degree day variance (percent) ⁽²⁾	9.2	10.4

(1) At March 31

(2) Variance from 20-year average. Positive variances are favourable.

Net additions to capital assets in the Natural Gas Distribution segment were \$1.4 million during the three months ended March 31, 2003 compared to \$1.3 million during the same period in 2002. The additions in 2003 were primarily related to costs associated with routine system betterment projects, new business development and construction of a pipeline in the Rainbow Lake area of Northern Alberta.

Consolidated Expenses

(\$ millions)	Three Months Ended March 31	
	2003	2002
Interest	5.5	4.7
Income taxes	5.1	3.3

AltaGas' interest expense for the three months ended March 31, 2003 increased 17 percent from the same period in 2002. The increase in interest in 2003 is due to higher average debt balances outstanding and higher interest rates. The higher debt levels were primarily attributable to the debt of \$114.7 million incurred to fund the Wabasca and Suffield acquisitions on December 19, 2002. The Company's average cost of borrowing was 5.5 percent in the first quarter of 2003 compared to 5.0 percent in the first quarter of 2002.

Income tax expense for the first quarter of 2003 increased from the first quarter of 2002 due to higher net income before taxes. The effective income tax rate increased to 33.81 percent in 2003 from 30.35 percent primarily due to the increase in revenue from non-resource business activities, partially offset by the reduction in the Alberta statutory tax rate.

LIQUIDITY AND CAPITAL RESOURCES

Funds generated from operations for the three months ended March 31, 2003 increased to \$21.9 million from \$14.8 million for the three months ended March 31, 2002. The increase in 2003 funds generated from operations is due to higher earnings.

AltaGas had a working capital deficit of \$38.9 million at March 31, 2003 compared to \$77.5 million at March 31, 2002 and \$27.2 million at December 31, 2002. The decrease in the working capital deficit from March 31, 2002

is due to net proceeds of \$56.4 million from the June 2002 equity offering and funds generated from operations being applied to reduce the bridge credit facility, offset by capital expenditures and dividends. First quarter 2003 capital expenditures increased the working capital deficit \$11.7 million from December 31, 2002.

FINANCING ACTIVITIES

At March 31, 2003 AltaGas had total debt outstanding of \$399.5 million compared to \$419.5 million at December 31, 2002. During the first quarter of 2003, \$20.0 million from funds generated from operations was used to repay bank debt.

As a result of the lower debt, the Company's debt to capitalization ratio as at March 31, 2003 decreased to 54 percent from 59 percent at March 31, 2002 and 56 percent at December 31, 2002. The improvement in the capitalization ratio from the first quarter of 2002 is due to the issuance of equity in June 2002 which raised \$58.8 million in gross proceeds to AltaGas and due to the positive impact of the increases in funds generated from operations being applied to debt repayment. The Company's long-term goal is to maintain debt at approximately 50 to 55 percent of total capital, which reflects the stability of AltaGas' earnings from its diversified portfolio of assets. AltaGas believes this target enables the Company to take advantage of attractive investment opportunities when they arise. AltaGas' credit facility agreements and the Company's trust indenture allow for a debt to total capitalization ratio of 65 percent.

Effective March 5, 2003 the Company increased its extendible revolving syndicated credit facility by \$30.0 million to \$300.0 million and added another Canadian financial institution to its syndicate of banks. During the quarter, the Company extended to September 30, 2003 its \$50.0 million non-revolving bridge credit facility with a syndicate of Canadian chartered banks.

On January 10, 2003, AltaGas filed a prospectus to renew its Medium Term Note (Notes) program initiated on September 27, 2000. The Notes may be issued from time to time over 25 months in the aggregate principal amount of up to \$250.0 million. The Notes will have maturities of not less than one year and will be offered at prices and contain such other terms as may be determined at the time of issue. The net proceeds from the issue of the Notes will be added to the general funds of the Company to be used to reduce outstanding indebtedness, to finance capital expenditures and investments of the Company and for general corporate purposes. In 2000, the Company issued \$100.0 million of unsecured Notes to finance capital expenditures and replace floating rate debt. These Notes mature on October 4, 2005 and have a coupon rate of 7.28 percent.

AltaGas maintains investment grade credit ratings with two rating agencies. The Dominion Bond Rating Service confirmed AltaGas' Notes at a BBB (low) with a stable trend on April 24, 2003. Standard and Poor's (S&P) rates AltaGas' senior unsecured debt a BBB- and the long-term Company credit at BBB- with a negative outlook.

AltaGas paid a quarterly dividend of \$0.08 per fully paid common share and participating share in the capital stock of the Company on March 31, 2003 compared to \$0.06 during the three months ended March 31, 2002. Dividends are reviewed regularly by the Board of Directors, giving consideration to AltaGas' growth related initiatives, financial position, financing requirements, cash flow and other relevant factors.

AltaGas implemented a Normal Course Issuer Bid through the facilities of The Toronto Stock Exchange on December 1, 2000. The Company renewed its Normal Course Issuer Bid for an additional 12 month period commencing December 2, 2002. During the period from December 2, 2002 through March 31, 2003 no shares were purchased. There were no shares purchased under the program during the first quarter of 2002.

RISK MANAGEMENT

With respect to continuing operations, the nature of AltaGas' risk exposure and the methods of managing risk remain substantially unchanged since December 31, 2002. AltaGas manages market and credit risk exposures in accordance with its corporate risk policies and position limits. The policies and limits are designed to mitigate the risk of significant loss. For further information on risks, refer to Management's Discussion and Analysis in AltaGas' 2002 Annual Report.

AltaGas is committed to being a leader in the industry on environment and safety. The Company continues to prepare for the yet-to-be announced legislation and regulations respecting the Kyoto Protocol by establishing an inventory of greenhouse gas emissions from AltaGas' existing facilities as well as participating on industry work groups to influence and better understand the pending legislation and regulations. AltaGas Utilities' recently filed Action Plan and Progress Report with the Voluntary Challenge and Registry Inc. ("VCR"), has been recognized as "Gold Level", the highest level awarded by the VCR. The VCR was established in 1995 to challenge individuals and corporations from all economic sectors and geographic regions to undertake voluntary actions that will contribute towards the reduction of Canada's GHG emissions. AltaGas Utilities' Action Plan includes inventories of greenhouse gas emissions for the years 1990 through 2001 and forecasts of expected emissions for the years 2002 through 2011. It also includes plans for activities to reduce and control emissions through 2007.

OUTLOOK

Strong drilling activity experienced in the Western Canadian Sedimentary Basin during the first quarter of 2003 is expected to continue and industry analysts are forecasting the number of natural gas well completions for 2003 to be similar to the historically high 11,397 gas well completions of 2001. AltaGas expects this activity to offset the impact of natural production declines and result in higher processed volumes and increased capacity utilization at its field gathering and processing facilities in 2003 when compared to 2002.

Opportunities to grow the Company through expansion and acquisition continue to be available to AltaGas. With the increased drilling activity, AltaGas is seeing a significant increase in internal growth opportunities and currently has five projects underway including expansions of existing plants and new plant development in its field gathering and processing component.

On the acquisition front, AltaGas' management estimates that there are currently upwards of \$500 million in midstream assets available for purchase. The Company is evaluating several opportunities but will pursue only those opportunities that meet AltaGas' financial hurdles and where concentration of risk, including commodity price exposure, can be managed.

Looking forward through 2003, AltaGas' earnings are expected to trend similar to previous years with the second quarter being the weakest quarter of the year and the fourth quarter being the strongest quarter. On an annual basis, AltaGas' management expects to deliver earnings per share growth consistent with the Company's five-year compound annual growth of approximately 20 percent.

CONSOLIDATED BALANCE SHEETS

(Unaudited except for December 31, 2002)

(\$ thousands)	March 31 2003	December 31 2002
ASSETS		
Current assets		
Accounts receivable	\$ 119,647	\$ 98,996
Inventory	319	3,770
Other	4,694	5,180
	124,660	107,946
Capital assets		
Energy services arrangements and contracts	646,507	647,703
Goodwill	105,540	107,030
Future income taxes	18,860	18,860
Investments and other assets	205	208
	5,959	7,450
	\$ 901,731	\$ 889,197
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 96,366	\$ 77,165
Short-term debt	55,235	50,555
Other	12,037	7,397
	163,638	135,117
Long-term debt		
Deferred revenue and other	344,318	368,943
Future income taxes	814	807
	49,674	48,070
	394,806	417,820
Shareholders' equity		
Share capital (note 3)	264,983	264,290
Retained earnings	78,304	71,970
	343,287	336,260
	\$ 901,731	\$ 889,197

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(Unaudited)

	Three months ended March 31	
(\$ thousands except per share amounts)	2003	2002
REVENUE		
Operating	\$ 203,456	\$ 118,153
Other	22	2,492
	203,478	120,645
EXPENSES		
Cost of sales	151,172	79,774
Operating and administrative	21,448	16,636
Amortization		
Capital assets	8,756	7,318
Energy services arrangements and contracts	1,504	1,510
	182,880	105,238
Operating income	20,598	15,407
Interest expense		
Short-term debt	697	769
Long-term debt	4,853	3,945
Income before income taxes	15,048	10,693
Income taxes	5,087	3,245
Net income	9,961	7,448
Retained earnings, beginning of period	71,970	55,157
Dividends	(3,627)	(2,320)
Retained earnings, end of period	\$ 78,304	\$ 60,285
Net income per share (note 3)		
Basic	\$ 0.22	\$ 0.19
Diluted	\$ 0.22	\$ 0.19

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

(\$ thousands)	Three months ended March 31	
	2003	2002
Cash from operations		
Net income	\$ 9,961	\$ 7,448
Items not involving cash:		
Amortization	10,260	8,828
Future income taxes	1,603	1,078
Loss (gain) on sale of assets and investments	2	(2,442)
Equity income	(24)	(51)
Other	136	(12)
Funds generated from operations	21,938	14,849
Increase in deferred revenue and other	7	94
Net change in non-cash working capital	8,792	(1,712)
	30,737	13,231
Investing Activities		
Acquisition of capital assets	(9,074)	(6,884)
Disposition of capital assets	196	-
Acquisition of energy services arrangements and contracts	(14)	(733)
Acquisition of investments and other assets	(425)	(1,347)
Disposition of investments and other assets	1,480	1,580
	(7,837)	(7,384)
Financing Activities		
Decrease in operating loans	(19,945)	(4,081)
Dividends	(3,627)	(2,320)
Net proceeds from issuance of common shares (note 3)	672	554
	(22,900)	(5,847)
Change in cash	-	-
Cash, beginning of period	-	-
Cash, end of period	\$ -	\$ -

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited except for December 31, 2002)

(tabular amounts in thousands of dollars except per share amounts and otherwise noted)

NOTE 1. Summary of Significant Accounting Policies

The interim consolidated financial statements of AltaGas Services Inc. (the Company) have been prepared by management in accordance with Canadian generally accepted accounting principles. The accounting policies applied are consistent with those outlined in the Company's annual consolidated financial statements for the fiscal year ended December 31, 2002. These consolidated financial statements for the three months ending March 31, 2003 do not include all disclosures required in the annual financial statements and should be read in conjunction with the audited consolidated financial statements included in AltaGas' 2002 Annual Report.

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

NOTE 2. Long-Term Debt

Effective March 5, 2003 the Company increased its extendible revolving credit facility by \$30.0 million to \$300.0 million and added another Canadian financial institution to its syndicate of banks. The loan bears interest at the lender's prime rate or at the bankers' acceptance rate plus a stamping fee.

NOTE 3. Share Capital**Authorized:**

- an unlimited number of common shares without nominal or par value.
- an unlimited number of preferred shares without nominal or par value.

Common Shares Issued:

	Number of Shares	Amount
December 31, 2002	36,237,092	\$ 175,326
Issued for cash on exercise of options	92,250	672
Issued for compensation	2,000	21
March 31, 2003	36,331,342	\$ 176,019

Preferred Participating Shares Issued:

	Number of Shares	Amount
December 31, 2002 and March 31, 2003	9,000,000	\$ 88,964
Total shares issued	45,331,342	\$ 264,983

The Company has an employee stock option plan under which both employees and directors are eligible to receive grants. At March 31, 2003, there were 3,800,000 common shares reserved for issuance under the plan. To March 31, 2003, options granted under the plan generally had a term of ten years to expiry and vested no longer than over a four year period. Options outstanding under the plan have a weighted average exercise price of \$7.82 and a weighted average remaining contractual life of 6.3 years.

	Number of Options	Weighted Average Exercise Price
Stock options outstanding, December 31, 2002	1,670,676	\$ 7.66
Granted	114,000	9.49
Exercised	(92,250)	7.29
Cancelled	(24,875)	7.00
Stock options outstanding, March 31, 2003	1,667,551	\$ 7.82
Exercisable March 31, 2003	779,402	\$ 7.89

The basic number of shares outstanding for the three months ended March 31, 2003 was 45.3 million (March 31, 2002 - 38.6 million) and the diluted number of shares outstanding for the three months ended March 31, 2003 was 45.7 million (March 31, 2002 - 38.6 million).

As at April 30, 2003 the number of total shares outstanding was 45,333,967 and the number of stock options outstanding was 1,764,926.

NOTE 4. Segmented Information

AltaGas is a midstream energy company with a portfolio of assets and services used to move energy from the source to the end-user. Commencing January 1, 2002 the Company has three reportable segments:

Gathering and Processing – natural gas gathering and processing, natural gas transmission, and ethane and natural gas liquids extraction.

Energy Services – power services, gas services and oil and natural gas production.

Natural Gas Distribution – natural gas distribution to end users and related services.

For the three months ended March 31, 2003	Gathering and Processing	Energy Services	Natural Gas Distribution	Intersegment Elimination	Total
Revenue	\$ 39,538	\$ 152,632	\$ 58,274	\$ (46,966)	\$ 203,478
Cost of sales	(5,383)	(142,871)	(47,710)	44,792	(151,172)
Operating and administrative expenses	(18,331)	(1,516)	(3,775)	2,174	(21,448)
Amortization	(6,574)	(2,144)	(1,542)	–	(10,260)
Operating income	\$ 9,250	\$ 6,101	\$ 5,247	\$ –	\$ 20,598
Net additions to capital assets	\$ 5,155	\$ 859	\$ 1,395		\$ 7,409
Segment assets	\$ 580,905	\$ 175,072	\$ 145,754		\$ 901,731

For the three months ended March 31, 2002	Gathering and Processing	Energy Services	Natural Gas Distribution	Intersegment Elimination	Total
Revenue	\$ 26,807	\$ 77,882	\$ 35,833	\$ (19,877)	\$ 120,645
Cost of sales	(1,357)	(71,487)	(25,867)	18,937	(79,774)
Operating and administrative expenses	(11,489)	(2,627)	(3,460)	940	(16,636)
Amortization	(5,149)	(2,233)	(1,446)	–	(8,828)
Operating income	\$ 8,812	\$ 1,535	\$ 5,060	\$ –	\$ 15,407
Net additions to capital assets	\$ 9,189	\$ 687	\$ 1,298		\$ 11,174
Segment assets	\$ 432,874	\$ 147,668	\$ 129,869		\$ 710,411

OTHER INFORMATION

FINANCIAL SUMMARY

AltaGas has three reportable business segments:

Gathering and Processing - natural gas field gathering and processing, natural gas transmission, ethane and natural gas liquids extraction

Energy Services - power services, gas services and oil and natural gas production

Natural Gas Distribution - natural gas distribution to end users and related services

(\$ millions except per share amounts)	Q1/03	Q4/02 ⁽¹⁾	Q3/02	Q2/02	Q1/02 ⁽¹⁾
Revenue					
Gathering and Processing					
Field gathering and processing	25.1	22.6	20.3	20.5	22.7
Extraction	8.3	4.3	3.4	2.6	2.5
Transmission	6.2	2.3	1.7	1.6	1.6
Intercomponent elimination	(0.1)	-	-	-	-
Energy Services	152.6	112.4	78.6	87.0	77.9
Natural Gas Distribution	58.3	34.0	9.1	15.4	35.8
Intersegment elimination	(47.0)	(25.3)	(5.9)	(12.5)	(19.9)
	203.4	150.3	107.2	114.6	120.6
Net revenue					
Gathering and Processing					
Field gathering and processing	25.1	22.6	20.3	20.5	22.7
Extraction	2.9	1.8	2.0	1.4	1.1
Transmission	6.2	2.3	1.7	1.6	1.6
Intercomponent elimination	(0.1)	-	-	-	-
Energy Services	9.8	14.6	13.0	10.2	6.4
Natural Gas Distribution	10.6	8.5	4.5	5.9	10.0
Intersegment elimination	(2.2)	(1.0)	(0.1)	(0.7)	(1.0)
	52.3	48.8	41.4	38.9	40.8
Operating income					
Gathering and Processing	9.2	5.6	5.7	7.0	8.8
Energy Services	6.2	9.9	7.8	4.8	1.5
Natural Gas Distribution	5.2	3.4	(0.4)	0.7	5.1
	20.6	18.9	13.1	12.5	15.4

⁽¹⁾ Q1 2002 financial results include a pre-tax gain of \$2.4 million and Q4 2002 results include a pre-tax loss of \$1.4 million on sale of investments.

OPERATING SUMMARY

(\$ millions except per share amounts)	Q1/03	Q4/02	Q3/02	Q2/02	Q1/02
Gathering and Processing					
Field gathering and processing					
Processing capacity (gross Mmcf/d) ⁽¹⁾	847	842	767	767	768
Processed throughput (gross Mmcf/d) ⁽²⁾	535	532	479	473	482
Capacity utilization (percent) ⁽¹⁾	63	63	62	62	63
Average working interest (percent) ⁽¹⁾	88	88	87	88	88
Extraction					
Inlet capacity (Mmcf/d) ⁽¹⁾	349	349	219	219	219
Production (Bbls/d) ⁽⁵⁾	6,416	3,802	3,487	2,806	3,248
Transmission					
Volumes (Mmcf/d) ⁽²⁾⁽⁴⁾	319	106	75	48	48
Energy Services					
Volume of power sold (thousands of MWh)	660	672	674	664	659
Price received on the sale of power (\$/MWh) ⁽²⁾	46.07	46.42	42.50	42.11	34.80
Average Alberta Power Pool prices (\$/MWh) ⁽⁵⁾	83.85	61.43	34.59	43.86	35.74
Natural Gas Distribution					
Customers	58,700	58,499	57,900	57,665	57,638
Volume of natural gas distributed					
Sales (Bcf)	5.9	4.5	1.4	2.4	5.9
Transportation (Bcf)	1.9	2.0	1.8	1.8	2.0
Degree day variance (percent) ⁽³⁾	9.2	(7.4)	20.7	34.4	10.4

⁽¹⁾ At period end.

⁽²⁾ Quarter average.

⁽³⁾ Variance from 20-year average. Positive variances are favourable.

⁽⁴⁾ Excludes condensate transmission volumes.

⁽⁵⁾ Period average.

DIVIDENDS

On January 11, 2001 the Corporation declared its first quarterly cash dividend per fully paid common share and participating share in the capital stock of the Company, which was paid on March 31, 2001. No dividends were paid on any shares of AltaGas from the date of its incorporation to the end of December 2000. Dividend levels will be reviewed periodically by the Board of Directors giving consideration to AltaGas' growth-related initiatives, financial position, financing requirements, cash flow and other relevant factors. The following table summarizes AltaGas' dividend history.

(dollars)	2003	2002	2001
First quarter	\$ 0.08	\$ 0.06	\$ 0.03
Second quarter		0.06	0.03
Third quarter		0.08	0.06
Fourth quarter		0.08	0.06
		\$ 0.28	\$ 0.18

EARNINGS COVERAGE RATIO

The following table sets forth AltaGas Services Inc.'s earnings coverage ratio which is provided in connection with its continuous offering of Medium Term Notes. The financial ratio has been calculated based on Canadian generally accepted accounting principles.

	March 31 2003	December 31 2002
Earnings coverage on short and long term debt	3.4x	3.3x

DEFINITIONS

Bbls/d	barrels per day
Bcf	billion cubic feet
Mmcf/d	million cubic feet per day
MW	megawatt
MWh	megawatt-hour
Net revenue	gross revenue less the costs of the purchase of natural gas for resale and the costs to purchase power under power purchase arrangements

When used in this report, the words "anticipate," "estimate," and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated in the forward-looking statements. These risks and uncertainties include operating performance, regulatory and environmental issues, weather and economic conditions, competition and financing availability.