

ALTAGAS DELIVERS RECORD NET INCOME AND FUNDS FROM
OPERATIONS FOR THE FIRST NINE MONTHS OF 2004;
THIRD QUARTER 2004 FUNDS FROM OPERATIONS INCREASED BY 36 PERCENT OVER PRIOR YEAR

CALGARY, Alberta, November 10, 2004 - AltaGas Income Trust (AltaGas or the Trust) (TSX: ALA.UN) today released its financial results for the third quarter and nine months ended September 30, 2004. AltaGas declared a distribution of \$0.15 per Trust unit and limited partnership unit payable on December 15, 2004 to holders of record on November 25, 2004.

"Operationally and financially the third quarter and nine month results were very solid. Our strategic positioning of assets throughout the energy value chain continues to pay off," said David Cornhill, AltaGas' Chairman and Chief Executive Officer. Mr. Cornhill added, "AltaGas' ability to generate consistent and sustained growth starts with our existing low risk infrastructure asset base. High impact but prudent acquisitions then enhance our growth and our success. Since the end of June, we have successfully closed the acquisitions of the Edmonton ethane extraction plant and PremStar Energy Canada, added 25 megawatts of power peaking capacity and acquired additional units in the Taylor NGL Limited Partnership. The full impact of these investments will be seen in the fourth quarter of 2004 contributing to what I expect will be an exceptional year for AltaGas. I would also like to welcome all of our new employees. With the PremStar and EEEP acquisitions we have added 77 individuals in Edmonton, Chatham, Oakville and Burnaby. We now have 585 outstanding, dedicated professionals driving AltaGas' success."

HIGHLIGHTS

- Generated record funds from operations in the third quarter and the first nine months of 2004. Funds from operations were \$28.5 million for the third quarter of 2004 compared to \$20.9 million for the same period of 2003 and \$74.7 million for the first nine months of 2004 compared to \$63.6 million for the first nine months of 2003. Funds from operations for the first nine months of 2004 are after \$12.7 million in one time costs in the second and third quarters of 2004 associated with the conversion to an income trust and turnaround costs at our Bantry field processing facility.
- Increased third quarter net income to \$17.1 million from \$9.2 million for the same period of 2003. On a per unit basis net income was \$0.33 compared to \$0.20 for the third quarter of 2003.
- Achieved a number of key acquisition and expansion initiatives:

Closed the acquisition of a 48 2/3 percent interest in the Edmonton ethane extraction plant (EEEE) from BP Canada Energy Resources Company. After adjusting for the economic benefit from the January 1, 2004 effective date to closing, the purchase price paid by AltaGas for the facility was approximately \$42.1 million subject to a final statement of adjustments. AltaGas assumed operatorship of the plant and the staff at EEEP have become AltaGas employees.

Entered into a capital lease for the right to 25 megawatts of gas fired power peaking capacity generated by four gas fired peaking plants located in southern Alberta from Maxim Energy Group Ltd.

Announced the construction of a \$5.5 million sour gas processing plant and approximately 37 kilometres of pipeline near the town of Shaunavon, Saskatchewan. The plant, targeted to be operational by the end of 2004, is expected to initially process approximately 1.0 Mmcf/d per day of solution gas.

Continued to grow through internal expansion projects in the field gathering and processing component with investment of approximately \$7.9 million during the first nine months of 2004.

AltaGas acquired an additional 1,605,000 limited partnership units of Taylor NGL Limited Partnership (Taylor) from Taylor's equity offering of 8,025,000 units at a price of \$6.60 per unit on August 19, 2004. With this \$10.6 million investment, AltaGas holds 18.9 percent of Taylor.

On October 6, 2004 AltaGas closed the acquisition of substantially all of the assets, including the company names, and liabilities of PremStar Energy Canada Ltd. and its subsidiaries ECNG Inc. and Energistics Group Inc. for approximately \$22.0 million paid primarily by way of 993,789 AltaGas Trust units issued from treasury. The PremStar group is one of Canada's leading energy agency businesses, specializing in the procurement and supply of energy to end use customers.

- Enbridge Inc. (Enbridge) sold its approximate 36 percent interest in AltaGas Income Trust through Trust unit sales in August and September. Subsequent to Enbridge's sale of its AltaGas units, Stephen Letwin and Bonnie DuPont resigned from the Board of Directors of AltaGas General Partner Inc., the delegate of the trustee of AltaGas Income Trust. Mr. Letwin and Ms. DuPont were Enbridge's Board nominees pursuant to a securityholder agreement between AltaGas, AltaGas General Partner Inc. and Enbridge. David Cornhill, Chairman and Chief Executive Officer of AltaGas, said, "Mr. Letwin and Ms. DuPont have been valuable members of the Board of Directors, providing strong support throughout a period of exceptional growth and change at AltaGas. On behalf of the Board and management, I thank them for their many contributions to the Board and their commitment to AltaGas. We are currently identifying individuals to fill the two vacancies on the Board of Directors."
- As part of AltaGas' continuing corporate governance and succession planning process, David Cornhill, Chairman and Chief Executive Officer, has informed the Board of Directors that he intends to remain as both Chairman and Chief Executive Officer until sometime in 2006, after which he will relinquish the role of Chief Executive Officer but will continue in his capacity as Chairman of the Board of Directors. Mr. Cornhill has held both roles since AltaGas was founded in 1994. "We have built AltaGas Income Trust into one of Canada's leading energy infrastructure trusts with predictable and consistent cash flows. We have in place the people and the assets to build upon the foundation put in place over the past decade," said David Cornhill. Mr. Cornhill added, "In my continuing role as Chairman of the Board of Directors, I expect to continue to hold a significant personal investment in AltaGas and I look forward to being a part of AltaGas' exciting future." The Board of Directors and Mr. Cornhill will be working together in due course to identify internal and external candidates for the role of Chief Executive Officer.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis dated November 10, 2004 is a review of the results of operations and the liquidity and capital resources of AltaGas Income Trust (AltaGas or the Trust). It should be read in conjunction with the accompanying unaudited consolidated financial statements of the Trust, formerly AltaGas Services Inc. (ASI), for the three and nine month periods ended September 30, 2004 and the notes thereto and with the financial statements and Management's Discussion and Analysis contained in ASI's annual report for the year ended December 31, 2003. The discussion and analysis of operations and unaudited interim consolidated financial statements presented herein report on a continuity-of-interest accounting basis which recognizes AltaGas Income Trust as the successor to AltaGas Services Inc.

To provide Trust unitholders and prospective investors with information regarding the Trust, this MD&A contains forward looking statements in accordance with securities legislation. These forward looking statements are management's best prediction, and the actual results may vary due to the nature of estimates. These statements are provided wherever appropriate to assist investors to see the business from a management viewpoint. Such disclosure is subject to the reasonable constraints of maintaining the confidentiality of certain information which, if published could have an adverse impact on the competitive position of the Trust.

Additional information relating to AltaGas Income Trust can be found on its website at www.altagas.ca. The continuous disclosure materials of the Trust, filed as AltaGas Services Inc. prior to May 1, 2004, including its annual Management's Discussion and Analysis and audited financial statements, 2003 Annual Report, Annual Information Form, Information Circular and Proxy Statement, material change reports and press releases issued by the Trust are also available through the Trust's website or directly through the SEDAR system at www.sedar.com.

ALTAGAS INCOME TRUST

On April 29, 2004 the securityholders of AltaGas Services Inc. voted in favour of a plan of arrangement to reorganize the business of AltaGas Services Inc. into an open-ended investment trust effective May 1, 2004. For each common share of AltaGas Services Inc., shareholders received either one AltaGas Income Trust unit or one limited partnership unit of AltaGas Income Trust. As a result of implementing the reorganization, AltaGas Income Trust now indirectly holds through its partnerships and subsidiaries all of the assets, liabilities and businesses formerly owned by AltaGas Services Inc. The material businesses are operated by AltaGas Holding Limited Partnership No.1, AltaGas Ltd., AltaGas Operating Partnership, AltaGas Power Holdings Partnership, AltaGas Pipelines Partnership and AltaGas Utilities Inc. (collectively the operating subsidiaries). The cash flow of AltaGas Income Trust is solely dependent on the results of the operating subsidiaries and is derived from dividends or returns of capital from common shares held and from interest earned on loans made by AltaGas Income Trust to the operating subsidiaries.

The Trust has incurred costs and charges to implement the conversion, which are anticipated to total approximately \$14.4 million. In the second quarter of 2004 approximately \$7.0 million had been charged to unitholders' capital, and \$3.5 million had been charged to income. In the third quarter, AltaGas incurred \$0.9 million in charges to income and an additional \$1.3 million that was charged to unitholders capital related to the conversion. The balance is expected to be charged to income in the future.

DISTRIBUTIONS

AltaGas targets to pay out substantially all of its ongoing sustainable distributable cash flow through regular monthly distributions made to unitholders. The distributions are determined giving consideration to the consolidated net income, maintenance and growth capital requirements and the debt repayment requirements of AltaGas.

On April 29, 2004 AltaGas announced that AltaGas Income Trust would commence monthly distributions of \$0.15 for each Trust unit and limited partnership unit on June 15, 2004 to holders of Trust units and holders of limited partnership units. AltaGas pays cash distributions on the 15th day of each month to unitholders of record on the 25th day of the previous month, or the following business day if it falls on a weekend or holiday.

Third quarter distributions declared were \$0.45 per unit or \$23.2 million. From the date of conversion to an income trust on May 1, 2004, through to September 30, 2004, AltaGas had declared cash distributions of \$37.8 million or \$0.75 per unit. The following table summarizes AltaGas' dividend and distribution declaration history.⁽¹⁾

(dollars per unit)	2004	2003	2002	2001
First quarter	\$ 0.11	\$ 0.08	\$ 0.06	\$ 0.03
Second quarter	0.30	0.08	0.06	0.03
Third quarter	0.45	0.11	0.08	0.06
Fourth quarter ⁽²⁾		0.11	0.08	0.06
	\$ 0.86	\$ 0.38	\$ 0.28	\$ 0.18

(1) Dividends were paid to shareholders from first quarter 2001 through first quarter 2004. Prior to December 2000 no dividends were paid. Monthly distributions to unitholders began in second quarter of 2004

(2) Monthly distributions of \$0.15 per unit have been declared for payment on both November 15, 2004 and December 15, 2004

For income tax purposes the Trust expects that approximately 70 percent of the distributions declared in 2004 will be taxed as interest with the remaining 30 percent to be classified as a combination of dividends and return of capital. For most unitholders, the return of capital amount will reduce the cost base of their Trust units for purposes of calculating the capital gains amount upon disposition of their units. Unitholders should seek independent tax advice in respect of the consequences to them of acquiring, holding and disposing of units.

CONSOLIDATED FINANCIAL RESULTS

Consolidated Financial Results (\$ millions)	Three months ended September 30		Nine months ended September 30	
	2004	2003 ⁽¹⁾	2004	2003 ⁽¹⁾
Revenue	178.5	158.9	547.4	531.5
Net revenue ⁽²⁾	61.5	53.3	178.2	158.9
EBITDA ⁽²⁾	33.8	28.9	92.8	87.0
Net income	17.1	9.2	40.0	26.3
Net additions to capital assets	55.3	6.4	75.8	18.8
Cash flows				
Funds generated from operations ⁽²⁾	28.5	20.9	74.7	63.6
Distributable cash ⁽²⁾	26.5	18.0	70.4	58.6
Distributions ⁽³⁾	23.1		30.0	
(\$ per unit, basic)				
EBITDA	0.66	0.64	1.93	1.92
Net income	0.33	0.20	0.83	0.58
Cash flows				
Funds generated from operations	0.55	0.46	1.55	1.41
Distributable cash	0.51		1.43	
Distributions ⁽³⁾	0.45		0.60	
Units outstanding (millions)				
Basic	51.4	45.5	48.2	45.4
End of period	51.7	45.6	51.7	45.6

(1) Prior periods have been restated for the impacts of the adoption of CICA Handbook requirement for accounting for asset retirement obligations

(2) Non-GAAP financial measure. See discussion in the following section of the MD&A

(3) Distributions of \$0.15 per unit paid commencing May, 2004

AltaGas' net income for the third quarter and first nine months of 2004 again surpassed the comparable periods of 2003, setting a new record since AltaGas' formation in 1994. The driver for these results is the exceptional operating performance of AltaGas' business components and the favourable impact on income tax associated with converting to an income trust. These results were partially offset by one time costs related to the conversion to an income trust and costs associated with a major turnaround at AltaGas' Bantry facility in May, 2004.

Revenue of \$547.4 million for the first nine months of 2004 is 3 percent higher than the same period last year due mainly to increased volumes sold and higher average prices received for power in the Energy Services segment and to increases in volumes processed in the Gathering and Processing segment, offset by lower gas delivery prices in the Natural Gas Distribution segment. For the three months ended September 30, 2004 revenue is up 12 percent to \$178.5 million compared to the same period in 2003 on the strength of volume increases in the field gathering and processing and extraction components along with the Energy Services and Natural Gas Distribution segment.

Net revenue, which is gross revenue less cost of commodities purchased for re-sale, increased 12 percent for the first nine months and 15 percent for the third quarter of 2004 compared to the same periods in 2003 due to volume increases. In the extraction component and the Natural Gas Distribution and Energy Services segments, net revenue better reflects performance than does revenue, as changes in the market price of natural gas and power purchased for resale affect both revenue and the cost of sales.

Volume increases in the Gathering and Processing segment were driven by well tie-ins, expansions and modifications at existing facilities, the Rainbow Lake and Mica Pouce Coupe field gathering and processing acquisitions in late 2003, as well as the Edmonton ethane extraction plant acquisition in the third quarter of 2004. In the Energy Services segment, power volumes sold were higher in the first nine months of 2004 over the same period of 2003, due to the addition of volumes associated with the Genesee energy contract from April 1, 2003

and from the addition on September 1, 2004 of 25 megawatts of gas fired power peaking capacity to AltaGas' power portfolio. Natural Gas Distribution sales volumes at AltaGas Utilities Inc. rose in the third quarter of 2004 compared to the same period in 2003, driven by an increased customer base and colder weather, while sales volumes were down in the first nine months of 2004, compared to the same period of 2003 due to warmer weather.

Operating and administrative expense was higher in the third quarter and first nine months of 2004 compared to 2003. Operating costs increased due to the late 2003 field gathering and processing facilities acquisitions and due to a major turnaround required at AltaGas' Bantry facility costing \$1.7 million. Administrative expense increased due to \$2.1 million cash costs related to the conversion to an income trust, an additional \$2.4 million in non-cash compensation expense recorded as a result of all outstanding unvested employee trust unit options vesting effective May 1, 2004, and due to increased staffing required to support the Trust's growth. Amortization expense was up 4 percent for the nine months of 2004 compared to the same period in 2003 and up 6 percent for the third quarter of 2004 compared to 2003. The increases are due mainly to Gathering and Processing segment acquisitions and expansions in late 2003 and the first nine months of 2004.

Interest expense of \$15.8 million for the first nine months of 2004 was 5 percent lower than \$16.7 million for the same period in 2003 and for the third quarter of 2004 interest expense of \$4.9 million was 11 percent lower than \$5.5 million for the third quarter of 2003. The lower interest expense for both periods was due to lower average debt outstanding partially offset by higher average interest rates. Debt was reduced with cash from operations and from the net proceeds of AltaGas' June 2004 Trust unit offering.

AltaGas' income is subject to a variety of tax rates and rate reductions currently and in the future. Consequently there are several items which impact income tax expense and the effective tax rate from period to period. Income tax expense for the first nine months of 2004 was \$8.2 million less than reported for the same period of 2003 even though income before tax was higher. As a result of AltaGas' conversion into an income trust, amortization expense exceeds capital cost allowance claimed, resulting in a reversal over time of the future income tax liability. AltaGas' first five months as an income trust resulted in a reduction in income tax expense of \$6.7 million. Also contributing to the variance from 2003 to 2004 in the effective income tax rate was a \$0.7 million charge in the third quarter of 2003 to record the impact on future income tax liabilities of federal rate and resource allowance adjustments. Income tax expense for the nine months of 2004 was reduced by \$1.5 million, \$0.7 million resulting from the provincial rate reduction in the March 19, 2004 Alberta Government's budget and an additional \$0.8 million reduction related to the federal statutory rate decrease. The impact of recording a charge to income for compensation expense related to stock options, which has no current or future income tax implication, partially offset these rate reductions by \$0.8 million.

NON-GAAP FINANCIAL MEASURES

AltaGas provides certain financial measures in this Management's Discussion and Analysis that do not have a standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP). These non-GAAP financial measures may not be comparable to similar measures presented by other trusts.

The purpose of these financial measures and their reconciliation to GAAP financial measures is shown below. All of the measures have been calculated consistent with previous disclosures by AltaGas. All amounts are in millions of dollars unless otherwise noted.

Cash From Operations (\$ millions)	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Funds generated from operations	28.5	20.9	74.7	63.6
Add (deduct): Net change in non-cash working capital	1.7	11.4	4.6	18.0
Cash from operations	30.2	32.3	79.3	81.6

Funds generated from operations is provided to assist in determining the ability of AltaGas to generate cash from operations after interest and taxes without regard to changes in the Trust's working capital in the period.

EBITDA (\$ millions)	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Non-GAAP financial measure	33.8	29.0	92.8	87.0
Deduct: Amortization	(10.4)	(9.8)	(30.6)	(29.4)
Operating Income (GAAP financial measure)	23.4	19.2	62.2	57.6

Earnings before interest, taxes, depreciation and amortization (EBITDA) is provided to assist in understanding the ability of the organization to generate cash and its ability to cover interest payments.

Distributable Cash Flow (\$ millions)	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Funds generated from operations	28.5	20.9	74.7	63.6
Deduct: Maintenance capital expenditures	(2.0)	(3.0)	(4.3)	(5.0)
Distributable cash flow	26.5	17.9	70.4	58.6
Distributable cash flow per unit, basic	0.51	n/a	1.43	n/a

The distributable cash flow of AltaGas is equal to consolidated funds generated from operations before changes in non-cash working capital, after providing for maintenance capital expenditures. Distributable cash flow is not a defined performance measure under GAAP and distributable cash flow can not be assured. The Trust's calculation of distributable cash flow may differ from similar calculations used by comparable entities. Distributable cash flow is a main performance measure used by management and investors to evaluate the performance of the Trust and its operating subsidiaries.

Net Revenue (\$ millions)	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Non-GAAP financial measure	61.5	53.3	178.2	158.9
Add: Cost of sales	117.0	105.6	369.2	372.6
Revenue (GAAP financial measure)	178.5	158.9	547.4	531.5

In the extraction component and the Natural Gas Distribution and Energy Services segments, net revenue better reflects performance than does revenue. As changes in the market price of natural gas and power purchased for resale affect both revenue and the cost of sales, net revenue better reflects organic growth in the business. This table reconciles the revenue and net revenue amounts in the table for Financial and Operating Results for the Gathering and Processing segment to illustrate the relationship between these non-GAAP and GAAP measures where used throughout this Management's Discussion and Analysis.

RESULTS OF OPERATIONS BY SEGMENT

Operating Income ⁽¹⁾ (\$ millions)	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Gathering and Processing	12.1	10.1	31.3	28.8
Energy Services	11.6	9.5	26.9	23.8
Natural Gas Distribution	(0.3)	(0.4)	4.0	5.0
	23.4	19.2	62.2	57.6

(1) Prior periods have been restated for the impacts of the adoption of CICA Handbook requirement for accounting for asset retirement obligations

GATHERING AND PROCESSING

The Gathering and Processing segment includes the field gathering and processing, extraction, and transmission components, as well as AltaGas' investments in businesses ancillary to the gathering and processing business.

Financial Results (\$ millions)	Three months ended September 30		Nine months ended September 30	
	2004	2003 ⁽¹⁾	2004	2003 ⁽¹⁾
Revenue	52.1	41.1	142.7	123.8
Net revenue	40.7	34.5	117.3	101.7
Operating and administrative expense	22.0	18.2	66.6	54.4
Amortization expense	6.6	6.2	19.4	18.5
Operating income	12.1	10.1	31.3	28.8

(1) Prior periods have been restated for the impacts of the adoption of CICA Handbook requirements on accounting for asset retirement obligations

Operating Statistics	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Field gathering and processing				
Capacity (Mmcf/d) ⁽²⁾	906	835	906	835
Throughput (gross Mmcf/d) ⁽¹⁾	552	514	559	519
Capacity utilization (percent) ⁽¹⁾	61	62		
Average working interest (percent) ⁽²⁾	89	88	89	88
Extraction				
Licensed inlet capacity (Mmcf/d) ⁽²⁾	539	349	539	349
Production (Bbbls/d)	13,054	6,428	10,812	7,041
Transmission volumes (Mmcf/d) ⁽¹⁾⁽³⁾	417	347	409	322

(1) Average for the period

(2) As at September 30

(3) Excludes condensate pipeline volumes

AltaGas' natural gas processing capacity ranks the Trust in the top ten Canadian processors of natural gas and one of the four largest Canadian midstream processors. The Gathering and Processing segment includes more than 6,000 kilometers of gathering lines, 69 natural gas processing plants, interests in five ethane and natural gas liquids (NGLs) extraction and fractionation facilities and six transmission pipelines. These long-life assets provide service to a diverse customer base under arrangements which include a significant portion of cost of service, fixed fee and recovery of operating cost contracts. Commodity price exposure is minimal and revenues are generally volume driven. Future opportunities derive from the requirement that all natural gas must be processed to meet downstream pipeline specifications prior to delivery to the end user. With its extensive gathering infrastructure and the mobile nature of its field gathering and processing plants, AltaGas can quickly redeploy assets in response to producer drilling activity, size facilities to meet demand while reducing operating costs and minimize the time required to bring new production on line, accelerating producer and AltaGas' cash flow.

Net revenue for AltaGas' Gathering and Processing segment was \$117.3 million for the nine months ended September 30, 2004, compared to \$101.7 million for the same period in 2003 and \$40.7 million for the third quarter of 2004 compared to \$34.5 million for the third quarter of 2003. Net revenue growth in this segment was the result of increased volumes processed in the field gathering and processing and extraction components.

In the field gathering and processing component volumes processed rose during the first nine months of 2004 compared to the same period in 2003 due to AltaGas' December, 2003 acquisition of the Rainbow Lake facilities in northwestern Alberta and to the record 333 well tie-ins experienced during 2004 in AltaGas' operating areas. Gas drilling activity in the Western Canadian Sedimentary Basin continued to be strong during the third quarter of 2004, resulting in 81 wells tied-in to AltaGas' field gathering and processing facilities

compared with 80 well tie-ins during the same period in 2003. The strong tie-in activity, along with new volumes from the Rainbow Lake acquisition and internal growth initiatives more than offset normal natural gas production declines and delays due to wet weather for the Windfall and Doris facility expansions as well as normal scheduled turnarounds. AltaGas' gross average throughput increased to 552 Mmcf/d during the third quarter of 2004 compared to 514 Mmcf/d during the third quarter of 2003.

AltaGas' existing operating areas continue to provide growth opportunities. During the third quarter of 2004 further expansion at the Marten Creek facility along with expansions at the Kirkpatrick Lake and Windfall facilities became operational and AltaGas announced the construction of a \$5.5 million sour gas processing plant and approximately 37 kilometres of pipeline near the town of Shaunavon, Saskatchewan. The Shaunavon plant is expected to be operational by the end of 2004 and will process 1.0 Mmcf/d per day of solution gas currently being flared from two oil batteries. AltaGas is pursuing additional opportunities in Saskatchewan to process flared gas. Internal development projects are supported by producer commitments designed to minimize AltaGas' financial exposure to throughput declines. During the first nine months of 2004, AltaGas invested approximately \$7.9 million on internal expansion projects in the field gathering and processing component. The new volumes associated with these expansions will be reflected in the fourth quarter of 2004.

In the extraction component, as a result of higher volumes processed and a favourable NGL pricing environment net revenue grew 151 percent during the third quarter of 2004 compared to the third quarter of 2003, reaching \$5.5 million. Average NGLs volumes processed for the third quarter of 2004 more than doubled reaching 13,054 Bbls/d compared to 6,428 Bbls/d for the same period in 2003.

Contributing to the volume increase was AltaGas' closing, in late August 2004, of the acquisition of BP Canada Energy Resources Company's 48 2/3 percent interest in the Edmonton ethane extraction plant (EEEE) located at Edmonton, Alberta. After adjusting for the economic benefit from the January 1, 2004 effective date to closing, the purchase price paid by AltaGas for the facility was approximately \$42.1 million, subject to a final statement of adjustments. AltaGas assumed operatorship of the plant and the staff at EEEP have become AltaGas employees. The plant has a gross licensed inlet capacity of 390 Mmcf/d of natural gas and gross natural gas liquids production of approximately 15,000 Bbls/d of specification ethane and 6,000 Bbls/d of propane-plus product. The acquisition has increased AltaGas' total net licensed inlet extraction capacity to 539 Mmcf/d. AltaGas' share of plant products will be sold under long-term contracts and a long-term gas supply contract provides secure feedstock supply to EEEP. Also contributing to the increase in extraction volumes processed were modifications made to the Empress EnCana extraction facility that increased ethane production effective the fourth quarter of 2003. There was also increased production at the Joffre ethane extraction plant. NGLs at the Joffre facility were reinjected in the third quarter of 2003 as a result of a lower gas to liquids price differential. The full impact of the addition of EEEP is expected to boost production in the fourth quarter of 2004 and 2005 to new records. In addition, AltaGas expects to invest approximately \$5.0 million at EEEP during 2005 to increase efficiency and undertake other natural gas value chain optimizations at the plant to further enhance its financial and operational performance.

Net revenue in AltaGas' transmission component was down 3 percent for the third quarter of 2004 when compared to the same quarter of 2003, although after adjusting for lower flow through operating costs in the third quarter of 2004 net revenues were essentially flat. For the first nine months of 2004 when compared to the same period in 2003 net revenue was up 3 percent due to increased EnCana volume commitments on the Suffield transmission system.

ENERGY SERVICES

The Energy Services segment is comprised of the power services and gas service components. In this segment, the Trust also reports the results of the oil and gas production component. AltaGas is not in the business of exploration and development of natural gas reserves; however, associated with certain of its facility acquisitions, AltaGas has accumulated a portfolio of oil and natural gas reserves that it continues to hold and produce. The financial results of the power services component currently account for a significant portion of overall segment financial results and as such the commentary in this section will be restricted to the power services component.

Financial Results

(\$ millions)	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Revenue	124.6	115.1	382.1	385.6
Net revenue ⁽¹⁾	16.6	14.1	41.0	36.3
Operating income ⁽²⁾	11.6	9.5	26.9	23.8

(1) Gross revenue less cost of sales

(2) Gross revenue less costs of sales less operating and general and administration expense and amortization

Operating Statistics

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Volume of power sold (thousands of MWh)	877	872	2,603	2,393
Average price received on the sale of power (\$/MWh) ⁽¹⁾	49.22	49.41	48.30	47.72
Alberta Power Pool average spot price (\$/MWh) ⁽¹⁾	54.35	62.39	54.40	65.71

(1) Average for the period

The power services component generated net revenue of \$34.6 million for the first three quarters of 2004 compared to \$29.8 million for the same period in 2003 and \$13.9 million for third quarter 2004 compared to \$11.7 million in 2003. Increases in the first nine months of 2004 was due to higher realized prices on power sales and higher volumes sold primarily related to the Genesee energy contract. For the third quarter of 2004 the increase is primarily due to increased volumes sold related to the Trust's 25 megawatt peaking plant capital lease. The Alberta Electric System Operator (AESO) is entitled to recover or refund variances between revenues collected through transmission charges and expenses incurred by AESO through true up adjustments calculated quarterly. For 2004, the cumulative quarterly adjustments have resulted in a net credit to AltaGas' income of \$ 0.5 million compared to a credit to income of \$4.1 million for 2003.

On September 1, 2004 AltaGas entered into a long term capital lease with Maxim Energy Group Ltd. for 25 megawatts of gas fired power peaking capacity. The capital lease requires AltaGas to pay Maxim monthly variable operating and maintenance charges plus a capacity fee. AltaGas retains 100 percent of the ancillary service and peaking sales revenues. The capital lease has a 10 year term commencing September 1, 2004 and includes an option at the end of the initial term to extend the term for a further 15 years or purchase the assets.

The 25 megawatts of power is generated by four gas fired peaking plants located in southern Alberta. The addition of the 25 megawatts of natural gas generation capacity provides fuel diversity to AltaGas' coal fired generation. It adds a fifth independent supply source, reducing potential risk on the Trust's overall power supply portfolio. Operationally, given the speed at which the power assets can be ramped up, the peaking supply easily provides some backstopping to AltaGas' Sundance B Power Purchase Arrangement and Genesee energy contract. The peaking gas requirement will be managed by AltaGas' gas services component.

AltaGas' total power portfolio at the end of the third quarter of 2004 consisted of 478 megawatts of power generation capacity representing approximately 6 percent of the Alberta power market.

AltaGas does not engage in the speculative trading of power. The Trust manages its acquired power capacity to provide stable, predictable earnings and cash flow over time. AltaGas reduces its exposure to floating electricity prices by supplying internal electrical demand requirements and by using a balanced portfolio of contracts to lock in power margins to reduce pricing risk. The average price AltaGas received from power sales in the third quarter of 2004 was \$49.22 per MWh compared to \$49.41 per MWh in the third quarter of 2003 and \$48.30 per MWh for the first nine months of 2004 compared to \$47.72 per MWh for the same period in 2003. Average Alberta Power Pool spot prices were \$54.35 per MWh and \$62.39 per MWh in the third quarters of 2004 and 2003 respectively, and \$54.40 per MWh and \$65.71 per MWh in the first nine months of 2004 and 2003 respectively.

Subsequent to the end of the third quarter of 2004, AltaGas significantly expanded its gas services component with the acquisition on October 6, 2004 of substantially all of the assets, including the company names, and liabilities of PremStar Energy Canada Ltd. and its subsidiaries ECNG Inc. and Energistics Group Inc. The purchase price of \$22.0 million, after closing adjustments from the effective date of April 1, 2004, was paid primarily by way of the issuance of 993,789 Trust units from treasury.

AltaGas has provided gas services since 1994 and the addition of PremStar builds on this low risk, fee for service business. PremStar is one of Canada's leading energy agency businesses, specializing in the procurement and supply of energy to end use customers across Canada. On a fee for service basis, the PremStar group provides energy supply, arranges for transportation services, and supports customers with valuable market information. This transaction is expected to make a significant positive impact to the gas services component in the fourth quarter of 2004 and 2005 forward, through its existing business and through value chain optimization with other businesses of AltaGas.

NATURAL GAS DISTRIBUTION

The Natural Gas Distribution segment includes AltaGas Utilities Inc. (AltaGas Utilities or AUI), AltaGas' one-third interest in Inuvik Gas Ltd. (Inuvik Gas) and its 24.9 percent interest in Heritage Gas Limited (Heritage Gas).

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 distribution net revenue, resulting in strong first and fourth quarter results and second and third quarters that show either small profits or losses.

Financial Results (\$ millions)	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Revenue	14.0	12.9	82.7	94.7
Net revenue ⁽¹⁾	5.1	4.9	21.0	21.3
Operating income ⁽²⁾	(0.3)	(0.4)	4.0	5.0

(1) Gross revenue less cost of sales

(2) Gross revenue less costs of sales less operating and general and administration expense and amortization

Operating Statistics ⁽¹⁾	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Volume of natural gas distributed				
Sales (Bcf)	1.5	1.3	9.2	9.4
Transportation (Bcf)	2.6	2.6	8.3	6.8
Degree day variance (percent) ⁽²⁾	24.8	(5.9)	6.6	8.8
Number of customers ⁽³⁾	60,048	58,941	60,048	58,941

(1) AUI only

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

(3) At September 30

In the first nine months of 2004, net revenue in AltaGas' Natural Gas Distribution segment was \$21.0 million compared to \$21.3 million for the same period in 2003. Customer growth for the nine months of 2004 was offset primarily by the impact of the completion of negotiations on AUI's general rate application filed with the Alberta Energy and Utilities Board (AEUB). Lower than anticipated cost rates for debt and common equity as approved for 2003 resulted in a charge to net income of \$0.5 million in the first quarter of 2004 related to previously recorded 2003 results.

Heritage Gas, 24.9 percent owned by AltaGas, activated its natural gas distribution system in late December 2003. Heritage Gas is in the initial stages of its planned growth and consequently has not had a material impact on AltaGas' consolidated results in the first nine months of 2004.

In the third quarter of 2004, net revenue in AltaGas' Natural Gas Distribution segment was \$5.1 million compared to \$4.9 million for the same period in 2003. This increase is due to higher sales volumes in 2004 compared to the third quarter of 2003 associated with an increased customer base and colder weather. Weather for the third quarter, as measured by heating degree days, was 33.5 percent colder than the third quarter of 2003 and 24.8 percent colder than the 20 year average.

AUI and Heritage Gas are provincially regulated as to natural gas rates and terms and conditions of service. Customer rates are based on anticipated sales as well as the revenue required to recover estimated cost of service and an allowed return on rate base. Rate base generally consists of the aggregate of the utility's approved investment in plant, property and equipment in service, less accumulated depreciation plus an allowance for working capital. Return on rate base is comprised of regulatory allowed financing costs and return on common equity. On July 2, 2004 the AEUB issued its Generic Cost of Capital decision. The decision established for AUI the 2004 rate of return on common equity at 9.6 percent and 2004 capital structure at 41 percent equity and 59 percent debt resulting in final allowable rates for interest expense and return on common equity.

AUI filed its Phase 2 application, for the 2003 and 2004 test years, arising from the Alberta Energy and Utilities Board approval of its Phase 1 decision issued August 3, 2004. The Phase 1 decision confirmed the revenue requirements which resulted from a negotiated settlement process. The Phase 2 portion of the general rate proceeding encompasses the allocation of costs to rate classes and the resulting rate design. A hearing on this phase is scheduled to start January 10, 2005. AUI is planning to file a Phase 1 General Rate Application for 2005, 2006 and possibly 2007 in the fourth quarter of this year.

AUI continues to make moderate increases in its customer base in its catchment area. In addition the company continues to look for opportunities to increase the number of franchises served. During the quarter AUI entered into an agreement with Orr Mineral Developments Ltd. (Orr) to acquire its distribution assets which provide natural gas service to approximately 112 customers in the hamlet of Suffield in southern Alberta. The sale by Orr requires the approval of the AEUB, which is expected to be obtained late in 2004 or early 2005. Orr was the last small independently owned natural gas distribution company in Alberta.

Heritage Gas is focused on building momentum behind a consumer movement to switch heating fuel sources in Nova Scotia's market place. Construction of a major facilities extension to serve Nova Scotia Power's Burnside facility was constructed during the third quarter of 2004. The facilities are capable of delivering the daily contracted volume of 16,700 GJ. Heritage Gas anticipates that the facilities will be activated and billing to the customer will commence in the fourth quarter of 2004.

Heritage Gas is very close to achieving the necessary customer commitments that are required to meet the economic feasibility test for expansion of natural gas service to the Town of Amherst. It is expected that once the economic feasibility hurdles are met natural gas service to Amherst could be available in the fourth quarter of 2005. At the end of the third quarter of 2004 Heritage Gas had installed services to 60 customers and had signed commitments from another 189 customers.

SUMMARY OF EIGHT MOST RECENT COMPLETED CONSOLIDATED QUARTERLY RESULTS⁽¹⁾

(\$ millions)	Q3/04	Q2/04	Q1/04	Q4/03	Q3/03	Q2/03	Q1/03	Q4/02 ⁽²⁾
Net revenue	61.5	59.5	57.2	61.0	53.3	51.2	54.4	48.8
Net income	17.1	11.9	11.0	12.0	9.3	6.8	10.2	11.2
(\$ per unit)								
Earnings								
Basic	0.33	0.25	0.24	0.26	0.20	0.15	0.23	0.25
Diluted	0.33	0.25	0.24	0.26	0.20	0.15	0.22	0.25
Dividends/distributions ⁽³⁾	0.45	0.15	0.11	0.11	0.11	0.08	0.08	0.08

(1) Prior periods have been restated for the impacts of the adoption of CICA Handbook guidance on accounting for asset retirement obligations

(2) Includes a pre-tax loss of \$1.4 million

(3) The Trust pays a stable monthly distribution of \$0.15 per Unit. The distributions for Q2 2004 are for the period starting May 1, 2004, the effective date of the Trust

Identifiable trends in AltaGas' business across the past eight quarters reflect the organization's growth, a favorable business environment, and seasonality in the business. The first and last quarters each year are AltaGas' most profitable on the basis of the contribution from the Natural Gas Distribution segment which, as a distributor of natural gas for heating purposes, reports higher earnings in colder periods than in warmer periods.

The fourth quarter of 2002 was the strongest quarter to that date for ASI at \$11.2 million in net income on the basis of an increased customer base in the Natural Gas Distribution segment and from power sales which AltaGas commenced at the beginning of 2002. Fourth quarter 2002 net income was also higher than in the previous quarter of the year due to the higher seasonal contribution from the Natural Gas Distribution segment. The Suffield pipeline and Wabasca field gathering and processing facilities were acquired and construction of the Joffre ethane extraction plant was commissioned late in the quarter.

Net income of \$10.2 million in the first quarter of 2003 set a new high for ASI for that period in a year. The projects and acquisitions undertaken in the fourth quarter of 2002 were the main drivers of this performance, along with an improved business environment in all business segments. The Wabasca facilities acquisition increased throughput in the field gathering and processing component as did sharply increased tie-in activity with a record 85 wells tied-in during the first quarter. Final commissioning of the Joffre ethane extraction plant provided volume increases in the extraction component and volumes in the transmission component were higher due to the Suffield pipelines acquisition. Unplanned outages in the power services component, combined with higher than expected transmission costs due to changes in process at the Transmission Authority, partially offset the gains made in the other segments. AltaGas commenced selling power on April 1, 2003 from the Genesee energy contract which arrangement provides for 100 megawatts of power capacity from the Genesee power plant.

Second quarter 2003 net income was \$6.8 million, 39 percent higher than the same quarter in 2002, a result of stronger contributions from the transmission, power services and extraction components. Increases in the transmission component related to the Suffield pipeline acquisition at the end of 2002. In the power services component, increases in net revenue were driven by higher average prices received for power and by the increased volumes sold resulting from the Genesee energy contract. Extraction component performance was better than the same quarter in the prior year as a result of the commissioning of the Joffre ethane extraction plant at the end of 2002. Improved operating income was offset by higher interest expense due to higher debt levels in the third quarter of 2003 when compared to the same quarter of the prior year, and as a result of a charge to income for legislative changes to the taxation of resource income.

Power services, extraction and transmission components were again the key contributors in the third quarter of 2003 to a 63

percent increase in net income to \$9.3 million when compared to the third quarter of 2002. Operating results were driven by competition. Late quarter modifications to the EnCana-operated Empress extraction facility increased AltaGas' net production capability by an estimated 1,400 Bbls/d. In addition, power prices were improved over the same quarter in the prior year. AltaGas paid a quarterly dividend of \$0.11 per share, up from \$0.08 per share in the second quarter of 2003 on the basis of the increased strength and sustainability of AltaGas' earnings.

Fourth quarter 2003 net income of \$12.0 million, including an unfavorable income tax expense charge of \$1.2 million related to announced changes in federal large corporations tax legislation, was still the highest quarterly net income reported by AltaGas since it was formed. The increase from the prior year's quarter was a result of the late 2002 gathering and processing segment acquisitions, incremental power volumes sold from the Genesee energy contract and to the completion of modifications to increase ethane production at the EnCana-operated Empress extraction plant late in the third quarter of 2003.

First quarter 2004 produced record net income of \$11.0 million for that period in a year based on increased volumes in the Gathering and Processing and Energy Services segments which were partially offset by lower margins in the Energy Services segment and warmer weather and regulatory adjustments in the Natural Gas Distribution segment.

The second quarter of 2004 saw the conversion of AltaGas from a corporate structure to an income trust. Keeping aligned with the strong first quarter of 2004, the Trust continued to build on its earlier success as net income of \$11.9 million and income per unit of \$0.25 both showed improvements. During the quarter AltaGas made its first public offering of units as an income trust and raised \$88.5 million with net proceeds used to reduce the Trust's debt. This quarter also saw the commencement of monthly distributions to unitholders of \$0.15 per unit.

Third quarter 2004 results are discussed in detail in an earlier section of this Management's Discussion and Analysis.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2004, AltaGas prospectively adopted the provisions of the CICA's new Accounting Guideline "Hedging Relationships" that specifies the circumstances in which hedge accounting is appropriate, including the identification, documentation, designation and effectiveness of hedges, and the discontinuance of hedge accounting. AltaGas has determined that its hedging documentation meets the requirements of the Guideline and therefore there has been no impact on the consolidated financial statements.

Effective the first quarter of 2004, AltaGas' changed its accounting policy for stock-based compensation, now recognizing the compensation expense related to stock options in the financial statements according to the fair-value method. Prior to the change in policy, the Trust disclosed the impact of the accounting for stock options under the fair-value method on a pro-forma basis. Under the provisions set out by the CICA, AltaGas has adopted the change retroactively. The impact was to reduce retained earnings at January 1, 2004 by \$332 thousand, and to reduce first quarter 2004 earnings by \$136 thousand which amounts were based on the vesting status and exercise assumptions in existence at the end of the first quarter 2004. Subsequent to the conversion of AltaGas Services Inc. to an income trust all unvested options became fully vested. The charge to income in second quarter 2004 to reflect this early vesting was \$2.4 million.

CRITICAL ACCOUNTING ESTIMATES

Since a determination of the value of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of the Trust's consolidated financial statements requires the use of estimates and assumptions which have been made using careful judgment. AltaGas' critical accounting estimates continue to be amortization expense, asset retirement obligations and asset impairment assessment. For further information on these critical accounting estimates, refer to Management's Discussion and Analysis in ASI's 2003 Annual Report.

FINANCIAL INSTRUMENTS

AltaGas enters into financial derivative contracts such as swaps and collars to manage exposure to fluctuations in commodity prices and interest rates, particularly in the power services component and with respect to interest rates on debt. These contracts are designed as hedges and gains and losses relating to such contracts are deferred and recognized in the same period and financial statement category as the corresponding hedged transaction.

The most significant impact of these contracts on 2004 business has been to provide revenue stability in the power services component. Alberta Power Pool daily average spot prices ranged from \$124.23 per MWh to \$12.11 per MWh in the third quarter of 2004. Through the use of financial hedges on a portion of its power portfolio deemed optimal by management, AltaGas moderated the impact of this volatility on its business.

AltaGas reduces financing costs and minimizes the effect of future interest rate movements on its cash flows through the use of interest rate swaps. At September 30, 2004 AltaGas had interest rates fixed through swap transactions with varying terms to maturity on \$200.0 million of its \$242.0 million total drawn bank debt. Including AltaGas' medium term notes, the rate has been fixed on 84 percent of AltaGas' total debt, including capital leases. The amount of fixed rate debt was higher than AltaGas' target of 70 to 75 percent of total debt due to the proceeds of the June 2004 equity offering being applied to floating rate debt.

On June 10, 2004 AltaGas Income Trust closed a public offering of 4,730,000 Trust units, at a price of \$18.70 per Trust unit for gross proceeds of \$88.5 million. The offering included the concurrent exercise by the Underwriters of an over-allotment option granted by AltaGas to purchase an additional 10 percent of the issue or 430,000 Trust units on the same terms. The net proceeds of the offering to the Trust, after payment of fees and expenses of \$4.7 million was approximately \$83.8 million. The net proceeds were used to reduce bank indebtedness and for general corporate purposes including AltaGas' ongoing capital program, the acquisition of the Edmonton ethane extraction plant and funding future acquisitions.

CAPITAL EXPENDITURES

Total capital expenditures by the Trust for the third quarter and first nine months of 2004 were \$55.3 million and \$75.8 million respectively compared to \$6.4 million and \$18.8 million for the respective periods of 2003.

Growth capital for the first nine months of 2004 included \$42.1 million for the EEEP acquisition, \$13.8 million related to the capital lease for 25 megawatts of peaking power capacity, and \$12.6 million for expansions within the existing business and acquisitions of additional working interest in plants where AltaGas is able, through increased ownership, to optimize operations and generate additional operating margin for the Trust.

For the three months ended September 30, 2004	Gathering and Processing	Energy Services	Natural Gas Distribution	Total
Capital				
Maintenance	\$ 0.7	\$ -	\$ 1.3	\$ 2.0
Growth	36.1	14.6	1.5	52.2
Administration	0.9	-	0.2	1.1
	\$ 37.7	\$ 14.6	\$ 3.0	\$ 55.3

For the three months ended September 30, 2003	Gathering and Processing	Energy Services	Natural Gas Distribution	Total
Capital				
Maintenance	\$ 1.5	\$ 0.6	\$ 0.9	\$ 3.0
Growth	-	-	1.8	1.8
Administration	1.2	0.1	0.3	1.6
	\$ 2.7	\$ 0.7	\$ 3.0	\$ 6.4

For the nine months ended September 30, 2004	Gathering and Processing	Energy Services	Natural Gas Distribution	Total
Capital				
Maintenance	\$ 1.9	\$ -	\$ 2.4	\$ 4.3
Growth	50.2	14.6	3.7	68.5
Administration	2.1	0.3	0.6	3.0
	\$ 54.2	\$ 14.9	\$ 6.7	75.8

For the nine months ended September 30, 2003	Gathering and Processing	Energy Services	Natural Gas Distribution	Total
Capital				
Maintenance	\$ 2.1	\$ 1.1	\$ 1.8	\$ 5.0
Growth	6.6	-	3.3	9.9
Administration	2.8	0.4	0.7	3.9
	\$ 11.5	\$ 1.5	\$ 5.8	\$ 18.8

LIQUIDITY AND CAPITAL RESOURCES

Funds generated from operations were \$74.7 million in the first nine months of 2004 compared to \$63.6 million for the same period in 2003.

AltaGas believes that its access to debt and equity markets, unutilized bank credit facilities, funds generated from operations and funds generated from the Trust's Distribution Reinvestment and Premium DistributionTM programs will provide it with sufficient capital resources and liquidity to fund existing operations, future distributions, and certain acquisition and expansion opportunities in 2004. A description of AltaGas' credit facilities can be found in Notes 6 and 7 to the consolidated financial statements included in ASI's 2003 Annual Report, and is further updated in the Trust unit offering Final Short-Form Prospectus dated July 29, 2004.

The use of debt or equity funding is based on AltaGas' capital structure determined by considering the norms and risks associated with each of its business components and segments. AltaGas Operating Partnership has \$100.0 million in medium term notes outstanding and AltaGas Ltd. has access to prime loans, banker's acceptances and letters of credit through bank lines of approximately \$425.0 million. At September 30, 2004 AltaGas Ltd. had drawn bank debt of \$242.0 million and letters of credit outstanding of \$29.7 million. These two entities fund all operating subsidiaries. As an income trust, AltaGas targets a debt to total capitalization ratio between 45 percent and 50 percent. In the third quarter the Trust's net debt to total capitalization ratio decreased to 44.0 percent at September 30, 2004 from 53.3 percent at September 30, 2003 and 52.2 percent at December 31, 2003. In the third quarter of 2004, AltaGas recorded long term debt of \$13.0 million under the terms of a capital lease associated with its 25 megawatts of peaking power capacity, of which \$0.5 million is reported as the current portion of the long term debt.

On May 20, 2004 AltaGas adopted Premium DistributionTM, Distribution Reinvestment and Optional Unit Purchase Plans (DRIP) for eligible holders of Trust units and limited partnership units of AltaGas Income Trust, AltaGas Holding Limited Partnership No. 1 and AltaGas Holding Limited Partnership No. 2. DRIP participation in the third quarter of 2004 generated \$4.2 million in new equity through

the issuance of 220,085 Trust units, and \$4.6 million in new equity and 240,429 Trust units on a year to date basis. Complete details on DRIP are available on the AltaGas website at www.altagas.ca.

Following AltaGas' announcement in March of its then proposed conversion to a trust Standard & Poor's (S&P) confirmed the rating on AltaGas' long term corporate credit at BBB- with a negative outlook and the rating on the senior unsecured debt at BBB-. The Dominion Bond Rating Service (DBRS) confirmed the rating of AltaGas Income Trust at BBB (low) with a stable trend and applied the same rating to AltaGas Operating Partnership and the medium term notes held by AltaGas Operating Partnership. The Trust has a stability rating of SR-3 (stable outlook) from S&P and STA-3 (mid) from DBRS.

TRUST UNIT INFORMATION

Under the terms of the restructuring of AltaGas into an income trust effective May 1, 2004, ASI securityholders exchanged their shares in the company for Trust units and eligible securityholders also received limited partnership units that are exchangeable into Trust units on a one for one basis. The limited partnership units do not trade on the TSX.

As of October 31, 2004 the Trust had 49.6 million Trust units and 3.4 million limited partnership units outstanding and a market capitalization of \$1.1 billion based on a closing trading price on October 31, 2004 of \$21.59 per Trust unit. There are 0.4 million options exercisable under the terms of the Unit option agreement brought forward in the reorganization. All options currently issued under this plan have vested effective May 1, 2004. Enbridge exchanged 8.9 million limited partnership units into Trust units during the third quarter of 2004.

OFF BALANCE SHEET ARRANGEMENTS

The Trust 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. The Trust has no obligation under derivative instruments, nor under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the registrant, or engages in leasing, hedging or research and development services with the registrant.

CONTRACTUAL OBLIGATIONS

AltaGas entered into a capital lease with Maxim Energy Group Ltd. for the right to 25 megawatts of gas fired power peaking capacity. AltaGas retains 100 percent of the ancillary service and peaking sales revenues. The contract has a 10 year term commencing September 1, 2004 and includes an option at the end of the initial term to extend the term for a further 15 years or purchase the assets. The cost of the lease to AltaGas is \$13.8 million which has been paid for with a cash prepayment of \$0.8 million, a charge recorded to long term debt of \$13.0 million, of which \$0.5 million is due over the next twelve months.

There have been no other material changes to AltaGas' contractual obligations, including payments due for each of the next five years and thereafter, since December 31, 2003. For further information on these contractual obligations, refer to Management's Discussion and Analysis in ASI's 2003 Annual Report.

RELATED PARTIES

On August 19, 2004 AltaGas purchased 1,605,000 units of Taylor NGL Limited Partnership (Taylor) from Taylor's equity offering of 8,025,000 units at a price of \$6.60 per unit. With this additional investment, the Trust's interest in Taylor has increased to 18.9 percent. Taylor's business is the ownership and operatorship of facilities in the midstream sector of the Western Canadian natural gas industry including the Joffre ethane extraction plant in which AltaGas has a 50 percent ownership interest.

On August 17, 2004 AltaGas announced that Enbridge Inc. completed a sale of 13,397,500 Trust units of AltaGas including an over allotment of 1,747,500 Trust units to a group of Canadian underwriters at a price of \$19.75. This sale reduced Enbridge's interest in AltaGas from approximately 36 percent to 9 percent. On October 4, 2004 Enbridge closed the sale of its remaining 4,800,000 Trust units at \$19.85.

OUTLOOK

The outlook for the balance of 2004 is expected to be very positive particularly due to the increased drilling activity in the Gathering and Processing segment and the late August 2004 acquisition of the Edmonton ethane extraction plant. Drilling activity in the majority of AltaGas' operating areas is expected to remain strong given the favorable commodity pricing environment. In addition, exploitation of opportunities in existing businesses and processes are expected to increase processed volumes. In the Energy Services segment, power prices are expected to be higher providing improved earnings on the unhedged portion of AltaGas' power portfolio, power volumes will increase with the addition of the 25 MW power peaking plant acquisition, and the fourth quarter 2004 close of the PremStar acquisition in the gas services component will add significant gas marketing volumes. All of these events are expected to add to the bottom line of the Trust.

As part of AltaGas' continuing corporate governance and succession planning process, David Cornhill, Chairman and Chief Executive Officer, has informed the Board of Directors that he intends to remain as both Chairman and Chief Executive Officer until sometime in 2006, after which he will relinquish the role of Chief Executive Officer but will continue in his capacity as Chairman of the Board of Directors. Mr. Cornhill has held both roles since AltaGas was founded in 1994. The Board of Directors and Mr. Cornhill will be working together in due course to identify internal and external candidates for the role of Chief Executive Officer.

UNITHOLDER LIMITED LIABILITY LEGISLATION

Legislation came into effect in Alberta on July 1, 2004 to provide limited liability for holders of trust units, similar to protection afforded to investors of corporations. The legislation covers events that occur on or after July 1, 2004 and extends to all unitholders of AltaGas Income Trust, which is registered in Alberta, including non-residents. The legislation does not remove the issue of unlimited liability for any acts or omissions that occurred prior to July 1, 2004.

Prior to the July 1 amendments, the legislation governing the creation of trusts did not contain explicit language which limited the liability of unitholders of the Trust to their equity investment in the Trust. As a result, there has existed a possibility that unitholders of the Trust may not be protected from liabilities of the Trust to the same extent as a shareholder of a publicly traded corporation and that potentially, unitholders could be liable for tort claims such as environmental claims. The AltaGas Income Trust indenture itself provides that no unitholder will be subject to any liability in connection with the Trust or its obligations and affairs or for any act or omission of the Trustee, provided that in the event that a court determines that unitholders are subject to such liabilities, the liabilities will be enforceable only against and will be satisfied out of the Trust's assets. The trust indenture also provides that contracts to which the Trust is a party should contain language restricting the liability of unitholders.

(\$ thousands)	September 30 2004 (unaudited)	December 31 2003
ASSETS		
Current assets		
Cash and short term investments	\$ 226	\$ -
Accounts receivable	73,462	88,463
Inventory	494	1,879
Other	5,288	5,806
	79,470	96,148
Capital assets	728,919	677,911
Energy services arrangements and contracts	96,528	101,035
Goodwill	18,860	18,860
Future income taxes	206	208
Investments and other assets	34,719	25,098
	\$ 958,702	\$ 919,260
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 62,973	\$ 74,726
Distributions payable to unitholders	7,749	-
Short-term debt	38	4,493
Current portion of long-term debt	516	-
Other	3,674	7,857
	74,950	87,076
Long-term debt	354,512	392,358
Asset retirement obligations	14,684	13,962
Future income taxes	63,114	62,537
	432,310	468,857
Unitholders' equity (note 3)	451,442	363,327
	\$ 958,702	\$ 919,260

See accompanying notes to the consolidated financial statements

Unaudited (\$ thousands except per unit amounts)	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
REVENUE				
Operating	\$ 178,042	\$ 158,589	\$ 546,240	\$ 530,948
Other	498	280	1,220	598
	178,540	158,869	547,460	531,546
EXPENSES				
Cost of sales	116,992	105,585	369,245	372,685
Operating and administrative	27,713	24,336	85,429	71,853
Amortization	10,366	9,798	30,575	29,395
	155,071	139,719	485,249	473,933
Operating income	23,469	19,150	62,211	57,613
Interest expense				
Short-term debt	19	3	266	1,379
Long-term debt	4,902	5,519	15,525	15,342
Income before income taxes	18,548	13,628	46,420	40,892
Income taxes	1,449	4,381	6,393	14,597
Net income	17,099	9,247	40,027	26,295
Unitholders' equity, beginning of period	452,691	349,498	363,327	338,546
Change in accounting policy (note 2)	-	-	(332)	-
Dividends	-	(5,012)	(5,051)	(12,265)
Distributions	(23,167)	-	(37,771)	-
Net issuance of trust units	4,819	2,056	88,419	3,213
Addition to contributed surplus	-	-	2,823	-
Unitholders' equity, end of period	\$ 451,442	\$ 355,789	\$ 451,442	\$ 355,789
Net income per unit (note 3)				
Basic	\$ 0.33	\$ 0.20	\$ 0.83	\$ 0.58
Diluted	\$ 0.33	\$ 0.20	\$ 0.82	\$ 0.57

See accompanying notes to the consolidated financial statements

Unaudited (\$ thousands)	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Cash from operations				
Net income	\$ 17,099	\$ 9,247	\$ 40,027	\$ 26,295
Items not involving cash:				
Amortization	10,366	9,798	30,575	29,395
Accretion of asset retirement obligations	309	203	870	786
Stock option compensation (note 2)	-	-	2,491	-
Future income taxes	493	1,552	577	6,863
(Gain) loss on sale of assets and investments	13	(30)	53	(76)
Equity income	(414)	(200)	(1,369)	(492)
Distributions from equity investments	568	225	1,167	487
Other	91	156	265	362
Funds generated from operations	28,525	20,951	74,656	63,620
Decrease in deferred revenue and other	-	373	-	336
Net change in non-cash working capital	1,661	10,941	4,649	17,662
	30,186	32,265	79,305	81,618
Investing Activities				
Acquisition of capital assets	(41,614)	(5,780)	(67,438)	(20,496)
Disposition of capital assets	-	407	-	686
Advance to related party (note 4)	-	(29,000)	-	(29,000)
Acquisition of investments and other assets	(10,600)	(1,364)	(12,849)	(11,689)
Disposition of investments and other assets	4	30	3,444	1,510
	(52,210)	(35,707)	(76,843)	(58,989)
Financing Activities				
Increase (decrease) in operating loans	261	6,466	(55,582)	(13,507)
Dividends	-	(5,012)	(5,051)	(12,265)
Distributions to unitholders	(23,091)	-	(30,022)	-
Costs of issuing units on conversion	(1,376)	-	(8,349)	-
Net proceeds from issuance of units (note 3)	6,195	1,988	96,768	3,143
	(18,011)	3,442	(2,236)	(22,629)
Change in cash	(40,035)	-	226	-
Cash, beginning of period	40,261	-	-	-
Cash, end of period	\$ 226	\$ -	\$ 226	\$ -

See accompanying notes to the consolidated financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

AltaGas Income Trust (the Trust) is an unincorporated open-ended trust established under the laws of Canada, pursuant to a Declaration of Trust dated March 26, 2004. The Trust commenced operations on May 1, 2004 as successor to AltaGas Services Inc. (ASI) when it acquired all of the shares of ASI for consideration of Trust units or Exchangeable units on a one for one basis. These unaudited interim consolidated financial statements follow the continuity of interest basis of accounting whereby the Trust is considered a continuation of ASI. As a result, the comparative period figures are those of ASI while the results of operations include ASI's results for the period up to and including April 30, 2004 and the Trust's results of operations from May 1, 2004 to September 30, 2004.

The Trust makes monthly cash distributions to unitholders of trust units and exchangeable units (unitholders) based on the Trust's distribution policy.

The interim consolidated financial statements of the Trust have been prepared by management in accordance with Canadian generally accepted accounting principles. The accounting policies applied are consistent with those outlined in ASI's annual consolidated financial statements for the fiscal year ended December 31, 2003, except as described in note 2. These interim consolidated financial statements for the quarter ending September 30, 2004 do not include all of the disclosures required in the annual financial statements, and should be read in conjunction with the audited consolidated financial statements included in ASI's 2003 Annual Report.

2. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2004 the Trust adopted the new Canadian Institute of Chartered Accountants standard for accounting for stock-based compensation (Section 3870), which requires the use of the fair value method to account for stock options. Based on the Black-Scholes option valuation model, stock options are valued at the date of the grant and recognized as compensation expense over their the vesting period.

No compensation expense is recorded for stock options issued and outstanding prior to January 1, 2002 in accordance with Section 3870. This change in accounting policy resulted in a reduction of opening retained earnings for 2004 of \$332 thousand with an offset to unitholders' equity contributed surplus. Stock option compensation expense for the three months ended September 30, 2004 was nil (nine months ended September 30, 2004 - \$2.5 million with corresponding offset to contributed surplus).

3. UNITHOLDERS' EQUITY

Authorized:

- an unlimited number of Trust units
- 3,394,216 AltaGas Holding Limited Partnership No. 1 ("LP1") class B limited partnership units which are exchangeable into Trust units

	September 30 2004	December 31 2003
Unitholders' Equity		
Unitholders' / shareholders' capital	\$ 356,459	\$ 268,040
Contributed surplus (note 2)	2,823	-
Accumulated earnings	129,931	95,287
Accumulated unitholders' distributions	(37,771)	-
Unitholders' equity	\$ 451,442	\$ 363,327

Trust units issued:	Number of Units / Shares	Amount
Common shares December 31, 2003	36,716,844	\$ 179,076
Common shares issued for cash on exercise of options	209,449	1,752
Common shares issued for compensation	2,000	39
Common shares issued on conversion of preferred shares	9,000,000	88,964
Common shares repurchased and cancelled on trust conversion	(45,928,293)	(269,831)
Units issued on conversion (net of conversion costs)	33,668,068	191,314
Units issued on public unit offering (net of issuance costs)	4,730,000	83,760
Units issued for cash on exercise of options	762,233	6,917
Units issued under distribution reinvestment program	240,429	4,300
Units issued for exchangeable units	8,888,624	50,872
September 30, 2004	48,289,354	337,163

Exchangeable units issued:	Number of Units	Amount
December 31, 2003	-	-
Issued for LP1 (net of conversion costs)	3,394,216	19,426
Issued for LP2 (net of conversion costs)	8,866,009	50,742
Exchanged for Trust units by LP1	(22,615)	(130)
Exchanged for Trust units by LP2	(8,866,009)	(50,742)
September 30, 2004	3,371,601	19,296

Preferred shares issued:	Number of Shares	Amount
December 31, 2003	9,000,000	88,964
Converted to common shares	(9,000,000)	(88,964)
September 30, 2004	-	-
Issued and outstanding - September 30, 2004	51,660,955	\$ 356,459

The Trust has an employee unit option plan under which both employees and directors are eligible to receive grants. At September 30, 2004 3,800,000 units were reserved for issuance under the plan. To September 30, 2004 options granted under the plan generally had a term of ten years to expiry and vested no longer than over a four year period. On May 1, 2004 subsequent to the establishment of the Trust all options granted were vested. Options outstanding under the plan have a weighted average exercise price of \$9.64 and a weighted average remaining term of 7.84 years.

	Number of Options	Weighted Average Exercise Price
Stock options outstanding, December 31, 2003	1,506,362	\$ 8.74
Granted	107,000	15.07
Exercised	(971,682)	8.92
Cancelled	(32,375)	7.24
Unit options outstanding September 30, 2004	609,305	\$ 9.64
Exercisable at September 30, 2004	609,305	\$ 9.64

The basic number of units outstanding for the nine months ended September 30, 2004 was 48.2 million (September 30, 2003 - 45.4 million ASI shares) and the diluted number of units outstanding for the nine months ended September 30, 2004 was 48.9 million (September 30, 2003 - 45.8 million ASI shares).

4. RELATED PARTY TRANSACTIONS

On September 4, 2003, the Trust loaned \$29.0 million to Taylor. The loan was interest bearing at prime plus one percent and was repaid on October 17, 2003.

On March 18, 2004, the Trust purchased 320,000 limited partnership units of Taylor for \$2.2 million. The purchase resulted in the dilution of the Trust's ownership in Taylor from 19.2 percent to 18.5 percent and an unrealized dilution gain of \$192 thousand.

On June 30, 2004, L.O.P. Inc. (LOP), an equity accounted investee, repaid a \$2.3 million loan extended to it by the Trust. At the same time, the Trust sold its investment in LOP to LOP's majority shareholder for proceeds of \$0.5 million.

On August 19, 2004, the Trust purchased an additional 1,605,000 limited partnership units of Taylor for \$10.6 million. The transaction resulted in an increase of the Trust's ownership in Taylor from 18.5 percent to 18.9 percent and resulted in an unrealized dilution loss of \$113 thousand.

5. SEGMENTED INFORMATION

AltaGas is a midstream energy trust with a portfolio of assets and services used to move energy from the source to the end-user. The Trust 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.

SEGMENTED INFORMATION *continued*

For the three months ended September 30, 2004	Gathering and Processing	Energy Services	Natural Gas Distribution	Intersegment Elimination	Total
Revenue	\$ 52,099	\$ 124,617	\$ 14,009	\$ (12,185)	\$ 178,540
Cost of sales	(11,378)	(108,048)	(8,925)	11,359	(116,992)
Operating and administrative expenses	(21,978)	(2,721)	(3,840)	826	(27,713)
Amortization	(6,565)	(2,200)	(1,601)	–	(10,366)
Operating income	\$ 12,178	\$ 11,648	\$ (357)	\$ –	\$ 23,469
Net additions to capital assets	\$ 37,769	\$ 14,645	\$ 2,915		\$ 55,329
Segment assets	\$ 691,700	\$ 140,345	\$ 126,657		\$ 958,702

For the three months ended September 30, 2003	Gathering and Processing	Energy Services	Natural Gas Distribution	Intersegment Elimination	Total
Revenue	\$ 41,103	\$ 115,124	\$ 12,859	\$ (10,217)	\$ 158,869
Cost of sales	(6,633)	(101,024)	(8,037)	10,109	(105,585)
Operating and administrative expenses	(18,138)	(2,568)	(3,738)	108	(24,336)
Amortization	(6,228)	(2,033)	(1,537)	–	(9,798)
Operating income	\$ 10,104	\$ 9,499	\$ (453)	\$ –	\$ 19,150
Net additions to capital assets	\$ 2,696	\$ 710	\$ 2,969		\$ 6,375
Segment assets	\$ 627,121	\$ 160,312	\$ 121,911		\$ 909,344

For the nine months ended September 30, 2004	Gathering and Processing	Energy Services	Natural Gas Distribution	Intersegment Elimination	Total
Revenue	\$ 142,743	\$ 382,118	\$ 82,657	\$ (60,058)	\$ 547,460
Cost of sales	(25,463)	(341,129)	(61,651)	58,998	(369,245)
Operating and administrative expenses	(66,586)	(7,634)	(12,269)	1,060	(85,429)
Amortization	(19,347)	(6,437)	(4,791)	–	(30,575)
Operating income	\$ 31,347	\$ 26,918	\$ 3,946	\$ –	\$ 62,211
Net additions to capital assets	\$ 54,222	\$ 14,907	\$ 6,664		\$ 75,793
Segment assets	\$ 691,700	\$ 140,345	\$ 126,657		\$ 958,702

For the nine months ended September 30, 2003	Gathering and Processing	Energy Services	Natural Gas Distribution	Intersegment Elimination	Total
Revenue	\$ 123,768	\$ 385,621	\$ 94,690	\$ (72,533)	\$ 531,546
Cost of sales	(22,106)	(349,344)	(73,435)	72,200	(372,685)
Operating and administrative expenses	(54,371)	(6,191)	(11,624)	333	(71,853)
Amortization	(18,477)	(6,298)	(4,620)	–	(29,395)
Operating income	\$ 28,814	\$ 23,788	\$ 5,011	\$ –	\$ 57,613
Net additions to capital assets	\$ 11,554	\$ 1,527	\$ 5,785		\$ 18,866
Segment assets	\$ 627,121	\$ 160,312	\$ 121,911		\$ 909,344

6. EMPLOYEE FUTURE BENEFITS

Substantially all full-time employees of the Trust's natural gas distribution subsidiary, AltaGas Utilities Inc., are members of one of two defined benefit non-contributory pension plans. AltaGas Utilities Inc. also has plans that provide other post-retirement benefits such as life insurance and health care.

The total post retirement benefit cost recorded in the statement of income for the three and nine months ended September 30, 2004 is \$0.1 million (2003 - \$0.2 million) and \$0.7 million (2003 - \$0.6 million) respectively.

7. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current financial statement presentation. Prior periods have been restated for the impact of the December 31, 2003 adoption of CICA Handbook Section 3110 related to accounting for asset retirement obligations.

8. SEASONALITY

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.

9. SUBSEQUENT EVENTS

On October 6, 2004, AltaGas closed the acquisition of substantially all of the assets, including the company names, and liabilities of PremStar Energy Canada Ltd. and its subsidiaries ECNG Inc. and Energistics Group Inc. for a net price after closing adjustments of approximately \$22.0 million paid primarily through the issue of units from the Trust's treasury. The effective date of the acquisition was April 1, 2004.

FINANCIAL SUMMARY BY BUSINESS SEGMENT

(\$ millions)	Q3/04	Q2/04	Q1/04	Q4/03	Q3/03
Revenue					
Gathering and Processing					
Field gathering and processing	29.3	29.2	27.8	29.0	26.5
Extraction	16.9	10.8	10.4	10.3	8.8
Transmission	6.5	6.4	7.0	6.7	6.7
Intercomponent elimination	(0.6)	(0.5)	(0.5)	(0.5)	(0.9)
Energy Services	124.6	124.1	133.4	125.2	115.1
Natural Gas Distribution ⁽¹⁾	14.0	20.6	48.1	34.7	12.9
Intersegment elimination	(12.2)	(15.2)	(32.7)	(26.3)	(10.2)
	178.5	175.4	193.5	179.1	158.9
Net revenue					
Gathering and Processing					
Field gathering and processing	29.3	29.3	27.8	29.0	26.5
Extraction	5.5	3.6	3.5	3.6	2.2
Transmission	6.5	6.4	7.0	6.7	6.7
Intercomponent elimination	(0.6)	(0.5)	(0.5)	(0.5)	(0.9)
Energy Services	16.6	14.6	9.8	13.1	14.0
Natural Gas Distribution ⁽¹⁾	5.1	6.2	9.7	9.2	4.9
Intersegment elimination	(0.9)	(0.1)	(0.1)	(0.1)	(0.1)
	61.5	59.5	57.2	61.0	53.3
Operating income					
Gathering and Processing	12.1	7.2	12.0	13.5	10.1
Energy Services	11.6	10.0	5.3	8.7	9.5
Natural Gas Distribution ⁽¹⁾	(0.3)	0.4	3.9	3.7	(0.4)
	23.4	17.6	21.2	25.9	19.2

(1) Q2 and Q3 financial results reflect the normal lower seasonal demand for natural gas in the Natural Gas Distribution segment

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

AltaGas adopted CICA Handbook guidelines on asset retirement obligations in 2003. Prior year information has been restated for the effect of this adoption.

OPERATING SUMMARY BY BUSINESS SEGMENT

	Q3/04	Q2/04	Q1/04	Q4/03	Q3/03
Gathering and Processing					
Field gathering and processing					
Processing capacity (gross Mmcf/d) ⁽¹⁾	906	906	901	861	835
Processed throughput (gross Mmcf/d) ⁽²⁾	552	563	560	523	514
Capacity utilization (percent) ⁽¹⁾	61	62	62	61	62
Average working interest (percent) ⁽¹⁾	89	89	87	90	88
Extraction					
Licensed inlet capacity (Mmcf/d) ⁽¹⁾	539	349	349	349	349
Production (Bbls/d) ⁽²⁾	13,054	9,337	10,020	9,159	6,428
Transmission volumes (Mmcf/d) ^{(2) (4)}	417	415	396	403	347
Energy Services					
Volume of power sold (thousands of MWh)	877	862	863	873	872
Price received on the sale of power (\$/MWh) ⁽²⁾	49.22	49.88	45.78	47.10	49.41
Average Alberta Power Pool prices (\$/MWh) ⁽²⁾	54.35	60.07	48.78	54.78	62.39
Natural Gas Distribution⁽⁵⁾					
Customers	60,048	59,266	59,528	59,543	58,941
Volume of natural gas distributed					
Sales (Bcf) ⁽⁶⁾	1.5	2.2	5.5	4.5	1.3
Transportation (Bcf)	2.6	2.6	3.0	3.0	2.6
Degree day variance (percent) ⁽³⁾	24.8	11.5	2.0	3.4	(5.9)

(1) At period end

(2) Quarter average

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

(4) Excludes condensate transmission volumes

(5) Excludes Inuvik Gas Ltd. and Heritage Gas Limited operating statistics

(6) Q2 and Q3 2003 financial results and natural gas distributed (Bcf) reflect the normal lower seasonal demand for natural gas in the Natural Gas Distribution segment

DEFINITIONS

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

ABOUT ALTAGAS

AltaGas moves energy from its source to the end user, adding value through the process. The Trust has consolidated assets totalling over \$950 million and a market capitalization of approximately \$1 billion. Its steadily expanding asset base 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., to customers in the Northwest Territories through the Ikhil Gas Project and distributes gas in Nova Scotia through its interest in Heritage Gas Limited. The Trust provides energy services to customers, including marketing of natural gas and natural gas liquids and sale of power from its power purchase based arrangements.

AltaGas' Trust Units are listed on the Toronto Stock Exchange under the symbol ALA.UN. The Trust is included in the S&P/TSX Capped Income Trust Index and the S&P/TSX Capped Energy Trust Index.

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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. For additional information on these and other factors see the reports filed by AltaGas with Canadian securities regulators. AltaGas disclaims any intention or obligation to update or revise any forward looking information whether as a result of new information or future event.

