

taking good care of the trust

AltaGas is a straightforward business with a straightforward strategy: to invest in energy infrastructure that provides long-term stable cash flow and solid returns. By making careful choices over the past 15 years, we have built a diverse foundation of natural gas and power infrastructure. We take good care of our assets, our investors, our employees and the communities where we live and work.

Last year was a successful year for AltaGas: we reported record results, undertook a major acquisition and continued to build our renewable energy portfolio.

DAVID W. CORNHILL
Chairman and Chief
Executive Officer



STRONG FINANCIAL POSITION

Our gas business grew significantly in 2008. Operating income rose 75 percent due to our larger asset base and strong fractionation (frac) spreads. We took advantage of these historically high prices to lock-in margins for 2009 and 2010.

Our power business also reported solid results. Operating income grew 25 percent over last year due to our efficient operations and disciplined hedging strategy.

AltaGas employs a measured financial strategy to maintain a strong balance sheet, financial flexibility, and investment-grade credit ratings. Our strategy focuses on minimizing our cost of capital, ensuring adequate liquidity to support our operations and growth, and maintaining an acceptable level of financial risk.

We execute this strategy to ensure we have the financial strength and flexibility to operate and grow our business. In 2008 we secured a bank facility and issued equity to strengthen our balance sheet following the \$600 million Taylor NGL Limited Partnership (Taylor) acquisition. Early this year, we secured commitments for a new bank facility and issued additional equity. We have acted to further strengthen our balance sheet and to ensure strong liquidity.

The next step in our financial plan is to term out our debt and increase our debt maturity profile. These actions fit with our strategy of managing risk and ensure that we have the financial flexibility to respond to growth opportunities and deliver stable returns to investors.

Despite the current global economic situation, AltaGas is well-positioned to continue providing strong returns to our investors. Contractual arrangements allow for stable, fixed cash flows, and risk management policies limit our exposure to commodity prices.

ALTAGAS' GAS BUSINESS GREW SIGNIFICANTLY WITH THE ADDITION OF THE TAYLOR ASSETS:

- Extraction inlet capacity almost tripled to 1.6 Bcf/d
- NGL production capacity grew more than 200 percent to 86,000 Bbls/d
- Added 140,000 Bbls/d NGL transport capacity with two NGL transmission systems
- Field Gathering and Processing capacity increased 15 percent to 1.1 Bcf/d

ACQUISITION AND INTEGRATION OF TAYLOR

In 2008, we completed the acquisition of Taylor. The \$600 million transaction increased our asset base of low-risk, long-life infrastructure and provided growth opportunities for our gas and power businesses.

The people, operations, and business systems were fully integrated within six months of the acquisition, allowing us to execute Taylor's capital program for 2008.

In addition to the investments we made at the Harmattan Complex in 2008, we continue to move forward with initiatives to increase profitability. This includes the Harmattan Co-stream project, which would see the Complex extract liquids from up to 250 million cubic feet per day of additional volumes.

Through the Taylor acquisition, AltaGas gained its first interest in an operational run-of-river hydro generation facility. In 2008, run-of-river developments became a focus of our growth and we will continue to develop them in 2009.

CONTINUE TO PURSUE AND DEVELOP RENEWABLE ENERGY

Our commitment to renewables is driven by market demand for clean energy. The projects we pursue will provide clean energy to consumers in return for stable cash flows, most often secured by long-term contracts. These projects will expand our portfolio to ensure the long-term sustainability of AltaGas' power business and provide an opportunity to further diversify our business by geography and fuel source.

In 2008, the Bear Mountain Wind Park continued to move forward successfully. It is AltaGas' first major development, and will be the first operational wind park in British Columbia when it is commissioned this fall. The wind park will add stable cash flow, secured by a 25-year indexed contract with BC Hydro.

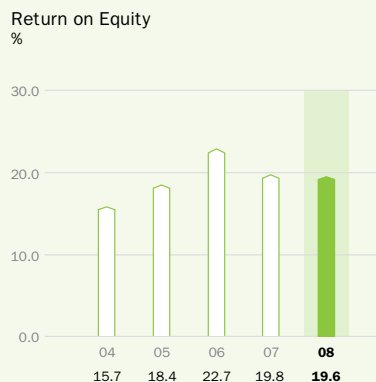
Our renewable development portfolio also includes approximately 400 MW of run-of-river projects in British Columbia and approximately 1,500 MW of wind projects in western North America. In November, we submitted four projects to the BC Hydro Clean Power Call, including the 195-MW Forrest Kerr project in northwestern B.C.

FUTURE GROWTH

As we grow, we will continue to build on our existing asset base, our renewable energy portfolio, and our record results in 2008. We aim to balance our asset base and earnings between gas and power infrastructure by pursuing growth in both areas. We will continue to do business the way we always have – by taking good care of our assets, our investors, our employees and the communities where we live and work.

A RECORD YEAR FOR ALTAGAS

- Net income of \$163.6 million (\$2.38 per unit), growth of 50 percent over 2007
- Funds from operations of \$217.1 million (\$3.16 per unit)
- Cash distributions of \$2.125 per unit, including a 3 percent increase to monthly distributions



In the gas business, we are optimizing our infrastructure to maximize profitability. In the power business, we continue to focus on clean energy development. We have announced capital investment of \$250 million in 2009. This includes committed spending of \$200 million on the Bear Mountain Wind Park, Sarnia storage project, a sour gas expansion at the Pouce Coupe gas processing facility, as well as other facility optimizations. All of these projects are scheduled to be online and generating incremental earnings and cash flow by the end of this year.

We are well-positioned for a strong year in 2010, as the projects coming online in 2009 will provide a full year of earnings. Based on our current projections, should we receive regulatory approval for the Harmattan Co-stream project, this expansion will be in-service in late 2010.

Access to capital has been a challenge for many market participants, and in recent months we have seen many opportunities to grow our energy infrastructure assets. Our recent equity issuance and new credit facility positions us well to capitalize on growth opportunities. We will be disciplined in our growth strategy, focusing on earnings and cash flow to deliver strong returns for our investors.

SUSTAINABILITY OF DISTRIBUTIONS AND CONVERSION TO A CORPORATE STRUCTURE

When AltaGas converted to an income trust in 2004, we maintained a focus on traditional financial metrics, such as earnings and return on equity. We still focus on those metrics today. We believe that our current annual distribution of \$2.16 per unit is sustainable through to conversion to a corporation. We plan to convert back to a corporate structure by 2011 and are confident that AltaGas will continue to create value for its investors.

SAFETY AND ENVIRONMENT

Safety and the environment are fundamental to AltaGas. With a workforce of more than 300 in the field, getting everyone home safely each day is paramount.

In 2008, our emergency response plans were activated on two occasions. AltaGas personnel responded quickly to the situations, limiting injuries and damage to the environment. We continually improve our performance and revise safety measures.

AT THE END OF 2008, ALTAGAS WAS FINANCIALLY STRONG AND WELL-POSITIONED FOR 2009:

Strong balance sheet

- Investment-grade credit ratings
 - S&P: BBB- positive outlook
 - DBRS: BBB(low) positive trend
- 37.8 percent debt-to-capitalization below our target range (40-45 percent)

Strong cash flow

- EBITDA of \$0.25 billion
- Annual DRIP of \$35 million

Strong liquidity

- Credit facilities totalling \$750 million with over \$300 million available at year-end
- Strong banking group

PEOPLE AND COMMUNITY

People are a key focus at AltaGas.

We emphasize opportunity, challenge and competitive compensation, creating a favourable work environment that motivates high quality people to join and build careers with our company.

We are also proud to be a part of the communities where we live, work and serve, generously contributing to community initiatives, such as the United Way and through our employee-directed donations committee.

We have also made long-term commitments to Shock Trauma Air Rescue Society (STARS) and Cross Country Canada. These multi-year commitments allow us to have a major impact on our partner organizations and the people and communities they support.

I would like to thank AltaGas employees for their dedication and focus this past year. We had a successful year, and I am confident that we will continue to create value for our investors in 2009, and into the future.

On behalf of the Board of Directors,

(signed) "David W. Cornhill"

David W. Cornhill

Chairman and Chief Executive Officer

March 3, 2009