AltaGas

NEWS RELEASE
ALTAGAS REPORTS STRONG FIRST QUARTER RESULTS AND INCREASES DIVIDEND BY 4.2 PERCENT

Calgary, Alberta (April 25, 2013) – AltaGas Ltd. (AltaGas) (TSX:ALA) (TSX:ALA.PR.A) today reported normalized net income applicable to common shares was $55.5 million ($0.53 per share) for the three months ended March 31, 2013, compared to $40.1 million ($0.45 per share) for the same period 2012. Net income applicable to common shares reported was $49.0 million ($0.46 per share) for the three months ended March 31, 2013, compared to $41.3 million ($0.46 per share) for the same period 2012.

AltaGas also announced today that the Board of Directors has approved a dividend of $0.125 per common share for the May 2013 dividend, equivalent to $1.50 per common share on an annualized basis, an increase of 4.2 percent.

"We are pleased to report strong first quarter earnings driven by our diversified portfolio of energy infrastructure assets including our new utilities in the United States," said David Cornhill, Chairman and CEO of AltaGas. "The increase in our dividend is a reflection of the stable and predictable cash flow growth we are starting to realize from our recent growth and it is a key part of the overall value proposition that we offer our shareholders."

Normalized EBITDA increased 59 percent to $145.8 million for first quarter 2013 compared to $91.6 million in first quarter 2012. Normalized funds from operations increased 64 percent to $122.4 million ($1.16 per share) for first quarter 2013 compared to $74.7 million ($0.83 per share) for first quarter 2012.

Results in the first quarter were primarily driven by the August 30, 2012 acquisition of Semco Holding Corporation (SEMCO), natural gas utilities in Alaska and Michigan, which performed as expected on a weather normalized basis. Results from AltaGas' Utilities segment are seasonal in nature as natural gas distribution utilities earn most of their revenue in first and fourth quarters of the year as a result of delivering natural gas to customers during the heating season.

First quarter results also benefited from the addition of the Gordondale and Co-stream gas processing facilities, the Blair Creek expansion, the addition of new biomass and gas fired power generation assets and rate base growth at the Alberta and Nova Scotia utilities. These increases were partially offset by lower contribution from sale of NGLs, lower power prices realized in Alberta primarily due to an unplanned outage at Sundance 3, and lower power generated at the Bear Mountain wind park (Bear Mountain).

On January 28, 2013, AltaGas and Idemitsu Kosan Co., Ltd. (Idemitsu) signed an agreement to form the AltaGas Idemitsu Joint Venture Limited Partnership (AltaGas Idemitsu LP). AltaGas Idemitsu LP plans to pursue opportunities to develop long term natural gas supply and sales arrangements to meet the growing demand for natural gas in Asia. AltaGas Idemitsu LP is undertaking feasibility studies for the development and construction of liquefaction facilities as part of the proposed project to export liquefied natural gas (LNG) to markets in Asia. AltaGas Idemitsu LP also plans to pursue opportunities to develop a liquefied petroleum gas (LPG or propane) export business including logistics, plant refrigeration and storage facilities.

On March 25, 2013, AltaGas announced it has entered into a purchase and sale agreement to acquire Blythe Energy, LLC, which owns a 507 MW natural gas-fired combined cycle plant (Blythe Energy Center), associated major separate parts, and a related 230 kV 67-mile electric transmission line in Southern California for US$515 million. The acquisition is expected to close in second quarter 2013. The acquisition is expected to be accretive to earnings and cash flow per share in 2014, the first full year of ownership, and is expected to add approximately $50 million in incremental contracted EBITDA per year.

"We continue to grow and diversify our already strong portfolio of energy infrastructure assets," said Mr. Cornhill. "The acquisition of Blythe adds significant natural gas-fired power generation to our portfolio and provides another platform for growth to meet the increasing demand for clean energy."

Progress on the Northwest run-of-river projects, which include the Forrest Kerr, McLymont Creek and Volcano Creek generation facilities, remains ahead of schedule and on budget. Excavation of the power tunnel for the 195 MW Forrest Kerr project was completed on April 4, 2013. In-river work was completed as was the coffer dam disassembly. The weir has also now been commissioned. Powerhouse activities continue to outpace expectations and construction is expected to be completed in second quarter. The project is expected to be mechanically complete by the end of 2013, with commissioning to follow based on the availability of the Northwest Transmission Line (NTL) in May 2014. The in-service date for Forrest Kerr remains on target for mid-2014.

All material permits and licences are in place and construction has commenced on both the 66 MW McLymont Creek Project and 16 MW Volcano Creek Project. Construction of the McLymont access road and bridge work was completed in first quarter 2013. Clearing of the powerhouse site is complete and tunneling of the construction access tunnel has begun. Excavation of the Volcano Creek powerhouse, intake site and diversion are currently underway and anticipated to be completed by the end of third quarter 2013. The two projects are expected to be in service in mid-2015.

Monthly Common Share Dividend and Quarterly Preferred Share Dividend

- The Board approved a dividend of $0.125 per common share for the May 2013 dividend. The dividend will be paid on June 17, 2013, to holders of record on May 27, 2013, of common shares. The ex-dividend date is May 23, 2013. This dividend is an eligible dividend for Canadian income tax purposes;
- The Board approved a dividend of $0.3125 per share for the period commencing April 1, 2013, and ending June 30, 2013, on AltaGas' outstanding Series A Preferred Shares. The dividend will be paid on June 28, 2013 to shareholders of record on June 14, 2013. The ex-dividend date is June 12, 2013; and
- The Board also approved a dividend of US$0.275 per share for the period commencing April 1, 2013, and ending June 30, 2013, on AltaGas' outstanding Series C Preferred Shares. The dividend will be paid on June 28, 2013, to shareholders of record on June 14, 2013. The ex-dividend date is June 12, 2013.

CONFERENCE CALL AND WEBCAST DETAILS:

AltaGas will hold a conference call today at 9:00 a.m. MT (11:00 a.m. ET) to discuss first quarter financial results, progress on construction projects and other corporate developments.

Members of the media, investment communities and other interested parties may dial (416) 340-2218 or call toll free at 1-866-226-1793. There is no passcode. Please note that the conference call will also be webcast. To listen, please go to http://www.altagas.ca/investors/presentations_and_events. The webcast will be archived for one year.

Shortly after the conclusion of the call, a replay will be available by dialing (905) 694-9451 or 1-800-408-3053. The passcode is 2174801. The replay expires at midnight (Eastern) on May 2, 2013.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) of operations and unaudited condensed interim Financial Statements presented herein are provided to enable readers to assess the results of operations, liquidity and capital resources of AltaGas Ltd. (AltaGas or the Corporation) as at and for the three months ended March 31, 2013, compared to the three months ended March 31, 2012. This MD&A dated April 25, 2013, should be read in conjunction with the accompanying unaudited interim condensed Consolidated Financial Statements and notes thereto of AltaGas as at and for the three months ended March 31, 2013, and the audited Consolidated Financial Statements and MD&A contained in AltaGas' annual report for the year ended December 31, 2012.

This MD&A contains forward-looking statements. When used in this MD&A the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to AltaGas or any affiliate of AltaGas, are intended to identify forward-looking statements. In particular, this MD&A contains forward-looking statements with respect to, among others things, business objectives, expected growth, results of operations, performance, business projects, opportunities and financial results. Specifically, such forward-looking statements are set forth under: "Consolidated Outlook" and "Growth Capital".

These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect AltaGas' current views with respect to future events based on certain material factors and assumptions and are subject to certain risks and uncertainties including without limitation, changes in market competition, governmental or regulatory developments, changes in tax legislation, general economic conditions and other factors set out in AltaGas' public disclosure documents.

Many factors could cause AltaGas' or any of its business segments' actual results, performance or achievements to vary from those described in this MD&A, including without limitation those listed above as well as the assumptions upon which they are based proving incorrect. These factors should not be construed as exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, sought, proposed, estimated or expected, and such forward looking statements included in this MD&A herein should not be unduly relied upon. These statements speak only as of the date of this MD&A. AltaGas does not intend, and does not assume any obligation, to update these forward looking statements except as required by law. The forward looking statements contained in this MD&A are expressly qualified as cautionary statements.

Financial outlook information contained in this MD&A about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this MD&A should not be used for the purposes other than for which it is disclosed herein.

Additional information relating to AltaGas can be found on its website at www.altagas.ca. The continuous disclosure materials of AltaGas, including its annual MD&A and Consolidated Financial Statements, Annual Information Form, Information Circular, and Proxy Statement, material change reports and press releases, are also available through AltaGas' website or directly through the SEDAR system at www.sedar.com.

ALTAGAS ORGANIZATION

The businesses of AltaGas are operated by AltaGas Ltd., AltaGas Extraction and Transmission Limited Partnership, Coast Mountain Hydro Corp., Coast Mountain Hydro Limited Partnership, AltaGas Renewable Energy Inc., AltaGas Pipeline Partnership, AltaGas Holdings Inc., AltaGas Holding Partnership, AltaGas Processing Partnership, AltaGas Utility Group Inc., Taylor Processing Inc., Harmattan Gas Processing Limited Partnership, AltaGas Services (U.S.) Inc., AltaGas Utility Holdings (U.S.) Inc., SEMCO Holding Corporation and SEMCO Energy, Inc., (collectively, the operating subsidiaries).

HIGHLIGHTS

First Quarter Highlights (1)

- Normalized net income per share increased 18 percent to $0.53 compared to $0.45 in first quarter 2012;
- Normalized funds from operations per share increased 40 percent to $1.16 compared to $0.83 in first quarter 2012;
- Normalized EBITDA increased 59 percent to $145.8 million compared to $91.6 million in first quarter 2012;
- Normalized operating income increased 57 percent to $109.1 million compared to $69.5 million in first quarter 2012;
- Net debt was $2,737.3 million as at March 31, 2013, compared to $1,512.5 million as at March 31, 2012 and $2,690.5 million as at December 31, 2012; and
- Debt-to-total capitalization ratio was 57.2 percent as at March 31, 2013, compared to 52.1 percent as at March 31, 2012 and 57.4 percent as at December 31, 2012.

Results in the first quarter were primarily driven by the acquisition of Semco Holdings Corporation (SEMCO), AltaGas' first investment in U.S. utilities, which closed on August 30, 2012. The acquisition of SEMCO to date has resulted in an increase in rate base from approximately $531 million to approximately $1.3 billion, and an increase in customers from approximately 116,000 to 550,000.

Primarily as a result of the SEMCO acquisition, operating income in the Utilities segment increased $46.0 million to $65.4 million compared to $19.4 million in first quarter 2012. These results are seasonal in nature as natural gas distribution utilities earn most of their revenue in first and fourth quarters of the year as a result of delivering natural gas to customers during the heating season.

The increased operating income in the Utilities segment was partially offset by lower operating income in the Gas and Power segments. In the Gas segment, the increased operating income from new assets added through 2012 was offset by lower contribution from the sale of natural gas liquids (NGL). In the Power segment, results were driven by higher generation at peaking plants and cogeneration facilities and higher pool prices in Alberta, offset by the impact of an unplanned outage at Sundance 3, lower hedge revenue and lower generation at Bear Mountain wind park (Bear Mountain).

During the quarter, AltaGas announced it entered into an agreement with Idemitsu Kosan Co., Ltd. (Idemitsu) to form AltaGas Idemitsu Joint Venture Limited Partnership (AltaGas Idemitsu LP). AltaGas Idemitsu LP plans to pursue opportunities involving exports of liquefied natural gas (LNG) and liquefied petroleum gas (LPG or propane) from Canada to Asia.

During the quarter, AltaGas also announced the acquisition of Blythe Energy, LLC (Blythe), which owns a 507 MW natural gas-fired combined cycle plant near Blythe, California, associated major spare parts, and a related 230 kV 67-mile electric transmission line in Southern California, for US$515 million. Blythe is contracted under a Power Purchase Agreement (PPA) through to July 2020 with Southern California Edison, and is expected to contribute approximately $50 million in EBITDA per year. The acquisition is expected to close in second quarter 2013.

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

CONSOLIDATED FINANCIAL REVIEW

(unaudited) *($ millions)*	Three months ended March 31 **2013**	2012
Revenue	**613.5**	361.7
Net revenue[(1)]	**237.1**	166.5
Normalized operating income[(1)]	**109.1**	69.5
Normalized EBITDA[(1)]	**145.8**	91.6
Net income applicable to common shares	**49.0**	41.3
Normalized net income[(1)]	**55.5**	40.1
Total assets	**5,972.4**	3,725.4
Total long-term liabilities	**3,261.3**	1,934.7
Net additions to property, plant and equipment	**119.7**	147.5
Dividends declared[(2)]	**38.0**	30.9
Cash flows		
Normalized funds from operations[(1)]	**122.4**	74.7

($ per share, except shares outstanding)	Three months ended March 31 **2013**	2012
Normalized EBITDA[(1)]	**1.38**	1.02
Net income - basic	**0.46**	0.46
Net income - diluted	**0.45**	0.45
Normalized net income[(1)]	**0.53**	0.45
Dividends declared[(2)]	**0.36**	0.345
Cash flows		
Normalized funds from operations[(1)]	**1.16**	0.83
Shares outstanding - basic (millions)		
During the period[(3)]	**105.7**	89.5
End of period	**106.1**	89.8

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

(2) *Dividends declared of $0.115 commencing October 27, 2011 and $0.12 per common share per month commencing September 10, 2012.*

(3) *Weighted average.*

Three Months Ended March 31

Net income applicable to common shares for first quarter 2013 was $49.0 million ($0.46 per share) compared to $41.3 million ($0.46 per share) in same quarter 2012.

Net income applicable to common shares for first quarter 2013 is normalized for after-tax transaction costs related to acquisitions, unrealized loss on held-for-trading assets and unrealized loss on risk management contracts.

Normalized net income for first quarter 2013 was $55.5 million ($0.53 per share), an increase of 38 percent compared to $40.1 million ($0.45 per share) reported in same quarter 2012. Normalized net income increased primarily due to the addition of SEMCO. Earnings were also driven by increased revenue from the Gordondale and Co-stream gas processing facilities added in December 2012, the Blair Creek expansion completed in August 2012, and higher generation for the biomass assets. Higher generation at peaking plants and cogeneration facilities, colder weather in Alberta and Nova Scotia, and rate base growth at AltaGas Utilities Inc. (AUI) and Heritage Gas Limited (Heritage Gas) were also positive factors. These increases were partially offset by lower gas volumes processed at some facilities, lower contribution from sale of NGL, an unplanned outage at Sundance 3, lower realized power prices in Alberta, and lower power generated at Bear Mountain. Interest and income tax expense were also higher in the quarter.

On a cash flow basis, normalized funds from operations for first quarter 2013 increased 64 percent to $122.4 million ($1.16 per share), compared to $74.7 million ($0.83 per share) in same quarter 2012. Normalized EBITDA for first quarter 2013 was $145.8 million, a 59 percent increase, compared to $91.6 million in same quarter 2012.

Normalized operating income for first quarter 2013 was 57 percent higher at $109.1 million compared to $69.5 million in same quarter 2012. Normalized operating results were driven by the same factors as described above related to normalized net income except for the impact of higher interest and income taxes.

Net revenue for first quarter 2013 was 42 percent higher at $237.1 million compared to $166.5 million in same quarter 2012. The increase was primarily due to the addition of new and expanded facilities across all business segments, including the acquisition of SEMCO, partially offset by lower contribution from sale of NGLs, lower gas volumes processed at some facilities, lower realized power prices in Alberta and lower power generated at Bear Mountain.

Operating and administrative expense for first quarter 2013 was $99.9 million, compared to $73.6 million in same quarter 2012. Amortization expense for first quarter 2013 was $35.7 million compared to $21.3 million in same quarter 2012. The increases were due to the new and expanded assets added in third and fourth quarter 2012. Accretion expense for first quarter 2013 was $1.0 million compared to $0.8 million in same quarter 2012.

Interest expense for first quarter 2013 was $24.6 million compared to $12.8 million in same quarter 2012. Interest expense increased due to a higher average debt balance of $2,684.4 million in first quarter 2013 compared to $1,403.3 million in same quarter 2012 and lower capitalized interest of $6.3 million in first quarter 2013 (first quarter 2012 - $6.6 million). The higher debt was a result of the increased funds necessary to acquire SEMCO and to finance other growth capital. The increase in interest expense was partially offset by a lower average borrowing rate of 4.7 percent in first quarter 2013 (first quarter 2012 - 5.5 percent).

AltaGas recorded income tax expense of $21.0 million for first quarter 2013 compared to $13.8 million in same quarter 2012. Income tax expense was higher primarily due to the addition of SEMCO and preferred share dividends, partially offset by tax recovery on unrealized losses on risk management contracts. The effective tax rate in first quarter 2013 was 27 percent compared to 24 percent in same quarter 2012 primarily due to the increase in income in the United States, subject to higher tax rates.

CONSOLIDATED OUTLOOK

AltaGas expects to report stronger earnings in 2013 compared to 2012 due to new and expanded assets added primarily in the second half of 2012. The new and expanded assets added in 2012 include the biomass assets acquired in January, the gas-fired power assets commissioned in June, the Gilby Gas Plant acquired in July, the Blair Creek expansion added in August, the SEMCO acquisition in August, the Busch Ranch wind farm (Busch Ranch) added in October, and the Gordondale and Co-stream gas processing facilities commissioned in December. Earnings may however be negatively impacted if frac spreads and power prices in Alberta are lower in 2013 compared to 2012 and producers continue to reduce drilling activity as a result of low natural gas prices.

The acquisition of Blythe for total consideration of US$515 million is expected to close in second quarter 2013. The Blythe acquisition is expected to be accretive to earnings and cash flow per share in 2014, the first full year of ownership and to add approximately $50 million in incremental contracted EBITDA per year.

Results in 2013 for the Utilities segment are expected to be stronger than 2012, driven mainly by the acquisition of SEMCO. In 2013 SEMCO is expected to generate approximately $130 million of EBITDA on a weather normalized basis. The Canadian utilities are expected to report increased earnings in 2013 based on forecasted rate base growth of approximately nine percent.

AltaGas expects significant seasonality in 2013 results as SEMCO contributes its first full year of earnings. Utilities earn most of their income in the first and fourth quarters in the heating seasons.

In 2013, earnings and throughput at AltaGas' processing facilities are expected to be higher than 2012. Volumes are expected to grow from the 2012 additions of new and expanded assets. Specifically, the Gordondale gas plant, the Co-stream facility at Harmattan, the Blair Creek expansion, and the acquired 50 percent interest in the Quatro midstream assets, including its 87 percent interest in the Gilby Gas Plant. These new assets are primarily underpinned by long-term take-or-pay commitments from AltaGas' customers resulting in no incremental direct exposure to commodity prices from these new revenue streams. Volumes at Gordondale are expected to increase through 2013 as producer activity increases.

The Co-stream facility is expected to add approximately $28 million in EBITDA and is underpinned by a 20-year cost-of-service agreement with NOVA Chemicals Corporation (NOVA Chemicals). The Gordondale gas plant is underpinned by a take-or-pay contract with Encana Corporation for a portion of the capacity. The facility is currently operating at approximately 42 percent utilization. The Blair Creek expansion is currently operating at approximately 78 percent utilization. In 2013, more than half of the throughput volumes for the field processing business is anticipated to be captured through facilities near or inside Montney, Wilrich, Notikewin, Glauconite, Duvernay and other liquids-rich gas formations, along with associated gas from oil or solution gas production. AltaGas expects increased volumes from the new and expanded facilities to offset the impact of low producer activity as a result of low natural gas prices. There are no major turnarounds planned in the Gas segment in 2013.

Management estimates that 12 percent of total extraction volumes for the second through fourth quarters of 2013 will be exposed to frac spread. For the entire 2013 period, 2,000 Bbls/d of propane-plus volumes have been hedged at approximately $35/Bbl. An additional 1,000 Bbls/d of propane has been hedged for the first six months of 2013.

Excluding the addition of Blythe, the Power segment is expected to report comparable earnings in 2013 to those of 2012. Increased earnings from assets acquired and completed in 2012 are expected to be offset by lower power prices realized in Alberta based on lower hedged prices and lower volumes hedged.

AltaGas has hedged approximately 70 percent, 45 percent and 40 percent of volumes exposed to Alberta power prices for second, third and fourth quarter 2013, respectively, all at an average price of approximately $65/MWh. Management expects to be able to continue to execute short-term hedges throughout the year at premium prices to the medium and long-term power prices as reflected in the current forward curves.

GROWTH CAPITAL

Based on projects currently under review, development or construction, and the acquisition of Blythe expected to close in second quarter 2013, AltaGas expects capital expenditures for 2013 to be $850 to $900 million. The Corporation is also focused on enhancing productivity and streamlining businesses, including the disposition of smaller non-core assets.

AltaGas' committed capital program is fully funded through growing, internally-generated cash flow, the dividend reinvestment plan and available bank lines. As at March 31, 2013, the Corporation had approximately $696 million available in its credit facilities. On April 4, 2013, the Corporation closed a public offering of 11,615,000 common shares for aggregate gross proceeds of approximately $405 million. On April 12, 2013, the Corporation issued US$175 million of senior unsecured medium-term notes (MTNs) carrying a floating rate coupon of three-month LIBOR plus 0.79 percent and maturity on April 13, 2015.

AltaGas mitigates project cost escalation and schedule risk on its projects under construction through its procurement and contracting strategies. The following is a summary of progress made during first quarter 2013 on projects currently under construction and under development:

Northwest Projects

The Northwest Projects consist of three run-of-river hydroelectric projects in northwest British Columbia: the Forrest Kerr, McLymont Creek and Volcano Creek. All three projects are currently in various phases of construction. The 277 MW Northwest Projects are contracted with 60-year fully inflation indexed Energy Purchase Arrangements (EPA) with BC Hydro, as well as Impact Benefit Agreements with the Tahltan First Nation.

Forrest Kerr Project

Considerable progress has been made in first quarter 2013 as the construction of the 195 MW Forrest Kerr run-of-river project (Forrest Kerr Project) is progressing, ahead of schedule and on budget. The excavation of the power tunnel was completed on April 4, 2013. In-river work is complete and construction of the powerhouse is expected to be completed in second quarter. Construction is expected to be completed and the project is expected to be mechanically complete by the end of 2013, with commissioning to follow based on the availability of the Northwest Transmission Line (NTL). In-service date is still on target for mid-2014.

McLymont Creek and Volcano Creek Projects

All material permits and licences are in place and construction has commenced on both the 66 MW McLymont Creek run-of-river project (McLymont Creek Project) and 16 MW Volcano Creek run-of-river project (Volcano Creek Project). Construction of the McLymont access road and bridge work was completed in first quarter 2013. Excavation of the Volcano Creek powerhouse, intake site and diversion are currently underway and anticipated to be completed by the end of third quarter 2013. The two projects are expected to be in service in mid-2015.

AltaGas Idemitsu Joint Venture Limited Partnership

On January 28, 2013, AltaGas signed an agreement with Idemitsu to form AltaGas Idemitsu LP. AltaGas and Idemitsu will each own a 50 percent interest in AltaGas Idemitsu LP. AltaGas Idemitsu LP plans to pursue opportunities to develop long-term natural gas supply and sales arrangements to meet the growing demand for natural gas in Asia.

AltaGas Idemitsu LP will also undertake feasibility studies for the development and construction of liquefaction facilities as part of the proposed project to export LNG to markets in Asia. The feasibility study is expected to be completed by early 2014. Subject to consultations with First Nations, and the completion of the feasibility study, permitting, regulatory approvals and facility construction, the proposed LNG exports could begin as early as 2017.

AltaGas Idemitsu LP also plans to pursue opportunities to develop a LPG export business, including logistics, plant refrigeration and storage facilities. The feasibility study is expected to be completed in 2013. Idemitsu is a shareholder of Astomos Energy Corporation, one of the world's largest LPG suppliers. Subject to consultations with First Nations, and the completion of the feasibility study, permitting, regulatory approvals and facility construction, the proposed LPG export business could begin as early as 2016.

During first quarter 2013, AltaGas Idemitsu LP began work on feasibility studies in order to advance the LNG and LPG export opportunities.

Blythe Energy Center

In first quarter 2013, AltaGas announced the acquisition of Blythe, which owns a 507 MW natural gas-fired combined cycle plant, associated major spare parts, and a related 230 kV 67-mile electric transmission line in Southern California, for US$515 million. The Blythe Energy Center is contracted under a PPA through to July 2020 with Southern California Edison.

The transaction is subject to customary approvals, including Federal Energy Regulatory Commission approval pursuant to Federal Power Act section 203, and expiration or termination of the applicable waiting periods under the Hart Scott Rodino Antitrust Improvements Act of 1976 (HSR). Early termination of the HSR review period was granted on April 11, 2013. The acquisition is expected to close in second quarter 2013.

Pacific Northern Gas Ltd.

Pacific Northern Gas Ltd. (PNG) completed a pre-feasibility study in response to expressions of interest for expansion capacity on its transmission line. The pre-feasibility study addressed capacity additions to the PNG system ranging from 195 Mmcf/d to approximately 600 Mmcf/d, PNG expects to proceed to the next stage of development, including engagement with First Nations and commencement of the environmental review process, in second quarter 2013.

NON-GAAP FINANCIAL MEASURES

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

References to net revenue, normalized operating income, normalized EBITDA, normalized net income and normalized funds from operations throughout this document have the meanings as set out in this section.

Net Revenue

($ millions)		Three months ended March 31 2013		2012
Net revenue	$	**237.1**	$	166.5
Add (deduct):				
Other (income) expense		**0.6**		(1.8)
Income from equity investments		**(16.6)**		(12.1)
Cost of sales		**392.4**		209.1
Revenue (GAAP financial measure)	$	**613.5**	$	361.7

Management believes that net revenue, which is revenue plus "Income from equity investments" not held-for-trading, plus other income (expense) less the cost of commodities purchased for sale and shrinkage, is a better reflection of performance than revenue, since changes in the market price of natural gas affect both revenue and cost of sales, and equity investments are part of operating activities for the Corporation.

Normalized Operating Income

($ millions)		Three months ended March 31 2013		2012
Normalized operating income	$	**109.1**	$	69.5
Add (deduct):				
Transaction costs related to acquisitions		**(0.5)**		(1.6)
Unrealized gain (loss) on held-for-trading		**(1.0)**		1.7
Operating income		**107.6**		69.6
Add (deduct):				
Unrealized gain (loss) on risk management contracts		**(7.1)**		1.2
Interest expense		**(24.6)**		(12.8)
Foreign exchange gain (loss)		**0.4**		(0.1)
Income tax expense		**(21.0)**		(13.8)
Net income applicable to non-controlling interests		**(1.6)**		(0.3)
Preferred share dividends		**(4.7)**		(2.5)
Net income applicable to common shares (GAAP financial measure)	$	**49.0**	$	41.3

Operating income is a measure of AltaGas' profitability from its principal operating activities prior to how these activities are financed, how the results are taxed, or the impact of unrealized gains or losses on risk management contracts. The measure is used to assess operating performance since management believes that it is a better indicator of operating performance than net income. Operating income is calculated from the Consolidated Statements of Income using net income applicable to common shares adjusted for pre-tax unrealized gains or losses on risk management contracts, interest expense, foreign exchange loss, income tax expense, net income applicable to non-controlling interests and preferred share dividends.

Normalized operating income represents operating income adjusted for non-operating related expenses such as transaction costs related to acquisitions and unrealized gains (losses) on held-for-trading.

Normalized EBITDA

($ millions)		Three months ended March 31 2013		2012
Normalized EBITDA	**$**	**145.8**	$	91.6
Add (deduct):				
Transaction costs		**(0.5)**		(1.6)
Unrealized gain (loss) on held-for-trading		**(1.0)**		1.7
EBITDA		**144.3**		91.7
Add (deduct):				
Unrealized gain (loss) on risk management contracts		**(7.1)**		1.2
Depreciation, depletion and amortization		**(35.7)**		(21.3)
Accretion of asset retirement obligations		**(1.0)**		(0.8)
Interest expense		**(24.6)**		(12.8)
Foreign exchange gain (loss)		**0.4**		(0.1)
Income tax expense		**(21.0)**		(13.8)
Net income applicable to non-controlling interests		**(1.6)**		(0.3)
Preferred share dividends		**(4.7)**		(2.5)
Net income applicable to common shares (GAAP financial measure)	**$**	**49.0**	$	41.3

EBITDA is a measure of AltaGas' operating profitability without the impact of risk management contracts and prior to how business activities are financed, assets are amortized or earnings are taxed. AltaGas does not speculate on commodity prices, but rather enters into financial instruments to manage risk, and therefore evaluates company performance excluding unrealized gains or losses from risk management contracts. EBITDA is calculated from the Consolidated Statements of Income using net income applicable to common shares adjusted for pre-tax unrealized gains or losses on risk management contracts, depreciation, depletion and amortization, accretion of asset retirement obligations, interest expense, foreign exchange loss, income tax expense, net income applicable to non-controlling interests and preferred share dividends.

Normalized EBITDA represents EBITDA adjusted for non-operating related one-time expenses such as transaction costs related to acquisitions and unrealized gains (losses) on held-for-trading.

Normalized Net Income

($ millions)		Three months ended March 31 2013		2012
Normalized net income	**$**	**55.5**	$	40.1
Add (deduct):				
Unrealized after-tax gain (loss) on risk management contracts		**(5.3)**		0.9
Unrealized after-tax gain (loss) on held-for-trading assets		**(0.9)**		1.5
After-tax transaction costs		**(0.3)**		(1.2)
Net income applicable to common shares (GAAP financial measure)	**$**	**49.0**	$	41.3

Normalized net income represents net income applicable to common shares adjusted for all mark-to-market accounting and non-operating related one-time expenses, such as transaction costs related to acquisitions including foreign exchange gains or losses, gains or losses on sale of assets on an after-tax basis.

Normalized Funds from Operations		Three months ended March 31
($ millions)	**2013**	2012
Normalized funds from operations	**$ 122.4**	$ 74.7
Add (deduct):		
Transaction costs	**(0.5)**	(1.6)
Funds from operations	**121.9**	73.1
Add (deduct):		
Net change in operating assets and liabilities	**(18.8)**	26.1
Asset retirement obligations settled	**(0.5)**	(0.4)
Cash from operations (GAAP financial measure)	**$ 102.6**	$ 98.8

Normalized funds from operations are used to assist management and investors in analyzing financial performance without regard to changes in operating assets and liabilities in the period and non-operating related one-time expenses such as transaction costs. Funds from operations as presented should not be viewed as an alternative to cash from operations or other cash flow measures calculated in accordance with GAAP.

Funds from operations are calculated from the Consolidated Statements of Cash Flows and are defined as cash from operations before net changes in operating assets and liabilities, expenditures incurred to settle asset retirement obligations and non-operating related expenses.

RESULTS OF OPERATIONS BY REPORTING SEGMENT

Operating Income		Three months ended March 31
($ millions)	**2013**	2012
Gas	**$ 27.8**	$ 30.1
Power	**21.9**	26.9
Utilities	**65.4**	19.4
Sub-total: Operating Segments	**115.1**	76.4
Corporate[1]	**(7.5)**	(6.8)
	$ 107.6	$ 69.6

[1] *Includes mark-to-market gain/loss on held-for-trading assets and excludes mark-to-market gain/loss on risk management contracts.*

GAS

OPERATING STATISTICS	Three months ended March 31 2013	2012
Extraction and Transmission (E&T)		
Extraction inlet gas processed (Mmcf/d)(1)	**977**	944
Extraction ethane volumes (Bbls/d)(1)	**31,335**	29,155
Extraction NGL volumes (Bbls/d)(1)	**15,185**	16,031
Total extraction volumes (Bbls/d)(1)	**46,520**	45,186
Frac spread - realized ($/Bbl)(1) (2)	**29.57**	34.11
Frac spread - average spot price ($/Bbl)(1) (3)	**27.23**	40.42
Field Gathering and Processing (FG&P)		
Processing throughput (gross Mmcf/d)(1)	**403**	400
Energy Services		
Average volumes transacted (GJ/d)(1)(4)	**438,387**	376,071

(1) *Average for the period.*

(2) *Realized frac spread or NGL margin, expressed in dollars per barrel of NGL, is derived from sales recorded by the segment during the period for frac exposed volumes plus the settlement value of frac hedges settled in the period less shrinkage gas and extraction premiums, divided by the total frac exposed volumes produced during the period.*

(3) *Average spot frac spread or NGL margin, expressed in dollars per barrel of NGL, are indicative of the average sales price that AltaGas receives for propane, butane and condensate less shrinkage gas and extraction premiums, divided by the respective frac exposed volumes for the period.*

(4) *Includes volumes marketed directly, volumes transacted on behalf of other operating segments and volumes sold in gas exchange transactions.*

In first quarter 2013, average ethane volumes increased by 2,180 Bbls/d and NGL volumes decreased by 846 Bbls/d, compared to same quarter 2012. Ethane volumes were higher largely due to the addition of the Co-stream facility. Ethane volumes are delivered to NOVA Chemicals under a 20-year cost-of-service arrangement. NGL volumes were lower in first quarter 2013 compared to same quarter 2012 as a result of lower volumes at the Younger facility and Joffre Ethane Extraction Plant (JEEP). NGLs produced at the Co-stream facility and delivered to NOVA Chemicals, partially offset the declines. During first quarter 2013, the Co-stream facility operated below capacity primarily as a result of reduced inlet compression off the Nova Gas Transmission Ltd. (NGTL) system.

FG&P throughput in first quarter 2013 averaged 403 Mmcf/d compared to 400 Mmcf/d in same quarter 2012. The newly expanded Blair Creek facility is operating at approximately 78 percent utilization capacity. The Gordondale gas plant is operating as designed with utilization for first quarter 2013 of approximately 42 percent. Based on drilling activity in the area AltaGas expects utilization at Gordondale to ramp up throughout 2013. Volumes in first quarter increased substantially over the average throughput of 372 Mmcf/d for 2012 and 377 Mmcf/d for fourth quarter 2012. The increases were primarily driven by the addition of new and expanded capacity mostly in fourth quarter 2012.

Three Months Ended March 31

The Gas segment recorded operating income of $27.8 million in first quarter 2013 compared to $30.1 million in same quarter 2012. Operating income increased as a result of higher volumes of gas processed offset by lower contribution from sale of NGL, and lower revenue related to gas purchase and sale activities.

During first quarter 2013, AltaGas hedged approximately 58 percent of frac exposed production at an average price of $34/Bbl. During first quarter 2012, AltaGas hedged approximately 70 percent of frac exposed production at an average price of $35/Bbl. The average indicative spot NGL frac spread for first quarter 2013 was approximately $27/Bbl compared to approximately $40/Bbl in same quarter 2012.

POWER

OPERATING STATISTICS

	Three months ended March 31 2013	2012
Volume of power sold (GWh)	**866**	816
Average price realized on the sale of power ($/MWh)	**73.25**	72.56
Alberta Power Pool average spot price ($/MWh)	**65.28**	60.12

In first quarter 2013, volume of power sold increased by 50 GWh compared to same quarter 2012. Volumes sold in first quarter 2013 comprised of 738 GWh conventional power generation and 128 GWh renewable power generation, compared to 706 GWh conventional power generation and 110 GWh renewable power generation in same quarter 2012. The increase in power generated was primarily due to the addition on new power generation assets in 2012, partially offset by planned and unplanned outages at Sundance.

Three Months Ended March 31

The Power segment reported operating income of $21.9 million in first quarter 2013 compared to $26.9 million in same quarter 2012. Operating income increased as a result of new assets added in 2012 and higher spot power prices in Alberta, which was more than offset by the impact of lower hedged volumes at lower hedged prices, the unplanned outage at Sundance 3, lower prices received for power at the peaking facilities and lower generation at Bear Mountain.

In first quarter 2013, AltaGas was 61 percent hedged in Alberta at an average price of $68/MWh. In first quarter 2012, AltaGas was 75 percent hedged at an average price of $80/MWh.

UTILITIES

OPERATING STATISTICS

	Three months ended March 31 2013	2012
Canadian utilities		
Natural gas deliveries - end-use (PJ)(1)	**11.7**	10.8
Natural gas deliveries - transportation (PJ)(1)	**1.7**	2.0
U.S. utilities(2)		
Natural gas deliveries - end-use (Bcf)(1)	**28.8**	-
Natural gas deliveries - transportation (Bcf)(1)	**12.7**	-
Service sites (3)	**549,905**	115,623
Degree day variance from normal - AUI (%) (4)	**(4.8)**	(11.5)
Degree day variance from normal - Heritage Gas (%) (4)	**(2.1)**	(8.6)
Degree day variance from normal - SEMCO Gas (%) (2) (5)	**4.5**	-
Degree day variance from normal - ENSTAR (%) (2) (5)	**(5.3)**	-

(1) *Petajoule (PJ) is one million gigajoules. Bcf is one billion cubic feet.*

(2) *Results for U.S. utilities are from August 30, 2012.*

(3) *Service sites reflect all of the service sites of AUI, PNG, Heritage Gas and U.S. utilities, including transportation and non-regulated business lines.*

(4) *A degree day for AUI and Heritage Gas is the cumulative extent to which the daily mean temperature falls below 15 degrees Celsius at AUI and 18 degrees Celsius at Heritage Gas. Normal degree days are based on a 20-year rolling average. Positive variances from normal lead to increased delivery volumes from normal expectations. Degree day variances do not materially affect the results of PNG as the British Columbia Utilities Commission has approved a rate stabilization mechanism for its residential and small commercial customers.*

(5) *A degree day for U.S. utilities is a measure of coldness determined daily as the number of degrees the average temperature during the day in question is below 65 degrees Fahrenheit. Degree days for a particular period are determined by adding the degree days incurred during each day of the period. Normal degree days for a particular period are the average of degree days during the prior fifteen years for SEMCO Gas and during the prior ten years for ENSTAR Natural Gas Company.*

REGULATORY METRICS

	Three months ended March 31 2013	2012
Approved return on equity (%)		
Canadian utilities (average)	**10.0**	10.0
U.S. utilities (average)(2)	**11.3**	-
Approved return on debt (%)		
Canadian utilities (average)	**6.4**	6.3
U.S. utilities (average)(2)	**5.6**	-
Rate base ($ millions)(1)		
Canadian utilities	**571.7**	531.1
U.S. utilities(2)(3)(4)	**773.0**	-

(1) *Rate base is indicative of the earning potential of each utility over time. Approved revenue requirement for each utility is typically based on the rate base as approved by the regulator for the respective rate application, which may be different from that indicated above.*

(2) *Results for U.S. utilities are from August 30, 2012.*

(3) *In U.S. dollars.*

(4) *Reflects AltaGas' 65 percent interest in Cook Inlet Natural Gas Storage Alaska LLC.*

Three Months Ended March 31

The Utilities segment reported operating income of $65.4 million in first quarter 2013, a significant increase compared to $19.4 million in same quarter 2012. Operating income increased mainly due to the acquisition of SEMCO, which contributed $44.6 million to operating income in the quarter, colder weather at both AUI and Heritage Gas, and continued rate base growth at the Canadian utilities.

CORPORATE

Three Months Ended March 31

The operating loss excluding the impact of mark-to-market accounting on risk management contracts in first quarter 2013 was $7.5 million compared to $6.8 million in same quarter 2012. The increase in loss was due to an unrealized loss on held-for-trading assets of $1.0 million compared to an unrealized gain of $1.7 million in same quarter 2012, partially offset by lower administrative expenses. In first quarter 2012, administrative expenses for Corporate included transaction costs of $1.3 million related to acquisitions.

INVESTED CAPITAL

During first quarter 2013, AltaGas increased property, plant and equipment, intangible assets, long-term investments and other assets by $103.9 million compared to $201.6 million in first quarter 2012. The net invested capital was $103.9 million in first quarter 2013 compared to $187.8 million in same quarter 2012.

Invested Capital - Investment Type

					Three months ended March 31, 2013
($ millions)	Gas	Power	Utilities	Corporate	Total
Invested capital:					
Property, plant and equipment	**7.0**	**70.9**	**23.1**	**0.8**	**101.8**
Intangible assets	**3.0**	**-**	**0.6**	**0.5**	**4.1**
Long-term investments and other assets	**-**	**-**	**-**	**(2.0)**	**(2.0)**
	10.0	**70.9**	**23.7**	**(0.7)**	**103.9**
Disposals:					
Property, plant and equipment	**-**	**-**	**-**	**-**	**-**
Long-term investments and other assets	**-**	**-**	**-**	**-**	**-**
Net Invested capital	**10.0**	**70.9**	**23.7**	**(0.7)**	**103.9**

Invested Capital - Investment Type

					Three months ended March 31, 2012
($ millions)	Gas	Power	Utilities	Corporate	Total
Invested capital:					
Property, plant and equipment	84.2	72.0	5.0	0.1	161.3
Intangible assets	0.9	-	0.1	-	1.0
Long-term investments and other assets	(0.1)	36.0	0.1	3.3	39.3
	85.0	108.0	5.2	3.4	201.6
Disposals:					
Property, plant and equipment	-	(13.8)	-	-	(13.8)
Long-term investments and other assets	-	-	-	-	-
Net Invested capital	85.0	94.2	5.2	3.4	187.8

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

Growth capital expenditures of $100.4 million was reported in first quarter 2013 (first quarter 2012 - $200.0 million).

In the Gas segment, growth capital comprised of $3.7 million for construction of Gordondale, $2.9 million for construction of the Co-stream facility and $0.2 million for various other Gas related projects.

The Power segment, growth capital projects included $62.6 million for the Forrest Kerr Project, $6.2 million for the McLymont Project, $1.3 million for the Volcano Creek Project, $0.2 million for the U.S. power assets and $0.6 million for various renewable power development projects.

The Utilities segment reported growth capital of $15.3 million at the U.S. utilities, $5.4 million on rate-regulated assets at the Canadian utilities and $2.9 million related to the compressed natural gas business at Heritage Gas.

The Corporate segment reported a decrease in capital of $2.0 million related to the change in fair value of AltaGas' investment in Alterra Power Corp. and an expenditure of $1.0 million for other projects.

Maintenance and administrative capital expenditures in first quarter 2013 were $3.1 million and $0.4 million, respectively (first quarter 2012 - $1.1 million and $0.5 million, respectively).

Invested Capital - Use — Three months ended March 31, 2013

($ millions)	Gas	**Power**	Utilities	Corporate	Total
Invested capital:					
Maintenance	**3.1**	**-**	**-**	**-**	**3.1**
Growth	**6.8**	**70.9**	**23.7**	**(1.0)**	**100.4**
Administrative	**0.1**	**-**	**-**	**0.3**	**0.4**
Invested capital	**10.0**	**70.9**	**23.7**	**(0.7)**	**103.9**

Invested Capital - Use — Three months ended March 31, 2012

($ millions)	Gas	Power	Utilities	Corporate	Total
Invested capital:					
Maintenance	1.1	-	-	-	1.1
Growth	83.5	108.0	5.2	3.3	200.0
Administrative	0.4	-	-	0.1	0.5
Invested capital	85.0	108.0	5.2	3.4	201.6

RISK MANAGEMENT

Market Risk

The Corporation is exposed to market risk and potential loss from changes in the value of financial instruments. AltaGas enters into financial derivative contracts to manage exposure to fluctuations in commodity prices, interest rates and foreign exchange rates. During first quarter 2013, the Corporation had positions in the following types of derivatives, which are also disclosed in the unaudited Consolidated Financial Statements:

Commodity Forward Contracts :

The Corporation executes gas, power and other commodity forward contracts to manage its asset portfolio and lock in margins from back-to-back purchase and sale agreements. In a forward contract, one party agrees to deliver a specified amount of an underlying asset to the other party at a future date at a specified price. The energy services division transacts primarily on this basis.

Commodity Swap Contracts:

Power hedges:

AltaGas executes fixed for floating power price swaps to manage its power asset portfolio. A fixed for floating price swap is an agreement between two counterparties to exchange a fixed price for a floating price. The Power segment results are affected by the price of electricity in Alberta. AltaGas employs derivative commodity instruments for the purpose of managing AltaGas' exposure to power price volatility. The Alberta Power Pool settles power prices on an hourly basis and prices ranged from $10.24/MWh to $936.33/MWh in first quarter 2013 and $10.89/MWh to $999.99/MWh in first quarter 2012. The average Alberta spot price was $65.28/MWh in first quarter 2013 (first quarter 2012 - $60.12/MWh). AltaGas moderated the impact of this volatility on its business through the use of financial hedges on a portion of its power portfolio. The average price realized for power by AltaGas was $73.25/MWh in first quarter 2013 (first quarter 2012 - $72.56/MWh). AltaGas has hedged approximately 70 percent, 45 percent and 40 percent of volumes exposed to Alberta power prices for second, third and fourth quarter 2013, respectively, all at an average price of approximately $65/MWh.

NGL frac spread hedges:

The Corporation executes fixed for floating NGL frac spread swaps to manage its exposure to frac spreads. The financial results of several extraction plants are affected by fluctuations in NGL frac spreads. During first quarter 2013, the Corporation had NGL frac spread hedges for an average of 2,996 Bbls/d at an average price of approximately $33/Bbl. The average indicative spot NGL frac spread for first quarter 2013 was an estimated $27.23/Bbl (first quarter 2012 – $40/Bbl). The average NGL frac spread realized by AltaGas in first quarter 2013 was $29.57/Bbl (first quarter 2012 - $34.11/Bbl). For the entire 2013 period, 2,000 Bbls/d of propane-plus volumes have been hedged at approximately $35/Bbl. An additional 1,000 Bbls/d of propane has been hedged for the first six months of 2013.

Interest Rate Forward Contracts:

From time to time, the Corporation enters into interest rate swaps where cash flows of a fixed rate are exchanged for those of a floating rate, or vice versa. At March 31, 2013, the Corporation had no interest rate swaps outstanding. At March 31, 2013, the Corporation had fixed the interest rate on 72.1 percent of its debt including MTNs (March 31, 2012 - 75.0 percent).

Foreign Exchange Forward Contracts:

Foreign exchange exposure created by transacting commercial arrangements in foreign currency is managed through the use of foreign exchange forward contracts whereby a fixed rate is locked in against a floating rate and option agreements whereby an option to transact foreign currency at a future date is purchased or sold.

The fair value of power, natural gas and NGL derivatives was calculated using estimated forward prices from published sources for the relevant period. The calculation of fair value of interest rate and foreign exchange derivatives used quoted market rates.

AltaGas does not speculate on commodity prices and therefore does not engage in commodity transactions that create incremental exposure or are based solely on expectations of future energy market price movements. Commodity transactions are used to lock in margins, optimize underlying physical assets or reduce exposure to energy price movements. AltaGas' risk management group reviews commodity and credit risk on a daily basis and has created and adheres to a conservative risk policy and hedging program.

LIQUIDITY

Cash Flows

($ millions)		Three months ended March 31 2013		2012
Cash from operations	**$**	**102.6**	$	98.8
Investing activities		**(110.1)**		(247.1)
Financing activities		**20.0**		146.6
Effect of exchange rate		**0.2**		-
Change in cash	**$**	**12.7**	$	(1.7)

Cash from Operations

Cash from operations reported on the Consolidated Statements of Cash Flows was $102.6 million in first quarter 2013 compared to $98.8 million in first quarter 2012. The increase in cash from operations was primarily a result of earnings from SEMCO and higher distributions from equity investments. The increases were partially offset by a decrease in operating assets and liabilities of $18.8 million, compared to an increase of $26.1 million in first quarter 2012.

Working Capital

As at March 31 ($ millions except current ratio)		2013		2012
Current assets	**$**	**551.4**	$	336.2
Current liabilities		**666.1**		402.3
Working capital		**(114.7)**		(66.1)
Current ratio		**0.83**		0.84

Working capital was in a negative position of $114.7 million as at March 31, 2013, compared to a negative position of $66.1 million as at March 31, 2012. The working capital ratio was 0.83 at the end of first quarter 2013 compared to 0.84 at the end of same quarter 2012. The working capital ratio decreased slightly due to higher short-term debt, and lower inventory, accounts receivable and risk management assets, partially offset by lower accounts payable, lower risk management liabilities and higher cash as at March 31, 2013.

Investing Activities

Cash used for investing activities in first quarter 2013 was $110.1 million compared to $247.1 million in same quarter 2012. Investing activities in first quarter 2013 primarily comprised expenditures of $102.6 million for property, plant and equipment and $6.4 million contributions to equity investments, compared to investing activities in first quarter 2012 of $202.9 million property, plant and equipment expenditures, $34.7 for business acquisition and $3.0 million for long-term investment acquisitions.

Financing Activities

Cash received from financing activities was $20.0 million in first quarter 2013 compared to $146.6 million in same quarter 2012. Financing activities in first quarter 2013 were primarily comprised of issuance of $174.7 million short-term debt, $100.1 million long-term debt and repayment of $232.5 million of long-term debt. Financing activities in first quarter 2012 were comprised of $267.8 million of long-term debt issuance and $102.8 million of long-term debt repayment which included $100.0 million MTNs. In first quarter 2013, net proceeds from the DRIP program and the excercise of stock options provided $21.3 million, compared to $14.2 million in same quarter 2012. Total dividends paid in first quarter 2013 were $42.7 million, compared to $33.3 million in same quarter 2012.

CAPITAL RESOURCES

AltaGas' objective for managing capital is to maintain its investment grade credit ratings, ensure adequate liquidity and to maximize the profitability of its existing assets and grow its energy infrastructure to create long-term value and enhance returns for its investors. AltaGas considers shareholders' equity (including non-controlling interests), short-term and long-term debt (including current portion) less cash and cash equivalents to comprise its capital structure.

The use of debt or equity funding is based on AltaGas’ capital structure which is determined by considering the norms and risks associated with each of its business segments.

As at March 31, 2013, AltaGas had total debt outstanding of $2,761.8 million, up from $2,702.3 million at December 31, 2012. As at March 31, 2013, AltaGas had $1,625.0 million in MTNs outstanding, PNG debenture notes of $63.7 million, SEMCO long-term debt of $309.7 million and had access to prime loans, base rate loans, LIBOR loans, bankers’ acceptances, and letters of credit through bank credit facilities of $1,620.0 million. As at March 31, 2013, AltaGas' current portion of long-term debt was $9.4 million (December 31, 2012 - $9.3 million).

AltaGas' earnings interest coverage for the rolling twelve months ended March 31, 2013 was 2.39 times.

AltaGas' debt-to-total capitalization ratio as at March 31, 2013 was 57.2 percent (December 31, 2012 - 57.4 percent).

		March 31, 2013		December 31, 2012
Debt				
Short-term debt	**$**	**242,676**	$	66,938
Current portion of long-term debt		**9,427**		9,302
Long-term debt		**2,509,694**		2,626,086
Less: cash and cash equivalent		**(24,492)**		(11,827)
Net debt		**2,737,305**		2,690,499
Shareholders' equity		**2,004,150**		1,959,791
Non-controlling interests		**40,764**		40,006
Total capitalization	**$**	**4,782,219**	$	4,690,296
Debt-to-total capitalization ratio (%)		**57.2**		57.4

All of the borrowing facilities have covenants customary for these types of facilities, which must be met at each quarter end. AltaGas has been in compliance with these covenants each quarter since the establishment of the facilities. The following table summarizes the Corporation's debt covenants for all credit facilities as at March 31, 2013:

Ratios	Debt covenant requirements
Debt-to-capitalization	For two full quarters post SEMCO acquisition - not greater than 65 percent
	After two full quarters post SEMCO acquisition - not greater than 60 percent
EBITDA-to-interest expense	not less than 2.5x
EBITDA-to-interest expense (SEMCO)	not less than 2.25x
Debt-to-capitalization (SEMCO)	not greater than 60 percent
Debt-to-capitalization (Utility Group)	not greater than 67.5 percent
Debt-to-capitalization (PNG)	not greater than 65 percent

On December 7, 2011, a new $2 billion base shelf prospectus valid for 25 months was filed. The purpose of the shelf is to facilitate timely execution of future debt and/or equity issuances by disclosing standardized information required for each capital issuance. As at March 31, 2013, $840 million remain available on the base shelf prospectus.

On April 13, 2012, AltaGas issued $200 million of senior unsecured MTNs. The notes carry a coupon rate of 4.07 percent and mature on June 1, 2020.

On May 25, 2012, PNG's $25 million bank operating facility was amended and extended with a new maturity date of November 22, 2013.

On June 6, 2012, AltaGas issued 8,000,000 five-year rate reset Series C Preferred Shares, at a price of US$25 per Series C Preferred Share, for aggregate gross proceeds of US$200 million.

On August 30, 2012, SEMCO entered into an agreement for a new US$100 million unsecured credit facility which is available for working capital purposes and expires on August 30, 2014.

On September 28, 2012, AltaGas issued $350 million of senior unsecured MTNs. On April 13, 2012, AltaGas issued $200 million of senior unsecured MTNs. The net proceeds from these offerings were used to repay outstanding indebtedness under its credit facilities, as well as for general corporate purposes.

On September 28, 2012, AltaGas extended its US$300 million unsecured credit facility with three Canadian chartered banks. The credit facility's term was extended with a new maturity date of September 2, 2014.

On March 25 2013, in relation to the Blythe acquisition, AltaGas obtained a commitment from two Canadian-based financial institutions for a new 18-month US$300 million senior unsecured revolving credit facility.

As at March 31, 2013, the Corporation had approximately $696 million of available credit facilities and $24.5 million in cash and cash equivalents.

On April 4, 2013, AltaGas closed a public offering of 11,615,000 common shares at a price of $34.90 per common share for aggregate gross proceeds of approximately $405 million. Net proceeds will be used, in part, to fund the Blythe Energy Centre, as well as for general corporate purposes and to support future growth initiatives, including those related to AltaGas' energy export business conducted through its AltaGas Idemitsu LP.

On April 12, 2013, AltaGas issued US$175 million of senior unsecured MTNs. The notes carry a floating rate coupon of three-month LIBOR plus 0.79 percent and mature on April 13, 2015. The net proceeds resulting from the issuance of the notes will be used to reduce bank indebtedness and for general corporate purposes.

Credit facilities ($ millions)	Borrowing capacity	**Drawn at March 31 2013**	Drawn at December 31 2012
Demand operating facilities	$ 70.0	**$ 6.1**	$ 6.1
Extendible revolving letter of credit facility	75.0	**49.7**	50.0
PNG operating facility	25.0	**10.0**	15.4
PNG term revolver	35.0	**30.0**	30.0
Bilateral letter of credit facility	125.0	**84.8**	89.8
AltaGas Ltd. revolving credit facility (1)	600.0	**309.5**	227.3
Utility Group revolving credit facility	200.0	**168.5**	131.3
USD unsecured credit facility (1) (2)	300.0	**175.7**	170.0
SEMCO Energy USD unsecured credit facility (1) (2)	100.0	**0.2**	50.2
CINGSA USD secured construction and term loan facility (1) (2)	90.0	**89.7**	77.5
	$ 1,620.0	**$ 924.2**	$ 847.6

(1) *Amount drawn at March 31, 2013 converted at March 2013 month-end rate of 1 U.S. dollar = 1.0156 Canadian dollar (Amount drawn at December 31, 2012 converted at December 2012 month-end rate of 1 U.S. dollar = 0.9949 Canadian dollar).*

(2) *Borrowing capacity assumed at par.*

RELATED PARTIES

AltaGas and one of its managers agreed on a loan in the principal amount of $750 thousand, to be paid in full with accrued interest at the rate prescribed by the Income Tax Act (Canada) on the earlier of the date of employment termination and May 31, 2015 (December 31, 2012 - $750 thousand).

SHARE INFORMATION

As at March 31, 2013, AltaGas had 106.1 million common shares, 8.0 million series A preferred shares and 8.0 million series C USD preferred shares outstanding with a combined market capitalization of $4.1 billion based on a closing trading price on March 31, 2013 of $34.91 per common share, $26.60 per series A preferred share and $25.20 per series C USD preferred share. As at March 31, 2013, there were 5.4 million options outstanding and 2.3 million options exercisable under the terms of the share option plan.

DIVIDENDS

AltaGas declares and pays a monthly dividend to its common shareholders. Dividends are determined by giving consideration to the ongoing sustainable cash flow as impacted by the consolidated net income, maintenance and growth capital expenditures and debt repayment requirements.

On September 10, 2012, the Board of Directors approved an increase in the monthly dividend to $0.12 per common share from $0.115 per common share effective with the September dividend.

On April 24, 2013, the Board of Directors approved an increase in the monthly dividend to $0.125 per common share from $0.12 per common share effective with the May dividend.

The following table summarizes AltaGas' dividend declaration history:

Dividends
Years ended December 31

($ per common share)		**2013**		2012
First quarter	**$**	**0.360**	$	0.345
Second quarter		**-**		0.345
Third quarter		**-**		0.350
Fourth quarter		**-**		0.360
Total	**$**	**0.36**	$	1.40

Series A Preferred Share Dividends
Years ended December 31

($ per preferred share)		**2013**		2012
First quarter	**$**	**0.3125**	$	0.3125
Second quarter		**-**		0.3125
Third quarter		**-**		0.3125
Fourth quarter		**-**		0.3125
Total	**$**	**0.3125**	$	1.25

Series C Preferred Share Dividends

Years ended December 31 (US$ per preferred share)		2013		2012
First quarter	$	**0.275**		-
Second quarter		**-**		-
Third quarter		**-**		0.3473
Fourth quarter		**-**		0.2750
Total	**$**	**0.275**	$	0.6223

SUBSEQUENT EVENTS

On April 4, 2013, AltaGas closed a public offering of 11,615,000 common shares at a price of $34.90 per common share for aggregate gross proceeds of approximately $405 million. Net proceeds will be used, in part, to fund the acquisition of the Blythe Energy Centre, as well as for general corporate purposes and to support future growth initiatives, including those related to AltaGas' energy export business conducted through AltaGas Idemitsu LP.

On April 12, 2013, AltaGas issued US$175 million of senior unsecured MTNs. The notes carry a floating rate coupon of three month LIBOR plus 0.79 percent and mature on April 13, 2015. The net proceeds resulting from the issuance of the notes will be used by AltaGas to reduce bank indebtedness and for general corporate purposes.

SIGNIFICANT ACCOUNTING POLICIES

Reference should be made to the audited Consolidated Financial Statements as at and for the year ended December 31, 2012 for information on accounting policies and practices.

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 AltaGas' Consolidated Financial Statements requires the use of estimates and assumptions that have been made using careful judgment. AltaGas' significant accounting policies are contained in the notes to the Consolidated Financial Statements. Certain of these policies involve critical accounting estimates as a result of the requirement to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

AltaGas' critical accounting estimates continue to be financial instruments, depreciation, depletion and amortization expense, asset retirement obligations and other environmental costs, asset impairment assessment, income taxes, pension plans and post-retirement benefits, and regulatory assets and liabilities. For a full discussion of these accounting estimates, refer to the MD&A in AltaGas' 2012 Financial Report and the notes to the interim Consolidated Financial Statements for the three months ended March 31, 2013.

OFF-BALANCE SHEET ARRANGEMENTS

AltaGas is not party to any contractual arrangement under which an unconsolidated entity may have any obligation under certain guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets. AltaGas has no obligation under derivative instruments or a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support or engages in leasing, hedging or research and development services.

DISCLOSURE CONTROLS AND PROCEDURES (DC&P) AND INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

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

The Chief Executive Officer and the Chief Financial Officer have designed, with the assistance of AltaGas employees, DC&P and ICFR to provide reasonable assurance that material information relating to AltaGas' business is made known to them, is reported on a timely basis, financial reporting is reliable, and financial statements prepared for external purposes are in accordance with United States Generally Accepted Accounting Principles (US GAAP).

During first quarter 2013, there were no changes made to AltaGas' ICFR that materially affected, or are reasonably likely to materially affect, its ICFR.

SUMMARY OF CONSOLIDATED RESULTS FOR THE EIGHT MOST RECENT QUARTERS

($ millions)	**Q1-13**	Q4-12	Q3-12	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11
Total revenue	**613.5**	525.8	290.0	272.2	361.7	334.9	300.4	307.9
Net revenue(1)	**237.1**	207.6	146.3	144.0	166.5	156.0	115.6	106.2
Operating income(1)	**107.7**	81.7	33.4	29.3	69.6	49.1	33.5	34.2
Net income before taxes	**76.4**	51.8	18.8	37.9	57.8	44.6	18.0	11.8
Net income applicable to common shares(2)	**49.0**	26.7	8.0	25.8	41.3	31.6	11.1	13.3

($ per share)	**Q1-13**	Q4-12	Q3-12	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11
Net income applicable to common shares								
Basic(2)	**0.46**	0.25	0.07	0.29	0.46	0.37	0.13	0.16
Diluted(2)	**0.45**	0.25	0.07	0.28	0.45	0.36	0.13	0.16
Dividends declared	**0.36**	0.36	0.35	0.345	0.345	0.34	0.33	0.33

(1) *Non-GAAP financial measure. See discussion in the "Non-GAAP Financial Measures" section of this MD&A.*

(2) *Amounts may not add due to rounding.*

Significant items that impacted individual quarterly earnings were as follows:

- In second quarter 2011, it was determined that a future tax rate of 25 percent more accurately reflected the substantively enacted tax rates anticipated to be in effect in the periods in which the differences between tax and book values are expected to reverse. This resulted in a decrease of future tax liabilities of $6.8 million;
- In the third and fourth quarters 2011, turnarounds at Harmattan and Younger reduced revenue and increased operating expenses resulting in lower operating income of approximately $12 million before taxes. These turnarounds have occurred every three years;
- In fourth quarter 2011, AltaGas acquired all the outstanding common shares of PNG for $224 million including assumed debt of approximately $86 million. In the quarter, AltaGas recorded $5.7 million in pre-tax transaction costs primarily related to the acquisition of PNG and other business development related activities;
- In second quarter 2012, AltaGas recorded $3.5 million gain from the settlement of a dispute with a gas processing customer;
- In third quarter 2012, AltaGas completed the acquisition of SEMCO for total consideration of US$1.156 billion including US$371 million in assumed debt, adding approximately US$725 million in regulated rate base. In the quarter, AltaGas recorded $12.5 million in pre-tax transaction costs and foreign exchange losses primarily related to the acquisition of SEMCO and other business development related activities;
- In fourth quarter 2012, AltaGas wrote down $2.9 million in two wind projects under development; and
- In fourth quarter 2012, AltaGas received independent arbitration panel ruling regarding a claim of force majeure on Sundance B Unit 3 facility. As a result, AltaGas recorded a $11.0 million charge in cost of sales which was previously accrued in accounts receivable.

Consolidated Balance Sheets
(condensed and unaudited)

As at *($ thousands)*	**March 31 2013**	December 31 2012
ASSETS		
Current assets		
Cash and cash equivalents	**$ 24,492**	$ 11,827
Accounts receivable	**363,760**	382,610
Inventory *(note 4)*	**72,014**	94,709
Restricted cash holdings from customers	**26,348**	28,626
Regulatory assets	**5,071**	4,344
Risk management assets *(note 7)*	**29,119**	47,788
Prepaid expenses and other current assets	**21,580**	21,456
Deferred income taxes	**9,016**	16,375
	551,400	607,735
Property, plant and equipment	**4,037,300**	3,949,166
Intangible assets	**191,358**	189,790
Goodwill *(note 5)*	**723,940**	714,902
Regulatory assets	**274,292**	275,263
Risk management assets *(note 7)*	**13,669**	18,132
Deferred income taxes	**8,562**	8,962
Long-term investments and other assets	**22,143**	24,969
Investments accounted for by equity method	**149,690**	148,358
	$ 5,972,354	$ 5,937,277
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 312,758**	$ 370,011
Dividends payable	**12,670**	12,640
Short-term debt	**242,676**	66,938
Current portion of long-term debt *(note 6)*	**9,427**	9,302
Customer deposits	**43,124**	51,756
Regulatory liabilities	**4,861**	1,971
Risk management liabilities *(note 7)*	**24,098**	39,734
Deferred income taxes	**8,580**	12,539
Other current liabilities	**7,915**	10,301
	666,109	575,192
Long-term debt *(note 6)*	**2,509,694**	2,626,086
Asset retirement obligations	**57,481**	56,632
Deferred income taxes	**416,851**	404,072
Regulatory liabilities	**106,852**	104,282
Risk management liabilities *(note 7)*	**7,361**	10,526
Other long-term liabilities	**33,120**	33,786
Future employee obligations	**129,972**	126,904
	3,927,440	3,937,480

As at ($ thousands)	**March 31 2013**	December 31 2012
Shareholders' equity		
Common shares, no par value; unlimited shares authorized; 106.11 million issued and outstanding *(note 8)*	**1,661,779**	1,639,895
Preferred shares Series A cumulative redeemable five-year; par value $25; authorized 8 million; 8 million issued and outstanding *(note 8)*	**194,126**	194,126
Preferred shares Series C cumulative redeemable five-year; par value US$25; authorized 8 million; 8 million issued and outstanding *(note 8)*	**200,626**	200,626
Contributed surplus	**10,972**	10,570
Accumulated deficit	**(58,989)**	(69,979)
Accumulated other comprehensive loss	**(4,364)**	(15,447)
Total shareholders' equity	**2,004,150**	1,959,791
Non-controlling interests	**40,764**	40,006
	$ 5,972,354	$ 5,937,277

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statements of Income

(condensed and unaudited)

($ thousands except per share amounts)	Three months ended March 31 2013	2012
REVENUE		
Operating	**$ 620,523**	$ 360,493
Unrealized gain (loss) on risk management contracts *(note 7)*	**(7,054)**	1,157
	613,469	361,650
EXPENSES		
Cost of sales, exclusive of items shown separately	**392,378**	209,137
Operating and administrative	**99,851**	73,649
Accretion of asset retirement obligations	**966**	815
Depreciation, depletion and amortization	**35,687**	21,283
	528,882	304,884
Income from equity investments	**16,618**	12,145
Other income (expenses)	**(584)**	1,813
Foreign exchange gain (loss)	**399**	(134)
Interest expense		
Short-term debt	**321**	457
Long-term debt	**24,294**	12,304
Income before income taxes	**76,405**	57,829
Income tax expense		
Current	**6,530**	3,164
Deferred	**14,475**	10,596
Net income after taxes	**55,400**	44,069
Net income applicable to non-controlling interests	**1,642**	299
Net income applicable to controlling interests	**53,758**	43,770
Preferred share dividends	**4,734**	2,500
Net income applicable to common shares	**$ 49,024**	$ 41,270
Net income per common share *(note 9)*		
Basic	**$ 0.46**	$ 0.46
Diluted	**$ 0.45**	$ 0.45
Weighted average number of common shares outstanding *(note 8)* *($ thousands)*		
Basic	**105,726**	89,492
Diluted	**108,789**	90,866

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income and Accumulated Other Comprehensive (Loss) Income [(1)]

(condensed and unaudited)

	Three months ended March 31	
($ thousands)	**2013**	2012
Net income after taxes	**$ 55,400**	$ 44,069
Total other comprehensive loss (net of taxes)	**(4,364)**	(10,777)
Comprehensive income attributable to common shareholders and non-controlling interests (net of tax)	**$ 51,036**	$ 33,292
Comprehensive income attributable to:		
Non-controlling interests	**$ 1,642**	$ 299
Common shareholders	**49,394**	32,993
	$ 51,036	$ 33,292

($ thousands)	**Available-for-sale**	**Cash flow hedges**	**Defined benefit pension plans**	**Hedge net investments**	**Translation foreign operations**	**Total**
Opening balance, January 1, 2013	$ (5,787)	$ (994)	$ (10,246)	2,263)	$ 3,843	$ (15,447)
Other comprehensive income before reclassification	(850)	-	-	7,457)	19,016	10,709
Amounts reclassified from other comprehensive income *(note 3)*	-	179	195	-	-	374
Net current period other comprehensive income (loss)	$ (850)	$ 179	$ 195	$ (7,457)	$ 19,016	$ 11,083
Ending balance, March 31, 2013[(2) (3) (4)]	**$ (6,637)**	**$ (815)**	**$ (10,051)**	**$ (9,720)**	**$ 22,859**	**$ (4,364)**
Opening balance, January 1, 2012	$ (5,895)	$ (2,803)	$ (3,142)	-	-	$ (11,840)
Other comprehensive income (loss) before reclassification	1,400	-	-	-	-	1,400
Amounts reclassified from other comprehensive income *(note 3)*	-	(391)	54	-	-	(337)
Net current period other comprehensive income (loss)	$ 1,400	$ (391)	$ 54	-	-	$ 1,063
Ending balance, March 31, 2012[(2) (3) (4)]	$ (4,495)	$ (3,194)	$ (3,088)	-	-	$ (10,777)

(1) *All amounts are net of tax where applicable. Amounts in parenthesis indicate debits.*

(2) *Available-for-sale - net of tax recovery $979 (March 31, 2012 - $642).*

(3) *Defined benefit pension plans - net of tax recovery $3,449 (March 31, 2012 - $1,029).*

(4) *Hedge net investment - net of tax recovery $1,396 (March 31, 2012 - $nil).*

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statements of Equity

(condensed and unaudited)

($ thousands)	Three months ended March 31 2013	2012
Common shares *(note 8)*		
Balance, beginning of period	**$ 1,639,895**	$ 1,204,269
Shares issued for cash on exercise of options	**7,742**	5,727
Shares issued under DRIP [1]	**14,142**	8,448
Balance, end of period	**1,661,779**	1,218,444
Preferred shares *(note 8)*		
Balance, beginning of period	**394,752**	194,126
Balance, end of period	**394,752**	194,126
Contributed surplus		
Balance, beginning of period	**10,570**	7,441
Share options expense	**1,290**	849
Exercise of share options	**(538)**	(209)
Forfeiture of share options	**(350)**	(74)
Balance, end of period	**10,972**	8,007
Accumulated deficit		
Balance, beginning of period	**(69,979)**	(38,634)
Net income applicable to controlling interests	**53,758**	43,770
Common share dividends	**(38,034)**	(30,900)
Preferred share dividends	**(4,734)**	(2,500)
Balance, end of period	**(58,989)**	(28,264)
Accumulated other comprehensive income (loss)		
Balance, beginning of period	**(15,447)**	(11,840)
Other comprehensive income	**11,083**	1,063
Balance, end of period	**(4,364)**	(10,777)
Total shareholders' equity	**2,004,150**	1,381,536
Non-controlling interests		
Balance, beginning of period	**40,006**	5,426
Net income applicable to non-controlling interests	**1,642**	299
Business acquisition	**-**	7,939
Acquisition of non-controlling interests	**-**	(5,197)
Distribution by subsidiaries to non-controlling interests	**(884)**	-
Balance, end of period	**40,764**	8,467
Total equity	**$ 2,044,914**	$ 1,390,003

[1] *Dividend Reinvestment and Optional Share Purchase Plan.*

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(condensed and unaudited)

($ thousands)	Three months ended March 31 2013	2012
Cash from operations		
Net income after taxes	**$ 55,400**	$ 44,069
Items not involving cash:		
Depreciation, depletion and amortization	**35,687**	21,283
Accretion of asset retirement obligations	**966**	815
Share-based compensation	**940**	565
Deferred income tax expense	**14,475**	10,596
Gain on sale of assets	**(12)**	-
Income from equity investments	**(16,618)**	(12,145)
Unrealized (gains) losses on risk management contracts	**7,054**	(1,157)
Unrealized (gains) losses on held-for-trading investments	**1,036**	(1,726)
Other	**560**	2,679
Asset retirement obligations settled	**(493)**	(449)
Distributions from equity investments	**22,341**	8,221
Changes in operating assets and liabilities:		
Accounts receivable	**13,011**	20,067
Inventory	**24,402**	1,295
Other current assets	**(31)**	1,474
Regulatory assets (current)	**(660)**	2,373
Accounts payable and accrued liabilities	**(52,443)**	(6,306)
Customer deposits	**(9,109)**	6,181
Regulatory liabilities (current)	**3,299**	2,265
Other current liabilities	**(5,115)**	(5,198)
Other operating assets and liabilities	**7,886**	3,911
	102,576	98,813
Investing activities		
Change in restricted cash holdings from customers	**2,365**	(6,337)
Acquisition of property, plant and equipment	**(102,563)**	(202,891)
Acquisition of intangible assets	**(3,654)**	-
Proceeds from disposition of property, plant and equipment	**222**	-
Acquisition of long-term investments	**-**	(3,000)
Contributions to equity investments	**(6,431)**	(167)
Business acquisitions, net of cash acquired	**-**	(34,705)
	(110,061)	(247,100)

($ thousands)	**2013**	2012
Financing activities		
Net issuance (repayment) of short-term debt	**174,703**	715
Issuance of long-term debt, net of debt issuance costs	**100,069**	267,886
Repayment of long-term debt	**(232,527)**	(102,838)
Dividends - common shares	**(38,005)**	(30,840)
Dividends - preferred shares	**(4,734)**	(2,500)
Distributions to non-controlling interest	**(884)**	-
Net proceeds from issuance of common shares	**21,349**	14,176
	19,971	146,599
Effect of exchange rate changes on cash and cash equivalents	**179**	-
Change in cash and cash equivalents	**12,665**	(1,688)
Cash and cash equivalents, beginning of period	**11,827**	2,875
Cash and cash equivalents, end of period	**$ 24,492**	$ 1,187

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

	Three months ended March 31	
($ thousands)	**2013**	2012
Interest paid (net of capitalized interest)	**$ 18,876**	$ 8,509
Income taxes paid	**$ 3,100**	$ 5,070

See accompanying notes to the Consolidated Financial Statements.

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

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

1. ORGANIZATION AND OVERVIEW OF BUSINESS

The material businesses of AltaGas Ltd. (AltaGas or the Corporation) are operated by the Corporation, AltaGas Extraction and Transmission Limited Partnership, Coast Mountain Hydro Corp., Coast Mountain Hydro Limited Partnership, AltaGas Renewable Energy Inc., AltaGas Pipeline Partnership, AltaGas Holdings Inc., AltaGas Holding Partnership, AltaGas Processing Partnership, AltaGas Utility Group Inc., Taylor Processing Inc., Harmattan Gas Processing Limited Partnership, AltaGas Services (U.S.) Inc., AltaGas Utility Holdings (U.S.) Inc., SEMCO Holding Corporation and SEMCO Energy, Inc., (collectively, the operating subsidiaries).

AltaGas is a diversified energy infrastructure business with a focus on natural gas, power and regulated utilities. AltaGas has three operating segments, Gas, Power and Utilities. AltaGas' Gas segment serves producers in the Western Canada Sedimentary Basin (WCSB) and includes natural gas gathering and processing, natural gas liquids (NGL) extraction and fractionation, transmission, storage and natural gas marketing.

The Power segment includes 589 MW of generating capacity from gas-fired, coal-fired, wind, biomass and run-of-river assets. AltaGas owns 50 percent of the Sundance B Power Purchase Arrangements (PPA), giving it the rights to power output and ancillary services from coal-fired base-load generation until December 31, 2020. Further generation is in various stages of construction including the Northwest run-of-river projects (Northwest Projects), which consist of the Forrest Kerr run-of-river project (Forrest Kerr Project), McLymont Creek run-of-river project (McLymont Creek Project), and Volcano Creek run-of-river project (Volcano Creek Project). The 277 MW Northwest Projects are contracted with 60-year Consumer Price Index (CPI) indexed Energy Purchase Arrangements (EPA) with BC Hydro, as well as Impact Benefit Agreements with the Tahltan First Nation. Forrest Kerr Project is expected to be in service in mid-2014. The Mclymont Creek Project and Volcano Creek Project are expected to be in service in mid-2015.

The Utilities segment is predominantly comprised of natural gas distribution rate-regulated utilities, where financial results are generally based on a regulated allowed return on capital invested. AltaGas owns and operates regulated natural gas utilities in Canada and United States. The utilities are generally allowed the opportunity to earn regulated returns that provide for recovery of costs and a return on, and of capital from the regulator approved capital investment base.

The regulated utilities businesses in Canada are natural gas distribution utilities and are comprised of AltaGas Utilities Inc. (AUI) in Alberta, Pacific Northern Gas Ltd. (PNG) in British Columbia and Heritage Gas Limited (Heritage Gas) in Nova Scotia. AltaGas also owns a one-third equity interest in the utility that delivers natural gas to end-users in Inuvik, Northwest Territories. Through Heritage Gas, AltaGas is also developing and constructing a non-rate-regulated compressed natural gas (CNG) distribution business in Nova Scotia.

The Utilities business in the United States is comprised mainly of SEMCO Energy Gas Company (SEMCO Gas) in Michigan, and ENSTAR Natural Gas Company (ENSTAR) and a 65 percent interest in Cook Inlet Natural Gas Storage Alaska LLC (CINGSA) in Alaska.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

These unaudited condensed Consolidated Financial Statements have been prepared by management in accordance with United States Generally Accepted Accounting Principles (US GAAP) for interim financial statements. As a result, these interim Consolidated Financial Statements do not include all of the information and disclosures required in the annual Consolidated Financial Statements and should be read in conjunction with the Corporation's 2012 annual audited Consolidated Financial Statements prepared in accordance with US GAAP. In management's opinion, the interim condensed Consolidated Financial Statements include all adjustments that are all of a recurring nature and necessary to present fairly the financial position of the Corporation.

Pursuant to National Instrument 52-107, Acceptable Accounting Principles and Auditing Standards (NI 52-107), US GAAP reporting is generally permitted by Canadian securities laws for companies subject to reporting obligations under U.S. securities laws. However, given that AltaGas is not subject to such reporting obligations and could not therefore rely on the provisions of NI 52-107 to that effect, AltaGas sought and on July 4, 2011 obtained, exemptive relief by the securities regulators in Alberta and Ontario to permit it to prepare its financial statements in accordance with US GAAP. The exemption will terminate on or after the earlier of January 1, 2015 and the date on which AltaGas ceases to have activities subject to rate regulation.

These unaudited condensed Consolidated Financial Statements of AltaGas include the accounts of the Corporation and all of its wholly owned subsidiaries, and its interest in various partnerships and joint ventures where AltaGas has an undivided interest in the assets and liabilities of the joint venture or partnership.

Transactions between and amongst, AltaGas and its wholly owned subsidiaries, and the proportionate interests in joint ventures or partnerships are eliminated on consolidation. Where there is a party with a non-controlling interest in a subsidiary that AltaGas controls, that non-controlling interest is reflected as “Non-controlling interests” in the Consolidated Financial Statements. The non-controlling interests in net income (or loss) of consolidated subsidiaries is shown as an allocation of the consolidated net income and is presented separately in "Net income applicable to non-controlling interests".

SIGNIFICANT ACCOUNTING POLICIES

These interim condensed Consolidated Financial Statements have been prepared following the same accounting policies and methods as those used in preparing the Corporation's 2012 US GAAP annual audited Consolidated Financial Statements, except as described below.

Foreign Currency Translation

Monetary assets and liabilities denominated in a foreign currency for domestic entities are converted at the exchange rate in effect at the balance sheet date. Adjustments resulting from the conversion are recorded in the Consolidated Statement of Income. Non-monetary assets and liabilities are converted at the exchange rate in effect at the transaction date. Revenues and expenses are converted at the exchange rate applicable at the transaction date.

For foreign entities with a functional currency other than Canadian dollars, AltaGas’ reporting currency, assets and liabilities are translated into Canadian dollars at the rate in effect at the reporting date. The exchange rate used to convert a U.S. dollar to a Canadian dollar for the period ended March 31, 2013 was 1.0156 (year ended December 31, 2012 - 0.9949). Revenues and expenses are translated at average exchange rates during the reporting period. All adjustments resulting from the translation of the foreign operations are recorded in "Other comprehensive income" (OCI). The average exchange rate used to convert a U.S. dollar to a Canadian dollar for the period ended March 31, 2013 was 1.0089 (first quarter 2012 - 0.9966).

USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

The preparation of Consolidated Financial Statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the period. Key areas where management has made complex or subjective judgments, when matters are inherently uncertain include but are not limited to: amortization, asset impairment, litigation, environmental and asset retirement obligations, financial instruments, pension plans and other post-retirement benefits, share-based compensation, income taxes and regulatory assets and liabilities. Certain estimates are necessary for the regulatory environment in which AltaGas' subsidiaries or affiliates operate which often requires amounts to be recorded at estimated values until these amounts are finalized pursuant to regulatory decisions or other regulatory proceedings. By their nature, these estimates are subject to measurement uncertainty and may impact the Consolidated Financial Statements of future periods.

RECENTLY ADOPTED ACCOUNTING PRINCIPLES

Balance Sheet Disclosures - Offsetting Assets and Liabilities

In December 2011, the Financial Accounting Standards Board (FASB) issued an accounting standards update (ASU) which requires companies to disclose gross information and net information about both instruments and transactions eligible for offset in the statement of financial positions and instruments and transactions subject to an agreement similar to a master netting arrangement to enable users of its financial statements to understand the effect of those arrangements on its financial position. In January 2013, FASB issued ASU No. 2013-01 “Clarifying the Scope of Disclosure about Offsetting Assets and Liabilities”. The objective of ASU No. 2013-01 is to clarify that the scope of ASU No. 2011-11 would apply to derivatives including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions. ASU No. 2011 11 and ASU No. 2013-01 are effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013 with required disclosures made retrospectively for all comparative periods presented. The update required additional disclosure with no impact on the financial results.

Comprehensive Income and Equity

In June 2011, FASB issued ASU No. 2011 05, "Other Comprehensive Income". In February 2013, FASB issued ASU No. 2013-02 “Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income”. These standards amend Accounting Standards Codification (ASC) 220 to improve the comparability, consistency and transparency of comprehensive income reporting. The adoption of these updates change the order in which certain financial statements are presented and provide additional detail on those financial statements where applicable, with no other impact to the financial statements. These amendments are effective on or after December 15, 2012. The update required additional disclosure with no impact on the financial results.

CHANGE IN ACCOUNTING POLICIES

Obligations Resulting from Joint and Several Liability Arrangements

In February 2013, FASB issued ASU No. 2013 04, “Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is fixed at the Reporting Date”. The objective of this update is to provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. Examples of obligations within the scope of this update include debt arrangements, other contractual obligations, and settled litigation and judicial rulings. The update is effective for fiscal years, and interim periods within those years, beginning after December 31, 2013. Management has assessed that this update does not have any impact on the preparation and presentation of AltaGas’ interim consolidated financial statements at March 31, 2013.

Parent’s Accounting for the Cumulative Translation Adjustment

In March 2013, FASB issued ASU No. 2013 05, “Parent’s accounting for the Cumulative Translation Adjustment upon De-recognition of Certain Subsidiaries or Group of Assets within a Foreign Entity or of an Investment in a Foreign Entity”. This update applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets within a foreign entity. The update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Management has assessed that this update does not have any impact on the preparation and presentation of AltaGas’ interim consolidated financial statements at March 31, 2013.

3. RECLASSIFICATION FROM ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Three months ended March 31, 2013

Components reclassified		Amount	Income Statement line item
Cash flow hedges			
Commodity contracts – Bond forward	**$**	**179**	Interest expense – Long-term debt
Defined benefit pension plans		**304**	Operating and administrative expense
		483	Total before income taxes
Deferred income taxes		**(109)**	Income tax expenses – Deferred
	$	**374**	

Three months ended March 31, 2012

Components reclassified		Amount	Income Statement line item
Cash flow hedges			
Commodity contracts - NGL (ineffective hedge)	$	(742)	Unrealized gains (losses) on risk management contracts
Commodity contracts – Bond forward		165	Interest expense – Long-term debt
Defined benefit pension plans		72	Operating and administrative expense
		(505)	Total before income taxes
Deferred income taxes		168	Income tax expenses – Deferred
	$	(337)	

4. INVENTORY

As at		March 31 2013		December 31 2012
Natural gas held in storage	$	62,282	$	86,005
Other inventory		9,732		8,704
	$	72,014	$	94,709

5. GOODWILL

As at		March 31 2013		December 31 2012
Balance, beginning of period	$	714,902	$	281,123
Business acquisition		-		430,024
Foreign exchange translation		9,038		3,755
	$	723,940	$	714,902

6. LONG-TERM DEBT

	Maturity date	March 31 2013	December 31 2012
Credit facilities			
$35 million PNG 5 years revolver - 4.36 percent(1)	30-Jan-2015	**$ 30,000**	$ 30,000
$200 million Utility Group(2)	17-Nov-2015	**168,364**	131,342
$600 million Unsecured extendible revolving(2) (3) (8)	30-May-2016	**48,988**	227,345
US$300 million Unsecured(2)	02-Sep-2014	**175,699**	169,133
US$90 million CINGSA secured construction and term loan(4)	14-Nov-2015	**89,677**	77,105
Medium-term notes			
$200 million Senior unsecured - 7.42 percent	29-Apr-2014	**200,000**	200,000
$100 million Senior unsecured - 6.94 percent	29-Jun-2016	**100,000**	100,000
$200 million Senior unsecured - 5.49 percent	27-Mar-2017	**200,000**	200,000
$175 million Senior unsecured - 4.60 percent	15-Jan-2018	**175,000**	175,000
$200 million Senior unsecured - 4.10 percent	24-Mar-2016	**200,000**	200,000
$200 million Senior unsecured - 4.55 percent	17-Jan-2019	**200,000**	200,000
$200 million Senior unsecured - 4.07 percent	01-Jun-2020	**200,000**	200,000
$350 million Senior unsecured - 3.72 percent	28-Sep-2021	**350,000**	350,000
SEMCO long-term debt			
US$5 million SEMCO secured - 7.03 percent	25-Nov-2013	**5,039**	4,923
US$300 million SEMCO Senior secured - 5.15 percent(5)	21-Apr-2020	**304,680**	298,470
Debenture notes			
PNG RoyNat Debenture - 3.72 percent(1)	15-Sep-2017	**11,900**	12,200
PNG 2018 Series Debenture - 8.75 percent(1)	15-Nov-2018	**11,600**	11,600
PNG 2024 CFI Debenture - 7.39 percent(6)	01-Nov-2024	**8,243**	8,353
PNG 2025 Series Debenture - 9.30 percent(1)	18-Jul-2025	**15,500**	15,500
PNG 2027 Series Debenture - 6.90 percent(1)	02-Dec-2027	**16,500**	16,500
Loan from Province of Nova Scotia(7)	31-Jul-2017	**4,018**	3,964
SEMCO capital lease obligation - 3.50 percent	01-May-2040	**454**	445
Promissory notes	25-Oct-2015	**2,866**	2,866
Other long-term debt		**593**	642
		2,519,121	2,635,388
Less current portion		**9,427**	9,302
		$ 2,509,694	$ 2,626,086

(1) *Collateral for the Secured Debentures consists of a specific first mortgage on substantially all of PNG's PPE and gas purchase and gas sales contracts and a first floating charge on other property, assets and undertakings.*

(2) *Borrowings on the facilities can be by way of prime loans, U.S. base-rate loans, LIBOR loans, bankers' acceptances or letters of credit. Borrowings on the facilities have fees and interest at rates relevant to the nature of the draw made.*

(3) *The credit facility contains a $200 million accordion feature which allows AltaGas to increase the credit facility to an aggregate amount of $800 million.*

(4) *Borrowings on the facility can be by way of LIBOR loans or alternative base rate loans. Borrowings on the facility have fees and interest at rates relevant to the nature of the draw made. The facility is non-recourse to the CINGSA subsidiary.*

(5) *Collateral for the USD MTNs is certain SEMCO assets.*

(6) *Collateral for the CFI Debenture consists of first fixed specific and floating charges and a security interest over all the assets and undertakings of McNair Creek, a first security interest over all the interests of PNG in partnership interests and shares in McNair Creek.*

(7) *The loan is non-interest bearing and, if certain prescribed revenue targets are achieved, interest will immediately begin to accumulate on a prospective basis at a rate of 6 percent per annum. In July 2011, Heritage Gas elected to repay the loan in five equal installments beginning July 31, 2012. Heritage Gas may also elect to fully repay the loan at any time with no penalty.*

(8) *Drawn at March 31, 2013 included short-term debt of $230,033 thousand.*

7. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Fair Values of Financial Instruments

The fair value of power, natural gas and NGL derivatives was calculated using estimated forward prices from published sources for the relevant period. The fair value of interest rate and foreign exchange derivatives was calculated using quoted market rates.

The following methods and assumptions were used to estimate the fair value of each significant class of financial instruments:

Cash, Cash Equivalents, Accounts Receivable, Accounts Payable, Short-term debt and Dividends Payable - the carrying amount approximates fair value because of the short maturity of these instruments.

Current portion of long-term debt and Long-term debt - the fair value of current portion of long-term debt and long-term debt have been estimated based on discounted future interest and principal payments using estimated interest rates.

Summary of Fair Values		**March 31 2013**		December 31 2012
Current portion of long-term debt				
Carrying amount	**$**	**9,427**	$	9,302
Fair value of current portion of long-term debt	**$**	**9,755**	$	10,243

Summary of Fair Values		**March 31 2013**		December 31 2012
Long-term debt excluding non-financial instruments				
Carrying amount	**$**	**2,509,694**	$	2,626,086
Fair value of long-term debt excluding non-financial instruments	**$**	**2,692,914**	$	2,800,759

Fair Value Hierarchy

AltaGas categorizes its financial assets and financial liabilities into one of three levels based on fair value measurements and inputs used to determine the fair value.

Level 1 - fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities. Fair values are based on direct observations of transactions involving the same assets or liabilities and no assumptions are used. Included in this category are publicly traded shares valued at the closing price as at the balance sheet date.

Level 2 - fair values are determined based on inputs other than quoted prices that are observable for the asset or liability. AltaGas uses over-the-counter derivative instruments to manage fluctuations in commodity, interest rate and foreign exchange rates. AltaGas estimates forward prices based on published sources adjusted for factors specific to the asset or liability, including basis and location differentials, discount rates, currency exchange and interest rate yield curves. The forward curves used to mark-to-market these derivative instruments are vetted against public sources.

Level 3 - fair values are based on inputs for the asset or liability that are not based on observable market data. AltaGas uses valuation techniques when observable market data is not available.

March 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	**$ 24,492**	**-**	**-**	**$ 24,492**
Risk management assets - current	**-**	**$ 29,119**	**-**	**$ 29,119**
Risk management assets - non-current	**-**	**$ 13,669**	**-**	**$ 13,669**
Long-term investments and other assets	**$ 5,706**	**-**	**-**	**$ 5,706**
Financial liabilities				
Risk management liabilities - current	**-**	**$ 24,098**	**-**	**$ 24,098**
Risk management liabilities - non-current	**-**	**$ 7,361**	**-**	**$ 7,361**
Current portion of long-term debt	**-**	**$ 9,755**	**-**	**$ 9,755**
Long-term debt	**-**	**$ 2,692,914**	**-**	**$ 2,692,914**
December 31, 2012	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents	$ 11,827	-	-	$ 11,827
Risk management assets - current	-	$ 47,788	-	$ 47,788
Risk management assets - non-current	-	$ 18,132	-	$ 18,132
Long-term investments and other assets	$ 7,715	-	-	$ 7,715
Financial Liabilities				
Risk management liabilities - current	-	$ 39,734	-	$ 39,734
Risk management liabilities - non-current	-	$ 10,526	-	$ 10,526
Current portion of long-term debt	-	$ 10,243	-	$ 10,243
Long-term debt	-	$ 2,800,759	-	$ 2,800,759

Summary of Unrealized Gains (Losses) on Risk Management Recognized in Net Income

	Three months ended March 31 **2013**	2012
Natural gas	**$ (877)**	$ (4,132)
Storage optimization	**(1,670)**	1,465
NGL Frac Spread	**(596)**	(3,968)
Power	**(2,885)**	8,752
Heat rate	**(214)**	(531)
Interest rate swaps	**-**	7
Foreign exchange	**(347)**	(436)
Embedded derivative	**(465)**	-
	$ (7,054)	$ 1,157

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

		Three months ended				Three months ended
	Unrealized gains (losses)	Tax recovery	**March 31 2013**	Unrealized gains (losses)	Tax recovery (expense)	March 31 2012
Available-for-sale	**$ (985)**	**$ 135**	**$ (850)**	$ 1,600	$ (200)	$ 1,400
Bond forward	**179**	**-**	**179**	165	-	165
NGL Frac Spread	**-**	**-**	**-**	(741)	185	(556)
OCI	**$ (806)**	**$ 135**	**$ (671)**	$ 1,024	$ (15)	$ 1,009

Offsetting of Derivative Assets and Derivative Liabilities

As at March 31, 2013

Risk management assets	Gross amounts of recognized assets	Gross amounts offset in Balance Sheet	Net amounts of assets presented in Balance Sheet
Natural gas	**$ 63,717**	**$ 39,534**	**$ 24,183**
Storage optimization	**126**	**23**	**103**
	$ 63,843	**$ 39,557**	**$ 24,286**

As at March 31, 2013

Risk management liabilities	Gross amounts of recognized liabilities	Gross amounts offset in Balance Sheet	Net amounts of liabilities presented in Balance Sheet
Natural gas	**$ 59,723**	**$ 39,534**	**$ 20,189**
Storage optimization	**1,563**	**23**	**1,540**
Total	**$ 61,286**	**$ 39,557**	**$ 21,729**

As at March 31, 2012

Risk management assets	Gross amounts of recognized assets	Gross amounts offset in Balance Sheet	Net amounts of assets presented in Balance Sheet
Natural gas	$ 78,831	$ 16,529	$ 62,302
Storage optimization	4,757	470	4,287
	$ 83,588	$ 16,999	$ 66,589

As at March 31, 2012

Risk management liabilities	Gross amounts of recognized liabilities	Gross amounts offset in Balance Sheet	Net amounts of liabilities presented in Balance Sheet
Natural gas	$ 70,360	$ 16,529	$ 53,831
Storage optimization	3,356	470	2,886
	$ 73,716	$ 16,999	$ 56,717

Offseting of fair value amounts is generally not applied except where a right of set-off exists. A right of set-off exists only when AltaGas and its counterparty in the financial instrument owe a determinate amount, the two parties agree to set-off the amounts due, AltaGas intends to set-off, and the right of set-off is enforceable by law.

Long-term Investments and Other Assets

In January 2009, AltaGas purchased common shares of Alterra Power Corp. (Alterra), through a private equity offering. These shares were classified as available-for-sale. The accumulated changes in fair value of these common shares are being reported in OCI, as an unrealized after-tax loss of $6.6 million as at March 31, 2013 (December 31, 2012 unrealized after-tax loss of $5.8 million). The investments classified as available-for-sale also include funds under trust, acquired with SEMCO, with unrealized after-tax loss of $17 thousand as at March 31, 2013 (December 31, 2012 – unrealized after-tax loss $54 thousand).

In July 2009, AltaGas purchased additional shares of Alterra as part of its initial public offering. These shares were classified as held-for-trading. In July 2010, AltaGas purchased a second tranche of common shares in Alterra, which were classified as held-for-trading. All shares of Alterra are reported under "Long term investments and other assets". Unrealized gains (losses) on held-for-trading are recognized in the Consolidated Statement of Income under “Other income (expense)”.

Summary of Unrealized Gains (Losses) on Held-for-trading Recognized in Net Income

	Three months ended March 31 2013	2012
Financial assets held-for-trading	**$ (1,036)**	$ 1,726

8. SHAREHOLDERS' EQUITY

Authorization

AltaGas is authorized to issue an unlimited number of voting common shares. AltaGas is also authorized to issue preferred shares not to exceed 50 percent of the voting rights attached to the issued and outstanding common shares.

Common Shares Issued and Outstanding	Number of shares	Amount
January 1, 2012	89,248,374	$ 1,204,269
Shares issued for cash on exercise of options	779,969	16,197
Shares issued under DRIP	1,393,541	41,071
Shares issued on conversion of subscription receipts	13,915,000	378,358
December 31, 2012	105,336,884	$ 1,639,895
Shares issued for cash on exercise of options	**341,775**	**7,742**
Shares issued under DRIP	**435,378**	**14,142**
Issued and outstanding at March 31, 2013	**106,114,037**	**$ 1,661,779**

Preferred Shares Series A Issued and Outstanding	Number of shares	Amount
January 1, 2012	8,000,000	194,126
December 31, 2012	8,000,000	$ 194,126
Issued and outstanding at March 31, 2013	**8,000,000**	**194,126**

Preferred Shares Series C Issued and Outstanding	Number of shares	Amount
January 1, 2012	**-**	-
Shares issued on public offering	8,000,000	200,626
December 31, 2012	8,000,000	$ 200,626
Issued and outstanding at March 31, 2013	**8,000,000**	**200,626**

Weighted Average Shares Outstanding	Three months ended March 31 2013	2012
Number of shares - basic	**105,725,731**	89,491,534
Dilutive equity instruments (1)	**3,062,807**	1,373,832
Number of shares - diluted	**108,788,538**	90,865,366

(1) *Includes all options that have a strike price lower than the market share price of AltaGas' common shares at March 31, 2013 and 2012, respectively.*

For three months ended March 31, 2013, 858,500 options were excluded from the computation of diluted earnings per share because their effects were not dilutive (December 31, 2012 - 668,516 options).

Share Option Plan

AltaGas has an employee share option plan under which employees and directors are eligible to receive grants. As at March 31, 2013, 5,199,968 shares were reserved for issuance under the plan. As at March 31, 2013, options granted under the plan generally have a term of 10 years until expiry and vest no longer than over a four-year period.

As at March 31, 2013, the unexpensed fair value of share option compensation cost associated with future periods was $6.2 million (December 31, 2012 - $7.9 million).

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

	Options outstanding	
	Number of options	Exercise price[1]
Share options outstanding, December 31, 2012	5,846,460	$ 25.01
Granted	148,000	35.25
Exercised	(341,775)	21.08
Expired	(1,875)	27.56
Forfeited	(239,375)	26.57
Share options outstanding, March 31, 2013	**5,411,435**	**$ 25.47**
Share options exercisable, March 31, 2013	**2,285,976**	**$ 21.97**

[1] *Weighted average.*

The following table summarizes the employee share option plan as at March 31, 2013:

	Options outstanding			Options exercisable	
	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life	Number exercisable	Exercise price
$7.25 to $15.25	393,435	$ 14.25	5.68	392,560	$ 14.25
$15.26 to $25.08	2,040,200	20.48	6.80	1,211,675	20.74
$25.09 to $36.00	2,977,800	30.37	8.36	681,741	28.60
	5,411,435	**$ 25.47**	**7.57**	**2,285,976**	**$ 21.97**

In 2004, AltaGas implemented an equity-based compensation plan, which awards phantom shares to certain employees. Beginning in 2008, all employees were eligible to receive phantom shares. The phantom shares are valued based on dividends declared and the trading price of the Corporation's common shares. The shares vest on a graded vesting schedule over three years. For three months ended March 31, 2013, the compensation expense recorded was $0.2 million (March 31, 2012 - $1.6 million).

As at March 31, 2013, the unexpensed fair value of equity-based compensation cost associated with future periods was $9.2 million (December 31, 2012 - $8.8 million).

9. NET INCOME APPLICABLE TO COMMON SHARES

The following table summarizes the computation of net income applicable to common shares:

		Three months ended		
		March 31 2013		March 31 2012
Numerator:				
Net income applicable to controlling interests	**$**	**53,758**	$	43,770
Less: Preferred share dividends		**4,734**		2,500
Net income applicable to common shares	**$**	**49,024**	$	41,270
Denominator:				
Weighted average number of common shares outstanding		**105,726**		89,492
Dilutive equity instruments[1]		**3,063**		1,374
Weighted average number of common shares outstanding - diluted		**108,789**		90,866
Basic net income applicable per common share	**$**	**0.46**	$	0.46
Diluted net income applicable per common share	**$**	**0.45**	$	0.45

[1] *Includes all options that have a strike price lower than the market share price of AltaGas' common shares at March 31, 2013 and 2012, respectively.*

10. COMMITMENTS

AltaGas has long-term natural gas purchase arrangements, service agreements, power purchase agreements, and operating leases for office space, office equipment and automobile equipment, all of which are transacted at market prices and in the normal course of business.

AltaGas enters into contracts to purchase natural gas and natural gas transportation and storage services from various suppliers for its U.S. utilities. These contracts, which have expiration dates that range from 2013 to 2019, are used to ensure that there is an adequate supply of natural gas to meet the needs of customers and to minimize exposure to market price fluctuations.

In 2007, AltaGas entered into a service and maintenance agreement with Enercon GmbH for the wind turbines for Bear Mountain. AltaGas has an obligation to pay a minimum of $11.9 million over the next 9 years, of which $6.0 million is payable in the next five years.

In 2009, AltaGas entered into a 20-year storage contract at the Dawn Hub in southwest Ontario. AltaGas is obligated to pay approximately $3.3 million per annum over the term of the contract for storage services.

In 2010, AltaGas entered into a 60-year CPI indexed EPA with BC Hydro for the Northwest Projects. At March 31, 2013, AltaGas is committed to pay approximately $162.1 million for construction work related to these projects which are expected to be in service in 2014 and 2015.

On March 25, 2013, AltaGas announced that its indirect wholly owned subsidiary AltaGas Power Holdings (U.S.) Inc. (APHUS) has entered into a purchase and sale agreement with affiliates of LS Power Equity Advisors, LLC to acquire Blythe Energy, LLC (Blythe), which owns a 507 MW natural gas associated major spare parts, and a related 230 kV 67-mile electric transmission line in Southern California, for US$515 million. The transaction is subject to customary approvals including regulatory approvals from the Federal Energy Regulatory Commission of the United States government, and filings and approvals including the expiration or termination of the applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. The acquisition is expected to close in second quarter 2013 and will be accounted for as a business acquisition using the acquisition method of accounting.

11. PENSION PLANS AND RETIREE BENEFITS

The costs of the defined benefit and post retirement plans are based on management's estimate of the future rate of return on the fair value of pension plan assets, salary escalations, mortality and other factors affecting the payment of future benefits.

The net pension expense by plan for the period was as follows:

	Defined benefit plans		Post-retirement benefit plans	
	March 31	March 31	**March 31**	March 31
Three months ended	**2013**	2012	**2013**	2012
Current service cost	**$ 3,086**	$ 1,144	**$ 461**	$ 102
Interest cost	**2,969**	1,169	**690**	136
Expected return on plan assets	**(3,393)**	(869)	**(830)**	(15)
Cost of special events	**60**	-	**-**	-
Amortization of past service cost	**31**	19	**(58)**	-
Amortization of net actuarial loss	**1,243**	215	**144**	20
Amortization of regulatory asset	**742**	-	**158**	-
Net benefit cost recognized	**$ 4,738**	$ 1,678	**$ 565**	$ 243

12. COMPARATIVE FIGURES

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

13. SEASONALITY

The utility business is highly seasonal with the majority of natural gas deliveries occurring during the winter heating season. Gas sales increase during the winter resulting in strong first and fourth quarter results and weaker second and third quarters.

14. SUBSEQUENT EVENTS

On April 4, 2013, AltaGas closed a public offering of 11,615,000 common shares at a price of $34.90 per common share for aggregate gross proceeds of approximately $405 million. Net proceeds will be used, in part, to fund the acquisition of the Blythe Energy Centre, as well as for general corporate purposes and to support future growth initiatives, including those related to AltaGas' energy export business conducted through AltaGas Idemitsu Joint Venture Limited Partnership.

On April 12, 2013, AltaGas issued US$175 million of senior unsecured MTNs. The notes carry a floating rate coupon of three month LIBOR plus 0.79 percent and mature on April 13, 2015. The net proceeds resulting from the issuance of the notes will be used by AltaGas to reduce bank indebtedness and for general corporate purposes.

15. SEGMENTED INFORMATION

AltaGas owns and operates a portfolio of assets and services used to move energy from the source to the end-user. The following describes the Corporation's four reporting segments:

Gas	– NGL processing and extraction plants; – transmission pipelines to transport natural gas and NGL; – natural gas gathering lines and field processing facilities; – energy consulting and purchase and sale of natural gas and electricity; and – natural gas storage facilities.
Power	– coal-fired, wind, biomass and run-of-river power output under power purchase arrangements; – gas-fired power plants; and – sale of power to commercial and industrial users in Alberta.
Utilities	– rate-regulated natural gas distribution assets in Michigan, Alaska, Alberta, British Columbia and Nova Scotia; and – rate-regulated natural gas storage in Michigan and Alaska.
Corporate	– the cost of providing corporate services, financing and general corporate overhead, investments in public and private entities, corporate assets, financing other segments and the effects of changes in the fair value of risk management contracts.

The following tables show the composition by segment:

Three months ended March 31, 2013	**Gas**	**Power**	**Utilities**	**Corporate**	**Intersegment Elimination**[1]	**Total**
Revenue	$ 305,275	$ 66,767	$ 322,898	-	$ (74,417)	$ 620,523
Unrealized gain on risk management	-	-	-	(7,054)	-	(7,054)
Cost of sales	(214,045)	(51,955)	(199,050)	-	72,672	(392,378)
Operating and administrative	(45,372)	(5,629)	(45,161)	(5,434)	1,745	(99,851)
Accretion of asset retirement obligations	(928)	(38)	-	-	-	(966)
Depreciation, depletion and amortization	(17,396)	(3,010)	(14,272)	(1,009)	-	(35,687)
Income from equity investments	166	15,814	638	-	-	16,618
Other income (expense)	74	-	372	(1,030)	-	(584)
Foreign exchange gain (loss)	-	-	-	399	-	399
Interest expense	-	-	-	(24,615)	-	(24,615)
Income (loss) before income taxes	$ 27,774	$ 21,949	$ 65,425	$ (38,743)	-	$ 76,405
Net additions (reductions) to:						
Property, plant and equipment[2]	$ 8,642	$ 71,701	$ 39,870	$ (521)	-	$ 119,692
Intangible assets	$ 2,251	$ (74)	$ (117)	$ (491)	-	$ 1,569
Long-term investment and other assets	$ (677)	$ 1,763	$ (111)	$ (2,469)	-	$ (1,494)
As at March 31, 2013:						
Goodwill	$ 161,401	-	$ 562,539	-	-	$ 723,940
Segmented assets	$ 2,185,914	$ 1,110,554	$ 2,550,701	$ 125,185	-	$ 5,972,354

Three months ended March 31, 2012	Gas	Power	Utilities	Corporate	Intersegment Elimination[1]	Total
Revenue	$ 261,080	$ 59,416	$ 77,780	-	$ (37,783)	$ 360,493
Unrealized loss on risk management	-	-	-	1,157	-	1,157
Cost of sales	(173,734)	(36,806)	(35,512)	-	36,915	(209,137)
Operating and administrative	(42,774)	(5,077)	(18,854)	(7,812)	868	(73,649)
Accretion of asset retirement obligations	(758)	(28)	(29)	-	-	(815)
Depreciation, depletion and amortization	(13,800)	(2,543)	(4,053)	(887)	-	(21,283)
Income from equity investments	95	11,954	96	-	-	12,145
Other income (expense)	-	-	-	1,813	-	1,813
Foreign exchange gain (loss)	-	-	-	(134)	-	(134)
Interest expense	-	-	-	(12,761)	-	(12,761)
Income (loss) before income taxes	$ 30,109	$ 26,916	$ 19,428	$ (18,624)	-	$ 57,829
Net additions to:						
Property, plant and equipment[2]	$ 84,223	$ 58,193	$ 4,971	$ 78	-	$ 147,465
Intangible assets	$ 900	$ (3)	$ 135	$ 16	-	$ 1,048
Long-term investment and other assets	$ (101)	$ 35,968	$ 96	$ 3,326	-	$ 39,289
As at March 31, 2012:						
Goodwill	$ 161,402	-	$ 119,721	-	-	$ 281,123
Segmented assets	$ 1,943,880	$ 810,412	$ 818,207	$ 152,926	-	$ 3,725,425

(1) *Inclusive of intrasegment elimination for the Gas segment.*

(2) *Net additions to property, plant and equipment and long-term investments and other assets may not agree to changes reflected in Consolidated Balance Sheets due to classification of business acquisition and foreign exchange changes on U.S. assets.*

Supplementary Quarterly Financial Information

(unaudited)

($ millions unless otherwise indicated)	**Q1-13**	Q4-12	Q3-12	Q2-12	Q1-12
FINANCIAL HIGHLIGHTS[1]					
Net Revenue[2]					
Gas	**91.5**	84.3	74.5	75.8	87.4
Power	**30.6**	24.5	28.7	21.3	34.6
Utilities	**124.9**	108.0	36.6	25.7	42.4
Corporate	**(8.2)**	(9.3)	6.7	22.3	3.0
Intersegment Elimination	**(1.7)**	0.1	(0.2)	(1.1)	(0.9)
	237.1	207.6	146.3	144.0	166.5
EBITDA[2]					
Gas	**46.1**	42.0	33.0	34.3	44.7
Power	**25.0**	20.0	24.8	16.7	29.5
Utilities	**79.7**	64.0	12.4	8.2	23.5
Corporate	**(6.5)**	(8.2)	(10.9)	(8.6)	(6.0)
	144.3	117.8	59.3	50.6	91.7
Operating Income (Loss)[2]					
Gas	**27.8**	26.3	17.7	19.5	30.1
Power	**21.9**	14.1	21.9	14.0	26.9
Utilities	**65.4**	50.4	5.5	5.2	19.4
Corporate	**(7.5)**	(9.1)	(11.7)	(9.4)	(6.8)
	107.6	81.7	33.4	29.3	69.6

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

(2) *Non-GAAP financial measure.*

Supplementary Quarterly Operating Information

(unaudited)

	Q1-13	Q4-12	Q3-12	Q2-12	Q1-12
OPERATING HIGHLIGHTS					
GAS					
E&T					
Extraction inlet gas processed (Mmcf/d)(1)	**977**	914	850	829	944
Extraction volumes (Bbls/d)(1)	**46,520**	40,122	40,061	34,547	45,186
Frac spread - realized ($/Bbl)(1)(2)	**29.57**	32.44	28.59	27.64	34.11
Frac spread - average spot price ($/Bbl)(1)(3)	**27.23**	24.73	22.75	26.85	40.42
FG&P					
Processing Throughput (gross Mmcf/d)(1)	**403**	377	362	351	400
Energy Services					
Average volumes transacted (GJ/d)(1)(4)	**438,387**	396,174	334,973	318,738	376,071
POWER					
Volume of power sold (GWh)(1)	**866**	856	843	816	774
Average price realized on sale of power ($/MWh)(1)	**73.25**	72.71	73.34	58.54	72.56
Alberta Power Pool average spot price ($/MWh)(1)	**65.28**	78.71	78.09	40.03	60.12
UTILITIES					
Canadian Utilities					
Natural gas deliveries - end-use (PJ)(5)	**11.7**	10.4	2.6	4.6	10.8
Natural gas deliveries - transportation (PJ)(5)	**1.7**	1.7	1.4	1.7	2.0
U.S. utilities					
Natural gas deliveries end use (Bcf)	**28.8**	23.3	2.6	-	-
Natural gas deliveries transportation (Bcf)	**12.7**	11.0	2.9	-	-
Service sites(6)	**549,905**	547,977	543,261	115,437	115,623
Degree day variance from normal - AUI (%)(7)	**(4.8)**	19.2	(53.6)	(2.9)	(11.5)
Degree day variance from normal - Heritage Gas (%)(7)	**(2.1)**	(6.3)	(38.8)	(9.7)	(8.6)
Degree day variance from normal SEMCO Michigan (%)(7)	**4.5**	(2.6)	41.7	-	-
Degree day variance from normal SEMCO Alaska (%)(7)	**(5.3)**	10.4	3.5	-	-

(1) Average for the period.

(2) Realized frac spread or NGL margin, expressed in dollars per barrel of NGL, is derived from sales recorded by the business during the period for frac exposed volumes plus the settlement value of frac hedges settled in the period less shrinkage gas and extraction premiums, divided by the total frac exposed volumes produced during the period.

(3) Average spot frac spread or NGL margin, expressed in dollars per barrel of NGL, are indicative of the average sales price that AltaGas receives for propane, butane and condensate less shrinkage gas and extraction premiums, divided by the respective frac exposed volumes for the period.

(4) Includes volumes marketed directly, volumes transacted on behalf of other operating segments and volumes sold in gas exchange transactions.

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

(6) Service sites reflect all of the service sites of AUI, PNG, Heritage Gas and SEMCO Michigan and Alaska, including transportation and non-regulated business lines.

(7) Degree days relate to AUI, Heritage Gas and SEMCO service areas. A degree day is the cumulative extent to which the daily mean temperature falls below 15 degrees Celsius at AUI and 18 degrees Celsius at Heritage Gas. Normal degree days are based on a 20 year rolling average. Positive variances from normal lead to increased delivery volumes from normal expectations. Degree day variances do not materially affect the results of PNG for its residential and small commercial customers due to a British Columbia Utilities Commission approved rate stabilization mechanism. For SEMCO degree days are a measure of coldness determined daily as the number of degrees the average temperature during the day in question is below 65 degrees Fahrenheit. Degree days for a particular period are determined by adding the degree days incurred during each day of the period. Normal degree days for a particular period are the average of degree days during the prior fifteen years for Michigan and during the prior ten years for Alaska.

Other Information

DEFINITIONS

Bbls/d	barrels per day
Bcf	billion cubic feet
GJ	gigajoule
GWh	gigawatt-hour
Mcf	thousand cubic feet
Mmcf/d	million cubic feet per day
MW	megawatt
MWh	megawatt-hour
PJ	petajoule
MMBTU	million British thermal unit

ABOUT ALTAGAS

AltaGas is an energy infrastructure business with a focus on natural gas, power and regulated utilities. The Corporation creates value by acquiring, growing and optimizing its energy infrastructure, including a focus on renewable energy sources. For more information visit: www.altagas.ca.

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