AltaGas

ALTAGAS ANNOUNCES THIRD QUARTER RESULTS AND FRAMEWORK FOR BALANCED FUNDING PLAN TO BUILD LONG-TERM SHAREHOLDER VALUE

Calgary, Alberta (October 30, 2018)

Highlights
(all financial figures are unaudited and in Canadian dollars unless otherwise noted)

Delivered $226 million in Normalized EBITDA[1] and Advancing Midstream Business

- Closed the $9 billion acquisition of WGL Holdings, Inc. (WGL), creating a North American leader in the clean energy economy
- Strengthened Northeast B.C. Gas franchise by connecting Montney producers to Asian energy exports
- Recorded third quarter 2018 normalized Funds from Operations[1] of $117 million
- Exceeded the company's initial target of planned asset sales related to the repayment of the bridge facility, achieving approximately $2.4 billion[2] in announced assets sales – $400 million greater than the initial target
- Made significant progress on the repayment of the bridge facility associated with the acquisition of WGL. With the completed and announced asset sales, the balance of the bridge facility – US $1.2 billion – is expected to be repaid by year end

Strengthening Financial Position and Framework for Balanced Funding Plan

- AltaGas' significant growth opportunities in Gas and U.S. Utilities will be balanced with a prudent funding plan and a commitment to an investment grade credit rating
- To fund capital projects as well as align the underlying assets of the business to its strategic focus on Gas and U.S. Utilities, AltaGas will undertake further asset sales of $1.5 to $2.0 billion in the near term. The asset sales are expected to include the monetization of an additional interest in the Northwest Hydro Facilities
- As part of AltaGas' plan to optimize cost of capital, the Premium Dividend Reinvestment Plan ("PDRIP") will be suspended at year end
- AltaGas plans to provide an update on its 2019 outlook to balance prudent financial management with investment in opportunities in Gas and U.S. Utilities prior to year end

AltaGas Ltd. (AltaGas) (TSX:ALA) today reported third quarter results and discussed its framework for a balanced financial strategy to take advantage of the capital investment and growth opportunities in Gas and U.S. Utilities; surface the value of its asset base; and improve its credit metrics. AltaGas plans to provide a further update later in the fourth quarter on its business, operational and financial outlook, capital plan and overall funding plan for 2019.

"AltaGas has tremendous assets and a strong pipeline of opportunities in Gas and U.S. Utilities," stated David Cornhill, Chairman and interim co-CEO of AltaGas. "As we complete our funding plan for the acquisition of WGL in the fourth quarter, we look to 2019 and beyond, and plan to take the necessary steps to ensure long-term value creation for all stakeholders.

"AltaGas has gone through significant transformation over the past 18 months. As we sharpen our focus on opportunities in Gas and U.S. Utilities, we are also refining our funding plan, which includes additional asset sales, and evaluating our future capital programs. We are committed to optimizing per share cash flow and earnings growth," continued Mr. Cornhill.

Financial & Operational Results
With normalized EBITDA of $226 million, and normalized Funds from Operations of $117 million, AltaGas remains well positioned to fund its 2018 capital program through internally generated cash flow, its dividend reinvestment program, and normal course borrowings under its credit facilities. AltaGas' net loss applicable to common shares for the quarter was $726 million ($2.78 per share), mainly due to provisions for assets. Normalized net loss for the third quarter was $17 million or $0.07 per share.

As previously disclosed, commencing in the third quarter of 2018, and effective as of the close of the WGL Acquisition, WGL's activities will continue to be carried out through three business segments: Gas, Power, and Utilities, and will be reflected in each of AltaGas' segments, respectively.

In the third quarter of 2018, WGL generated $32 million in normalized EBITDA – $8 million in the Gas segment, $32 million in the Power segment, and a loss of $7 million in the Utilities segment. This was lower than the Company's previous expectations as a result of timing and seasonality of WGL earnings, higher WGL utility leak remediation expenses, and delays to the Central Penn Pipeline in-service date. EBITDA contribution from WGL is expected to increase in the fourth quarter of 2018 as compared to the third quarter, following the completion of Central Penn Pipeline and seasonally colder weather at the utilities.

1. Non-GAAP measure; see discussion in the advisories of this news release
2. Cash proceeds include $635 million in debt associated with the IPO of AltaGas Canada Inc. in the form a new term debt issuance, intercompany loans and the assumption of existing indebtedness

RESULTS OF OPERATIONS BY REPORTING SEGMENT

Normalized EBITDA [1]	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2018**	2017	**2018**	2017
Gas	**$ 65**	$ 51	**$ 184**	$ 159
Power	**128**	106	**245**	232
Utilities	**32**	38	**194**	208
Sub-total: Operating Segments	**225**	195	**623**	599
Corporate	**1**	(5)	**(8)**	(15)
	$ 226	$ 190	**$ 615**	$ 584

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

In the third quarter of 2018, AltaGas' Gas segment recorded normalized EBITDA of $65 million, an increase of 27 percent over the same period last year. The increase was driven by contributions from WGL for the period after the transaction close on July 6, 2018, contributions from AltaGas' Townsend 2A and North Pine facilities which came into service in the fourth quarter of 2017, higher revenues at Harmattan due to increased NGL activities, as well as higher realized frac spreads and frac exposed volumes, partially offset by the impact of reduced ownership at Younger.

In the third quarter of 2018, AltaGas' Power segment achieved normalized EBITDA of $128 million, an increase of $22 million as compared to the third quarter of 2017, primarily a result of the addition of WGL, partially offset by lower generation at the Northwest Hydro Facilities due to unseasonably cool, dry weather and the expiry of the Ripon PPA on May 30, 2018. The Power segment did benefit from the new Resource Adequacy contract at Ripon which began in the second quarter of 2018 and is in place until the end of the year.

The Utilities segment achieved normalized EBITDA of $32 million in the third quarter of 2018, a decrease of approximately $6 million compared to the same period in 2017. The decrease was mainly due to the impact of the WGL Acquisition for the period after transaction close, and the 2018 revenue impact related to the federal tax reduction at the U.S. Utilities, partially offset by higher rates and colder weather in Alberta.

The Power and Utility segments were also positively impacted by a stronger U.S. dollar.

AltaGas' 2018 capital expenditure plan is expected to be near the high end of the revised $1.2 billion to $1.4 billion target range. In 2018, approximately 45 to 50 percent of the total capital is expected to be spent in AltaGas' Gas segment, on key projects including RIPET, Townsend 2B, Black Swan and the Central Penn and Mountain Valley Pipelines. Approximately 45 to 50 percent is expected to be spent in the Utilities segment on approved system betterment across AltaGas' utilities, accelerated pipe replacement programs in Virginia, Maryland and Washington D.C, as well as new customer additions. There is also some initial capital being spent to advance the Marquette Connector Pipeline in Michigan. Power will account for the remainder of the capital primarily driven by selected smaller investments in distributed generation projects across the United States.

Asset Monetizations and Funding Strategy for WGL

Consistent with its previously articulated plans, AltaGas has been rapidly repaying its bridge facility and expects to have the bridge facility retired in the fourth quarter of 2018. At the end of the third quarter, AltaGas had approximately US $2.3 billion outstanding on the bridge facility.

During the third quarter, AltaGas announced the final steps in its current asset monetization process with respect to the WGL Acquisition, including the sales of non-core Gas and Power assets expected to close in the fourth quarter, and the IPO of AltaGas Canada Inc. which closed on October 25, 2018. After taking into effect the completed and announced asset sales, the balance of the bridge facility is US $1.2 billion.

Disciplined Approach to Funding Plan and Focus on Total Shareholder Return

AltaGas, as part of its 2019 planning process, is reviewing its current funding requirements to maintain the strength and competitiveness of AltaGas' key businesses for the long term, while improving AltaGas' balance sheet and financial flexibility. AltaGas' significant growth opportunities will be balanced with capital allocation discipline and a commitment to an investment grade credit rating.

"We believe that strengthening our balance sheet and ensuring an investment grade credit rating, combined with disciplined capital allocation and appropriate and sustainable dividend levels, positions us for greater flexibility and growth in the future," said Tim Watson, Executive Vice President and Chief Financial Officer. "In the near-term, we intend to sell $1.5 to $2 billion of additional assets to fund capital projects as well as align the underlying assets of the business to our strategic focus on Gas and U.S. Utilities."

Suspension of the Premium Dividend Reinvestment Plan
AltaGas' Board of Directors has suspended the Premium Dividend™ Component (the PDRIP) of the Premium Dividend**™,** Dividend Reinvestment and Optional Cash Purchase Plan (the "Plan") effective December 18, 2018, until further notice. Accordingly, the November 2018 dividend payable on December 17, 2018 to the holders of common shares will be the last dividend payment eligible for reinvestment by participating shareholders under PDRIP. The other components of the Plan including the Dividend Reinvestment Component (DRIP) of the Plan will remain in effect and unchanged. AltaGas expects the overall DRIP participation rate to materially drop from current levels of approximately 66 percent as a result of the suspension of the PDRIP.

"There is no question that we have never had a stronger asset base, and we have never been in a better position to benefit from the multiple growth opportunities in our portfolio. I am confident that as we better delineate the efficiency of capital investment in our Northeast B.C. strategy and integrated value chain, as well as outline the investment opportunities in WGL, their value will be more fully realized in the market," said Mr. Cornhill.

"At the same time we do understand the need to pace our investment as we strengthen our balance sheet and minimize the need for external equity funding. We look forward to reporting back to you later this quarter with a more fulsome update on our 2019 plans," concluded Mr. Cornhill.

High Quality Utility Assets
AltaGas' Utilities segment is expected to grow significantly, reflecting the exposure to higher growth markets with capital expenditures to support customer additions, general system betterment, and accelerated replacement programs.

Combined Midstream Business Provides Producers with Global Market Access
AltaGas continues to execute on its Northeast B.C. and energy export strategies, providing producers a stronger integrated value chain with energy export solutions. In the quarter, AltaGas further enhanced its integrated value chain in the Montney with multi-faceted announcements that integrate many parts of its platform. These include the announcement with Kelt Exploration (LNG) Ltd. (Kelt) underpinning an expansion of the Townsend Complex and the acquisition of a 50 percent interest in Black Swan Energy Ltd.'s (Black Swan) Aitken Creek Gas Processing Plants. Both announcements highlight the strength of AltaGas' value chain when utilizing the integrated platform including gas processing, liquids handling, field fractionation, and energy export. As a result of these new projects, the North Pine liquids separation facility is expected to be expanded in 2019.

Construction of RIPET is progressing on-time and on-budget and is slated to come online in the first quarter of 2019, with the first cargo expected early in the second quarter which is aligned with the propane contract year. With the Kelt and Black Swan agreements, along with other initiatives AltaGas is pursuing, total propane supply for RIPET is expected to achieve the initial 40,000 bbl/d target for start-up. Due to these arrangements and strong commercial support, AltaGas is accelerating its efforts to increase capacity beyond its initial target, and believes the increase can be achieved with minimal capital. Commercial agreements to secure the remaining off-take commitments are currently under negotiation and are expected to be completed by the end of 2018, which when combined with the 50 percent already committed by Astomos, will complete 100 percent of the initial target.

The Gas segment will also benefit from continued growth through investments in the Central Penn Pipeline, which came in service in early October 2018.

AltaGas is now positioned to actively participate in energy export projects on both coasts of North America and has a presence in the two most prolific gas plays – the Montney and Marcellus/Utica. Through RIPET, AltaGas is ideally positioned to move natural gas liquids to premium Asian markets. In the Marcellus/Utica, AltaGas connects low cost producers with high growth U.S. end-use markets and the Cove Point liquefied natural gas (LNG) terminal, which provides access for LNG exports off the east coast.

Generating Clean Energy with Natural Gas and Renewable Resources
AltaGas believes that with a clean power generation footprint that includes gas, hydroelectric, wind, small scale solar, biomass and energy storage, there will be longer-term opportunities for the power generation business throughout North America. AltaGas has identified a portfolio of development projects, which it continues to actively pursue.

Expectations for 2018
The WGL Acquisition closed on July 6, 2018. As a combined entity, AltaGas expects normalized EBITDA to increase by approximately 25 to 30 percent and normalized Funds from Operations to increase by approximately 10 percent compared to 2017. The decrease in normalized Funds from Operations estimates to approximately 10 percent compared to the estimates of 15 to 20 percent projected in the second quarter of 2018 is primarily due to timing and seasonality of WGL earnings, higher WGL utility leak remediation expenses, lower Northwest Hydro river flows, and delays to the Central Penn Pipeline in-service date. This also includes the impact of certain contemplated asset monetizations and other financing initiatives as part of the long-term financing plan.

The expected increase to EBITDA and Funds from Operations in 2018 compared to 2017 for the combined entity is mainly as a result of contributions from the WGL Acquisition in all three segments as well as positive contributions from:

- Higher realized frac spreads mainly due to higher hedged price;
- Full year contributions from Townsend 2A and the first train of the North Pine facility; and
- Colder weather and rate base and customer growth at certain of the utilities.

These positive contributions are expected to be partially offset by:

- The impact of the sale of non-core Gas and Power assets;
- The sale of a majority interest in AltaGas Canada Inc.;
- The expiry of the PPA at the Ripon facility in the second quarter of 2018 (partially offset by the new Resource Adequacy (RA) contracts, which began in the second quarter of 2018 until year-end 2018, and is expected to be renewed on a yearly basis thereafter);
- A weaker U.S. dollar on reported results of the U.S. assets; and
- The impact of U.S. tax reform.

Monthly Common Share Dividend and Quarterly Preferred Share Dividends

- The Board of Directors approved a dividend of $0.1825 per common share. The dividend will be paid on December 17, 2018, to common shareholders of record on November 26, 2018. The ex-dividend date is November 23, 2018. This dividend is an eligible dividend for Canadian income tax purposes;
- The Board of Directors approved a dividend of $0.21125 per share for the period commencing September 30, 2018 and ending December 30, 2018, on AltaGas' outstanding Series A Preferred Shares. The dividend will be paid on December 31, 2018 to shareholders of record on December 13, 2018. The ex-dividend date is December 12, 2018;
- The Board of Directors approved a dividend of $0.249530 per share for the period commencing September 30, 2018 and ending December 30, 2018, on AltaGas' outstanding Series B Preferred Shares. The dividend will be paid on December 31, 2018 to shareholders of record on December 13, 2018. The ex-dividend date is December 12, 2018;
- The Board of Directors approved a dividend of US$0.330625 per share for the period commencing September 30, 2018 and ending December 30, 2018, on AltaGas' outstanding Series C Preferred Shares. The dividend will be paid on December 31, 2018 to shareholders of record on December 13, 2018. The ex-dividend date is December 12, 2018;
- The Board of Directors approved a dividend of $0.3125 per share for the period commencing September 30, 2018, and ending December 30, 2018, on AltaGas' outstanding Series E Preferred Shares. The dividend will be paid on December 31, 2018 to shareholders of record on December 13, 2018. The ex-dividend date is December 12, 2018;
- The Board of Directors approved a dividend of $0.296875 per share for the period commencing September 30, 2018, and ending December 30, 2018, on AltaGas' outstanding Series G Preferred Shares. The dividend will be paid on December 31, 2018 to shareholders of record on December 13, 2018. The ex-dividend date is December 12, 2018;
- The Board of Directors approved a dividend of $0.328125 per share for the period commencing September 30, 2018, and ending December 30, 2018, on AltaGas' outstanding Series I Preferred Shares. The dividend will be paid on December 31, 2018 to shareholders of record on December 13, 2018. The ex-dividend date is December 12, 2018; and
- The Board of Directors approved a dividend of $0.3125 per share for the period commencing September 30, 2018, and ending December 30, 2018, on AltaGas' outstanding Series K Preferred Shares. The dividend will be paid on December 31, 2018 to shareholders of record on December 13, 2018. The ex-dividend date is December 12, 2018.

Consolidated Financial Review

($ millions)	Three Months Ended September 30 2018	2017	Nine Months Ended September 30 2018	2017
Revenue	**1,041**	502	**2,530**	1,811
Normalized EBITDA(1)	**226**	190	**615**	584
Net income (loss) applicable to common shares	**(726)**	18	**(676)**	41
Normalized net income (loss)(1)	**(17)**	48	**76**	141
Total assets	**22,958**	9,932	**22,958**	9,932
Total long-term liabilities	**11,319**	4,624	**11,319**	4,624
Net additions to property, plant and equipment	**367**	147	**556**	274
Dividends declared(2)	**162**	90	**357**	268
Normalized funds from operations(1)	**117**	143	**407**	436

($ per share, except shares outstanding)	Three Months Ended September 30 2018	2017	Nine Months Ended September 30 2018	2017
Net income (loss) per common share - basic	**(2.78)**	0.10	**(3.28)**	0.24
Net income (loss) per common share - diluted	**(2.78)**	0.10	**(3.28)**	0.24
Normalized net income (loss) - basic(1)	**(0.07)**	0.28	**0.37**	0.83
Dividends declared(2)	**0.55**	0.53	**1.64**	1.58
Normalized funds from operations(1)	**0.45**	0.83	**1.98**	2.57
Shares outstanding - basic (millions)				
During the period(3)	**261**	172	**206**	170
End of period	**269**	173	**269**	173

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

(2) *Dividends declared per common share per month: $0.175 beginning on August 25, 2016, and $0.1825 beginning on November 27, 2017.*

(3) *Weighted average.*

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 2018 third quarter results, progress on construction projects and other corporate developments.

Members of the investment community and other interested parties may dial 1-647-427-7450 or toll free at 1-888-231-8191. Please note that the conference call will also be webcast. To listen, please go to http://www.altagas.ca/invest/events-and-presentations. The webcast will be archived for one year.

Shortly after the conclusion of the call, a replay will be available commencing at 12:00 p.m. MT (2:00 p.m. ET) on October 30, 2018 by dialing 403-451-9481 or toll free 1-855-859-2056. The passcode is 9177324. The replay will expire at 9:59 p.m. MT (11:59 p.m. ET) on November 6, 2018.

Additional information relating to AltaGas' results can be found in the Management's Discussion and Analysis and unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2018 available through AltaGas' website at www.altagas.ca or through SEDAR at www.sedar.com.

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

Investment Community
1-877-691-7199
investor.relations@altagas.ca

Media
(403) 691-7197
media.relations@altagas.ca

FORWARD LOOKING INFORMATION

This news release contains forward-looking information (forward-looking statements). Words such as "may", "can", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "aim", "seek", "propose", "contemplate", "estimate", "focus", "strive", "forecast", "expect", "project", "target", "potential", "objective", "continue", "outlook", "vision", "opportunity" and similar expressions suggesting future events or future performance, as they relate to AltaGas or any affiliate of AltaGas, are intended to identify forward-looking statements. In particular, this news release contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. Specifically, such forward-looking statements included in this document include, but are not limited to, statements with respect to the following: the implementation and success of AltaGas' strategy for the corporation as a whole and each of its business segments; expected normalized EBITDA and FFO growth; expected capital expenditures, companywide, by segment and by project; expected timing of repayment of the bridge facility and amounts remaining to be repaid; expected ability to maintain investment grade credit rating, a prudent funding plan, disciplined capital allocation and sustainable dividends; the lack of current expectations regarding accessing the equity markets for funding of the capital plan; expected size and timing of further asset sales; expected announcement of the 2019 financial outlook, capital plan and overall funding plan; the expected ability of AltaGas to take the necessary steps to ensure long term value creation; expected ability to maximize per share cash flow and earnings growth; expected ability to fund the 2018 capital program and sources of such funding; expected WGL contribution to EBITDA; expected close of the non-core Gas and Power asset sales; expected growth of the Utilities segment; the expected benefits of the Kelt and Black Swan transactions; the expected expansion of the North Pine facility; the expected timing of completion, supply, increase in capacity, and off take commitments at RIPET; and expected strengths and benefits of AltaGas' energy export strategy.

AltaGas' forward-looking statements are subject to certain risks and uncertainties which could cause results or events to differ from current expectations, including, without limitation: access to and use of capital markets; market value of AltaGas' securities; AltaGas' ability to pay dividends; AltaGas' ability to service or refinance its debt and manage its credit rating and risk; prevailing economic conditions; potential litigation; AltaGas' relationships with external stakeholders, including Aboriginal stakeholders; volume throughput and the impacts of commodity pricing, supply, composition and other market risks; available electricity prices; interest rate, exchange rate and counterparty risks; the Harmattan Rep agreements; legislative and regulatory environment; underinsured losses; weather, hydrology and climate changes; the potential for service interruptions; availability of supply from Cook Inlet; availability of biomass fuel; AltaGas' ability to economically and safely develop, contract and operate assets; AltaGas' ability to update infrastructure on a timely basis; AltaGas' dependence on certain partners; impacts of climate change and carbon taxing; effects of decommissioning, abandonment and reclamation costs; impact of labour relations and reliance on key personnel; cybersecurity risks; risks associated with the financing of the WGL Acquisition and the underlying business of WGL; and the other factors discussed under the heading "Risk Factors" in the Corporation's AIF for the year ended December 31, 2017.

Many factors could cause AltaGas' or any particular business segment's actual results, performance or achievements to vary from those described in this news release, including, without limitation, those listed above and 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 news release as intended, planned, anticipated, believed, sought, proposed, estimated, forecasted, expected, projected or targeted and such forward-looking statements included in this news release, should not be unduly relied upon. The impact of any one assumption, risk, uncertainty or other factor on a particular forward-looking statement cannot be determined with certainty because they are interdependent and AltaGas' future decisions and actions will depend on management's assessment of all information at the relevant time. Such statements speak only as of the date of this news release. 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 news release are expressly qualified by these cautionary statements.

Financial outlook information contained in this news release about prospective financial performance, 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 news release should not be used for purposes other than for which it is disclosed herein.

This news release 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 in AltaGas' Management's Discussion and Analysis (MD&A) as at and for the nine months ended September 30, 2018. These non-GAAP 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 in AltaGas' MD&A as at and for the nine months ended September 30, 2018. Readers are cautioned that these non-GAAP measures should not be construed as alternatives to other measures of financial performance calculated in accordance with GAAP.

Normalized EBITDA includes additional adjustments for unrealized gains (losses) on risk management contracts, realized loss on foreign exchange derivatives, gains (losses) on investments, transaction costs related to acquisitions, merger commitment costs, gains (losses) on the sale of assets, provisions on assets, accretion expenses related to asset retirement obligations and the Northwest Transmission Line liability, foreign exchange gains, distributed generation asset related investment tax credits, non-controlling interest of certain investments to which Hypothetical Liquidation at Book Value (HLBV) accounting is applied, and changes in fair value of natural gas optimization inventory. AltaGas presents normalized EBITDA as a supplemental measure. Normalized EBITDA is frequently used by analysts and investors in the evaluation of entities within the industry as it excludes items that can vary substantially between entities depending on the accounting policies chosen, the book value of assets and the capital structure.

Normalized net income (loss) represents net income (loss) applicable to common shares adjusted for the after-tax impact of unrealized gains (losses) on risk management contracts, realized gain (loss) on foreign exchange derivatives, gains (losses) on investments, transaction costs related to acquisitions, gains (losses) on the sale of assets, provisions on assets, financing costs associated with the bridge facility for the WGL Acquisition, and changes in fair value of natural gas optimization inventory. This measure is presented in order to enhance the comparability of AltaGas' earnings, as it reflects the underlying performance of AltaGas' business activities.

Normalized funds from operations is used to assist management and investors in analyzing the liquidity of the Corporation without regard to changes in operating assets and liabilities in the period and non-operating related expenses (net of current taxes) such as transaction and financing costs related to acquisitions. Funds from operations are calculated from the Consolidated Statement of Cash Flows and are defined as cash from operations before net changes in operating assets and liabilities and expenditures incurred to settle asset retirement obligations. Management uses this measure to understand the ability to generate funds for capital investments, debt repayment, dividend payments and other investing activities. Funds from operations and normalized 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) dated October 29, 2018 is 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 and nine months ended September 30, 2018. This MD&A should be read in conjunction with the accompanying unaudited condensed interim Consolidated Financial Statements and notes thereto of AltaGas as at and for the three and nine months ended September 30, 2018 and the audited Consolidated Financial Statements and MD&A as at and for the year ended December 31, 2017.

The Consolidated Financial Statements and comparative information have been prepared in accordance with United States (U.S.) generally accepted accounting principles (U.S. GAAP) and in Canadian dollars, unless otherwise indicated. Throughout this MD&A, references to GAAP refer to U.S. GAAP and dollars refer to Canadian dollars, unless otherwise indicated.

Abbreviations, acronyms and capitalized terms used in this MD&A without express definition shall have the same meanings given to those terms in the MD&A as at and for the year ended December 31, 2017 or the Annual Information Form.

This MD&A contains forward-looking information (forward-looking statements). Words such as "may", "can", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "aim", "seek", "propose", "contemplate", "estimate", "focus", "strive", "forecast", "expect", "project", "target", "potential", "objective", "continue", "outlook", "vision", "opportunity" and similar expressions suggesting future events or future performance, as they relate to the Corporation or any affiliate of the Corporation, are intended to identify forward-looking statements. In particular, this MD&A contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results.

Specifically, such forward-looking statements included in this document include, but are not limited to, statements with respect to the following: the implementation and success of AltaGas' strategy for the Corporation as a whole and each of its business segments; the aim to maintain a long-term balanced mix of energy infrastructure assets across AltaGas' business segments; the expected benefits of AltaGas' export-related infrastructure assets; AltaGas' ability to take advantage of the demand for clean energy through its clean energy assets; the expected benefits of the WGL Acquisition to each segment, including increases in EBITDA; the expected timing and components of repayment of bridge facility, including assets sales and securities offerings; expected AltaGas ownership in AltaGas Canada Inc.; expected proceeds of the Company's asset sales to date; expected amount outstanding under the bridge facility after accounting for the asset sales to date; expected receipt of approvals and timing of closing of the non-core midstream and power assets in Canada and the gas-fired power assets in California; expected impacts of the Black Swan transaction, including the expected capital investment associated with this transaction; expected expansion of the Townsend complex; expected benefits of the Kelt transaction; expected EBITDA and funds from operations increase compared to the prior year, and the expected impact of contributing factors; expected exposure to frac spreads prior to hedging activities; expected capital expenditures company-wide, by segment and by project; expected maintenance capital; expected funding of the committed capital program; expected cost, capacity, tolling arrangements, timing, supply and benefits of RIPET; expected expansion of the Central Penn pipeline and expected in service timing; expected timing, cost, and investment of the Mountain Valley pipeline; expected timing and capacity of the Alton Natural Gas Storage Project; expected capital spending and new customer growth in the Utilities segment, estimated cost of the accelerated pipe recovery plans; expected timing of the Marquette Connector Pipeline; potential value of WGL's solar projects; expected timing of decisions in the Maryland, Virginia and CINGSA rate case and the CINGSA redundancy project hearing; and the expected achievement of objectives to maintain AltaGas' investment grade credit rating, ensure adequate liquidity, optimize profitability and grow energy infrastructure. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events, and achievements to differ materially from those expressed or implied by such statements. Such statements reflect AltaGas' current expectations, estimates, and projections based on certain material factors and assumptions at the time the statement was made. Material assumptions include: expected commodity supply, demand and pricing; volumes and rates; exchange rates; inflation; interest rates; credit rating; regulatory approvals and policies; future operating and capital costs; project completion dates; capacity expectations; implications of recent U.S. tax legislation changes; the outcomes of significant commercial contract negotiations; and financing of the WGL Acquisition.

AltaGas' forward-looking statements are subject to certain risks and uncertainties which could cause results or events to differ from current expectations, including, without limitation: access to and use of capital markets; market value of AltaGas' securities; AltaGas' ability to pay dividends; AltaGas' ability to service or refinance its debt and manage its credit rating and risk; prevailing economic conditions; potential litigation; AltaGas' relationships with external stakeholders, including Aboriginal stakeholders; volume throughput and the impacts of commodity pricing, supply, composition and other market risks; available electricity prices; interest rate, exchange rate and counterparty risks; the Harmattan Rep agreements; legislative and regulatory environment; underinsured losses; weather, hydrology and climate changes; the potential for service interruptions; availability of supply from Cook Inlet; availability of biomass fuel; AltaGas' ability to economically and safely develop, contract and operate assets; AltaGas' ability to update infrastructure on a timely basis; AltaGas' dependence on certain partners; impacts of climate change and carbon taxing; effects of decommissioning, abandonment and reclamation costs; impact of labour relations and reliance on key personnel; cybersecurity risks; risks associated with the acquisition and integration of WGL, and the underlying business of WGL; and the other factors discussed under the heading "Risk Factors" in the Corporation's AIF for the year ended December 31, 2017 and set out in AltaGas' other continuous disclosure documents.

Many factors could cause AltaGas' or any particular business segment's actual results, performance or achievements to vary from those described in this MD&A, including, without limitation, those listed above and 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, forecasted, expected, projected or targeted and such forward-looking statements included in this MD&A, should not be unduly relied upon. The impact of any one assumption, risk, uncertainty, or other factor on a particular forward-looking statement cannot be determined with certainty because they are interdependent and AltaGas' future decisions and actions will depend on management's assessment of all information at the relevant time. Such 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 by these cautionary statements.

Financial outlook information contained in this MD&A about prospective financial performance, financial position, or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on AltaGas management's (Management) 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 purposes other than for which it is disclosed herein.

Additional information relating to AltaGas, including its quarterly and annual MD&A and Consolidated Financial Statements, Annual Information Form, and press releases are available through AltaGas' website at www.altagas.ca or through SEDAR at www.sedar.com.

RECENT DEVELOPMENTS

Public Offering of AltaGas Canada Inc.

On September 12, 2018, AltaGas filed a preliminary prospectus for the initial public offering (IPO) of AltaGas Canada Inc. (ACI), a wholly owned subsidiary of AltaGas. ACI will hold Canadian rate-regulated natural gas distribution utility assets and contracted wind power in Canada, as well as an approximate 10 percent indirect equity interest in the Northwest Hydro Electric facilities in British Columbia (Northwest Hydro). The final prospectus was filed on October 18, 2018 reflecting a final price of $14.50 per common share of ACI. On October 25, 2018, the ACI IPO was successfully completed. Upon close, AltaGas holds approximately 45 percent of ACI common shares, which could be reduced to approximately 37 percent if the over-allotment option is exercised in full. Total expected proceeds to AltaGas (including $239 million from the sale of common shares and $635 million of debt) are approximately $874 million (before the deduction of underwriting fees and expenses) which could increase to approximately $910 million (before the deduction of underwriting fees and expenses) if the over-allotment option is exercised in full.

The expected proceeds from the ACI IPO, sale of non-core midstream and power assets (See *Pending Sales of Non-Core Midstream and Power Assets* section below), as well as the recently completed monetization of the 35 percent interest in the Northwest Hydro facilities in the second quarter of 2018, are expected to raise approximately $2.4 billion (US$1.9 billion). After taking into effect these asset sales, AltaGas will have approximately US$1.2 billion remaining on the bridge facility related to the acquisition of WGL Holdings, Inc. (the WGL Acquisition). The final planned step in the repayment of the bridge facility is expected to include term debt and hybrid securities issuances. AltaGas expects to complete all funding steps for the total repayment of the outstanding bridge facility in the fourth quarter of 2018.

Pending Sales of Non-Core Midstream and Power Assets

On September 10, 2018, AltaGas announced that it had entered into definitive agreements for the sale of non-core midstream and power assets in Canada and power assets in the United States, for total proceeds of approximately $560 million. The proceeds will be used to repay a significant portion of the bridge facility.

The sale of non-core midstream and power assets in Canada is to Birch Hill Equity Partners Management Inc., as general partner of Birch Hill Equity Partners Fund V (Birch Hill), for approximately $165 million. Included in the sale is AltaGas' commercial and industrial customer portfolio in Canada as well as 43.7 million shares of Tidewater Midstream and Infrastructure Inc. (Tidewater). The sale of the Tidewater shares was completed in September 2018 for proceeds of approximately $63 million, with the remainder of the transaction expected to be completed in the fourth quarter of 2018, pending various approvals.

The sale of gas-fired power assets in California is to Middle River Power III (Middle River), a whole owned-subsidiary of Avenue Capital, for a purchase price of approximately US$300 million. The assets comprise the Tracy, Hanford and Henrietta plants totaling 523 MW of capacity. The effective date of the transaction is September 1, 2018, and it is expected to close in the fourth quarter of 2018, pending regulatory approvals.

Acquisition of WGL Holdings, Inc. (WGL)

Following the receipt of all required federal, state, and local regulatory approvals, on July 6, 2018 the Corporation acquired WGL Holdings, Inc., creating a North American leader in the clean energy economy and enhancing AltaGas' position as a leading North American clean energy infrastructure company. The aggregate purchase price was approximately $9.3 billion (US$7.1 billion), including the assumption of approximately $3.3 billion (US$2.5 billion) of debt and $41 million (US$31 million) of preferred shares. The WGL Acquisition will benefit all three business segments: Gas, Power and Utilities. In the Gas segment, the combined midstream business will provide producers with global market access; in the Power segment, a clean power generation footprint covering hydroelectric, gas, wind, small scale solar, biomass, and energy storage will expand AltaGas' clean energy offerings; and in the Utility segment, the high quality utility assets will be underpinned by regulated, low risk cash flow.

Under the terms of the transaction, WGL shareholders received US$88.25 per common share. The net cash consideration was approximately $6.0 billion (US$4.6 billion). The WGL Acquisition was financed through net proceeds of approximately $2.3 billion from the sale of subscription receipts, gross proceeds of approximately $922 million from the sale of a 35 percent minority interest in the Northwest Hydro facilities, draws on the fully committed acquisition credit facility of $3.0 billion (US$2.3 billion) and existing cash on hand. The total funding included additional amounts for the payment of fees and regulatory commitments related to the WGL Acquisition. The acquisition credit facility could remain in place for up to 12 to 18 months after closing of the WGL Acquisition, however AltaGas expects to fully repay the facility in the fourth quarter of 2018, subject to the close of pending asset sales and the timing of offering of term debt and hybrid securities. The sale of the subscription receipts was completed in the first quarter of 2017 (see *Share Information* section below) and upon closing of the WGL Acquisition, the subscription receipts were exchanged into approximately 84.5 million common shares of AltaGas.

WGL is a diversified energy infrastructure company and the sole common shareholder of Washington Gas Light Company (Washington Gas), a regulated natural gas utility headquartered in Washington, D.C., serving approximately 1.2 million customers in Virginia, Maryland, and the District of Columbia. WGL has a growing midstream business with investments in natural gas gathering infrastructure and regulated gas pipelines in the Marcellus/Utica gas formation located in the northeastern United States. WGL's midstream business has interstate transportation and storage contracts as well as marine-based energy export capabilities via the U.S. East Coast through WGL's access to the Cove Point LNG Terminal in Maryland which was developed by a third party and recently began exporting LNG. WGL also owns contracted clean power assets, with a focus on solar distributed generation and energy efficiency assets throughout the United States. In addition, WGL has a retail gas and power marketing business with approximately 211,000 customers in Maryland, Virginia, Delaware, Pennsylvania and the District of Columbia. With the close of the WGL Acquisition, AltaGas has over $22 billion of assets and approximately 1.8 million rate regulated gas customers (approximately 1.6 million customers after the close of the ACI IPO).

WGL's activities are carried out through AltaGas' three business segments: Gas, Power, and Utilities. Specifically,

- AltaGas' Gas segment now includes WGL Midstream, Inc.'s (WGL Midstream) interest in four pipelines in the northeastern United States. This includes 30 percent ownership in the Stonewall Gas Gathering System (Stonewall), which is currently in service and designed to gather 1.4 Bcf/d from West Virginia; a net 21 percent ownership in Central Penn Pipeline (Central Penn), which is designed to transport 1.7 Bcf/d in Pennsylvania and became operational in October 2018; 10 percent ownership in Mountain Valley Pipeline, which is designed to transport 2.0 Bcf/d from West Virginia to Virginia with an expected in-service date in the fourth quarter of 2019; and 10 percent ownership in the proposed Constitution Pipeline. In addition, AltaGas' Gas segment will include the results from the retail gas marketing business of WGL Energy Services, Inc. (WGL Energy Services).
- AltaGas' Power segment now includes the results from WGL Energy Systems, Inc. (WGL Energy Systems), which provides clean and energy-efficient solutions including distributed generation (commercial solar, fuel cells, combined heat and power and other distributed generation solutions) and energy efficiency projects to government and commercial clients, as well as the operations of WGSW Inc. (WGSW), a holding company formed to invest in alternative energy assets. In addition, AltaGas' Power segment includes the results from WGL Energy Services' retail power marketing business.
- AltaGas' Utilities segment now includes the results from the operations of Washington Gas and Hampshire Gas Company (Hampshire). Washington Gas provides regulated gas distribution services (including the sale and delivery of natural gas) to end-use customers. Hampshire provides regulated interstate natural gas storage services to Washington Gas.

For the three and nine months ended September 30, 2018, the results of WGL have been included for the period subsequent to the close of the transaction on July 6, 2018.

ALTAGAS ORGANIZATION

The businesses of AltaGas are operated by AltaGas and a number of its subsidiaries including, without limitation, AltaGas Services (U.S.) Inc., AltaGas Utility Holdings (U.S.) Inc., and SEMCO Holding Corporation; in regards to the Gas business, AltaGas Extraction and Transmission Limited Partnership, AltaGas Pipeline Partnership, AltaGas Processing Partnership, AltaGas Northwest Processing Limited Partnership, and Harmattan Gas Processing Limited Partnership; in regards to the Power business, Coast Mountain Hydro Limited Partnership, Northwest Hydro Limited Partnership, Blythe Energy Inc. (Blythe), and AltaGas San Joaquin Energy Inc.; and, in regards to the Utility business, AltaGas Utilities Inc. (AUI), Heritage Gas Limited (Heritage Gas), Pacific Northern Gas Ltd. (PNG), and SEMCO Energy, Inc. (SEMCO). SEMCO conducts its Michigan natural gas distribution business under the name SEMCO Energy Gas Company (SEMCO Gas) and its Alaska natural gas distribution business under the name ENSTAR Natural Gas Company (ENSTAR). Upon close of the ACI IPO, AUI, Heritage Gas and PNG are no longer subsidiaries of AltaGas.

With the close of the WGL Acquisition, AltaGas' subsidiaries also include: Wrangler 1 LLC, WGL Holdings Inc., and Washington Gas Resources Corporation; in regards to the Gas business, WGL Midstream and the retail gas marketing business of WGL Energy Services; in regards to the Power business, WGSW, WGL Energy Systems, and the retail power marketing business of WGL Energy Services; and, in regards to the Utility business, Washington Gas and Hampshire.

OVERVIEW OF THE BUSINESS

AltaGas, a Canadian corporation, is a leading North American clean energy infrastructure company with strong growth opportunities and a focus on owning and operating assets to provide clean and affordable energy to its customers. The Corporation's long-term strategy is to grow in attractive areas across its Gas, Power, and Utility business segments seeking optimal capital deployment. In the Gas business, the Corporation is focused on optimizing the full value chain of energy exports by providing producers with solutions, including global market access off both coasts of North America via the Corporation's footprint in two of the most prolific gas plays – the Montney and Marcellus. To optimize capital deployment, the Corporation seeks to differentially invest in U.S utilities located in strong growth markets with increasing construction to support customer additions, system improvement and accelerated replacement programs. In the Power business, AltaGas seeks to create innovative solutions with light capital investment utilizing the Corporation's clean energy expertise. AltaGas has three business segments:

- Gas, which transacts more than 3 Bcf/d of natural gas and includes natural gas gathering and processing, natural gas liquids (NGL) extraction and fractionation, transmission, storage, natural gas and NGL marketing, the Corporation's 50 percent interest in AltaGas Idemitsu Joint Venture Limited Partnership (AIJVLP), an indirectly held one-third ownership investment in Petrogas Energy Corp. (Petrogas), through which AltaGas' interest in the Ferndale Terminal is held, an interest in four regulated pipelines in the Marcellus/Utica gas formation in the northeastern United States and WGL's retail gas marketing business;
- Power, which, after the close of the ACI IPO, includes 1,931 MW of gross capacity from natural gas-fired, hydro, wind, biomass, solar, other distributed generation and energy storage assets located in 2 provinces in Canada and 20 states and the District of Columbia in the United States. The Power business also includes energy efficiency contracting and WGL's retail power marketing business; and
- Utilities, which, after the close of the ACI IPO, serves approximately 1.6 million customers with a rate base of approximately $4.4 billion through ownership of regulated natural gas distribution utilities across 5 jurisdictions in the United States, and a regulated natural gas storage utility in the United States, delivering clean and affordable natural gas to homes and businesses. The Utilities business also includes storage facilities and contracts for interstate natural gas transportation and storage services.

THIRD QUARTER FINANCIAL HIGHLIGHTS

(Normalized EBITDA, normalized funds from operations, normalized net income, net debt, and net debt to total capitalization ratio are non-GAAP financial measures. Please see Non-GAAP Financial Measures section of this MD&A.)

- On July 6, 2018, AltaGas completed the acquisition of WGL for an aggregate purchase price of approximately $9.3 billion (US$7.1 billion), including the assumption of debt and preferred shares. Upon closing of the WGL Acquisition, 84.5 million subscription receipts were exchanged for common shares;
- On September 12, 2018, AltaGas filed a preliminary prospectus for the IPO of AltaGas Canada Inc., a wholly owned subsidiary of AltaGas. ACI will hold Canadian rate-regulated natural gas distribution utility assets and contracted wind power in Canada, as well as an approximate 10 percent indirect equity interest in the Northwest Hydro facilities in British Columbia;
- On September 10, 2018, AltaGas announced that it has entered into definitive agreements for the sale of non-core midstream and power assets in Canada and power assets in the United States for total proceeds of approximately $560 million;
- On September 26, 2018, AltaGas announced that it has entered into a definitive agreement with Black Swan Energy Ltd. (Black Swan) to acquire 50 percent ownership in certain existing and future natural gas processing plants of Black Swan. AltaGas and Black Swan will also enter into long term processing, transportation and marketing agreements that include new AltaGas liquids handling infrastructure, strengthening AltaGas' Northeast B.C. value proposition and connecting producers with additional options for energy exports. The total capital investment by AltaGas is expected to be approximately $230 million and the transaction closed on October 2, 2018;
- On August 27, 2018, AltaGas announced that it has entered into definitive agreements with Kelt Exploration (LNG) Ltd. (Kelt) to provide an energy infrastructure solution for the liquids-rich Inga Montney development located in British Columbia. This underpins the expansion of AltaGas' Townsend complex including the addition of a 198 MMcf per day C3+ deep cut gas processing facility and provides Kelt with firm processing of 75 MMcf per day of raw gas under an initial 10 year take-or-pay agreement;
- On July 26, 2018, AltaGas announced the expansion of its Board of Directors (the Board) from nine to twelve seats and the appointment of three new directors. The expansion of the Board reflects AltaGas' scope and growing complexity and the experience and expertise required by the Board to support AltaGas' business, operations and strategic objectives;

- On July 25, 2018, AltaGas announced the resignation of David Harris, President and CEO. David Cornhill, the Founder and Chairman of AltaGas, and Phillip Knoll, an experienced industry executive and Board Member, will act as interim co-CEOs until a replacement is found. The key strategic priorities, financing plan for WGL and business operations remain unchanged and on track;
- Normalized EBITDA was $226 million compared to $190 million in the third quarter of 2017;
- Normalized funds from operations were $117 million ($0.45 per share) compared to $143 million ($0.83 per share) in the third quarter of 2017;
- Net loss applicable to common shares was $726 million ($2.78 per share) compared to net income of $18 million ($0.10 per share) in the third quarter of 2017;
- Normalized net loss was $17 million ($0.07 per share) compared to normalized net income of $48 million ($0.28 per share) in the third quarter of 2017;
- Net debt was $10.4 billion as at September 30, 2018, compared to $3.6 billion at December 31, 2017; and
- Net debt-to-total capitalization ratio was 60 percent as at September 30, 2018, compared to 44 percent as at December 31, 2017.

HIGHLIGHTS SUBSEQUENT TO QUARTER END

- On October 18, 2018, AltaGas announced the filing of the final prospectus and pricing for the ACI IPO. Final pricing is $14.50 per ACI common share;
- On October 25, 2018, the ACI IPO was successfully completed. Upon close, AltaGas holds approximately 45 percent of ACI common shares, which could be reduced to approximately 37 percent if the over-allotment option is exercised in full. Total expected proceeds to AltaGas (including $239 million from the sale of common shares and $635 million of debt) are approximately $874 million (before the deduction of underwriting fees and expenses) which could increase to approximately $910 million (before the deduction of underwriting fees and expenses) if the over-allotment option is exercised in full; and
- On October 4, 2018, the Federal Energy Regulatory Commission (FERC) issued its authorization to place the Central Penn Pipeline into service. The pipeline began operations on October 6, 2018.
- On October 29, 2018, the Board suspended, until further notice, its Premium Dividend Reinvestment Plan (PDRIP), effective December 18, 2018. Accordingly, the dividend payable on December 17, 2018 will be the last dividend to be included in the PDRIP. The Dividend Reinvestment Plan will remain unchanged.

CONSOLIDATED FINANCIAL REVIEW

	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2018**	2017	**2018**	2017
Revenue	**1,041**	502	**2,530**	1,811
Normalized EBITDA(1)	**226**	190	**615**	584
Net income (loss) applicable to common shares	**(726)**	18	**(676)**	41
Normalized net income (loss)(1)	**(17)**	48	**76**	141
Total assets	**22,958**	9,932	**22,958**	9,932
Total long-term liabilities	**11,319**	4,624	**11,319**	4,624
Net additions to property, plant and equipment	**367**	147	**556**	274
Dividends declared(2)	**162**	90	**357**	268
Normalized funds from operations(1)	**117**	143	**407**	436

	Three Months Ended September 30		Nine Months Ended September 30	
($ per share, except shares outstanding)	**2018**	2017	**2018**	2017
Net income (loss) per common share - basic	**(2.78)**	0.10	**(3.28)**	0.24
Net income (loss) per common share - diluted	**(2.78)**	0.10	**(3.28)**	0.24
Normalized net income (loss) - basic(1)	**(0.07)**	0.28	**0.37**	0.83
Dividends declared(2)	**0.55**	0.53	**1.64**	1.58
Normalized funds from operations(1)	**0.45**	0.83	**1.98**	2.57
Shares outstanding - basic (millions)				
During the period(3)	**261**	172	**206**	170
End of period	**269**	173	**269**	173

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

(2) Dividends declared per common share per month: $0.175 beginning on August 25, 2016, and $0.1825 beginning on November 27, 2017.

(3) Weighted average.

Three Months Ended September 30

Normalized EBITDA for the third quarter of 2018 was $226 million, compared to $190 million for the same quarter in 2017. Factors positively impacting normalized EBITDA included contributions from WGL for the period subsequent to transaction close on July 6, 2018, contributions from the Townsend 2A and North Pine facilities which commenced commercial operations in the fourth quarter of 2017, higher realized frac spread, and the stronger U.S. dollar on reported results from U.S. assets. These were partially offset by lower river flows at Northwest Hydro, decreased revenue from SEMCO due to U.S. tax reform, the expiry of the Power Purchase Arrangement (PPA) at the Ripon gas-fired electricity generation facility in May 2018 (partially offset by the new Resource Adequacy (RA) contract which began in the second quarter of 2018 and is in place until the end of 2018), and impacts related to the change in operatorship of the Younger extraction facility (Younger). For the three months ended September 30, 2018, the average Canadian/U.S. dollar exchange rate increased to 1.31 from an average of 1.25 in the same quarter of 2017, resulting in an increase in normalized EBITDA of approximately $3 million.

Normalized funds from operations for the third quarter of 2018 were $117 million ($0.45 per share), compared to $143 million ($0.83 per share) for the same quarter in 2017. The decrease was mainly due to the same drivers as normalized EBITDA and higher interest expense. In the third quarter of 2018, AltaGas received $3 million of dividend income from the Petrogas Preferred Shares (2017 - $3 million) and $1 million of common share dividends from Petrogas (2017 - $1 million).

In the third quarter of 2018, AltaGas recorded pre-tax provisions of approximately $698 million (after-tax $539 million). These provisions were primarily related to assets classified as held for sale, including the San Joaquin Power assets in California comprising of the Tracy, Hanford and Henrietta plants, non-core midstream and power assets in Canada, and certain assets included in the IPO of ACI. (See sections *Pending Sales of Non-Core Midstream and Power Assets* and *Public Offering of*

AltaGas Canada Inc. above). In addition, pre-tax provisions of $37 million and $2 million were recorded on certain remaining gas assets and the Pomona Gas Repowering project, respectively.

Operating and administrative expenses for the third quarter of 2018 were $496 million, compared to $125 million for the same quarter in 2017. The increase was mainly due to WGL merger commitment costs of $182 million and higher transaction costs on acquisitions (primarily related to the WGL Acquisition) of $35 million in the third quarter of 2018 compared to $9 million in the same quarter in 2017, as well as the inclusion of WGL's operating and administrative expenses for the period since transaction close on July 6, 2018. Depreciation and amortization expense for the third quarter of 2018 was $122 million, compared to $69 million for the same quarter in 2017. The increase was mainly due to depreciation and amortization expense on assets acquired in the WGL Acquisition. Interest expense for the third quarter of 2018 was $112 million, compared to $40 million for the same quarter in 2017. The increase was predominantly due to interest on the bridge facility, interest on debt assumed in the WGL Acquisition and higher average debt balances.

AltaGas recorded an income tax recovery of $221 million for the third quarter of 2018 compared to income tax expense of $14 million in the same quarter of 2017. The decrease in tax expense was mainly due to tax recoveries booked on asset provisions and WGL transaction and merger commitment costs.

Net loss applicable to common shares for the third quarter of 2018 was $726 million ($2.78 per share), compared to net income of $18 million ($0.10 per share) for the same quarter in 2017. The decrease was mainly due to provisions on assets recognized during the quarter as discussed above, higher transaction and merger commitment costs related to the WGL Acquisition, higher depreciation and amortization expense, higher interest expense, and higher net income applicable to non-controlling interests, partially offset by a higher income tax recovery, the same previously referenced factors impacting normalized EBITDA, lower unrealized losses recognized on risk management contracts, and higher gains on investments.

Normalized net loss was $17 million ($0.07 per share) for the third quarter of 2018, compared to normalized net income of $48 million ($0.28 per share) reported for the same quarter in 2017. The decrease was mainly due to higher depreciation and amortization expense, interest expense, and preferred share dividends, partially offset by a higher income tax recovery, and the same previously referenced factors impacting normalized EBITDA. Normalizing items in the third quarter of 2018 included after-tax amounts related to provisions on assets, merger commitment costs and transaction costs associated with the WGL Acquisition, gains on investments, unrealized losses on risk management contracts, realized gains on foreign exchange derivatives, change in fair value of natural gas optimization inventory, and financing costs associated with the bridge facility of $12 million. In the third quarter of 2017, normalizing items included after-tax amounts related to transaction costs on acquisitions, unrealized losses on risk management contracts, unrealized gains on long-term investments, and financing costs associated with the bridge facility for the WGL Acquisition of $4 million.

Nine Months Ended September 30

Normalized EBITDA for the nine months ended September 30, 2018 was $615 million, compared to $584 million for the same period in 2017. The increase was mainly due to contributions from WGL for the period subsequent to transaction close on July 6, 2018, higher realized frac spread and frac exposed volumes, contributions from the Townsend 2A and North Pine facilities which commenced commercial operations in the fourth quarter of 2017, and higher rates and growth in customer base as well as colder weather experienced at certain of the utilities. These increases were partially offset by decreased revenue from SEMCO due to U.S. tax reform, lower river flows at Northwest Hydro, the expiry of the Ripon PPA in May 2018 (partially offset by the new RA contract which began in the second quarter of 2018 and is in place until the end of 2018), the impact from the weaker U.S. dollar on reported results from U.S. assets, and lower equity earnings from Petrogas. For the nine months ended September 30, 2018, the average Canadian/U.S. dollar exchange rate decreased to 1.29 from an average of 1.31 in the same period of 2017, resulting in a decrease in normalized EBITDA of approximately $6 million.

Normalized funds from operations for the nine months ended September 30, 2018 were $407 million ($1.98 per share), compared to $436 million ($2.57 per share) for the same period in 2017, reflecting the same drivers as normalized EBITDA and higher interest expense. During the nine months ended September 30, 2018, AltaGas received $9 million of dividend income from the Petrogas Preferred Shares (2017 - $9 million) and $4 million of common share dividends from Petrogas (2017 - $4 million).

As mentioned above, in the third quarter of 2018, AltaGas recorded pre-tax provisions of approximately $698 million (after-tax $539 million), primarily relating to assets held for sale.

Operating and administrative expenses for the nine months ended September 30, 2018 were $783 million, compared to $421 million for the same period in 2017. The increase was mainly due to WGL merger commitment costs of $182 million and higher transaction costs on acquisitions (primarily related to the WGL Acquisition) of $52 million in the first nine months of 2018 compared to $50 million in the same period of 2017, as well as the inclusion of WGL's operating and administrative expenses for the period since transaction close on July 6, 2018. Depreciation and amortization expense for the nine months ended September 30, 2018 was $268 million, compared to $211 million for the same period in 2017. The increase was mainly due to depreciation and amortization expense on assets acquired in the WGL Acquisition. Interest expense for the nine months ended September 30, 2018 was $198 million, compared to $127 million for the same period in 2017. The increase was mainly due to interest on the bridge facility, interest on debt assumed in the WGL Acquisition and higher average debt balances.

AltaGas recorded an income tax recovery of $200 million for the nine months ended September 30, 2018 compared to income tax expense of $43 million for the same period of 2017. The decrease in tax expense was mainly due to tax recoveries booked on asset provisions and WGL transaction and merger commitment costs.

Net loss applicable to common shares for the nine months ended September 30, 2018 was $676 million ($3.28 per share) compared to net income of $41 million ($0.24 per share) for the same period in 2017. The decrease was mainly due to provisions on assets recognized during the third quarter of 2018 as discussed above, higher transaction and merger commitment costs related to the WGL Acquisition, higher depreciation and amortization expense, higher interest expense, higher realized losses on foreign exchange derivatives, higher net income applicable to non-controlling interests and higher preferred share dividends, partially offset by a higher income tax recovery, lower unrealized losses recognized on risk management contracts and the same previously referenced factors impacting normalized EBITDA.

Normalized net income was $76 million ($0.37 per share) for the nine months ended September 30, 2018, compared to normalized net income of $141 million ($0.83 per share) reported for the same period in 2017. The decrease was mainly due to higher depreciation and amortization expense, higher interest expense and higher preferred share dividends, partially offset by a higher income tax recovery, and the same previously referenced factors impacting normalized EBITDA. Normalizing items for the nine months ended September 30, 2018 included after-tax amounts related to provisions on assets, merger commitment costs and transaction costs associated with the WGL Acquisition, realized losses on foreign exchange derivatives, unrealized gains on risk management contracts, gains on investments, change in fair value of natural gas optimization inventory, gains on sale of assets, and financing costs associated with the bridge facility of $18 million. For the nine months ended September 30, 2017, normalizing items included after-tax amounts related to transaction costs on acquisitions, unrealized losses on risk management contracts and long-term investments, losses on sale of assets, provision on assets, and financing costs associated with the bridge facility for the WGL Acquisition of $11 million.

2018 OUTLOOK

The WGL Acquisition closed on July 6, 2018. As a combined entity, AltaGas expects normalized EBITDA to increase by approximately 25 to 30 percent and normalized funds from operations to increase by approximately 10 percent compared to prior year. The decrease in normalized funds from operations estimates to approximately 10 percent compared to the estimates of 15 to 20 percent disclosed in the second quarter of 2018 are primarily due to timing and seasonality of WGL earnings, higher WGL utility leak remediation expenses, lower Northwest Hydro river flows, and delays to the Central Penn pipeline in-service date.

The WGL Acquisition will drive growth in all three business segments. The combined Utilities segment is expected to have the largest contribution to EBITDA, followed by the Gas segment and then the Power segment. Specifically for Utilities, the combined segment has an overall rate base of approximately $4.4 billion (after the closing of the ACI IPO) and is expected to grow through utility capital investments such as accelerated utility pipe recovery plans and the Marquette Connector Pipeline (MCP) as well as the addition of new customers. The WGL Acquisition has also increased the number of utility customers by approximately 1.2 million. The Gas segment is expected to benefit from the addition of WGL's pipeline investments in the prolific Marcellus/Utica gas resource regions as well as a gas supply agreement associated with the Cove Point LNG Terminal which began exporting LNG this year. WGL's investment in Stonewall is currently in-service, the Central Penn pipeline became operational in October 2018 and the Corporation expects the Mountain Valley pipeline to be operational in the fourth quarter of 2019. Finally, the Power segment is expected to benefit from the addition of WGL's commercial energy systems and retail marketing business, both of which are expected to provide ongoing growth opportunities. For further information on the WGL Acquisition see the *Recent Developments* section of this MD&A.

The expected increase to EBITDA and funds from operations in 2018 compared to 2017 for the combined entity is mainly as a result of contributions from the WGL Acquisition in all three segments, as well as higher realized frac spreads mainly due to higher hedged prices, full year contributions from Townsend 2A and the first train of the North Pine facility, and colder weather and rate base and customer growth at certain of the utilities. These increases may be partially offset by the impact of the timing of pending sales of non-core midstream and power assets, the timing of the close of the ACI IPO, lower Northwest Hydro river flows, the expiry of the Ripon PPA, and a weaker U.S. dollar on reported results of the U.S. assets. U.S. tax reform is expected to be negative to normalized EBITDA and funds from operations for AltaGas' U.S. businesses while, on a net income basis, the impact of U.S. tax reform is expected to be positive.

The overall forecasted normalized EBITDA and funds from operations for the combined business include assumptions around the U.S./Canadian dollar exchange rate, the impact of certain contemplated asset monetizations and other financing initiatives as part of the WGL financing plan, and the impact of U.S. tax reform. Any variance from AltaGas' current assumptions could impact the forecasted increase to normalized EBITDA and funds from operations.

AltaGas estimates an average of approximately 10,200 Bbls/d will be exposed to frac spreads prior to hedging activities. For 2018, AltaGas has frac hedges in place for approximately 7,500 Bbls/d at an average price of approximately $33/Bbl excluding basis differentials.

GROWTH CAPITAL

Based on projects currently under review, development or construction, and including the WGL capital program for the period subsequent to close, AltaGas expects net invested capital expenditures for the combined entity in the range of $1.2 to $1.4 billion. For the combined entity, the Gas segment will account for approximately 45 to 50 percent of total capital expenditures, while the Utilities segment will account for approximately 45 to 50 percent and the Power segment will account for the remainder. Gas and Power maintenance capital is expected to be approximately $30 to $35 million of the total capital expenditures in 2018. The majority of AltaGas' capital expenditures is focused on the continued construction at the Ridley Island Propane Export Terminal (RIPET), maintaining and growing rate base at the Utilities, WGL's investments in the Central Penn and Mountain Valley gas pipeline developments in the Marcellus/Utica gas formation, pre-construction design, engineering, and right-of-way procurement for the Marquette Connector Pipeline, capital expenditures related to the recent agreement with Black Swan, the Townsend 2B project with Kelt, and growth capital associated with the tie-in of incremental third party gas volumes in the Western Canadian Basin. The Corporation continues to focus on enhancing productivity and streamlining businesses.

AltaGas' 2018 committed capital program is expected to be funded through internally-generated cash flow, asset sales, the Premium Dividend™, Dividend Reinvestment and Optional Cash Purchase Plan (DRIP), and normal course borrowings on existing committed credit facilities.

™ Denotes trademark of Canaccord Genuity Corp.

Gas Projects

Ridley Island Propane Export Terminal

RIPET is located near Prince Rupert, British Columbia, and is expected to be the first propane export facility off the west coast of Canada. The site has a locational advantage given very short shipping distances to markets in Asia, notably a 10-day shipping time compared to 25 days from the U.S. Gulf Coast. The construction cost of RIPET is estimated to be approximately $450 to $500 million and RIPET is expected to ship 1.2 million tonnes of propane per annum (which is equivalent to approximately 40,000 Bbls/d of export capacity).

Construction of RIPET commenced during the second quarter of 2017. With internal steel tank construction and related infrastructure advancing as planned, the overall LPG storage tank construction remains on schedule. Rail and marine loading infrastructure are also progressing, with placement of the sub-ballast and ballast underway and foundations for the rail offloading racks advancing. Installation of the marine jetty modules has advanced ahead of schedule and is expected to be completed during the fourth quarter of 2018. The team is simultaneously continuing construction of the balance of plant and has commenced work on the operations building. The site construction management team and project support teams have successfully hit all critical milestones to date on the RIPET master schedule and members of the operations team are now permanently on site to initiate a smooth transition. After comprehensive commissioning activities, the facility will begin its operational phase in the first quarter of 2019 with the introduction of feedstock propane and filling the refrigerated storage tank with liquefied product. First cargo is expected early in the second quarter of 2019 which aligns with the propane contract year.

Based on production from its existing facilities and forecasts from new plants under construction and in active development, AltaGas anticipates having physical volumes equal to approximately 50 percent of the expected capacity of 1.2 million tonnes per annum. The remaining 50 percent is expected to be supplied by producers and other suppliers. Based on signed agreements and other initiatives AltaGas is pursuing, total propane supply for RIPET is expected to achieve the initial 40,000 bbl/d target by the project in-service date. Based on negotiations with a number of producers and other suppliers, AltaGas expects to underpin approximately 40 percent of RIPET's annual expected capacity under tolling arrangements.

AltaGas LPG and Astomos have entered into a multi-year agreement for the purchase of at least 50 percent of the 1.2 million tonnes per annum of propane expected to be available to be shipped from RIPET each year. Commercial agreements to secure the remaining capacity commitments are currently under negotiation and are expected to be completed by the end of 2018.

In 2017, AltaGas LPG Limited Partnership (AltaGas LPG), a wholly-owned subsidiary of AltaGas, and Vopak Development Canada Inc. (Vopak), a wholly-owned subsidiary of Koninklijke Vopak N.V. (Royal Vopak), a public company incorporated under the laws of the Netherlands, formed Ridley Island LPG Export Limited Partnership (RILE LP) to develop, own, and operate RIPET. AltaGas' subsidiaries hold a 70 percent interest while Vopak holds a 30 percent interest in RILE LP. The construction cost of RIPET will be funded by AltaGas LPG and Vopak in proportion to their respective interests in RILE LP. RILE LP will be consolidated by AltaGas. AltaGas LPG has the right to 100 percent of the capacity of RIPET.

Central Penn Pipeline

Central Penn is a new 185 mile pipeline originating in Susquehanna County, Pennsylvania and extending to Lancaster County, Pennsylvania, and is an integral part of the larger Atlantic Sunrise project operated by The Williams Companies through Transcontinental Gas Pipeline Company LLC (Transco). The Central Penn pipeline is regulated by the FERC. The Atlantic Sunrise project is designed to supply enough natural gas to meet the daily needs of more than 7 million American homes in the region. WGL Midstream owns an indirect 21 percent interest in Central Penn, which will have the capacity to transport and deliver up to approximately 1.7 Bcf/d of natural gas from the northeastern Marcellus producing area to markets in the mid-Atlantic and Southeastern regions of the United States. On February 3, 2017, the FERC issued an order granting Certificate of Public Convenience and Necessity, subject to certain conditions. On September 15, 2017, the FERC granted authorization to proceed with the construction of the Central Penn pipeline. Central Penn was placed in service in early October 2018.

In February 2014, WGL Midstream and certain partners formed Meade Pipeline Co LLC (Meade). Meade (39 percent) and Transco (61 percent) have joint ownership of Central Penn. WGL Midstream expects to invest approximately US$450 million for a 55 percent interest in Meade (21 percent indirect interest in Central Penn). On a cash basis, as of September 30, 2018, WGL Midstream has spent approximately US$435 million on Meade.

In addition to the investment in Meade, WGL Midstream entered into an agreement with Cabot Oil & Gas Corporation (Cabot) whereby WGL Midstream will purchase 0.5 Bcf/d of natural gas from Cabot over a 15 year term. As part of this agreement, Cabot has acquired 0.5 Bcf/d of firm gas transportation capacity on Transco's Atlantic Sunrise project. This capacity will be released to WGL Midstream.

In August 2018, Meade executed an agreement with Transco to participate in an expansion of the Central Penn Pipeline (Leidy South) with an estimated capital investment of up to US$50 million by WGL Midstream. Leidy South is expected to add an estimated 0.6 Bcf/d of natural gas capacity to Central Penn through the addition of compression at new and existing stations. Meade will own 39 percent of the expanded capacity. WGL Midstream will indirectly own 21 percent of the expanded capacity through its 55 percent ownership interest in Meade. Leidy South is anticipated to be in-service as early as the fourth quarter of 2021 assuming all necessary regulatory approvals are received in a timely manner.

Mountain Valley Pipeline, LLC (Mountain Valley)
WGL Midstream owns a 10 percent equity interest in Mountain Valley. The proposed pipeline, which will be operated by EQT Midstream Partners, LP (EQT) and developed, constructed, and owned by Mountain Valley (a venture of EQT and other entities), will transport approximately 2.0 Bcf/d and will extend EQT Corporation's Equitrans system in Wetzel County, West Virginia to Transco's Station 165 in Pittsylvania County, Virginia. The pipeline is estimated to span approximately 300 miles and provide access to the growing Southeast demand markets.

On October 13, 2017, the FERC issued the Certificate of Public Convenience and Necessity for the pipeline. In early 2018, the FERC granted several notices to proceed with certain construction activities on the pipeline. Mountain Valley has submitted additional requests to the FERC for notices to proceed. On June 21, 2018, the 4th U.S. Circuit Court of Appeals granted a stay of permit for certain construction activities in West Virginia, while the court considers challenging a federal permit. On July 27, 2018, the Court of Appeals set aside the U.S. Forest Service and Bureau of Land Management's decisions granting a right-of-way for a 3.5 mile segment of the pipeline. On August 29, 2018, FERC and the Court of Appeals issued separate orders that allowed for full construction activities to restart along the route with the exception of areas located within proximity of the Weston Gauley Bridge Turnpike Trail and the Jefferson National Forest. As a result of the legal, regulatory, and weather related delays, Mountain Valley has modified its construction schedule and the pipeline is targeted to be placed in-service during the fourth quarter of 2019. On October 2, 2018, the 4th Circuit Court of Appeals vacated a Clean Water Act Section 404 stream and wetland crossing permit issued by the Huntington District of the U.S. Army Corps of Engineers (USACE). This decision affects stream and wetland crossings along approximately 160 miles of the route in West Virginia, and Mountain Valley is evaluating options to understand its ability to continue with construction activities that do not include stream and wetland crossings along this portion of the route. Mountain Valley intends to apply for a new permit with the USACE. Mountain Valley expects to secure a new Nationwide 12 permit from the USACE early in 2019. With ongoing evaluation of its construction plan, Mountain Valley continues to target a full in-service during the fourth quarter 2019.

WGL Midstream expects to invest approximately US$350 million through the in-service date of the pipeline based on scheduled capital contributions and its contracted share of project costs. On a cash basis, as of September 30, 2018, WGL Midstream has invested approximately US$169 million in the pipeline. In addition, WGL has gas purchase commitments to buy approximately 0.5 Bcf/day of natural gas, at index-based prices, for a 20-year term, and will also be a shipper on the proposed pipeline.

In April 2018, WGL Midstream entered into a separate agreement with EQT to acquire a 5 percent equity interest in a project to build an interstate natural gas pipeline (the MVP Southgate project). The proposed pipeline will receive gas from the Mountain Valley Pipeline mainline in Pittsylvania County, Virginia and extend approximately 73 miles south to new delivery points in Rockingham and Alamance counties, North Carolina. The total commitment by WGL Midstream is expected to be approximately US$17.0 million and the lateral pipeline is expected to be placed into service in late 2020.

Northeastern British Columbia Expansion Projects

Townsend 2B

On August 27, 2018, AltaGas announced that it entered into definitive agreements with Kelt Exploration (LNG) Ltd. (Kelt) to provide an energy infrastructure solution for the liquids-rich Inga Montney development located in Northeast British Columbia. The commercial arrangements underpin the expansion of AltaGas' Townsend complex including the addition of a 198 MMcf per day C3+ deep cut gas processing facility and provides Kelt with firm processing of 75 MMcf per day of raw gas under an initial 10 year take-or-pay agreement. The additional natural gas liquids will increase utilization in AltaGas' existing liquids pipelines, position the Corporation well for an expansion of the North Pine fractionator, and provide additional propane supply to RIPET. The expansion of the Townsend complex coupled with enhanced NGL recovery will provide producers with more options for energy exports. The estimated project cost is approximately $180 million with an expected on-stream date in the fourth quarter of 2019.

Black Swan

On September 26, 2018, AltaGas announced that it entered into a definitive agreement with Black Swan to acquire 50 percent ownership in certain existing and future natural gas processing plants of Black Swan. AltaGas and Black Swan will also enter into long term processing, transportation and marketing agreements that include new AltaGas liquids handling infrastructure, strengthening AltaGas' Northeast British Columbia value proposition and connecting producers with additional options for energy exports. The total capital investment by AltaGas is expected to be approximately $230 million and the transaction closed on October 2, 2018.

Alton Natural Gas Storage Project

Development of the Alton Natural Gas Storage Project, located near Truro, Nova Scotia is focusing on regulatory and construction planning, environmental study, and community engagement. The start-date for solution mining for cavern development is being determined. The Nova Scotia Minister of Environment is expected to make a decision on the Industrial Approval (IA) appeal by Sipekne'katik First Nation (SFN) in due course. In the meantime, the IA remains in effect for the project. AltaGas continues to work constructively with governments, regulators, and the Mi'kmaq of Nova Scotia. The Alton Natural Gas Storage Project is expected to provide up to 10 Bcf of natural gas storage capacity. The first phase of storage service for two caverns, consisting of approximately 4 Bcf of storage capacity, is expected to commence in 2022.

Utility Projects

Accelerated Utility Pipe Recovery Plans

Accelerated pipe replacement programs are in place in all three of Washington Gas' utility jurisdictions. These are long-term programs with 17 to 35 remaining years, subject to both changing conditions and regulatory review and approval in five year increments. The anticipated expenditures over the next five years are approximately US$1 billion, with future increments projected to include significant expenditures as well. Washington Gas is accelerating pipe replacement in order to further enhance the safety and reliability of the pipeline system. In contrast to the traditional rate-making approach to capital investments, Washington Gas begins recovering the cost, including a return, for these investments immediately through approved surcharges for each accelerated pipe replacement program. Once new base rates are put into effect in a given jurisdiction, expenditures previously being recovered through the accelerated pipe replacement surcharge will be collected through the new base rates.

In the District of Columbia, the construction activities related to an accelerated replacement and encapsulation program targeting vintage mechanically coupled pipe began in 2009 and were completed in January 2017, with restoration and paving continuing into 2017. In 2013, Washington Gas filed PROJECTpipes in which Washington Gas proposed to replace bare and/or unprotected steel services, bare and targeted unprotected steel main, and cast iron main in its distribution system in the District of Columbia. In 2015, the PSC of DC approved the settlement agreement for PROJECTpipes, authorizing the recovery, through a surcharge, of total project costs not to exceed US$110 million through 2019.

In 2014, pursuant to the Strategic Infrastructure Development and Enhancement (STRIDE) law in Maryland, the PSC of Maryland approved Washington Gas' initial STRIDE Plan to recover the reasonable and prudent costs associated with qualifying infrastructure replacements through monthly surcharges. The PSC of Maryland approved replacement of bare and/or unprotected steel services and targeted copper and/or pre-1975 plastic services, bare and targeted unprotected steel main, mechanically coupled pipe main and service, and cast iron main in Washington Gas' Maryland distribution system at an estimated five-year cost of US$200 million, including cost of removal, through 2018. In 2015, the PSC of Maryland approved one additional program applicable to gas distribution system replacements and three of the four requested additional programs applicable to gas transmission system replacements at an incremental cost of US$19 million, including cost of removal, in eligible infrastructure replacements over the remaining four years of the initial STRIDE Plan. In June 2018, Washington Gas filed a request for a second five-year plan (STRIDE 2.0) with the PSC of Maryland at an estimated cost of approximately US$394 million starting January 2019. The STRIDE 2.0 request is pending PSC of Maryland approval.

On April 21, 2011, the Commonwealth of Virginia State Corporation Commission (SCC of VA), pursuant to a new law to advance Virginia’s Energy Plan (SAVE Act), approved Washington Gas’ initial SAVE Plan for accelerated replacement of infrastructure facilities and a SAVE Rider to recover eligible costs associated with those replacement programs. Subsequently, the Commission approved three amendments to Washington Gas’ SAVE Plan, increasing the overall investment, the scope of approved programs and new facilities replacement programs. Washington Gas' approved SAVE Plan encompasses eight ongoing programs: (i) bare and/or unprotected steel service replacement program, (ii) bare and unprotected steel main replacement program, (iii) mechanically coupled pipe replacement, (iv) copper services replacement program, (v) black plastic services replacement program, (vi) cast iron mains replacement program, (vii) meter set and piping remediation/replacement program and (viii) transmission programs. Washington Gas was authorized to invest US$256 million, including cost of removal, over the five-year calendar period through 2017. In November 2017, the Commission approved Washington Gas’ application to amend and extend its SAVE Plan (SAVE 2.0). SAVE 2.0 authorizes Washington Gas to invest approximately US$500 million over a five-year period, to continue work on both previously approved and new distribution and transmission system accelerated replacement programs.

Marquette Connector Pipeline

On August 23, 2017, the Michigan Public Service Commission (MPSC) approved SEMCO Gas’ application to construct, own, and operate the MCP. The MCP is a proposed new pipeline that will connect the Great Lakes Gas Transmission Pipeline to the Northern Natural Gas Pipeline in Marquette, Michigan, which will provide system redundancy and increase deliverability, reliability and diversity of supply to SEMCO Gas' approximately 35,000 customers in Michigan's Western Upper Peninsula.

The Company received approval for all environmental permits in September 2018 and the completed Archeological Assessment has been submitted to the state’s Historical Preservation Officer. It is expected that the construction bid package will be released to approximately ten contractors in late October 2018. Construction is expected to begin in 2019, with clearing and mobilization scheduled to begin in the first quarter of 2019 and an anticipated in-service date near the end of the fourth quarter of 2019.

New Customer Growth

The Utility business actively markets and adds new customers through both capital expenditures and different rate mechanisms aimed at bringing the benefits of natural gas, including lower energy bills and reduced carbon emissions, to more residents in its territories. In 2018, Washington Gas, SEMCO and ENSTAR expect new customer growth of 1.0 percent, 1.0 percent, and 1.1 percent, respectively, supported by additional capital and rate base. Adding new customers directly drives earnings growth through additional distribution revenues.

Power Projects

Distributed Generation Investments

WGL currently owns and manages distributed generation projects with approximately 325 MW of gross capacity across 20 states and the District of Columbia in the United States. The power output from these projects is generally contracted directly with end-user customers under long-term service agreements, providing clean energy solutions to a variety of commercial, government, institutional, and residential customers. For certain investments, WGL, along with its tax equity partners, has recently formed several tax equity funds to acquire, own, and operate distributed generation projects. These funds have invested approximately US$207 million in distributed generation projects since 2016, of which WGL’s share was approximately US$133 million. WGL is the managing member of these funds and provided cash equal to the purchase price of the distributed generation projects less any contributions from the tax-equity partner for projects sold by WGL into the funds. WGL is the operations and maintenance provider, and was the developer of these projects.

One of the tax equity partnerships, SFGF II, LLC, is currently acquiring new solar projects. To date, SFGF II, LLC has invested a total of US$122 million in new projects since June 30, 2017 and there is US$28 million remaining for additional acquisitions through March 31, 2019. As of September 30, 2018, WGL has contributed US$47 million into SFGF II, LLC. The estimated total contribution by WGL to this fund is expected to be approximately US$95 million by the end of the commitment period.

On March 28, 2018, WGL entered into a new arrangement whereby WGL develops renewable solar projects after signing long-term power service agreements with customers and then sells the completed solar projects to a financing partner who will lease the project back to WGL, allowing the investor to retain the tax benefits of the projects. This optimizes the tax attributes associated with the projects, lowering the financing cost for WGL. WGL has until September 28, 2019 to sell the commercial distributed generation projects under the arrangement to the investor and it could lease each project back over a period of up to 25 years. The total value of these solar projects could be up to US$75 million, none of which has been committed to date.

The Company continues to consider additional energy storage and renewables opportunities.

NON-GAAP FINANCIAL MEASURES

This MD&A contains references to certain financial measures used by AltaGas that do not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other entities. Readers are cautioned that these non-GAAP measures should not be construed as alternatives to other measures of financial performance calculated in accordance with GAAP. The non-GAAP measures and their reconciliation to GAAP financial measures are shown below. These non-GAAP measures provide additional information that management believes is meaningful in describing 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 normalized EBITDA, normalized net income, normalized funds from operations, net debt, and net debt to total capitalization throughout this MD&A have the meanings as set out in this section.

Normalized EBITDA

	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2018**	2017	**2018**	2017
Normalized EBITDA	**$ 226**	$ 190	**$ 615**	$ 584
Add (deduct):				
Transaction costs related to acquisitions	**(35)**	(9)	**(52)**	(50)
Merger commitment costs	**(182)**	—	**(182)**	—
Unrealized gains (losses) on risk management contracts	**(9)**	(25)	**13**	(47)
Changes in fair value of natural gas optimization inventory	**3**	—	**3**	—
Non-controlling interest related to HLBV investments	**(17)**	—	**(17)**	—
Realized losses on foreign exchange derivatives	**—**	—	**(36)**	—
Gains (losses) on investments	**15**	5	**—**	(3)
Gains (losses) on sale of assets	**—**	—	**1**	(3)
Provisions on assets	**(698)**	—	**(698)**	(1)
Investment tax credits related to distributed generation assets	**(2)**	—	**(2)**	—
Accretion expenses	**(3)**	(3)	**(8)**	(8)
Foreign exchange gains	**3**	—	**4**	2
EBITDA	**$ (699)**	$ 158	**$ (359)**	$ 474
Add (deduct):				
Depreciation and amortization	**(122)**	(69)	**(268)**	(211)
Interest expense	**(112)**	(40)	**(198)**	(127)
Income tax recovery (expense)	**221**	(14)	**200**	(43)
Net income (loss) after taxes (GAAP financial measure)	**$ (712)**	$ 35	**$ (625)**	$ 93

EBITDA is a measure of AltaGas' operating profitability prior to how business activities are financed, assets are amortized, or earnings are taxed. EBITDA is calculated from the Consolidated Statements of Income using net income adjusted for pre-tax depreciation and amortization, interest expense, and income tax expense.

Normalized EBITDA includes additional adjustments for unrealized gains (losses) on risk management contracts, realized loss on foreign exchange derivatives, gains (losses) on investments, transaction costs related to acquisitions, merger commitment costs, gains (losses) on the sale of assets, provisions on assets, accretion expenses related to asset retirement obligations and the Northwest Transmission Line liability, foreign exchange gains, distributed generation asset related investment tax credits, non-controlling interest of certain investments to which Hypothetical Liquidation at Book Value (HLBV) accounting is applied, and changes in fair value of natural gas optimization inventory. AltaGas presents normalized EBITDA as a supplemental measure. Normalized EBITDA is frequently used by analysts and investors in the evaluation of entities within the industry as it excludes items that can vary substantially between entities depending on the accounting policies chosen, the book value of assets and the capital structure.

Normalized Net Income (Loss)

	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2018**	2017	**2018**	2017
Normalized net income (loss)	**$ (17)**	$ 48	**$ 76**	$ 141
Add (deduct) after-tax:				
Transaction costs related to acquisitions	**(26)**	(9)	**(41)**	(39)
Merger commitment costs	**(135)**	—	**(135)**	—
Unrealized gains (losses) on risk management contracts	**(23)**	(22)	**3**	(43)
Changes in fair value of natural gas optimization inventory	**3**	—	**3**	—
Realized gain (loss) on foreign exchange derivatives	**1**	—	**(35)**	—
Gains (losses) on investments	**22**	5	**9**	(3)
Gains (losses) on sale of assets	**—**	—	**1**	(3)
Provisions on assets	**(539)**	—	**(539)**	(1)
Financing costs associated with the bridge facility	**(12)**	(4)	**(18)**	(11)
Net income (loss) applicable to common shares (GAAP financial measure)	**$ (726)**	$ 18	**$ (676)**	$ 41

Normalized net income (loss) represents net income (loss) applicable to common shares adjusted for the after-tax impact of unrealized gains (losses) on risk management contracts, realized gain (loss) on foreign exchange derivatives, gains (losses) on investments, transaction costs related to acquisitions, gains (losses) on the sale of assets, provisions on assets, financing costs associated with the bridge facility for the WGL Acquisition, and changes in fair value of natural gas optimization inventory. This measure is presented in order to enhance the comparability of AltaGas' earnings, as it reflects the underlying performance of AltaGas' business activities.

Normalized Funds from Operations

	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2018**	2017	**2018**	2017
Normalized funds from operations	**$ 117**	$ 143	**$ 407**	$ 436
Add (deduct):				
Transaction and financing costs related to acquisitions	**(36)**	(12)	**(56)**	(54)
Merger commitment costs	**(182)**	—	**(182)**	—
Funds from operations	**(101)**	131	**169**	382
Add (deduct):				
Net change in operating assets and liabilities	**(253)**	(43)	**(185)**	12
Asset retirement obligations settled	**(1)**	—	**(2)**	(3)
Cash from (used by) operations (GAAP financial measure)	**$ (355)**	$ 88	**$ (18)**	$ 391

Normalized funds from operations is used to assist management and investors in analyzing the liquidity of the Corporation without regard to changes in operating assets and liabilities in the period and non-operating related expenses (net of current taxes) such as transaction and financing costs related to acquisitions.

Funds from operations are calculated from the Consolidated Statement of Cash Flows and are defined as cash from operations before net changes in operating assets and liabilities and expenditures incurred to settle asset retirement obligations. Management uses this measure to understand the ability to generate funds for capital investments, debt repayment, dividend payments and other investing activities.

Funds from operations and normalized 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.

Net Debt and Net Debt to Total Capitalization

Net debt and net debt to total capitalization are used by the Corporation to monitor its capital structure and financing requirements. It is also used as a measure of the Corporation's overall financial strength. Net debt is defined as short-term debt, plus current and long-term portions of long-term debt, less cash and cash equivalents. Total capitalization is defined as net debt plus shareholders' equity and non-controlling interests. Additional information regarding these non-GAAP measures can be found under the section *Capital Resources* of this MD&A.

RESULTS OF OPERATIONS BY REPORTING SEGMENT

Normalized EBITDA [1]	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2018**	2017	**2018**	2017
Gas	**$ 65**	$ 51	**$ 184**	$ 159
Power	**128**	106	**245**	232
Utilities	**32**	38	**194**	208
Sub-total: Operating Segments	**225**	195	**623**	599
Corporate	**1**	(5)	**(8)**	(15)
	$ 226	$ 190	**$ 615**	$ 584

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

GAS

OPERATING STATISTICS

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	**2018**	2017
Extraction inlet gas processed (Mmcf/d)[1]	**871**	946	**905**	966
FG&P inlet gas processed (Mmcf/d)[1]	**462**	376	**462**	375
Total inlet gas processed (Mmcf/d)[1]	**1,333**	1,322	**1,367**	1,341
Extraction ethane volumes (Bbls/d)[1]	**24,204**	27,229	**23,974**	27,954
Extraction NGL volumes (Bbls/d)[1] [2]	**36,741**	36,797	**37,810**	36,390
Total extraction volumes (Bbls/d)[1] [3]	**60,945**	64,026	**61,784**	64,344
Frac spread - realized ($/Bbl)[1] [4]	**15.60**	14.96	**16.42**	11.61
Frac spread - average spot price ($/Bbl)[1] [5]	**25.87**	21.28	**23.09**	16.54
Natural gas optimization inventory (Bcf)	**36.7**	2.6	**36.7**	2.6
WGL retail energy marketing - gas sales volumes (Mmcf)	**8,155**	—	**8,155**	—

(1) Average for the period.

(2) NGL volumes refer to propane, butane, and condensate.

(3) Includes Harmattan NGL processed on behalf of customers.

(4) 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 extraction premiums, divided by the total frac exposed volumes produced during the period.

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

Inlet gas volumes processed at the extraction facilities for the three months ended September 30, 2018 decreased by 75 Mmcf/d, compared to the same period in 2017. The decrease was primarily due to reduced ownership at Younger effective April 2018, partially offset by higher inlet volumes at the Joffre Ethane Extraction Plant (JEEP) due to higher available gas flows. Inlet gas volumes processed at the field gathering and processing (FG&P) facilities for the three months ended September 30, 2018 increased by 86 Mmcf/d primarily due to volumes received at Townsend and the newly constructed Townsend 2A facilities, partially offset by the disposition of certain non-core facilities in the first quarter of 2018.

Inlet gas volumes processed at the extraction facilities for the nine months ended September 30, 2018 decreased by 61 Mmcf/d, compared to the same period in 2017. The decrease was mainly due to reduced ownership at Younger effective April 2018, partially offset by higher inlet volumes at JEEP and Edmonton Ethane Extraction Plant (EEEP) due to higher available gas flows. Inlet gas volumes processed at the FG&P facilities for the nine months ended September 30, 2018 increased by 87 Mmcf/d primarily due to volumes received at the Townsend and the newly constructed Townsend 2A facilities, and higher volumes at Gordondale, partially offset by the disposition of certain non-core assets in the first quarter of 2018.

Average ethane volumes for the three months ended September 30, 2018 decreased by 3,025 Bbls/d, while average NGL volumes were comparable to the same period in 2017. Lower ethane volumes were as a result of rejecting production at Younger due to uneconomic pricing, partially offset by higher ethane production at PEEP, EEEP and JEEP.

Average ethane volumes for the nine months ended September 30, 2018 decreased by 3,980 Bbls/d compared to the same period in 2017. Lower ethane volumes were primarily due to rejecting production due to uneconomic pricing at Younger in the second and third quarters of 2018 and at PEEP in the first quarter of 2018, and lower ethane volumes at Harmattan due to a planned turnaround in the second quarter, partially offset by higher production at EEEP. Average NGL volumes increased by 1,420 Bbls/d compared to the same period in 2017. Higher NGL volumes were primarily due to increased volumes produced at the Townsend and the newly constructed Townsend 2A facilities, Gordondale, and EEEP facilities, partially offset by the planned turnaround at Harmattan and reduced ownership at Younger.

With the addition of WGL, for the period from transaction close to September 30, 2018, U.S. retail sales volumes were 8,155 Mmcf.

Three Months Ended September 30

The Gas segment reported normalized EBITDA of $65 million in the third quarter of 2018, compared to $51 million in the same quarter of 2017. The increase was mainly due to contributions to normalized EBITDA from WGL for the period after transaction close on July 6, 2018, contributions from the Townsend 2A and North Pine facilities which commenced commercial operations in the fourth quarter of 2017, higher revenues at Harmattan due to increased NGL activities, and higher realized frac spreads and frac exposed volumes, partially offset by the impact of reduced ownership at Younger. During the third quarter of 2018, AltaGas recorded equity earnings of $2 million from Petrogas, compared to $6 million in the same quarter of 2017. The decrease in equity earnings from Petrogas was mainly due to unrealized mark to market losses on hedges.

During the third quarter of 2018, AltaGas recognized pre-tax provisions of $152 million in the Gas segment. Of this, $115 million was related to certain non-core midstream assets classified as held for sale during the quarter. As a result of the pending sale, AltaGas is focusing on its core Gas operating assets and recognized an additional pre-tax impairment of $37 million related to other shut-in assets in the South, Cold Lake and Northwest operating areas.

During the third quarter of 2018, AltaGas hedged approximately 7,500 Bbls/d of NGL volumes at an average price of $33/Bbl excluding basis differentials. During the third quarter of 2017, AltaGas hedged 5,800 Bbls/d of NGL at an average price of $23/Bbl, excluding basis differentials. The average indicative spot NGL frac spread in the third quarter of 2018 was approximately $26/Bbl, compared to $21/Bbl in the third quarter of 2017. The realized frac spread of approximately $16/Bbl in the third quarter of 2018 (2017 - $15/Bbl) was higher than the same quarter in 2017 due to improved commodity prices.

On August 27, 2018, AltaGas announced that it entered into definitive agreements with Kelt Exploration (LNG) Ltd. (Kelt) to provide an energy infrastructure solution for the liquids-rich Inga Montney development located in British Columbia. This underpins the expansion of AltaGas' Townsend complex including the addition of a 198 MMcf per day C3+ deep cut gas processing facility and provides Kelt with firm processing of 75 MMcf per day of raw gas under an initial 10 year take-or-pay agreement.

On September 26, 2018, AltaGas announced that it entered into a definitive agreement with Black Swan to acquire 50 percent ownership in certain existing and future natural gas processing plants of Black Swan. AltaGas and Black Swan will also enter into long term processing, transportation and marketing agreements that include new AltaGas liquids handling infrastructure, strengthening AltaGas' Northeast British Columbia value proposition and connecting producers with additional options for energy exports. The total capital investment by AltaGas is expected to be approximately $230 million and the transaction closed on October 2, 2018.

In the third quarter of 2018, as part of the agreement for the sale of non-core midstream and power assets in Canada, AltaGas sold 43.7 million shares of Tidewater Midstream and Infrastructure Inc. The sale of the Tidewater shares was completed in September 2018. For the three months ended September 30, 2018, unrealized gains of $11 million were partially offset by a realized loss of $2 million relating to the sale of these shares.

Nine Months Ended September 30

The Gas segment reported normalized EBITDA of $184 million in the first nine months of 2018, compared to $159 million in the same period of 2017. The increase was mainly due to higher realized frac spread and frac exposed volumes, contributions from the North Pine and Townsend 2A facilities which commenced commercial operations in the fourth quarter of 2017, contributions from WGL for the period after transaction close on July 6, 2018, higher operating cost recoveries at Harmattan, and a one-time payment related to the change in operatorship of Younger, partially offset by lower natural gas storage margins, the impact of the sale of the EDS and JFP transmission assets in the first quarter of 2017, the planned turnaround at the Harmattan facility and lower rates at Blair Creek due to contractual arrangements with producers. During the nine months ended September 30, 2018, AltaGas recorded equity earnings of $13 million from Petrogas, compared to $19 million in the same period in 2017. The decrease in Petrogas earnings was due to a planned turnaround at the Ferndale Terminal in the first quarter of 2018 and unrealized mark to market losses on hedges.

During the nine months ended September 30, 2018 AltaGas recognized a pre-tax provision of $115 million on certain non-core midstream assets classified as held for sale, a pre-tax impairment of $37 million related to shut-in assets in the South, Cold Lake and Northwest operating areas, and a pre-tax gain of $1 million on the sale of a non-core gas processing facility, while in the same period of 2017, AltaGas recognized a pre-tax loss of $3 million on the sale of the EDS and JFP transmission assets.

During the nine months ended September 30, 2018, AltaGas hedged approximately 7,500 Bbls/d of NGL volumes at an average price of $33/Bbl, excluding basis differentials. During the nine months ended September 30, 2017, AltaGas hedged 5,500 Bbls/d of NGL at an average price of $23/Bbl, excluding basis differentials. The average indicative spot NGL frac spread for the nine months ended September 30, 2018 was approximately $23/Bbl compared to $17/Bbl in the same period of 2017. The realized frac spread of $16/Bbl in the nine months ended September 30, 2018 (2017 - $12/Bbl) was higher than the same period in 2017 due to improved commodity prices.

On April 3, 2018, AltaGas entered into a long-term natural gas processing arrangement (the Processing Arrangement) with Birchcliff Energy Ltd. (Birchcliff) at AltaGas' deep-cut sour gas processing facility located in Gordondale, Alberta (the Gordondale Facility). Under the Processing Arrangement, Birchcliff is provided with up to 120 MMcf/d of natural gas processing on a firm-service basis, and Birchcliff's take-or-pay obligation is 100 MMcf/d. The Processing Arrangement provides stable long-term cash flow by filling the existing operational capacity of 120 Mmcf/d at the Gordondale Facility and significantly enhances the potential to flow third-party volumes through the facility and to grow those volumes to bring the operating capacity up to 150 Mmcf/d. Growing propane volumes from Gordondale will be dedicated to RIPET as part of the commercial arrangements. The new Processing Arrangement was effective as of January 1, 2018 and replaces the parties' existing Gordondale processing arrangement.

As mentioned above, in the third quarter of 2018, AltaGas sold 43.7 million shares of Tidewater Midstream and Infrastructure Inc. For the nine months ended September 30, 2018, an unrealized loss of $1 million and realized loss of $2 million was recorded relating to the sale of these shares.

POWER

OPERATING STATISTICS

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	**2018**	2017
Renewable power sold (GWh)	**690**	681	**1,318**	1,328
Conventional power sold (GWh)	**1,255**	992	**2,739**	1,785
Renewable capacity factor (%)	**44.6**	70.3	**36.6**	43.5
Contracted conventional equivalent availability factor (%) (1)	**98.5**	99.6	**97.2**	98.6
WGL retail energy marketing - electricity sales volumes (GWh)	**3,000**	—	**3,000**	—

(1) Calculated as the availability factor contracted under long-term tolling arrangements adjusted for occasions where partial or excess capacity payments have been added or deducted.

During the three months ended September 30, 2018, the volume of renewable power sold increased by 9 GWh and the volume of conventional power sold increased by 263 GWh, compared to the same period in 2017. The increase in renewable volumes was due to the addition of WGL power generation for the period since transaction close, partially offset by unseasonably dry and cool weather at the Northwest Hydro facilities, as well as outages and derates at the Craven biomass facility (Craven). The significant increase in conventional volumes was due to increased run time at the San Joaquin Facilities and Blythe as a result of increased dispatch under the respective power purchase agreements and greater operational and fuel flexibility at Blythe.

The renewable capacity factor for the three months ended September 30, 2018 was lower as a result of unseasonably dry and cool weather at the Northwest Hydro facilities and the addition of WGL. The contracted conventional equivalent availability factor was lower for the three months ended September 30, 2018 as a result of unplanned outages at Blythe.

During the nine months ended September 30, 2018, the volume of renewable power sold decreased by 10 GWh and the volume of conventional power sold increased by 954 GWh, compared to the same period in 2017. The decrease in renewable volumes was due to lower generation at the Northwest Hydro facilities, lower generation at Craven, and lower wind generation at the Bear Mountain wind facility, partially offset by the addition of WGL power generation for the period since transaction close. The significant increase in conventional volumes was due to higher dispatch at Blythe due to greater operational and fuel flexibility.

The decreased renewable capacity factor for the nine months ended September 30, 2018 was due to the same factors impacting the quarter. The contracted conventional availability factor was lower for the nine months ended September 30, 2018 due to a longer planned outage and increased unplanned outages at Blythe.

With the addition of WGL, for the period from transaction close to September 30, 2018, U.S. retail sales volumes were 3,000 GWh.

Three Months Ended September 30

The Power segment reported normalized EBITDA of $128 million during the three months ended September 30, 2018, compared to $106 million in the same period of 2017. Normalized EBITDA increased as a result of the addition of WGL and the stronger U.S. dollar. This was partially offset by lower generation at the Northwest Hydro facilities due to unseasonably cool, dry weather and the expiry of the Ripon PPA on May 30, 2018 (partially offset by the new RA contract which began in the second quarter of 2018 and is in place until the end of 2018).

During the third quarter of 2018, AltaGas recognized pre-tax provisions of $352 million in the Power segment. The provisions are primarily related to assets classified as held for sale, including approximately $340 million for the Tracy, Hanford and Henrietta gas-fired power assets in California and $10 million for certain gas-fired peaking plants in Alberta to be sold to Birch Hill. In addition, a pre-tax provision of $2 million was recorded relating to the Pomona Repowering project.

Nine Months Ended September 30

The Power segment reported normalized EBITDA of $245 million for the nine months ended September 30, 2018, compared to $232 million in the same period of 2017. Normalized EBITDA increased as a result of the addition of WGL and higher energy sales at the Pomona battery facility, partially offset by the expiry of the Ripon PPA on May 30, 2018, expenses related to outages at Blythe, lower contributions from Craven due to unplanned outages and lower contract terms, and lower 2018 river flows and higher operating costs at the Northwest Hydro facilities due to minor repair work completed during the planned outage.

On June 22, 2018, the Power segment closed the sale of a 35 percent indirect equity interest in the Northwest Hydro facilities for cash proceeds of approximately $922 million. The sale of the minority interest in the Northwest Hydro facilities is to a joint venture company that is indirectly owned by Axium Infrastructure Inc., as manager of Axium Infrastructure Canada II Limited Partnership, and Manulife Financial Corporation. AltaGas remains the majority holder of the Northwest Hydro facilities and will continue to provide all operational, maintenance and management functions. AltaGas will continue to consolidate the entities that hold the Northwest Hydro facilities.

In the second quarter of 2017, the Power segment disposed of certain non-core development stage wind assets in Alberta for proceeds of approximately $1 million, resulting in a pre-tax gain on disposition of approximately $1 million. This was largely offset by a pre-tax provision of $1 million taken on certain non-core development stage gas-fired peaking assets in Alberta.

For the nine months ended September 30, 2018, the Power segment was also impacted by the previously mentioned provisions recorded in the third quarter of 2018.

UTILITIES

OPERATING STATISTICS

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	**2018**	2017
Canadian utilities				
Natural gas deliveries - end-use (PJ)(1)	**3.5**	3.7	**23.2**	22.1
Natural gas deliveries - transportation (PJ)(1)	**1.1**	1.3	**4.3**	4.7
U.S. utilities				
Natural gas deliveries - end-use (Bcf)(1)	**10.9**	5.9	**53.9**	46.5
Natural gas deliveries - transportation (Bcf)(1)	**25.7**	10.9	**50.7**	37.8
Service sites (2)	**1,759,154**	575,602	**1,759,154**	575,602
Degree day variance from normal - AUI (%) (3)	**80.0**	(16.9)	**13.5**	(4.2)
Degree day variance from normal - Heritage Gas (%) (3)	**(16.5)**	(20.4)	**(4.6)**	(3.4)
Degree day variance from normal - SEMCO Gas (%) (4)	**(17.8)**	5.7	**4.6**	(10.7)
Degree day variance from normal - ENSTAR (%) (4)	**(31.2)**	(16.6)	**(6.9)**	2.2
Degree day variance from normal - Washington Gas (%) (4) (5)	**(4.1)**	—	**(4.1)**	—

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

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

(3) 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 BCUC has approved a rate stabilization mechanism for its residential and small commercial customers.

(4) 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 15 years for SEMCO Gas, during the prior 10 years for ENSTAR, and during the prior 30 years for Washington Gas.

(5) In certain of Washington Gas' jurisdictions (Virginia and Maryland) there are billing mechanisms in place which are designed to eliminate the effects of variance in customer usage caused by weather and other factors such as conservation. In the District of Columbia, there is no weather normalization billing mechanism nor does it hedge to offset the effects of weather. As a result, colder or warmer weather will result in variances to financial results.

During the third quarter of 2018, AltaGas' Utilities segment experienced colder weather compared to the same quarter of 2017 for AUI and SEMCO. Overall colder weather resulted in increased natural gas deliveries to end-use and transportation customers in the U.S. The 2018 increase in end-use and transportation represents the addition of WGL natural gas deliveries.

During the nine months ended September 30, 2018, AltaGas' Utilities segment experienced colder weather compared to the same period in 2017. This was mainly driven by 5 percent colder than normal weather at SEMCO and 13 percent colder than normal weather at AUI, partially offset by 5 percent warmer than normal weather at Heritage Gas and 7 percent warmer than normal weather at ENSTAR. Overall colder weather resulted in increased natural gas deliveries to end-use customers in both Canada and the U.S. The 2018 increase in end-use and transportation represents the addition of WGL natural gas deliveries.

Service sites increased by approximately 1.2 million sites for the third quarter of 2018 compared to the same period in 2017 due to the addition of WGL customers and growth in customer base.

Three Months Ended September 30

The Utilities segment reported normalized EBITDA of $32 million during the three months ended September 30, 2018, compared to $38 million in the same quarter of 2017. The decrease was mainly due to the impact of the WGL Acquisition for the period after transaction close, and the 2018 revenue impact related to the federal tax reduction at the U.S. utilities, partially offset by higher rates, colder weather in Alberta, and the favourable impact of the stronger U.S. dollar.

Nine Months Ended September 30

The Utilities segment reported normalized EBITDA of $194 million during the nine months ended September 30, 2018, compared to $208 million in the same period of 2017. The decrease was mainly due to the 2018 revenue impact related to the federal tax reduction at the U.S. utilities, one-time impacts in 2017 related to insurance proceeds received by SEMCO's non-regulated operations of approximately $2 million and an early termination payment of approximately $2 million from one of SEMCO's non-regulated customers moving from a fixed fee to a volumetric based contract, the impact of the WGL Acquisition closing on July 6, 2018, and the impact of the stronger Canadian dollar. Also contributing to the decrease is lower customer usage at AUI and warmer weather in Nova Scotia and Alaska. The decrease was partially offset by colder weather in Michigan and Alberta, higher rates, and growth in customer base.

Rate Cases

On May 15, 2018, Washington Gas filed an application with the PSC of MD to increase its base rates for natural gas service, generating approximately US$41 million of additional revenue. The revenue increase includes an increase in base rates of approximately US$56 million partially offset by a reduction of approximately US$15 million in annual surcharges currently paid by customers for system upgrades. Rebuttal testimony was filed in September 2018 and the hearings took place in September and October 2018 with a PSC of MD decision expected in December 2018.

On June 15, 2018, Washington Gas filed an application with the PSC of MD for approval of the second phase of its accelerated natural gas pipeline initiative. The application asks for approval of approximately US$394 million in accelerated infrastructure replacements for the 2019 to 2023 period. Rebuttal testimony was filed in September 2018. The hearings took place in September 2018, with a PSC of MD decision expected in December 2018.

On July 31, 2018, Washington Gas filed an application with the SCC of VA to increase its base rates for natural gas service. This base rate increase, if granted, would be approximately US$38 million, of which approximately US$15 million relates to costs being collected through the monthly SAVE surcharges for accelerated pipeline replacement. The new interim rates are effective January 2019. Hearings are scheduled for April 2019 with a decision expected in the first half of 2019.

On August 31, 2018, Washington Gas filed the 2019 SAVE capital expenditure application with the SCC of VA seeking approval for approximately US$70 million of SAVE capital expenditures in 2019. The decision is dependent on the procedural schedule from the SCC of VA.

For the Cook Inlet Natural Gas Storage Alaska LLC (CINGSA) advanced ruling on a redundancy project filed in April 2018 for approximately US$41 million of capital expenditures and an annual revenue requirement of approximately US$6 million, reply testimony was filed in September 2018. The hearing occurred in October 2018 with a decision expected in January 2019.

The CINGSA rate case was filed in April, 2018 based on a 2017 historical test year, reducing rates by US$4 million due to reducing rate base, lower returns on equity (ROE) and lower federal income tax. The rate case hearing is scheduled for April 2019 with a decision expected in July 2019.

CORPORATE

Three Months Ended September 30

In the Corporate segment, normalized EBITDA for the third quarter of 2018 was income of $1 million, compared to a loss of $5 million in the same quarter of 2017. The increase was mainly due to additional interest income earned on funds that were held in escrow for the WGL Acquisition, partially offset by increases to information technology related costs.

Nine Months Ended September 30

In the Corporate segment, normalized EBITDA for the nine months ended September 30, 2018 was a loss of $8 million, compared to a loss of $15 million in the same period of 2017. The decrease is mainly due to additional interest income earned on funds that were held in escrow for the WGL Acquisition, partially offset by increases to professional and consulting fees and information technology related costs.

INVESTED CAPITAL

($ millions)	Gas	Power	Utilities	Corporate	Total
					Three Months Ended September 30, 2018
Invested capital:					
Property, plant and equipment	**$ 60**	**$ 47**	**$ 259**	**$ 1**	**$ 367**
Intangible assets	**1**	**11**	**3**	**1**	**16**
Long-term investments	**59**	**—**	**—**	**—**	**59**
Business acquisition	**1,525**	**892**	**4,682**	**(1,168)**	**5,931**
Contributions from non-controlling interest	**(12)**	**—**	**—**	**—**	**(12)**
Invested capital	**1,633**	**950**	**4,944**	**(1,166)**	**6,361**
Disposals:					
Property, plant and equipment	**—**	**—**	**—**	**—**	**—**
Net invested capital	**$ 1,633**	**$ 950**	**$ 4,944**	**$ (1,166)**	**$ 6,361**

($ millions)	Gas	Power	Utilities	Corporate	Total
					Three Months Ended September 30, 2017
Invested capital:					
Property, plant and equipment	$ 113	$ 1	$ 32	$ 1	$ 147
Intangible assets	—	11	—	—	11
Long-term investments	3	—	—	—	3
Contributions from non-controlling interest	(6)	—	—	—	(6)
Invested capital	110	12	32	1	155
Disposals:					
Property, plant and equipment	—	—	—	—	—
Net invested capital	$ 110	$ 12	$ 32	$ 1	$ 155

During the third quarter of 2018, AltaGas' invested capital was $6.4 billion, compared to $155 million in the same quarter of 2017. The increase in invested capital was primarily due to cash paid on the WGL Acquisition of $5.9 billion, higher additions to property, plant and equipment, and contributions to WGL's investments in Central Penn and Mountain Valley, partially offset by higher contributions from non-controlling interest (representing Vopak's share of construction costs related to RIPET).

The increase in additions to property, plant and equipment in the third quarter of 2018 was mainly due to capital expenditures related to system betterment and accelerated pipeline replacement programs at Washington Gas, construction costs at RIPET and capital expenditures related to WGL's distributed generation projects.

The invested capital in the third quarter of 2018 included maintenance capital of $3 million (2017 - $6 million) in the Gas segment and $2 million (2017 - $1 million) in the Power segment. The decrease in maintenance capital for the Gas segment was primarily due to reduced turnaround expenditures in the third quarter. The increase in maintenance capital for the Power segment was primarily due to maintenance at the Northwest Hydro facilities.

($ millions)	Gas	Power	Utilities	Corporate	Total
					Nine Months Ended September 30, 2018
Invested capital:					
Property, plant and equipment	**$ 175**	**$ 59**	**$ 330**	**$ 2**	**$ 566**
Intangible assets	**4**	**12**	**4**	**3**	**23**
Long-term investments	**78**	**—**	**—**	**—**	**78**
Business acquisition	**1,525**	**892**	**4,682**	**(1,168)**	**5,931**
Contributions from non-controlling interest	**(35)**	**—**	**—**	**—**	**(35)**
Invested capital	**1,747**	**963**	**5,016**	**(1,163)**	**6,563**
Disposals:					
Property, plant and equipment	**(8)**	**(2)**	**—**	**—**	**(10)**
Net invested capital	**$ 1,739**	**$ 961**	**$ 5,016**	**$ (1,163)**	**$ 6,553**

($ millions)	Gas	Power	Utilities	Corporate	Total
					Nine Months Ended September 30, 2017
Invested capital:					
Property, plant and equipment	$ 247	$ 16	$ 80	$ 1	$ 344
Intangible assets	1	13	1	2	17
Long-term investments	17	—	—	—	17
Contributions from non-controlling interest	(12)	—	—	—	(12)
Invested capital	253	29	81	3	366
Disposals:					
Property, plant and equipment	(67)	(2)	(1)	—	(70)
Net invested capital	$ 186	$ 27	$ 80	$ 3	$ 296

During the first nine months of 2018, AltaGas' invested capital was $6.6 billion, compared to $366 million in the same period of 2017. The increase in invested capital in the first nine months of 2018 was mainly due to the same factors impacting the third quarter of 2018 as well as higher contributions to AIJVLP. The increase in additions to property, plant and equipment in the first nine months of 2018 was also due to the same factors impacting the third quarter of 2018, as well as the purchase of an office building at SEMCO. The disposals of property, plant and equipment in the first nine months of 2018 primarily related to non-core facilities in the Gas segment and a development stage wind asset in the Power segment, while in the first nine months of 2017 the disposals of property, plant and equipment related to the sale of the EDS and JFP transmission assets.

The invested capital for the nine months ended September 30, 2018 included maintenance capital of $16 million (2017 - $8 million) in the Gas segment and $12 million (2017 - $7 million) in the Power segment. The increase in maintenance capital for the first nine months of 2018 for the Gas segment was primarily due to a planned turnaround at Harmattan in the second quarter of 2018, and in the Power segment was due to costs of approximately $5 million incurred during a planned outage at the Northwest Hydro facilities in the second quarter of 2018.

RISK MANAGEMENT

AltaGas is exposed to various market risks in the normal course of operations that could impact earnings and cash flows. AltaGas enters into physical and financial derivative contracts to manage exposure to fluctuations in commodity prices and foreign exchange rates, as well as to optimize certain owned and managed natural gas assets. The Board of Directors of AltaGas has established a risk management policy for the Corporation establishing AltaGas' risk management control framework. Derivative instruments are governed under, and subject to, this policy. In the third quarter of 2018, AltaGas implemented a new system that is designed to manage and provide additional work flow controls for the marketing and risk management processes for the NGL business. As at September 30, 2018 and December 31, 2017, the fair values of the Corporation's derivatives were as follows:

($ millions)		September 30, 2018		December 31, 2017
Natural gas	$	(128)	$	6
NGL frac spread		(29)		(24)
Power		—		(1)
Foreign exchange		—		2
Net derivative liability	$	(157)	$	(17)

Commodity Price Contracts

The Corporation executes gas, power, and other physical and financial commodity contracts to serve its customers as well as manage and optimize its asset portfolio. A portion of these physical contracts are not recorded at fair value because they are either i) designated as "normal purchases and normal sales", ii) do not qualify as derivative instruments due to the significance of their notional amount relative to the applicable liquid markets, or iii) are weather derivatives, which are not exchanged or traded and the underlying variables relate to a climactic, geological or other physical variable. The fair value of power, natural gas, and NGL contracts that qualify as derivatives was calculated using estimated forward prices based on published sources for the relevant period. AltaGas has not elected hedge accounting for any of its derivative contracts currently in place. For AltaGas' Gas and Power segments, changes in the fair value of these derivative contracts are recorded in the Consolidated Statements of Income in the period in which the change occurs. For the Utility segment, changes in the fair value of derivative instruments recoverable or refundable to customers are recorded to regulatory assets or regulatory liabilities on the Consolidated Balance Sheets, while changes in the fair value of derivative instruments not affected by rate regulation are recorded in the Consolidated Statements of Income in the period in which the change occurs.

The Power segment has various fixed-for-floating power purchase and sale contracts in the Alberta market, which are expected to be settled over the next five years. Additionally, to serve retail electric customers, AltaGas enters into both physical and financial contracts for the purchase and sale of electricity.

The Gas segment also executes fixed-for-floating NGL frac spread swaps to manage exposure to frac spreads as the financial results of several extraction plants are affected by fluctuations in NGL frac spreads. The average indicative spot NGL frac spread for the nine months ended September 30, 2018 was approximately $23/Bbl (2017 – $17/Bbl), inclusive of basis differentials. The average NGL frac spread realized by AltaGas (based on average spot price and realized hedge price inclusive of basis differentials) for the nine months ended September 30, 2018 was approximately $16/Bbl inclusive of basis differentials (2017 - $12/Bbl). For the remainder of 2018, AltaGas currently has frac hedges in place to hedge approximately 7,500 Bbls/d at an average price of $33/Bbl, excluding basis differentials. AltaGas also entered into frac hedges to hedge approximately 6,228 Bbls/d at an average price of approximately $30/Bbl, excluding basis differentials, for calendar year 2019. Additionally, AltaGas uses physical and financial derivatives for the purchase and sale of natural gas in order to optimize owned storage and transportation capacity as well as managed transportation and storage assets on behalf of third parties. To serve retail gas customers, AltaGas enters into retail sales contracts that contain optionality as well as physical and financial contracts which qualify as derivative instruments.

The Utility segment enters into hedging contracts and other contracts that may qualify as derivative instruments related to the purchase of natural gas to manage price risk for its ratepayers. Additionally, Washington Gas executes commodity-related physical and financial contracts in the form of forward, futures, and option contracts as part of an asset optimization program. Under this program, Washington Gas realizes value from its long-term natural gas transportation and storage capacity resources when they are not being fully used to serve utility customers.

Foreign Exchange

AltaGas has foreign operations whereby the functional currency is the U.S. dollar. As a result, the Corporation's earnings, cash flows, and other comprehensive income are exposed to fluctuations resulting from changes in foreign exchange rates. This risk is partially mitigated to the extent that AltaGas has U.S. dollar-denominated debt and preferred shares outstanding. AltaGas may also enter into foreign exchange forward derivatives to manage the risk of fluctuating cash flows due to variations in foreign exchange rates.

As at September 30, 2018, management has designated US$2.4 billion of outstanding U.S. dollar denominated long-term debt to hedge against the currency translation effect of its foreign investments (December 31, 2017 - $nil). This designation has the effect of mitigating volatility on net income by offsetting foreign exchange gains and losses on U.S. dollar denominated long-term debt and foreign net investment. For the three and nine months ended September 30, 2018, AltaGas incurred after-tax unrealized gains of $37 million arising from the translation of debt in other comprehensive income (three and nine months ended September 30, 2017 - after-tax unrealized gains of $nil and $7 million, respectively).

To mitigate the foreign exchange risks associated with the cash purchase price of WGL, AltaGas entered into foreign currency option contracts with an aggregate notional value of approximately US$1.2 billion which expired in May 2018. These foreign currency option contracts did not qualify for hedge accounting. Therefore, all changes in fair value were recognized in net income. For the three and nine months ended September 30, 2018, unrealized gains of $nil and $35 million, respectively, and a realized loss of $nil and $36 million, respectively, were recognized in revenue in relation to these contracts (2017 - unrealized losses of $10 million and $32 million, respectively). In the second quarter of 2018, AltaGas entered into foreign exchange forward contracts with an aggregate notional value of $3.2 billion intended to minimize the foreign exchange risk of the WGL Acquisition, which settled in the third quarter of 2018. These foreign exchange derivatives did not qualify for hedge accounting. Therefore, all changes in fair value were recognized in net income. For the three and nine months ended September 30, 2018, unrealized losses of $2 million and $nil, respectively, and a realized gain of $1 million were recognized in income in relation to these forward contracts (2017 - $nil).

Weather

WGL Energy Services utilizes heating degree day (HDD) instruments from time to time to manage weather and price risks related to its natural gas and electricity sales during the winter heating season. WGL Energy Services also utilizes cooling degree day (CDD) instruments and other instruments to manage weather and price risks related to its electricity sales during the summer cooling season. These instruments cover a portion of estimated revenue or energy-related cost exposure to variations in HDDs or CDDs. For the period from close of the WGL Acquisition to September 30, 2018, pre-tax losses of $1 million were recorded related to these instruments (2017 - $nil).

The Effects of Derivative Instruments on the Consolidated Statements of Income

The following table presents the unrealized gains (losses) on derivative instruments as recorded in the Corporation's Consolidated Statements of Income:

	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2018**	2017	**2018**	2017
Natural gas	**$ (4)**	$ (2)	**$ (15)**	$ (1)
NGL frac spread	**(7)**	(10)	**(5)**	(1)
Power	**2**	(3)	**(3)**	(12)
Foreign exchange	**(2)**	(10)	**35**	(33)
	$ (11)	$ (25)	**$ 12**	$ (47)

Please refer to Note 20 of the 2017 Annual Consolidated Financial Statements and Note 15 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2018 for further details regarding AltaGas' risk management activities.

LIQUIDITY

	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2018**	2017	**2018**	2017
Cash from (used in) operations	**$ (355)**	$ 88	**$ (18)**	$ 391
Investing activities	**(6,269)**	(201)	**(6,465)**	(378)
Financing activities	**5,994**	(15)	**6,602**	(8)
Increase (decrease) in cash and cash equivalents	**$ (630)**	$ (128)	**$ 119**	$ 5

Cash from Operations

Cash from operations decreased by $409 million for the nine months ended September 30, 2018, compared to the same period in 2017, primarily due to lower net income after taxes and an unfavorable variance in the net change in operating assets and liabilities. The majority of the variance in net change in operating assets and liabilities was due to the addition of WGL's operating assets and liabilities and decreased cash flows from changes in inventory and accounts payable and accrued liabilities related to weather at certain of the utilities, partially offset by increased cash flow from regulatory liabilities and the absence of pre-payments for long-term service agreements relating to RIPET.

Working Capital

($ millions except current ratio)	**September 30, 2018**	December 31, 2017
Current assets	**$ 3,516**	$ 702
Current liabilities	**4,576**	815
Working deficiency	**$ (1,060)**	$ (113)
Working capital ratio	**0.77**	0.86

The decrease in working capital ratio was primarily due to an increase in current portion of long-term debt, increased short-term debt, an increase in accounts payable and accrued liabilities, and an increase in liabilities held for sale of $258 million, partially offset by increases to assets held for sale, accounts receivable and prepaid expenses. AltaGas' working capital will fluctuate in the normal course of business.

Investing Activities

Cash used in investing activities for the nine months ended September 30, 2018 was $6.5 billion, compared to $378 million in the same period in 2017. Investing activities for the nine months ended September 30, 2018 primarily included the cash payment of $5.9 billion for the WGL acquisition, expenditures of approximately $522 million for property, plant, and equipment, and approximately $78 million of contributions to equity investments, partially offset by proceeds of $77 million on the disposition of investments (the majority of which related to Tidewater shares) and cash proceeds of approximately $10 million, net of transaction costs, primarily from the sale of non-core gas facilities and a wind asset. Investing activities for the nine months ended September 30, 2017 primarily included expenditures of approximately $359 million for property, plant, and equipment, approximately $36 million for derivative contracts, approximately $17 million of contributions to AltaGas' equity investments, approximately $17 million in expenditures for intangible assets, and a $13 million loan to Petrogas under the $100 million interest bearing secured loan facility provided to Petrogas, partially offset by cash proceeds of approximately $70 million, net of transaction costs, primarily from the sale of the EDS and JFP transmission assets.

Financing Activities

Cash from financing activities for the nine months ended September 30, 2018 was $6.6 billion, compared to cash used in financing activities of $8 million in the same period in 2017. Financing activities for the nine months ended September 30, 2018 were primarily comprised of net short and long-term debt issuances of $3.2 billion, net proceeds from the issuance of common shares of $2.5 billion, net borrowings under bankers' acceptances of $331 million, the proceeds from the sale of the non-controlling interest in the Northwest Hydro facilities of $912 million (net of transaction costs), and contributions from non-controlling interests of $53 million. Financing activities for the nine months ended September 30, 2017 were primarily comprised of net proceeds from the issuance of preferred shares of $293 million and common shares of $179 million (mainly from common shares issued through the DRIP), borrowings under the credit facilities of $749 million, and proceeds from the sale of a non-controlling interest in RIPET to Vopak of $24 million, partially offset by repayments of long-term debt and short-term debt of $838 million and $102 million, respectively. Total dividends paid to common and preferred shareholders of AltaGas for the nine months ended September 30, 2018 were $390 million (2017 - $312 million), of which $224 million was reinvested through the DRIP (2017 - $175 million). The increase in dividends paid was due to more common shares outstanding and dividend increases on common shares declared in the fourth quarter of 2017.

CAPITAL RESOURCES

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

The use of debt or equity funding is based on AltaGas' capital structure, which is determined by considering the norms and risks associated with operations and cash flow stability and sustainability.

($ millions)	**September 30, 2018**	December 31, 2017
Short-term debt	**$ 866**	$ 47
Current portion of long-term debt [(1)]	**1,999**	189
Long-term debt[(2)]	**7,571**	3,437
Total debt	**10,436**	3,673
Less: cash and cash equivalents	**(14)**	(27)
Net debt	**$ 10,422**	$ 3,646
Shareholders' equity	**6,521**	4,573
Non-controlling interests	**542**	66
Total capitalization	**$ 17,485**	$ 8,285
Net debt-to-total capitalization (%)	**60**	44

(1) The current portion of long-term debt will be reduced by approximately $1.3 billion upon receipt of the expected proceeds related to assets classified as held for sale on the Consolidated Balance Sheets as at September 30, 2018, which will be used to repay a portion of the bridge facility.

(2) Net of debt issuance costs of $35 million as at September 30, 2018 (December 31, 2017 - $14 million).

As at September 30, 2018, AltaGas' total debt primarily consisted of outstanding MTNs of $2.7 billion (December 31, 2017 - $2.9 billion), WGL and Washington Gas long-term debt of $2.7 billion, reflecting fair value adjustments on acquisition (December 31, 2017 - $nil), SEMCO long-term debt of $470 million (December 31, 2017 - $462 million) and $3.7 billion drawn under the bank credit facilities (December 31, 2017 - $260 million). In addition, AltaGas had $241 million of letters of credit (December 31, 2017 - $120 million) outstanding.

As at September 30, 2018, AltaGas' total market capitalization was approximately $5.5 billion based on approximately 268.9 million common shares outstanding and a closing trading price on September 30, 2018 of $20.55 per common share.

AltaGas' earnings interest coverage for the rolling 12 months ended September 30, 2018 was (2.6) times (12 months ended September 30, 2017 – 2.0 times).

Credit Facilities

($ millions)		Borrowing capacity		**Drawn at September 30, 2018**		Drawn at December 31, 2017
Demand credit facilities	$	255	**$**	**146**	$	75
Extendible revolving letter of credit facility		150		**90**		41
PNG operating facility		25		**10**		13
PNG credit facility		25		**—**		—
AltaGas Ltd. revolving credit facility [(1)]		1,400		**639**		219
AltaGas Ltd. revolving US$300 million credit facility [(1) (2)]		388		**162**		—
Bridge facility [(1) (2) (3)]		2,914		**2,914**		—
SEMCO Energy US$150 million unsecured credit facility [(1) (2)]		194		**1**		32
WGL US$650 million unsecured revolving credit facility [(2)]		841		**—**		—
Washington Gas US$350 million unsecured revolving credit facility [(2) (4)]		453		**—**		—
	$	6,645	**$**	**3,962**	$	380

(1) Amount drawn at September 30, 2018 converted at the month-end rate of 1 U.S. dollar = 1.2945 Canadian dollar (December 31, 2017 - 1 U.S. dollar = 1.2545 Canadian dollar).

(2) Borrowing capacity was converted at the September 30, 2018 U.S./Canadian dollar month-end exchange rate.

(3) The acquisition credit facility could remain in place for up to 12 to 18 months after closing of the WGL Acquisition, however AltaGas expects to fully repay the facility in the fourth quarter of 2018, subject to the close of pending asset sales and the timing of offering of term debt and hybrid securities.

(4) Washington Gas has the right to request additional borrowings of up to US$100 million with the bank's approval, for a total of US$450 million.

WGL and Washington Gas use short-term debt in the form of commercial paper or unsecured short-term bank loans to fund seasonal cash requirements. Revolving committed credit facilities are maintained in an amount equal to or greater than the expected maximum commercial paper position. At September 30, 2018, commercial paper outstanding totaled US$588 million for WGL and Washington Gas.

All of the borrowing facilities have covenants customary for these types of facilities, which must be met at each quarter end. AltaGas and its subsidiaries have been in compliance with all financial covenants each quarter since the establishment of the facilities.

The following table summarizes the Corporation's primary financial covenants as defined by the credit facility agreements:

Ratios	Debt covenant requirements	**As at September 30, 2018**
Bank debt-to-capitalization[(1)]	not greater than 65 percent	59.8%
Bank EBITDA-to-interest expense [(1) (2)]	not less than 2.5x	3.1
Bank debt-to-capitalization (SEMCO)[(3)]	not greater than 60 percent	36.8%
Bank EBITDA-to-interest expense (SEMCO)[(3)]	not less than 2.25x	7.4
Bank debt-to-capitalization (WGL)[(4)]	not greater than 65 percent	59.1%
Bank debt-to-capitalization (Washington Gas)[(4)]	not greater than 65 percent	46.9%

(1) Calculated in accordance with the Corporation's credit facility agreement, which is available on SEDAR at www.sedar.com.

(2) Estimated, subject to final adjustments.

(3) Bank EBITDA-to-interest expense (SEMCO) and Bank debt-to-capitalization (SEMCO) are calculated based on SEMCO's consolidated financial statements and are calculated similar to Bank debt-to-capitalization and Bank EBITDA-to-interest expense.

(4) WGL's bank debt-to-capitalization ratio is calculated based on WGL's consolidated financial statements.

On September 7, 2017, a $5 billion base shelf prospectus was filed. The purpose of the base shelf prospectus is to facilitate timely offerings of certain types of future public debt and/or equity issuances during the 25-month period that the base shelf prospectus remains effective. As at September 30, 2018, approximately $4.6 billion was available under the base shelf prospectus.

On June 4, 2018, a US$2 billion preliminary short form prospectus for the issuance of both debt securities and preferred shares was filed in Alberta. AltaGas filed a final short form base shelf prospectus on June 13, 2018 both in Alberta and the U.S. This will enable AltaGas to access the U.S. capital markets during the 25-month period that the base shelf prospectus remains effective. As at September 30, 2018, US$2.0 billion was available under the base shelf prospectus.

RELATED PARTY TRANSACTIONS

In the normal course of business, AltaGas transacts with its subsidiaries, affiliates and joint ventures. With the exception of additional related party transactions as a result of the WGL Acquisition, there were no significant changes in the nature of the related party transactions described in Note 27 of the 2017 Annual Consolidated Financial Statements.

SHARE INFORMATION

Subscription Receipts

In 2017, the Corporation issued approximately 84.5 million subscription receipts pursuant to a private placement and public offering to partially fund the WGL Acquisition at a price of $31 each for total gross proceeds of approximately $2.6 billion. Each subscription receipt entitled the holder to automatically receive one common share upon closing of the WGL Acquisition. During the time the subscription receipts were outstanding, holders received cash payments (Dividend Equivalent Payments) per subscription receipt that were equal to dividends declared on each common share. The funds were released from escrow on July 5, 2018. Upon closing, the subscription receipts were automatically exchanged for AltaGas common shares in accordance with the terms of the subscription receipt agreement and have subsequently been delisted from the TSX.

	As at October 19, 2018
Issued and outstanding	
Common shares	270,520,996
Preferred Shares	
Series A	5,511,220
Series B	2,488,780
Series C	8,000,000
Series E	8,000,000
Series G	8,000,000
Series I	8,000,000
Series K	12,000,000
WGL $4.25 series	150,000
WGL $4.80 series	70,600
WGL $5.00 series	60,000
Issued	
Share options	4,881,498
Share options exercisable	3,489,609

DIVIDENDS

AltaGas declares and pays a monthly dividend to its common shareholders. Dividends on preferred shares are paid quarterly. Dividends are at the discretion of the Board of Directors and dividend levels are reviewed periodically, giving consideration to the ongoing sustainable cash flow from operating activities, maintenance and growth capital expenditures, and debt repayment requirements of AltaGas.

The following table summarizes AltaGas' dividend declaration history:

Dividends
Year ended December 31

($ per common share)	**2018**	2017
First quarter	**$ 0.547500**	$ 0.525000
Second quarter	**0.547500**	0.525000
Third quarter	**0.547500**	0.525000
Fourth quarter	**—**	0.540000
Total	**$ 1.642500**	$ 2.115000

Series A Preferred Share Dividends
Year ended December 31

($ per preferred share)	**2018**	2017
First quarter	**$ 0.211250**	$ 0.211250
Second quarter	**0.211250**	0.211250
Third quarter	**0.211250**	0.211250
Fourth quarter	**—**	0.211250
Total	**$ 0.633750**	$ 0.845000

Series B Preferred Share Dividends
Year ended December 31

($ per preferred share)	**2018**	2017
First quarter	**$ 0.217600**	$ 0.195410
Second quarter	**0.238720**	0.195710
Third quarter	**0.249530**	0.201010
Fourth quarter	**—**	0.214250
Total	**$ 0.705850**	$ 0.806380

Series C Preferred Share Dividends
Year ended December 31

(US$ per preferred share)	**2018**	2017
First quarter	**$ 0.330625**	$ 0.275000
Second quarter	**0.330625**	0.275000
Third quarter	**0.330625**	0.275000
Fourth quarter	**—**	0.330625
Total	**$ 0.991875**	$ 1.155625

Series E Preferred Share Dividends
Year ended December 31

($ per preferred share)	**2018**	2017
First quarter	**$ 0.312500**	$ 0.312500
Second quarter	**0.312500**	0.312500
Third quarter	**0.312500**	0.312500
Fourth quarter	**—**	0.312500
Total	**$ 0.937500**	$ 1.250000

Series G Preferred Share Dividends
Year ended December 31

($ per preferred share)	**2018**	2017
First quarter	**$ 0.296875**	$ 0.296875
Second quarter	**0.296875**	0.296875
Third quarter	**0.296875**	0.296875
Fourth quarter	**—**	0.296875
Total	**$ 0.890625**	$ 1.187500

Series I Preferred Share Dividends

Year ended December 31 *($ per preferred share)*	**2018**	2017
First quarter	**$ 0.328125**	$ 0.328125
Second quarter	**0.328125**	0.328125
Third quarter	**0.328125**	0.328125
Fourth quarter	**—**	0.328125
Total	**$ 0.984375**	$ 1.312500

Series K Preferred Share Dividends

Year ended December 31 *($ per preferred share)*	**2018**	2017
First quarter	**$ 0.312500**	$ —
Second quarter	**0.312500**	0.438400
Third quarter	**0.312500**	0.312500
Fourth quarter	**—**	0.312500
Total	**$ 0.937500**	$ 1.063400

In connection with the WGL Acquisition, AltaGas assumed Washington Gas' preferred stock. Washington Gas has three series of cumulative preferred stock outstanding. Dividends declared from the period from closing of the WGL Acquisition to September 30, 2018 were as follows:

$4.25 series Preferred Share Dividends

Year ended December 31 *(US$ per preferred share)*	**2018**	2017
First quarter	**$ —**	$ —
Second quarter	**—**	—
Third quarter	**1.062500**	—
Fourth quarter	**—**	—
Total	**$ 1.062500**	$ —

$4.80 series Preferred Share Dividends

Year ended December 31 *(US$ per preferred share)*	**2018**	2017
First quarter	**$ —**	$ —
Second quarter	**—**	—
Third quarter	**1.200000**	—
Fourth quarter	**—**	—
Total	**$ 1.200000**	$ —

$5.00 series Preferred Share Dividends

Year ended December 31 *(US$ per preferred share)*	**2018**	2017
First quarter	**$ —**	$ —
Second quarter	**—**	—
Third quarter	**1.250000**	—
Fourth quarter	**—**	—
Total	**$ 1.250000**	$ —

CRITICAL ACCOUNTING ESTIMATES

Since a determination of the value of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of AltaGas' Consolidated Financial Statements requires the use of estimates and assumptions that have been made using careful judgment. Other than as described below, AltaGas' significant accounting policies have remained unchanged and are contained in the notes to the 2017 Annual 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 revenue recognition, financial instruments, depreciation and amortization expense, asset retirement obligations and other environmental costs, asset impairment assessments, income taxes, pension plans and post-retirement benefits, regulatory assets and liabilities, and contingencies. For a full discussion of these accounting estimates, refer to the 2017 Annual Consolidated Financial Statements and MD&A.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2018, AltaGas adopted the following Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU):

- ASU No. 2014-09 "Revenue from Contracts with Customers" and all related amendments (collectively "ASC 606"). AltaGas adopted ASC 606 using the modified retrospective method to contracts that have not been completed as at January 1, 2018. Under the modified retrospective method, the comparative information is not adjusted. The adoption of ASC 606 impacted the timing of revenue recognition in relation to contracts with take-or-pay or minimum volume commitments whereby the customers have make up rights for deficiency quantities. However, on adoption, no cumulative adjustments to opening retained earnings were required for this change in revenue recognition pattern as none of the customers had material deficiency quantities. Please also refer to Note 14 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2018 for further details. AltaGas does not expect the application of ASC 606 to have a material impact on its consolidated financial statements in 2018;

- ASU No. 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities" which revised an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amended certain disclosure requirements associated with the fair value of financial instruments. Upon adoption, AltaGas reclassified its equity securities with readily determinable fair values from available-for-sale to held for trading. Changes in fair value for equity securities with readily determinable fair values are now recognized through earnings instead of other comprehensive income. As a result, a cumulative-effect adjustment to retained earnings of approximately $7 million was recognized as at January 1, 2018. The remaining provisions of this ASU did not have a material impact on AltaGas' consolidated financial statements;

- ASU No. 2016-15 "Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments". The amendments in this ASU clarified the classification of certain cash flow transactions on the statement of cash flow. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements;

- ASU No. 2016-16 "Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory". The amendments in this ASU revised the accounting for income tax consequences on intra-entity transfers of assets by requiring an entity to recognize current and deferred tax on intra-entity transfers of assets other than inventory when the transfer occurs. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements;

- ASU No. 2016-18 "Statement of Cash Flows: Restricted Cash". The amendments in this ASU required those amounts deemed to be restricted cash and restricted cash equivalents to be included in the cash and cash equivalents balance on the statement of cash flows. The change in presentation of the restricted cash balance on the statement of cash flows was applied on a retrospective basis;

- ASU No. 2017-01 “Business Combinations: Clarifying the Definition of a Business”. The amendments in this ASU changed the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. AltaGas will apply the amendments to this ASU prospectively;

- ASU No. 2017-04 “Intangibles – Goodwill and Other: Simplifying the Test for Goodwill Impairment”. The amendments in this ASU removed Step 2 of the goodwill impairment test, eliminating the requirement to determine the fair value of individual assets and liabilities of a reporting unit to measure the goodwill impairment. AltaGas early adopted this ASU and will apply the amendments to this ASU prospectively. The adoption of this ASU did not have a material impact on AltaGas’ consolidated financial statements;

- ASU No. 2017-05 “Other Income – Gains and Losses from the De-recognition of Nonfinancial Assets: Clarifying the Scope of Asset De-recognition Guidance and Accounting for Partial Sales of Nonfinancial Assets”. The amendments in this ASU clarified the scope of ASC 610-20 as well as the accounting for partial sales of nonfinancial assets. The adoption of this ASU did not have a material impact on AltaGas’ consolidated financial statements;

- ASU No. 2017-07 “Compensation – Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost”. The amendments in this ASU revised the presentation of net periodic pension cost and net periodic postretirement benefit cost on the income statement and limited the components that are eligible for capitalization in assets to only the service cost component. AltaGas applied the change in presentation of the current service cost and other components of net benefit cost on the income statement retrospectively. As a result, $0.4 million and $1.2 million of net benefit cost associated with other components were reclassified from the line item “Operating and administrative” to “Other Income” on the Consolidated Statements of Income for the three and nine months ended September 30, 2017. AltaGas applied the change related to the capitalization of the service cost prospectively. The adoption of this ASU did not have a material impact on AltaGas’ consolidated financial statements;

- ASU No. 2017-09 “Compensation – Stock Compensation: Scope of Modifications Accounting”. The amendments in this ASU provided guidance on the types of changes to the terms or conditions of share-based payment arrangements to which an entity would be required to apply modification accounting. The guidance was applied prospectively and did not have a material impact on AltaGas’ consolidated financial statements;

- ASU No. 2017-12 “Derivatives and Hedging – Targeted Improvements to Accounting for Hedging Activities”. The amendments in this ASU improved the financial reporting of hedging relationships to better portray the economic results of an entity’s risk management activities in its financial statements and made certain targeted improvements to simplify the application of hedge accounting. AltaGas early adopted this ASU. The adoption of this ASU did not have a material impact on AltaGas’ consolidated financial statements;

- ASU No. 2018-02 “Income Statement – Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income”. The amendments in this ASU allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. AltaGas early adopted this ASU. The adoption of this ASU did not have a material impact on AltaGas’ consolidated financial statements; and

- ASU No. 2018-03 “Technical Corrections and Improvements to Financial Instruments – Overall”. The amendments in this ASU clarified certain aspects of the guidance issued in ASU No. 2016-01. AltaGas early adopted this ASU. The adoption of this ASU did not have a material impact on AltaGas’ consolidated financial statements.

FUTURE CHANGES IN ACCOUNTING PRINCIPLES

In February 2016, FASB issued ASU No. 2016-02 “Leases”, which requires lessees to recognize on the balance sheet a right-of-use asset and a lease liability for all leases with lease terms greater than 12 months. Lessor accounting remains substantially unchanged, however, the ASU modifies what qualifies as a sales-type and direct financing lease and eliminates the real estate-specific provisions included in ASC 840. The ASU also requires additional disclosures regarding leasing arrangements. In January 2018, FASB issued ASU No. 2018-01 “Land Easement Practical Expedient for Transition to Topic 842”, providing entities with an optional election not to evaluate existing and expired land easements not previously accounted for as leases under ASC 840 using the provisions of ASC 842. The amendments to the new leases standard are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. In July 2018, FASB issued ASU 2018-11 “Targeted Improvements”, allowing entities to report the comparative periods presented in the period of adoption under the old lease standard (ASC 840), and recognize a cumulative-effect adjustment to the opening balance of retained earnings as of January 1, 2019. The ASU also provides a practical expedient under which lessors are not required to separate out lease and non-lease components of a contract, provided certain conditions are met. The amendments to the new leases standard are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. AltaGas is currently performing a scoping exercise by gathering a complete inventory of lease contracts in order to evaluate the impact of adopting ASC 842 on its consolidated financial statements, but expects that the new standard will have an impact on the Corporation’s balance sheet as all operating leases will need to be reflected on the balance sheet upon adoption. In addition, AltaGas currently expects to utilize the transition practical expedients which allow entities to not have to reassess whether an arrangement contains a lease under the provisions of ASC 842.

In June 2016, FASB issued ASU No. 2016-13 “Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments”. The amendments in this ASU replace the current “incurred loss” impairment methodology with an “expected loss” model for financial assets measured at amortized cost. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted. AltaGas is currently assessing the impact of this ASU on its consolidated financial statements.

In June 2018, FASB issued ASU No. 2018-07 “Compensation – Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting”. The amendments in this ASU expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees, with the objective of making the measurement consistent with employee share based payment awards. The amendments in this update are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas’ consolidated financial statements.

In August 2018, FASB issued ASU No. 2018-13 “Fair Value Measurement – Disclosure Framework: Changes to the Disclosure Requirements for Fair Value Measurement”. The amendments in this ASU modify the disclosure requirements on fair value measurements. The amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas’ consolidated financial statements.

In August 2018, FASB issued ASU No. 2018-14 “Compensation – Retirement Benefits-Defined Benefit Plans – General: Disclosure Framework – Changes to the Disclosure Requirements for the Defined Benefit Plans”. The amendments in this ASU modify the disclosure requirements on defined benefit pension and other postretirement plans. The amendments in this update are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas’ consolidated financial statements.

In August 2018, FASB issued ASU No. 2018-15 “Intangibles-Goodwill and Other – Internal-Use Software: Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement (CCA) that is a Service Contract”. The amendments in this ASU align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas’ consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

With the exception of the subscription receipts and the net proceeds thereof held in escrow as described under the *Share Information* section of this MD&A, and certain additional commitments and contingencies associated with WGL as disclosed in Note 18 of the unaudited condensed interim Consolidated Financial Statements, AltaGas did not enter into any material off-balance sheet arrangements during the three and nine months ended September 30, 2018. Reference should be made to the audited Consolidated Financial Statements and MD&A as at and for the year ended December 31, 2017 for further information on off-balance sheet arrangements.

DISCLOSURE CONTROLS AND PROCEDURES (DCP) AND INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Management, including the interim co-Chief Executive Officers and Chief Financial Officer, is responsible for establishing and maintaining DCP 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.

Management, including the interim co-Chief Executive Officers and the Chief Financial Officer, have designed, or caused to be designed under their supervision, DCP and ICFR to provide reasonable assurance that information required to be disclosed by AltaGas in its annual filings, interim filings or other reports to be filed or submitted by it under securities legislation 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 U.S. GAAP.

The ICFR has been designed based on the framework established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

AltaGas completed the WGL Acquisition effective July 6, 2018. As a result of this transaction, AltaGas is currently evaluating and integrating ICFR processes and activities related to WGL. AltaGas expects to complete these integration activities and related evaluation in 2019. Results for WGL reflected in the unaudited condensed interim Consolidated Financial Statements include total assets of approximately $13.5 billion as at September 30, 2018 and revenues of $464 million for the period since the transaction closed.

In August 2018, AltaGas implemented a new system that is designed to manage and provide additional work flow controls for the marketing and risk management processes for the NGL business. No other changes have been made to AltaGas' ICFR during the first nine months of 2018 that materially affected, or are reasonably likely to materially effect, its ICFR.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. The design of any system of controls is also based in part on certain assumptions about the likelihood of future events, and there can be no assurances that any design will succeed in achieving its stated goals under all potential conditions.

SUMMARY OF CONSOLIDATED RESULTS FOR THE EIGHT MOST RECENT QUARTERS [1]

($ millions)	**Q3-18**	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16
Total revenue	**1,041**	610	878	745	502	539	771	661	492
Normalized EBITDA[2]	**226**	166	223	213	190	166	228	194	176
Net income (loss) applicable to common shares	**(726)**	1	49	(11)	18	(8)	32	38	46
($ per share)	**Q3-18**	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16
Net income (loss) per common share									
Basic	**(2.78)**	0.01	0.28	(0.06)	0.10	(0.05)	0.19	0.23	0.28
Diluted	**(2.78)**	0.01	0.28	(0.06)	0.10	(0.05)	0.19	0.23	0.28
Dividends declared	**0.55**	0.55	0.55	0.54	0.53	0.53	0.53	0.53	0.52

(1) Amounts may not add due to rounding.

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

AltaGas' quarter-over-quarter financial results are impacted by seasonality, fluctuations in commodity prices, weather, the U.S./Canadian dollar exchange rate, planned and unplanned plant outages, timing of in-service dates of new projects, and acquisition and divestiture activities.

Revenue for the Utilities is generally the highest in the first and fourth quarters of any given year as the majority of natural gas demand occurs during the winter heating season, which typically extends from November to March. The run-of-river hydroelectric facilities in British Columbia are also impacted by seasonal precipitation and snowpack melt, which create periods of high flow during the spring and summer months.

Other significant items that impacted quarter-over-quarter revenue during the periods noted include:

- The weak NGL commodity prices throughout 2016 and the improved NGL commodity prices in 2017 and the first nine months of 2018;
- The weak Alberta power pool prices throughout 2016 and 2017;
- The stronger U.S. dollar throughout 2016 and the weaker U.S. dollar in the second half of 2017 and the first half of 2018 on translated results of the U.S. assets;
- The seasonally colder weather experienced at several of the utilities in the fourth quarter of 2017 and the first nine months of 2018;
- The commencement of commercial operations early in the third quarter of 2016 at the integrated midstream complex at Townsend in northeast British Columbia, including the Townsend Facility, gas gathering line, NGL egress pipelines and truck terminal;
- The commissioning of the Pomona Energy Storage Facility on December 31, 2016;
- The closing of the sale of the EDS and the JFP transmission assets to Nova Chemicals in March of 2017;
- The commencement of commercial operations on October 1, 2017 at Townsend 2A;
- The commencement of commercial operations at the first train of the North Pine Facility on December 1, 2017;
- Losses on risk management contracts recorded in 2017 and the first half of 2018 related to the foreign currency option contracts entered into to mitigate the foreign exchange risks associated with the cash purchase price of WGL;
- The negative impact on revenue of U.S. tax reform at the U.S. utilities in the first nine months of 2018; and
- Revenue from WGL after the acquisition closed in the third quarter of 2018.

Net income (loss) applicable to common shares is also affected by non-cash items such as deferred income tax, depreciation and amortization expense, accretion expense, provisions on assets, gains or losses on investments, and gains or losses on the sale of assets. In addition, net income (loss) applicable to common shares is also impacted by preferred share dividends. For these reasons, the net income (loss) may not necessarily reflect the same trends as revenue. Net income (loss) applicable to common shares during the periods noted was impacted by:

- Higher depreciation and amortization expense due to new assets placed into service;
- Higher interest expense since the first quarter of 2017 mainly due to higher financing costs associated with the bridge facility;
- The unrealized loss of approximately $8 million recognized upon ceasing to account for the Tidewater investment using the equity method in the second quarter of 2017;
- After-tax provisions totaling $84 million recognized in the fourth quarter of 2017 related to the Hanford and Henrietta gas-fired peaking facilities, a non-core gas processing facility in Alberta, and a non-core development stage peaking project in California;
- Impact of the U.S. tax reform resulting in a decrease in tax expense of approximately $34 million in the fourth quarter of 2017;
- After-tax transaction costs incurred throughout 2017 (totaling $53 million) and in the first nine months of 2018 ($41 million) predominantly due to the WGL Acquisition;
- After-tax merger commitment costs of $135 million associated with the WGL Acquisition recorded in the third quarter of 2018;
- The impact of WGL loss for the period after the close of the acquisition on July 6, 2018; and
- After-tax provisions of approximately $539 million recognized in the third quarter of 2018 primarily related to assets held for sale.

Consolidated Balance Sheets

(condensed and unaudited)

As at *($ millions)*		**September 30, 2018**		December 31, 2017
ASSETS				
Current assets				
Cash and cash equivalents *(note 21)*	**$**	**14.1**	$	27.3
Accounts receivable, net of allowances		**937.1**		382.9
Inventory *(note 7)*		**502.1**		201.1
Restricted cash holdings from customers *(note 21)*		**3.8**		8.9
Regulatory assets		**13.4**		1.1
Risk management assets *(note 15)*		**64.1**		38.6
Prepaid expenses and other current assets *(note 21)*		**209.8**		36.0
Assets held for sale *(note 4)*		**1,771.3**		6.0
		3,515.7		701.9
Property, plant and equipment		**11,306.7**		6,689.8
Intangible assets		**931.4**		588.8
Goodwill *(note 8)*		**3,903.3**		817.3
Regulatory assets		**547.4**		328.6
Risk management assets *(note 15)*		**39.3**		15.9
Deferred income taxes		**—**		2.8
Restricted cash holdings from customers *(note 21)*		**5.8**		7.5
Prepaid post-retirement benefits		**349.5**		—
Long-term investments and other assets *(notes 9 and 21)*		**315.9**		312.6
Investments accounted for by the equity method *(note 11)*		**2,042.8**		567.0
	$	**22,957.8**	$	10,032.2
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**1,104.9**	$	415.3
Dividends payable		**49.1**		32.0
Short-term debt		**866.3**		46.8
Current portion of long-term debt *(notes 12 and 15)*		**1,998.6**		188.9
Customer deposits		**128.9**		30.8
Regulatory liabilities		**58.4**		10.9
Risk management liabilities *(note 15)*		**87.0**		57.6
Other current liabilities		**25.0**		32.6
Liabilities associated with assets held for sale *(note 4)*		**257.3**		0.3
		4,575.5		815.2
Long-term debt *(notes 12 and 15)*		**7,570.9**		3,436.5
Asset retirement obligations		**472.0**		88.3
Unamortized investment tax credits		**182.8**		—
Deferred income taxes		**1,038.0**		444.2
Regulatory liabilities		**1,374.5**		268.6
Risk management liabilities *(note 15)*		**172.5**		13.8
Other long-term liabilities		**254.1**		201.9
Future employee obligations		**254.5**		124.5
	$	**15,894.8**	$	5,393.0

As at *($ millions)*		**September 30, 2018**		December 31, 2017
Shareholders' equity				
Common shares, no par values, unlimited shares authorized; 2018 - 268.9 million and 2017 - 175.3 million issued and outstanding *(note 16)*	**$**	**6,566.9**	$	4,007.9
Preferred shares *(note 16)*		**1,318.8**		1,277.7
Contributed surplus		**357.5**		22.3
Accumulated deficit		**(1,973.8)**		(933.6)
Accumulated other comprehensive income (AOCI) *(note 13)*		**251.5**		199.1
Total shareholders' equity		**6,520.9**		4,573.4
Non-controlling interests		**542.1**		65.8
Total equity		**7,063.0**		4,639.2
	$	**22,957.8**	$	10,032.2

Variable interest entities (note 10).
Commitments, contingencies and guarantees (note 18).
Subsequent events (note 24).

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statements of Income (Loss)

(condensed and unaudited)

($ millions except per share amounts)	Three months ended September 30 **2018**	Three months ended September 30 2017	Nine months ended September 30 **2018**	Nine months ended September 30 2017
REVENUE *(note 14)*	**$ 1,041.4**	$ 501.5	**$ 2,529.6**	$ 1,811.4
EXPENSES				
Cost of sales, exclusive of items shown separately	**571.1**	230.0	**1,433.7**	935.5
Operating and administrative	**495.9**	125.2	**783.0**	420.9
Accretion expenses	**2.6**	2.7	**8.1**	8.2
Depreciation and amortization	**122.5**	69.0	**268.0**	211.1
Provisions on assets *(note 6)*	**697.4**	—	**697.4**	1.3
	1,889.5	426.9	**3,190.2**	1,577.0
Income from equity investments	**12.6**	7.3	**25.4**	24.4
Other income	**11.7**	6.3	**5.2**	1.1
Foreign exchange gains	**3.0**	0.4	**3.6**	1.8
Interest expense				
Short-term debt	**(3.0)**	(0.6)	**(4.3)**	(2.3)
Long-term debt	**(109.1)**	(38.9)	**(194.0)**	(124.2)
Income (loss) before income taxes	**(932.9)**	49.1	**(824.7)**	135.2
Income tax expense (recovery) *(note 20)*				
Current	**11.4**	11.3	**34.0**	32.9
Deferred	**(232.3)**	2.5	**(234.2)**	9.7
Net income (loss) after taxes	**(712.0)**	35.3	**(624.5)**	92.6
Net income (loss) applicable to non-controlling interests	**(2.7)**	2.2	**1.8**	6.4
Net income (loss) applicable to controlling interests	**(709.3)**	33.1	**(626.3)**	86.2
Preferred share dividends	**(16.9)**	(15.6)	**(49.7)**	(45.1)
Net income (loss) applicable to common shares	**$ (726.2)**	$ 17.5	**$ (676.0)**	$ 41.1
Net income (loss) per common share *(note 17)*				
Basic	**$ (2.78)**	$ 0.10	**$ (3.28)**	$ 0.24
Diluted	**$ (2.78)**	$ 0.10	**$ (3.28)**	$ 0.24
Weighted average number of common shares outstanding (millions) *(note 17)*				
Basic	**261.3**	171.9	**206.0**	169.9
Diluted	**261.4**	172.1	**206.1**	170.2

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income (Loss)

(condensed and unaudited)

	Three months ended September 30		Nine months ended September 30	
($ millions)	**2018**	2017	**2018**	2017
Net income (loss) after taxes	**$ (712.0)**	$ 35.3	**$ (624.5)**	$ 92.6
Other comprehensive income (loss), net of taxes				
Gain (loss) on foreign currency translation	**(127.5)**	(103.9)	**4.0**	(198.2)
Unrealized gain on net investment hedge *(note 15)*	**37.4**	—	**37.4**	6.8
Reclassification of actuarial gains and prior service costs on defined benefit (DB) and post-retirement benefit plans (PRB) to net income *(note 19)*	**0.1**	0.2	**0.4**	0.5
Settlement of PRB plan	**—**	—	**—**	0.2
Curtailment of DB and PRB plan	**—**	—	**2.7**	—
Unrealized loss on available-for-sale assets	**—**	(8.0)	**—**	(25.5)
Adoption of ASU 2016-01 *(note 2)*	**—**	—	**7.1**	—
Other comprehensive income (loss) from equity investees	**(0.9)**	(2.2)	**0.8**	(3.3)
Total other comprehensive income (loss) (OCI), net of taxes *(note 13)*	**(90.9)**	(113.9)	**52.4**	(219.5)
Comprehensive loss attributable to controlling interests and non-controlling interests, net of taxes	**$ (802.9)**	$ (78.6)	**$ (572.1)**	$ (126.9)
Comprehensive income (loss) attributable to:				
Non-controlling interests	**$ (2.7)**	$ 2.2	**$ 1.8**	$ 6.4
Controlling interests	**(800.2)**	(80.8)	**(573.9)**	(133.3)
	$ (802.9)	$ (78.6)	**$ (572.1)**	$ (126.9)

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statements of Equity

(condensed and unaudited)

Nine months ended September 30 ($ millions)		2018		2017
Common shares *(note 16)*				
Balance, beginning of period	$	**4,007.9**	$	3,773.4
Shares issued for cash on exercise of options		**1.1**		4.1
Shares issued under DRIP [1]		**223.5**		175.4
Deferred taxes on share issuance costs		**13.3**		0.1
Shares issued on conversion of subscription receipts, net of issuance costs		**2,321.1**		—
Balance, end of period	$	**6,566.9**	$	3,953.0
Preferred shares *(note 16)*				
Balance, beginning of period	$	**1,277.7**	$	985.1
Series K issued		**—**		293.4
Preferred shares acquired through WGL Acquisition *(note 16)*		**41.1**		—
Deferred taxes on share issuance costs		**—**		1.9
Balance, end of period	$	**1,318.8**	$	1,280.4
Contributed surplus				
Balance, beginning of period	$	**22.3**	$	17.4
Share options expense		**0.7**		1.1
Exercise of share options		**(0.1)**		(0.3)
Forfeiture of share options		**—**		(0.1)
Adoption of ASU No. 2016-09		**—**		1.1
Sale of non-controlling interest *(notes 5 and 10)*		**334.6**		3.0
Balance, end of period	$	**357.5**	$	22.2
Accumulated deficit				
Balance, beginning of period	$	**(933.6)**	$	(600.4)
Net income applicable to controlling interests		**(626.3)**		86.2
Common share dividends		**(357.1)**		(268.1)
Preferred share dividends		**(49.7)**		(45.1)
Adoption of ASU No. 2016-09		**—**		(1.1)
Adoption of ASU No. 2016-01 *(note 2)*		**(7.1)**		—
Balance, end of period	$	**(1,973.8)**	$	(828.5)
AOCI (*note 13*)				
Balance, beginning of period	$	**199.1**	$	405.1
Other comprehensive income (loss)		**52.4**		(219.5)
Balance, end of period	$	**251.5**	$	185.6
Total shareholders' equity	$	**6,520.9**	$	4,612.7
Non-controlling interests				
Balance, beginning of period	$	**65.8**	$	34.8
Net income applicable to non-controlling interests		**1.8**		6.4
Sale of non-controlling interest *(notes 5 and 10)*		**420.4**		20.0
Contributions from non-controlling interests to subsidiaries		**52.9**		5.9
Distributions by subsidiaries to non-controlling interests		**(7.8)**		(5.5)
Acquisition of non-controlling interest through WGL Acquisition *(note 3)*		**9.0**		—
Balance, end of period		**542.1**		61.6
Total equity	$	**7,063.0**	$	4,674.3

(1) Premium Dividend™, Dividend Reinvestment and Optional Cash Purchase Plan.

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(condensed and unaudited)

	Three months ended September 30		Nine months ended September 30	
($ millions)	**2018**	2017	**2018**	2017
Cash from operations				
Net income (loss) after taxes	**$ (712.0)**	$ 35.3	**$ (624.5)**	$ 92.6
Items not involving cash:				
Depreciation and amortization	**122.5**	69.0	**268.0**	211.1
Provisions on assets *(note 6)*	**697.4**	—	**697.4**	1.3
Accretion expenses	**2.6**	2.7	**8.1**	8.2
Share-based compensation *(note 16)*	**0.3**	0.3	**0.7**	1.0
Deferred income tax (recovery) expense *(note 20)*	**(232.3)**	2.5	**(234.2)**	9.7
Losses (gains) on sale of assets *(note 5)*	**—**	—	**(1.3)**	2.6
Income from equity investments	**(12.6)**	(7.3)	**(25.4)**	(24.4)
Unrealized losses (gains) on risk management contracts *(note 15)*	**10.5**	25.3	**(12.0)**	46.5
Realized loss on expiry of foreign exchange options *(note 15)*	**—**	—	**36.0**	—
Losses (gains) on investments	**(14.8)**	(4.6)	**—**	3.1
Amortization of deferred financing costs	**18.1**	3.1	**24.4**	13.8
Provision for doubtful accounts	**7.7**	—	**7.7**	—
Net change in pension and other post retirement benefits	**2.2**	—	**2.2**	—
Other	**(2.9)**	(1.3)	**(2.8)**	(3.5)
Asset retirement obligations settled	**(0.9)**	(0.3)	**(2.5)**	(3.0)
Distributions from equity investments	**12.7**	6.1	**25.3**	19.7
Changes in operating assets and liabilities *(note 21)*	**(253.2)**	(42.6)	**(185.4)**	11.9
	$ (354.7)	$ 88.2	**$ (18.3)**	$ 390.6
Investing activities				
Business acquisitions, net of cash acquired *(note 3)*	**(5,931.0)**	—	**(5,931.0)**	—
Acquisition of property, plant and equipment	**(327.1)**	(179.5)	**(522.3)**	(358.9)
Acquisition of intangible assets	**(15.8)**	(12.0)	**(20.5)**	(16.7)
Acquisition of investment in a publicly traded entity	**—**	—	**—**	(7.0)
Contributions to equity investments	**(58.8)**	(2.5)	**(78.2)**	(16.8)
Loan to affiliate, net of repayment	**—**	(7.5)	**—**	(12.5)
Proceeds from disposition of investment *(note 9)*	**63.4**	—	**76.5**	—
Payment for derivative contracts	**—**	—	**—**	(36.0)
Proceeds from disposition of assets, net of transaction costs *(note 5)*	**0.3**	0.2	**10.2**	70.4
	$ (6,269.0)	$ (201.3)	**$ (6,465.3)**	$ (377.5)
Financing activities				
Net issuance (repayment) of short-term debt	**202.5**	22.1	**154.1**	(102.4)
Issuance of long-term debt, net of debt issuance costs	**3,266.6**	209.7	**3,273.9**	749.0
Repayment of long-term debt	**(66.4)**	(204.6)	**(272.2)**	(838.4)
Net issuance of bankers' acceptances	**322.7**	—	**331.0**	—
Dividends - common shares	**(145.8)**	(90.1)	**(340.0)**	(267.0)
Dividends - preferred shares	**(16.9)**	(15.6)	**(49.7)**	(45.1)
Distributions to non-controlling interest	**(3.3)**	(1.0)	**(7.8)**	(5.5)
Contributions from non-controlling interests	**29.6**	5.9	**52.9**	5.9
Net proceeds from shares issued on exercise of options	**—**	0.3	**1.0**	3.8
Net proceeds from issuance of common shares	**2,413.0**	58.1	**2,546.9**	175.4
Net proceeds from issuance of preferred shares	**—**	—	**—**	293.4
Net proceeds from sale of non-controlling interest *(notes 5 and 10)*	**(8.7)**	—	**912.3**	24.1
Other	**0.5**	(0.1)	**—**	(1.6)
	$ 5,993.8	$ (15.3)	**$ 6,602.4**	$ (8.4)
Change in cash, cash equivalents and restricted cash	**(629.9)**	(128.4)	**118.8**	4.7
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**(2.0)**	0.9	**(0.7)**	1.5
Net change in cash classified within assets held for sale *(note 4)*	**(134.9)**	—	**(134.9)**	—
Restricted cash acquired *(note 21)*	**81.0**	—	**81.0**	—
Cash, cash equivalents, and restricted cash beginning of period	**793.7**	167.8	**43.7**	34.1
Cash, cash equivalents, and restricted cash end of period *(note 21)*	**$ 107.9**	$ 40.3	**$ 107.9**	$ 40.3

See accompanying notes to the Consolidated Financial Statements.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

1. ORGANIZATION AND OVERVIEW OF THE BUSINESS

The businesses of AltaGas Ltd. (AltaGas or the Corporation) are operated by AltaGas and a number of its subsidiaries including, without limitation, AltaGas Services (U.S.) Inc., AltaGas Utility Holdings (U.S.) Inc., and SEMCO Holding Corporation; in regards to the Gas business, AltaGas Extraction and Transmission Limited Partnership, AltaGas Pipeline Partnership, AltaGas Processing Partnership, AltaGas Northwest Processing Limited Partnership and Harmattan Gas Processing Limited Partnership; in regards to the Power business, Coast Mountain Hydro Limited Partnership, Northwest Hydro Limited Partnership, Blythe Energy Inc. (Blythe), and AltaGas San Joaquin Energy Inc.; and, in regards to the Utility business, AltaGas Utilities Inc. (AUI), Heritage Gas Limited (Heritage Gas), Pacific Northern Gas Ltd. (PNG), and SEMCO Energy, Inc. (SEMCO). SEMCO conducts its Michigan natural gas distribution business under the name SEMCO Energy Gas Company (SEMCO Gas) and its Alaska natural gas distribution business under the name ENSTAR Natural Gas Company (ENSTAR). Upon close of the initial public offering of AltaGas Canada Inc. (Note 4), AUI, Heritage Gas and PNG are no longer subsidiaries of AltaGas.

With the close of the acquisition of WGL Holdings, Inc. (the WGL Acquisition) on July 6, 2018, AltaGas' subsidiaries also include: in regards to the Gas business, WGL Midstream, Inc. (WGL Midstream) and the retail gas marketing business of WGL Energy Services, Inc.; in regards to the Power business, WGSW Inc., WGL Energy Systems, Inc., and the retail power marketing business of WGL Energy Services, Inc.; and, in regards to the Utility business, Washington Gas Light Company and Hampshire Gas Company.

AltaGas, a Canadian corporation, is a leading North American clean energy infrastructure company with strong growth opportunities and a focus on owning and operating assets to provide clean and affordable energy to its customers. The Corporation's long-term strategy is to grow in attractive areas across its Gas, Power, and Utility business segments seeking optimal capital deployment. In the Gas business, the Corporation is focused on optimizing the full value chain of energy exports by providing producers with solutions, including global market access off both coasts of North America via the Corporation's footprint in two of the most prolific gas plays – the Montney and Marcellus. To optimize capital deployment, the Corporation seeks to differentially invest in U.S utilities located in strong growth markets with increasing construction to support customer additions, system improvement and accelerated replacement programs. In the Power business, AltaGas seeks to create innovative solutions with light capital investment utilizing the Corporation's clean energy expertise. AltaGas has three business segments:

- Gas, which transacts more than 3 Bcf/d of natural gas and includes natural gas gathering and processing, natural gas liquids (NGL) extraction and fractionation, transmission, storage, natural gas and NGL marketing, the Corporation's 50 percent interest in AltaGas Idemitsu Joint Venture Limited Partnership (AIJVLP), an indirectly held one-third ownership investment in Petrogas Energy Corp. (Petrogas), through which AltaGas' interest in the Ferndale Terminal is held, an interest in four regulated pipelines in the Marcellus/Utica gas formation in northeast United States and WGL's retail gas marketing business;
- Power, which, subsequent to the WGL Acquisition and the close of the initial public offering of AltaGas Canada Inc. (see Note 4) includes 1,931 MW of gross capacity from natural gas-fired, hydro, wind, biomass, solar, other distributed generation and energy storage assets located in 2 provinces in Canada and 20 states and the District of Columbia in the United States. The Power business also includes energy efficiency contracting and WGL's retail power marketing business; and

- Utilities, which, subsequent to the WGL Acquisition and the close of the initial public offering of AltaGas Canada Inc. (see Note 4) serves approximately 1.6 million customers with a rate base of approximately $4.4 billion through ownership of regulated natural gas distribution utilities across 5 jurisdictions in North America, and a regulated natural gas storage utility in the United States, delivering clean and affordable natural gas to homes and businesses. The Utilities business also includes storage facilities and contracts for interstate natural gas transportation and storage services, delivering clean and affordable natural gas to homes and businesses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

These unaudited condensed interim Consolidated Financial Statements have been prepared by management in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP). As a result, these unaudited condensed 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 2017 annual audited Consolidated Financial Statements prepared in accordance with U.S. GAAP. In management's opinion, these unaudited condensed interim Consolidated Financial Statements include all adjustments that are 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), financial statements of an "SEC issuer" may be prepared in accordance with U.S. GAAP. On July 13, 2018, AltaGas filed a final short form base shelf prospectus in Alberta and a corresponding registration statement on Form F-10 in the United States, by virtue of which AltaGas is now required to file reports under section 15(d) of the *Securities Exchange Act of 1934* with the United States Securities and Exchange Commission. As a result, AltaGas became an SEC issuer at such time and is now entitled to prepare its financial statements in accordance with U.S. GAAP.

PRINCIPLES OF CONSOLIDATION

These unaudited condensed interim Consolidated Financial Statements of AltaGas include the accounts of the Corporation, its subsidiaries, variable interest entities (VIEs) for which the Corporation is the primary beneficiary, and its interest in various partnerships and joint ventures where AltaGas has an undivided interest in the assets and liabilities. Investments in unconsolidated companies that AltaGas has significant influence over, but not control, are accounted for using the equity method.

As a result of the WGL Acquisition, Hypothetical Liquidation at Book Value (HLBV) methodology is used for certain equity method investments as well as consolidating equity investments with non-controlling interests when the governing structuring agreement over the equity investment results in different liquidation rights and priorities than what is reflected by the underlying ownership interest percentage.

All intercompany balances and transactions 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 are shown as an allocation of the consolidated net income and are presented separately in "net income applicable to non-controlling interests".

USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

The preparation of Consolidated Financial Statements in accordance with U.S. 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: determining the nature and timing of satisfaction of performance obligations and determining the transaction price and amounts allocated to performance obligations for revenue recognition; depreciation and amortization rates, fair value of asset retirement obligations, fair value of property, plant and equipment and goodwill for impairment assessments, fair value of financial instruments, provisions for income taxes, assumptions used to measure employee future benefits, provisions for contingencies, and carrying value of regulatory assets and liabilities. Certain estimates are necessary for the regulatory environment in which AltaGas' subsidiaries or affiliates operate, which often require 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.

SIGNIFICANT ACCOUNTING POLICIES

Except as noted below and the addition of HLBV accounting as discussed above, these unaudited condensed interim Consolidated Financial Statements have been prepared following the same accounting policies and methods as those used in preparing the Corporation's 2017 annual audited Consolidated Financial Statements.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2018, AltaGas adopted the following Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU):

- ASU No. 2014-09 “Revenue from Contracts with Customers” and all related amendments (collectively “ASC 606”). AltaGas adopted ASC 606 using the modified retrospective method to contracts that have not been completed as at January 1, 2018. Under the modified retrospective method, the comparative information is not adjusted. The adoption of ASC 606 impacted the timing of revenue recognition in relation to contracts with take-or-pay or minimum volume commitments whereby the customers have make up rights for deficiency quantities. However, on adoption, no cumulative adjustments to opening retained earnings were required for this change in revenue recognition pattern as none of the customers had material deficiency quantities. Please also refer to Note 14 for further details. AltaGas does not expect the application of ASC 606 to have a material impact on its consolidated financial statements in 2018;

- ASU No. 2016-01 “Recognition and Measurement of Financial Assets and Financial Liabilities” which revised an entity’s accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amended certain disclosure requirements associated with the fair value of financial instruments. Upon adoption, AltaGas reclassified its equity securities with readily determinable fair values from available-for-sale to held for trading. Changes in fair value for equity securities with readily determinable fair values are now recognized through earnings instead of other comprehensive income. As a result, a cumulative-effect adjustment to retained earnings of approximately $7 million was recognized as at January 1, 2018. The remaining provisions of this ASU did not have a material impact on AltaGas’ consolidated financial statements;

- ASU No. 2016-15 “Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments”. The amendments in this ASU clarified the classification of certain cash flow transactions on the statement of cash flow. The adoption of this ASU did not have a material impact on AltaGas’ consolidated financial statements;

- ASU No. 2016-16 “Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory”. The amendments in this ASU revised the accounting for income tax consequences on intra-entity transfers of assets by requiring an entity to recognize current and deferred tax on intra-entity transfers of assets other than inventory when the transfer occurs. The adoption of this ASU did not have a material impact on AltaGas’ consolidated financial statements;

- ASU No. 2016-18 "Statement of Cash Flows: Restricted Cash". The amendments in this ASU required those amounts deemed to be restricted cash and restricted cash equivalents to be included in the cash and cash equivalents balance on the statement of cash flows. The change in presentation of the restricted cash balance on the statement of cash flows was applied on a retrospective basis;

- ASU No. 2017-01 "Business Combinations: Clarifying the Definition of a Business". The amendments in this ASU changed the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. AltaGas will apply the amendments to this ASU prospectively;

- ASU No. 2017-04 "Intangibles – Goodwill and Other: Simplifying the Test for Goodwill Impairment". The amendments in this ASU removed Step 2 of the goodwill impairment test, eliminating the requirement to determine the fair value of individual assets and liabilities of a reporting unit to measure the goodwill impairment. AltaGas early adopted this ASU. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements;

- ASU No. 2017-05 "Other Income – Gains and Losses from the De-recognition of Nonfinancial Assets: Clarifying the Scope of Asset De-recognition Guidance and Accounting for Partial Sales of Nonfinancial Assets". The amendments in this ASU clarified the scope of ASC 610-20 as well as the accounting for partial sales of nonfinancial assets. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements;

- ASU No. 2017-07 "Compensation – Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". The amendments in this ASU revised the presentation of net periodic pension cost and net periodic postretirement benefit cost on the income statement and limited the components that are eligible for capitalization in assets to only the service cost component. AltaGas applied the change in presentation of the current service cost and other components of net benefit cost on the income statement retrospectively. As a result, $0.4 million and $1.2 million of net benefit cost associated with other components were reclassified from the line item "operating and administrative" to "other income" on the Consolidated Statements of Income for the three and nine months ended September 30, 2017. AltaGas applied the change related to the capitalization of the service cost prospectively. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements;

- ASU No. 2017-09 "Compensation – Stock Compensation: Scope of Modifications Accounting". The amendments in this ASU provided guidance on the types of changes to the terms or conditions of share-based payment arrangements to which an entity would be required to apply modification accounting. The guidance was applied prospectively and did not have a material impact on AltaGas' consolidated financial statements;

- ASU No. 2017-12 "Derivatives and Hedging – Targeted Improvements to Accounting for Hedging Activities". The amendments in this ASU improved the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements and made certain targeted improvements to simplify the application of hedge accounting. AltaGas early adopted this ASU. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements;

- ASU No. 2018-02 "Income Statement – Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income". The amendments in this ASU allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. AltaGas early adopted this ASU. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements; and

- ASU No. 2018-03 "Technical Corrections and Improvements to Financial Instruments – Overall". The amendments in this ASU clarified certain aspects of the guidance issued in ASU No. 2016-01. AltaGas early adopted this ASU. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements.

FUTURE CHANGES IN ACCOUNTING PRINCIPLES

In February 2016, FASB issued ASU No. 2016-02 "Leases", which requires lessees to recognize on the balance sheet a right-of-use asset and a lease liability for all leases with lease terms greater than 12 months. Lessor accounting remains substantially unchanged, however, the ASU modifies what qualifies as a sales-type and direct financing lease and eliminates the real estate-specific provisions included in ASC 840. The ASU also requires additional disclosures regarding leasing arrangements. In January 2018, FASB issued ASU No. 2018-01 "Land Easement Practical Expedient for Transition to Topic 842" providing entities with an optional election not to evaluate existing and expired land easements not previously accounted for as leases under ASC 840 using the provisions of ASC 842. The amendments to the new leases standard are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. AltaGas is currently performing a scoping exercise by gathering a complete inventory of lease contracts in order to evaluate the impact of adopting ASC 842 on its consolidated financial statements, but expects that the new standard will have an impact on the Corporation's balance sheet as all operating leases will need to be reflected on the balance sheet upon adoption. In addition, AltaGas currently expects to utilize the transition practical expedients which allow entities to not have to reassess whether an arrangement contains a lease under the provisions of ASC 842.

In June 2016, FASB issued ASU No. 2016-13 "Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments". The amendments in this ASU replace the current "incurred loss" impairment methodology with an "expected loss" model for financial assets measured at amortized cost. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted. AltaGas is currently assessing the impact of this ASU on its consolidated financial statements.

In February 2018, FASB issued ASU No. 2018-02 "Income Statement – Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income". The amendments in this ASU allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted and AltaGas plans to adopt this ASU effective July 1, 2018. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

In June 2018, FASB issued ASU No. 2018-07 "Compensation – Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting". The amendments in this ASU expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees, with the objective of making the measurement consistent with employee share based payment awards. The amendments in this update are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

In August 2018, FASB issued ASU No. 2018-13 "Fair Value Measurement – Disclosure Framework: Changes to the Disclosure Requirements for Fair Value Measurement". The amendments in this ASU modify the disclosure requirements on fair value measurements. The amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

In August 2018, FASB issued ASU No. 2018-14 "Compensation-Retirement Benefits-Defined Benefit Plans – General: Disclosure Framework – Changes to the Disclosure Requirements for the Defined Benefit Plans". The amendments in this ASU modify the disclosure requirements on defined benefit pension and other postretirement plans. The amendments in this update are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

In August 2018, FASB issued ASU No. 2018-15 "Intangibles – Goodwill and Other – Internal – Use Software: Customer's Accounting for Implementation Costs Incurred in a cloud Computing Arrangement (CCA) that is a Service Contract". The amendments in this ASU align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

3. ACQUISITION OF WGL HOLDINGS, INC.

Following the receipt of all required federal, state, and local regulatory approvals, on July 6, 2018 the Corporation acquired WGL for an aggregate purchase price of approximately $9.3 billion (US$7.1 billion), including the assumption of approximately $3.3 billion (US$2.5 billion) of debt and $41 million (US$31 million) of preferred shares.

Under the terms of the transaction, WGL shareholders received US$88.25 per common share. The net cash consideration was approximately $6.0 billion (US$4.6 billion). The WGL Acquisition was financed through net proceeds of approximately $2.3 billion from the sale of subscription receipts, draws on the fully committed acquisition credit facility of $3.0 billion (US$2.3 billion) and existing cash on hand. The draws on the acquisition credit facility included additional amounts for the payment of fees and regulatory commitments related to the WGL Acquisition. The sale of the subscription receipts was completed in the first quarter of 2017 and upon closing of the WGL Acquisition, the subscription receipts were exchanged into approximately 84.5 million common shares of AltaGas.

The WGL Acquisition is accounted for as a business combination using the acquisition method of accounting whereby the acquired assets and assumed liabilities are recorded at their estimated fair values at the date of acquisition. The excess of purchase price over estimated fair values of assets acquired and liabilities assumed is recognized as goodwill at the acquisition date.

The following table summarizes the preliminary purchase price allocation representing the consideration paid and the fair value of the net assets acquired as at July 6, 2018 using an exchange rate of 1.31 to convert U.S. dollars to Canadian dollars. The preliminary purchase price allocation reflects Management's current best estimate of the fair value of WGL's assets and liabilities based on the analysis of information obtained to date. As additional information becomes available, the purchase price allocation may differ materially from the preliminary purchase price allocation below. Any adjustments to the purchase price allocation will be made as soon as practicable but no later than one year from the date of acquisition.

The following table summarizes the estimated fair values that were assigned to the net assets of WGL at the date of acquisition:

Purchase consideration	**$**	**5,973**
Fair value assigned to net assets		
Current assets	$	1,185
Property, plant and equipment		5,953
Intangible assets		627
Regulatory assets		402
Long-term investments		1,411
Other long-term assets		449
Current liabilities		(1,801)
Long-term debt		(2,548)
Preferred shares		(41)
Regulatory liabilities		(1,131)
Other long-term liabilities		(1,756)
Non-controlling interest		(9)
Fair value of net assets acquired	**$**	**2,741**
Goodwill	**$**	**3,232**

The fair value of property, plant and equipment was estimated using the valuation methodologies described in ASC 820, Fair Value Measurements and Disclosures, to value the property, plant and equipment purchased. The fair value of WGL's rate regulated property, plant and equipment is determined using a market participant perspective, which is equal to the carrying amount. The preliminary fair values of the remaining non-regulated property, plant and equipment is determined using both the income and cost approaches and resulted in an estimated fair value decrease of approximately $88 million related to solar distributed generation assets.

Long-term investments include WGL's 55 percent equity investment in Meade Pipeline Co. LLC. (Meade), a 10 percent equity interest in Mountain Valley Pipeline LLC, and a 30 percent equity interest in Stonewall Gas Gathering Systems LLC. Meade owns 39 percent of Central Penn, and WGL owns a 21 percent net interest in Central Penn. The preliminary fair value of these investments has been determined using an income approach, resulting in an estimated fair value increase of approximately $464 million.

Intangible assets consist of customer relationships, contracts relating to gas transportation capacity, and natural gas purchase and sale agreements for tax energy exports. The preliminary fair value of these assets is determined using an income approach, resulting in an estimated fair value of approximately $627 million.

The fair value of current assets and current liabilities approximate their carrying values due to their short-term nature.

The fair value of long-term debt was estimated based on the quoted market prices of the U.S. Treasury issues having a similar term to maturity, adjusted for the credit quality of the debt issuer, WGL or Washington Gas Light Company. This resulted in a fair value increase of approximately $87 million, with a corresponding regulatory offset.

Deferred income tax assets and liabilities have been applied on the cumulative amount of tax applicable to temporary differences between the accounting and tax values of assets and liabilities.

The preliminary purchase price allocation includes goodwill of approximately $3.2 billion. The goodwill is primarily related to the investment in low risk, long-life rate regulated assets, opportunities to grow the gas midstream business, expanded access to capital and greater financial flexibility as a result of increased scale, and earnings diversification. The goodwill recognized as part of this transaction is not deductible for income tax purposes, and as such, no deferred taxes have been recorded related to this goodwill.

Pre-tax acquisition expenses and merger commitment costs for the three and nine months ended September 30, 2018 of approximately $217.1 million and $233.3 million, respectively, were incurred and included in the Consolidated Statements of Income (2017 – $9.5 million and $50.3 million, respectively). AltaGas expects to recognize additional acquisition-related expenses in the fourth quarter of 2018 predominantly related to the fulfilment of various regulatory commitments.

Upon completion of the WGL Acquisition, AltaGas began consolidating WGL. Since the closing date through September 30, 2018, WGL has generated approximately $464 million in revenues and $246 million in net loss after tax. The loss was primarily due to the payment of various regulatory commitments as well as seasonality in certain of WGL's operating businesses.

The following supplemental unaudited, pro forma consolidated financial information for the three and nine months ended September 30, 2018 and 2017 gives effect to the WGL Acquisition as if it had closed on January 1, 2017. This pro forma information is presented for information purposes only and does not purport to be indicative of the results that would have occurred had the WGL Acquisition taken place at the beginning of 2017, nor is it indicative of the results that may be expected in future periods.

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Pro forma revenue	**$ 1,072**	$ 1,049	**$ 4,235**	$ 4,125
Pro forma net income (loss) after taxes	**$ (618)**	$ 38	**$ (465)**	$ 281

Pro forma revenue excludes the gains and losses on foreign exchange contracts used to mitigate the foreign exchange risks associated with the cash purchase price of WGL on the basis that the gains and losses are directly incremental to the WGL Acquisition and are non-recurring in nature. These adjustments increased pro forma revenue by $2 million, for the three and nine months ended September 30, 2018, and increased pro forma revenue by $10 million and $32 million, respectively, for the three and nine months ended September 30, 2017.

Pro forma net income (loss) after taxes excludes all non-recurring acquisition-related expenses and merger commitment costs incurred by AltaGas and WGL and AltaGas' realized and unrealized gains and losses on foreign exchange contracts entered into to mitigate the foreign exchange risk associated with the WGL Acquisition. Pro forma net income after taxes was also adjusted for financing costs associated with the bridge facility for the WGL Acquisition, and amortization of fair value adjustments relating to property, plant and equipment, intangible assets, and other long-term investments as well as tax impacts of all the previously noted adjustments. For the three and nine month periods ended September 30, 2018, the total after-tax pro forma adjustments increased net income (loss) after taxes by $175 million and $142 million, respectively. For the three and nine months ended September 30, 2017, the total after-tax pro forma adjustments increased net income (loss) after taxes by $3 million and $28 million, respectively.

4. ASSETS HELD FOR SALE

As at	**September 30, 2018**	December 31, 2017
Assets held for sale		
Cash	**$ 134.9**	$ —
Accounts receivable	**38.7**	0.3
Inventory	**11.3**	—
Regulatory assets - current	**1.5**	—
Risk management assets - current	**0.5**	—
Prepaid expenses	**4.8**	—
Property, plant and equipment	**1,222.6**	5.3
Intangible assets	**140.7**	0.1
Goodwill	**—**	0.3
Regulatory assets - non-current	**209.1**	—
Deferred income taxes - non-current	**2.8**	—
Long-term investments and other assets	**4.4**	—
	$ 1,771.3	$ 6.0
Liabilities associated with assets held for sale		
Accounts payable and accrued liabilities	**$ 48.9**	$ —
Short-term debt	**6.0**	—
Current portion of long-term debt	**8.0**	—
Customer deposits	**11.4**	—
Regulatory liabilities - current	**9.3**	—
Other current liabilities	**0.1**	—
Long term debt	**25.3**	—
Asset retirement obligations	**12.7**	0.3
Deferred income taxes - non-current	**85.2**	—
Regulatory liabilities - non-current	**21.5**	—
Future employee obligations	**28.9**	—
	$ 257.3	$ 0.3

Initial Public Offering of AltaGas Canada Inc.

In September 2018, AltaGas filed a preliminary prospectus for the initial public offering (IPO) of AltaGas Canada Inc. (ACI), a wholly owned subsidiary of AltaGas. The final prospectus was filed on October 18, 2018. ACI will hold Canadian rate-regulated natural gas distribution utility assets and a contracted wind power asset in Canada, as well as an approximate 10 percent indirect equity interest in the Northwest Hydro facilities in British Columbia. With the exception of the interest in the Northwest Hydro facilities, which AltaGas will continue to consolidate subsequent to the close of the IPO, the assets and liabilities associated with the IPO were classified as held for sale as of September 30, 2018, which resulted in the reclassification of $1,278.1 million of assets to assets held for sale and $225.0 million of liabilities to liabilities associated with assets held for sale on the Consolidated Balance Sheets. In addition, a pre-tax provision of $74.6 million on property, plant and equipment and a pre-tax provision of $119.1 million on goodwill was recorded due to the reduction of the carrying value of these assets to the fair value less cost to sell. The assets held for sale are recorded in the Utility segment, with the exception of the wind asset which is recorded in the Power segment.

The IPO closed on October 25, 2018 (Note 24). Upon close, AltaGas holds approximately 45 percent of ACI common shares, which could be reduced to approximately 37 percent if the over-allotment option is exercised in full. The pre-tax income (loss) associated with these assets classified as held for sale for the three and nine months ended September 30, 2018 was a loss of $2.5 million and income of $23.8 million, respectively (2017 – loss of $1.9 million and income of $23.2 million, respectively).

Non-Core Midstream and Power Assets in Canada

In the third quarter of 2018, AltaGas entered into definitive agreements for the sale of selected non-core smaller scale gas midstream and power assets in Canada, as well as AltaGas' commercial and industrial customer portfolio in Canada, for an aggregate purchase price of approximately $165.0 million. The transaction is subject to customary closing conditions and approvals, and is expected to be completed in the fourth quarter of 2018. Accordingly, the carrying value of the assets and liabilities was classified as held for sale, which resulted in the reclassification of $100.6 million of assets to assets held for sale and $10.8 million of liabilities to liabilities associated with assets held for sale on the Consolidated Balance Sheets. A pre-tax provision of $119.2 million on property, plant and equipment, $0.5 million on intangible assets, and a pre-tax provision of $5.1 million on goodwill were recognized in the third quarter of 2018 due to the reduction of the carrying value of the assets to fair value less costs to sell. These assets are recorded in the Gas and Power segments.

The transaction also includes the 43.7 million shares of Tidewater Midstream and Infrastructure Inc. previously held by AltaGas. This portion of the transaction was completed in September 2018 (Note 9).

Non-Core San Joaquin Power Assets in California

In the third quarter of 2018, AltaGas entered into an agreement for the sale of gas-fired power assets for a purchase price of approximately US$300.0 million. The assets comprise the Tracy, Hanford and Henrietta plants totaling 523 MW of capacity. The sale is subject to customary closing conditions and approvals, and is expected to be completed in the fourth quarter of 2018. Accordingly, the carrying value of the assets and liabilities were classified as held for sale, which resulted in the reclassification of $373.7 million of assets to assets held for sale and $20.8 million of liabilities to liabilities associated with assets held for sale on the Consolidated Balance Sheets. A pre-tax provision of $221.3 million on property, plant and equipment and a pre-tax provision of $119.3 million on intangible assets were recognized in the third quarter of 2018 due to the reduction of the carrying value of the assets to fair value less costs to sell. These assets are recorded in the Power segment.

Other U.S. Power Assets

In the third quarter of 2018, AltaGas entered into an agreement for the sale of Busch Ranch, a wind asset in the United States for a purchase price of approximately US$16.3 million. Accordingly, the carrying value of the assets and liabilities was classified as held for sale, which resulted in the reclassification of $18.9 million of assets to assets held for sale and $0.7 million of liabilities to liabilities associated with assets held for sale on the Consolidated Balance Sheets.

5. SALE OF MINORITY INTEREST AND OTHER DISPOSITIONS

Northwest Hydro Facilities

On June 22, 2018, AltaGas completed the disposition of a 35 percent indirect equity interest in the Northwest Hydro facilities for gross cash proceeds of approximately $921.6 million. The disposition was completed through the sale of 35 percent of Northwest Hydro Limited Partnership (NW Hydro LP), a subsidiary of AltaGas which indirectly holds the Northwest Hydro facilities. AltaGas will continue to consolidate NW Hydro LP (Note 10). As a result of the sale, in the second quarter of 2018, AltaGas recognized a non-controlling interest of $420.4 million, a deferred income tax liability of $153.3 million and contributed surplus of $334.6 million on the Consolidated Balance Sheets, net of transaction costs. There was no impact to the Consolidated Statements of Income upon closing of this transaction.

Other Dispositions

In March 2018, AltaGas completed the disposition of certain non-core facilities in the Gas segment for gross proceeds of approximately $7.0 million. As a result, AltaGas recognized a pre-tax gain on disposition of approximately $1.3 million in the Consolidated Statements of Income under the line item “other income” for the nine months ended September 30, 2018.

6. PROVISIONS ON ASSETS

Nine months ended September 30		**2018**		2017
Power	**$**	**352.2**	$	1.3
Gas		**151.5**		—
Utilities		**193.7**		—
	$	**697.4**	$	1.3

Power

In the third quarter of 2018, AltaGas recorded pre-tax provisions totaling $352.2 million in the Power segment. Of this, $340.6 million related to the Tracy, Hanford, and Henrietta gas-fired peaking plants in California that were classified as held for sale (see Note 4). The pre-tax provision on the California power assets was comprised of $221.3 million on property, plant, and equipment and $119.3 million on intangible assets. In addition, a pre-tax provision of $9.8 million was recorded on certain non-core power assets in Canada that were classified as held for sale (see Note 4) and $1.8 million was recorded on the Pomona natural gas-fired co-generation facility in the United States. During the nine months ended September 30, 2017, AltaGas recognized a pre-tax provision of $1.3 million on certain gas-fired peaking assets in Alberta.

Gas

In the third quarter of 2018, AltaGas recorded pre-tax provisions totaling $151.5 million in the Gas segment. The pre-tax provisions included $115.0 million related to certain non-core midstream assets that were classified as held for sale (see Note 4) and $36.5 million related to shut-in assets in the South, Cold Lake and Northwest operating areas. The total pre-tax provisions of $151.5 million were comprised of $145.9 million on property, plant, and equipment, $0.5 million on intangible assets, and $5.1 million on goodwill. No provisions on assets were recorded during the nine months ended September 30, 2017 for the Gas segment.

Utilities

In the third quarter of 2018, AltaGas recorded pre-tax provisions of $193.7 million related to certain rate-regulated natural gas distribution utility assets that were classified as held for sale (see Note 4). The pre-tax provision was comprised of $119.1 million on goodwill and $74.6 million on property, plant and equipment. No provisions on assets were recorded during the nine months ended September 30, 2017 for the Utilities segment.

7. INVENTORY

As at		September 30, 2018		December 31, 2017
Natural gas held in storage	**$**	**379.3**	$	133.9
Materials and supplies		**54.3**		32.3
Renewable energy credits and emission compliance instruments		**60.6**		28.4
Other inventory		**7.9**		6.5
	$	**502.1**	$	201.1

8. GOODWILL

As at		September 30, 2018		December 31, 2017
Balance, beginning of period	**$**	**817.3**	$	856.0
Provision on assets *(notes 4 and 6)*		**(124.2)**		—
Business acquisition *(note 3)*		**3,232.0**		—
Foreign exchange translation		**(21.8)**		(38.4)
Reclassified to assets held for sale		**—**		(0.3)
Balance, end of period	**$**	**3,903.3**	$	817.3

9. LONG-TERM INVESTMENTS AND OTHER ASSETS

As at		September 30, 2018		December 31, 2017
Investments in publicly-traded entities	**$**	**18.6**	$	95.0
Loan to affiliate		**75.0**		75.0
Deferred lease receivable		**23.3**		29.0
Debt issuance costs associated with credit facilities		**9.2**		20.3
Refundable deposits		**15.4**		14.9
Prepayment on long-term service agreements		**77.1**		68.1
Subscription receipts issuance costs		**—**		1.7
Contract asset		**7.8**		—
Rabbi trust *(note 19)*		**58.0**		—
Other		**31.5**		8.6
	$	**315.9**	$	312.6

In September 2018, as part of the agreement for the sale of non-core midstream and power assets in Canada, AltaGas sold 43.7 million shares of Tidewater Midstream and Infrastructure Inc. for gross proceeds of $63.4 million. For the three and nine months ended September 30, 2018, a realized loss of $2.0 million was recognized in the Consolidated Statements of Income under the line item “other income” in relation to the sale of these shares.

10. VARIABLE INTEREST ENTITIES

Consolidated VIEs

AltaGas consolidates VIEs where the Corporation is deemed the primary beneficiary. The primary beneficiary of a VIE has the power to direct the activities of the entity that most significantly impact its economic performance such as being the provider of construction, operating and marketing services to the entity. In addition, the primary beneficiary of a VIE also has the obligation to absorb losses of the entity or the right to receive benefits that could potentially be significant to the VIE. AltaGas determined that it is the primary beneficiary of the following VIEs:

Northwest Hydro Limited Partnership

On May 4, 2018, NW Hydro LP was formed to indirectly hold the assets of the Northwest Hydro facilities. On June 22, 2018, AltaGas closed the sale of a 35 percent indirect equity interest in its Northwest Hydro facilities through the sale of 35 percent of NW Hydro LP, and its general partner, Northwest Hydro GP Inc. (NW Hydro GP).

AltaGas has determined that NW Hydro LP is a VIE in which it holds variable interests and is the primary beneficiary. In the determination that AltaGas is the primary beneficiary of the VIE, AltaGas noted that it has the power to direct the activities that most significantly impact the VIE's economic performance through the continued provision of all operational, maintenance and management functions for the Northwest Hydro facilities. In addition, AltaGas has the obligation to absorb the losses and the right to receive the benefits that could potentially be significant to the Northwest Hydro facilities. As such, AltaGas has consolidated NW Hydro LP and has recorded $420.4 million of the $921.6 million proceeds received as a non-controlling interest with the remainder of the proceeds, less deferred tax and transaction costs, recognized as contributed surplus in the amount of $334.6 million.

The assets of NW Hydro LP are the property of NW Hydro LP and are not available to AltaGas for any other purpose. NW Hydro LP's asset balances can only be used to settle its own obligations. The liabilities of NW Hydro LP do not represent additional claims against AltaGas' general assets. AltaGas' exposure to loss as a result of its interest as a limited partner is its net investment.

Ridley Island LPG Export Limited Partnership

On May 5, 2017, AltaGas LPG Limited Partnership (AltaGas LPG), a wholly-owned subsidiary of AltaGas, and Vopak Development Canada Inc. (Vopak), a wholly-owned subsidiary of Koninklijke Vopak N.V. (Royal Vopak), a public company incorporated under the laws of the Netherlands, formed the Ridley Island LPG Export Limited Partnership (RILE LP) to develop, own and operate the Ridley Island Propane Export Terminal (RIPET). AltaGas' subsidiaries hold a 70 percent interest while Vopak holds a 30 percent interest in RILE LP. The construction cost of RIPET, which is estimated to be $450 to $500 million, will be funded by AltaGas LPG and Vopak in proportion to their respective interests in RILE LP. As part of the arrangements, AltaGas entered into a long-term agreement for the capacity of RIPET with RILE LP, and AltaGas and certain of its subsidiaries will provide construction and operating services to RILE LP.

AltaGas has determined that RILE LP is a VIE in which it holds variable interests and is the primary beneficiary. In the determination that AltaGas is the primary beneficiary of the VIE, AltaGas noted that it has the power to direct the activities that most significantly impact the VIE's economic performance through the construction, operating and marketing services provided to RILE LP. In addition, AltaGas has the obligation to absorb the losses and the right to receive the benefits that could potentially be significant to RILE LP through the long-term agreement for the capacity of RIPET. As such, AltaGas has consolidated RILE LP and recorded $20.0 million of the $24.1 million proceeds received from Vopak on formation of RILE LP as a non-controlling interest with the remainder of the proceeds less deferred tax recognized as contributed surplus in the amount of $3.0 million.

The assets of RILE LP are the property of RILE LP and are not available to AltaGas for any other purpose. RILE LP's asset balances can only be used to settle its own obligations. The liabilities of RILE LP do not represent additional claims against AltaGas' general assets. AltaGas' exposure to loss as a result of its interest as a limited partner is its net investment. AltaGas and Royal Vopak have provided limited guarantees for the obligations of their respective subsidiaries for the construction cost of RIPET. Upon commencement of commercial operations at RIPET, the terms of the long-term capacity agreement between AltaGas LPG and RILE LP provide for a return on and of capital and reimbursement of RIPET operating costs by AltaGas LPG in accordance with the terms set out in the agreement.

Variable Interest Entities Acquired in WGL Acquisition

In connection with the acquisition of WGL (Note 3), AltaGas has acquired both consolidated and unconsolidated VIEs:

Consolidated VIE Investments

At September 30, 2018, WGSW Inc. (WGSW) was the primary beneficiary of SFGF LLC (SFGF), SFRC, LLC (SFRC), SFGF II, LLC (SFGF II), SFEE LLC (SFEE), and ASD Solar LP (ASD), because of its ability to direct the activities most significant to the economic performance of those entities plus the right to receive potentially significant benefits or the obligation to absorb potentially significant losses. Accordingly, these VIEs have been consolidated:

SFGF, SFRC, and SFGF II

WGSW, along with its various tax equity partners, formed the tax equity partnerships SFGF, SFRC, and SFGF II to acquire, own, and operate distributed generation solar projects nationwide. WGSW is the managing member of these investments and will provide cash equal to the purchase price of the solar projects less any contributions from the tax-equity partner for projects sold into the partnerships. WGL Energy Systems is the developer of the projects and sells them to the partnerships, and is the operations and maintenance provider.

Profits and losses are allocated between the partners under the Hypothetical Liquidation at Book Value (HLBV) method of accounting and the portion allocated to the tax equity partner is included in “net income (loss) attributable to non-controlling interest” on the accompanying Condensed Consolidated Statements of Income and is recorded to non-controlling interest on the accompanying Condensed Consolidated Balance Sheets.

When applying HLBV accounting, the Corporation determines the amount that it would receive if an equity investment entity were to liquidate all of its assets at book value (as valued in accordance with U.S. GAAP) and distribute that cash to the investors based on the contractually defined liquidation priorities. The change in the Corporation’s claim on the equity investment entity's book value at the beginning and end of the reporting period (adjusted for contributions and distributions) is the Corporation’s share of the earnings or losses from the equity investment for the period.

SFEE

In 2016, WGSW and a tax equity partner formed SFEE to acquire distributed generation solar projects that were to be developed and sold by a third-party developer or WGL Energy Systems. New projects were to be designed and constructed under long-term power purchase agreements. SFEE is considered a VIE and is consolidated by WGSW.

ASD

WGSW is a limited partner in ASD, a limited partnership formed to own and operate a portfolio of residential solar projects, primarily rooftop photovoltaic power generation systems. SF ASD, a wholly-owned subsidiary of WGL Energy Systems, has management rights and control of ASD.

The following table represents amounts included in the Consolidated Balance Sheets attributable to AltaGas’ consolidated VIEs:

As at		**September 30, 2018**		December 31, 2017
Current assets	**$**	**62.5**	$	1.4
Property, plant and equipment		**1,621.6**		84.3
Intangible assets		**246.9**		—
Long-term investments and other assets		**48.0**		48.0
Current liabilities		**(23.4)**		—
Other long term liabilities		**(135.2)**		—
Deferred tax credits		**(2.2)**		—
Net assets	**$**	**1,818.2**	$	133.7

Unconsolidated VIE Investments

Meade Pipeline Co. LLC (Meade)

In 2014, WGL Midstream and certain partners entered into a limited liability company agreement and formed Meade, a Delaware limited liability company, to develop and own, jointly with Transcontinental Gas Pipe Line Company, LLC, a regulated pipeline, Central Penn Pipeline (Central Penn), a segment of the larger Atlantic Sunrise project. Central Penn is an approximately 185-mile pipeline originating in Susquehanna County, Pennsylvania and extending to Lancaster County, Pennsylvania with the capacity to transport and deliver up to approximately 1.7 Bcf per day of natural gas.

As at September 30, 2018, AltaGas held a $610.4 million equity method investment in Meade, inclusive of fair value adjustments on acquisition date (see Note 3). WGL Midstream plans to invest an estimated US$450 million for a 55 percent interest in Meade, the majority of which has already been spent. Meade owns 39 percent of Central Penn, and the Corporation’s total net ownership in Central Penn is 21 percent. Although WGL Midstream holds greater than a 50 percent interest in Meade, Meade is not consolidated by WGL Midstream and instead is accounted for under the equity method of accounting. WGL Midstream is not the primary beneficiary of Meade as it does not have the power to direct the activities most significant to the economic performance of Meade. WGL Midstream applies the HLBV equity method of accounting and any profits and losses are included in “income from equity investments” in the accompanying Consolidated Statements of Income and are added to or subtracted from the carrying amount of AltaGas’ investment balance.

The maximum financial exposure to loss as a result of the involvement with this VIE is equal to WGL Midstream's capital contributions.

11. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

In addition to AltaGas’ existing equity investments as described in Note 12 of the Annual Consolidated Financial Statements, in connection with the acquisition of WGL, AltaGas acquired the following investments accounted for by the equity method that are not considered VIEs:

Mountain Valley Pipeline, LLC (Mountain Valley)

WGL Midstream owns a 10 percent equity interest in Mountain Valley Pipeline, LLC. The proposed pipeline, which will be operated by EQT Midstream Partners, LP (EQT) and developed, constructed, and owned by Mountain Valley (a venture of EQT and other entities), will transport approximately 2.0 Bcf of natural gas per day and will extend EQT Corporation’s Equitrans system in Wetzel County, West Virginia to Transcontinental Gas Pipe Line Company LLC's Station 165 in Pittsylvania County, Virginia. The pipeline is expected to span approximately 300 miles.

At September 30, 2018, AltaGas held a $410.9 million equity method investment in Mountain Valley, inclusive of fair value adjustments on acquisition date (see Note 3). WGL Midstream expects to invest approximately US$350 million in scheduled capital contributions through the in-service date of the pipeline based on its contracted share of project costs. The equity method is considered appropriate because Mountain Valley is a Limited Liability Company (LLC) with specific ownership accounts and ownership between five and fifty percent resulting in WGL Midstream maintaining a more than minor influence over the partnership operating and financing policies. Profits and losses are allocated under the HLBV method of accounting and are included in income from equity investments in the accompanying Consolidated Statements of Income and are added to or subtracted from the carrying amount of AltaGas’ investment balance.

In April 2018, WGL Midstream entered into a separate agreement with EQT to acquire a 5 percent equity interest in a project to build a lateral interstate natural gas pipeline connecting to the mainline.

Stonewall Gas Gathering System (Stonewall)

WGL Midstream has a 30 percent equity interest in an entity that owns and operates certain assets known as the Stonewall Gas Gathering System. Stonewall has the capacity to gather up to 1.4 Bcf of natural gas per day from the Marcellus production region in West Virginia, and connects with an interstate pipeline system that serves markets in the mid-Atlantic region. As at September 30, 2018, the investment in Stonewall was $431.9 million, inclusive of fair value adjustments on acquisition date (see Note 3). Profits and losses are allocated under the HLBV method of accounting and are included in income from equity investments in the accompanying Consolidated Statements of Income.

Constitution Pipeline Company, LLC (Constitution)

WGL Midstream has an investment in Constitution, owning a 10 percent equity interest in the proposed pipeline venture. At September 30, 2018, the investment in Constitution was $nil, reflecting AltaGas' fair value on acquisition date (see Note 3). This natural gas pipeline venture is proposed to transport natural gas from the Marcellus region in northern Pennsylvania to major northeastern markets.

In addition to the above non-VIE equity investments acquired in the WGL Acquisition, the Company's investment in Meade (Note 10) is also accounted for using the equity method.

12. LONG-TERM DEBT

As at	Maturity date		**September 30, 2018**		December 31, 2017
Credit facilities					
$1,400 million unsecured extendible revolving[(a)]	15-May-2023	**$**	**639.2**	$	219.1
US$300 million unsecured extendible revolving[(b)]	15-May-2022		**161.8**		—
$25 million secured extendible revolving[(c)]	4-May-2023		**—**		—
Acquisition credit facility [(d)]	Jul 2019 - Jan 2020		**2,914.3**		—
Medium-term notes (MTNs)					
$175 million Senior unsecured - 4.60 percent	15-Jan-2018		**—**		175.0
$200 million Senior unsecured - 4.55 percent	17-Jan-2019		**200.0**		200.0
$200 million Senior unsecured - 4.07 percent	1-Jun-2020		**200.0**		200.0
$350 million Senior unsecured - 3.72 percent	28-Sep-2021		**350.0**		350.0
$300 million Senior unsecured - 3.57 percent	12-Jun-2023		**300.0**		300.0
$200 million Senior unsecured - 4.40 percent	15-Mar-2024		**200.0**		200.0
$300 million Senior unsecured - 3.84 percent	15-Jan-2025		**299.9**		299.9
$100 million Senior unsecured - 5.16 percent	13-Jan-2044		**100.0**		100.0
$300 million Senior unsecured - 4.50 percent	15-Aug-2044		**299.8**		299.8
$350 million Senior unsecured - 4.12 percent	7-Apr-2026		**349.8**		349.8
$200 million Senior unsecured - 3.98 percent	4-Oct-2027		**199.9**		199.9
$250 million Senior unsecured - 4.99 percent	4-Oct-2047		**250.0**		250.0
WGL and Washington Gas medium-term notes					
US$50 million Senior unsecured - 7.46 percent	5-Dec-2018		**64.7**		—
US$500 million Senior unsecured - 2.25 to 4.76 percent	Jan - Nov 2019		**647.3**		—
US$250 million Senior unsecured - 2.88 percent	12-Mar-2020		**323.6**		—
US$20 million Senior unsecured - 6.65 percent	20-Mar-2023		**25.9**		—
US$40.5 million Senior unsecured - 5.44 percent	11-Aug-2025		**52.4**		—
US$53 million Senior unsecured - 6.62 to 6.82 percent	Oct - 2026		**68.6**		—
US$72 million Senior unsecured - 6.40 to 6.57 percent	Feb - Sep 2027		**93.2**		—
US$52 million Senior unsecured - 6.57 to 6.85 percent	Jan - Mar 2028		**67.3**		—
US$8.5 million Senior unsecured - 7.50 percent	1-Apr-2030		**11.0**		—
US$50 million Senior unsecured - 5.70 to 5.78 percent	Jan - Mar 2036		**64.7**		—
US$75 million Senior unsecured - 5.21 percent	3-Dec-2040		**97.1**		—
US$75 million Senior unsecured - 5.00 percent	15-Dec-2043		**97.1**		—
US$300 million Senior unsecured - 4.22 to 4.60 percent	Sep - Dec 2044		**388.4**		—
US$450 million Senior unsecured - 3.80 percent	15-Sep-2046		**582.5**		—
SEMCO long-term debt					
US$300 million SEMCO Senior secured - 5.15 percent[(e)]	21-Apr-2020		**388.4**		376.4
US$82 million CINGSA Senior secured - 4.48 percent[(f)]	2-Mar-2032		**81.9**		85.2
Debenture notes					
PNG 2018 Series Debenture - 8.75 percent [(c)(g)]	15-Nov-2018		**—**		7.0
PNG 2025 Series Debenture - 9.30 percent [(c)(g)]	18-Jul-2025		**—**		13.0
PNG 2027 Series Debenture - 6.90 percent[(c)(g)]	2-Dec-2027		**—**		14.0
CINGSA capital lease - 3.50 percent	1-May-2040		**0.5**		0.5
CINGSA capital lease - 4.48 percent	4-Jun-2068		**0.2**		0.2
Fair value adjustment on WGL Acquisition *(note 3)*			**84.8**		—
		$	**9,604.3**	$	3,639.8
Less debt issuance costs			**(34.8)**		(14.4)
			9,569.5		3,625.4
Less current portion			**(1,998.6)**		(188.9)
		$	**7,570.9**	$	3,436.5

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

(b) Borrowings on the facility can be by way of U.S. base-rate loans, U.S. prime loans, LIBOR loans or letters of credit.

(c) Collateral for the Secured Debentures and secured extendible revolving credit facility consisted of a specific first mortgage on substantially all of PNG's property, plant and equipment, and gas purchase and gas sales contracts, and a first floating charge on other property, assets and undertakings.

(d) US$2.0 billion of the Acquisition credit facility is due on January 6, 2020, with the remainder due on July 5, 2019. AltaGas expects to fully repay the facility in the fourth quarter of 2018, subject to the close of pending asset sales and the timing of offering of term debt and hybrid securities.

(e) Collateral for the US$ MTNs is certain SEMCO assets.

(f) Collateral for the CINGSA Senior secured loan is certain CINGSA assets, Alaska Storage Holding Company, LLC, a subsidiary in which AltaGas has a controlling interest, is the non-recourse guarantor of this loan.

(g) PNG debentures totaling $33.3 million have been classified as liabilities associated with assets held for sale (note 4) at September 30, 2018.

13. ACCUMULATED OTHER COMPREHENSIVE INCOME

($ millions)		Available-for-sale		Defined benefit pension and PRB plans		Hedge net investments		Translation foreign operations		Equity investee		Total
Opening balance, January 1, 2018	**$**	**(7.1)**	**$**	**(11.4)**	**$**	**(129.0)**	**$**	**342.9**	**$**	**3.7**	**$**	**199.1**
OCI before reclassification		**—**		**—**		**37.4**		**4.0**		**0.8**		**42.2**
Amounts reclassified from OCI		**—**		**0.6**		**—**		**—**		**—**		**0.6**
Adoption of ASU No. 2016-01 *(note 2)*		**7.1**		**—**		**—**		**—**		**—**		**7.1**
Curtailment of DB and PRB plan		**—**		**4.2**		**—**		**—**		**—**		**4.2**
Current period OCI (pre-tax)		**7.1**		**4.8**		**37.4**		**4.0**		**0.8**		**54.1**
Income tax on amounts reclassified to earnings		**—**		**(0.2)**		**—**		**—**		**—**		**(0.2)**
Income tax on amounts related to curtailment of DB and PRB plan		**—**		**(1.5)**		**—**		**—**		**—**		**(1.5)**
Net current period OCI		**7.1**		**3.1**		**37.4**		**4.0**		**0.8**		**52.4**
Ending balance, September 30, 2018	**$**	**—**	**$**	**(8.3)**	**$**	**(91.6)**	**$**	**346.9**	**$**	**4.5**	**$**	**251.5**
Opening balance, January 1, 2017	$	19.8	$	(11.3)	$	(135.6)	$	526.3	$	5.9	$	405.1
OCI before reclassification		(28.6)		—		6.8		(198.2)		(3.3)		(223.3)
Amounts reclassified from AOCI		—		0.7		—		—		—		0.7
Settlement of PRB plan		—		0.3		—		—		—		0.3
Current period OCI (pre-tax)		(28.6)		1.0		6.8		(198.2)		(3.3)		(222.3)
Income tax on amounts retained in AOCI		3.1		—		—		—		—		3.1
Income tax on amounts reclassified to earnings		—		(0.2)		—		—		—		(0.2)
Income tax on amounts related to settlement of PRB plan		—		(0.1)		—		—		—		(0.1)
Net current period OCI		(25.5)		0.7		6.8		(198.2)		(3.3)		(219.5)
Ending balance, September 30, 2017	$	(5.7)	$	(10.6)	$	(128.8)	$	328.1	$	2.6	$	185.6

Reclassification From Accumulated Other Comprehensive Income

AOCI components reclassified	Income statement line item		Three months ended September 30, 2018		Nine months ended September 30, 2018
Defined benefit pension and PRB	Operating and administrative	**$**	**0.2**	**$**	**0.6**
Deferred income taxes	Income tax expenses – deferred		**(0.1)**		**(0.2)**
		$	**0.1**	**$**	**0.4**

AOCI components reclassified	Income statement line item		Three months ended September 30, 2017		Nine months ended September 30, 2017
Defined benefit pension and PRB	Operating and administrative expense	$	0.2	$	0.7
Deferred income taxes	Income tax expenses – deferred		(0.1)		(0.2)
		$	0.1	$	0.5

14. REVENUE

The following table disaggregates revenue by major sources for the period ended September 30, 2018:

	Three months ended September 30, 2018				
	Gas	**Power**	**Utilities**	**Corporate**	**Total**
Revenue from contracts with customers					
Commodity sales contracts	$ 170.5	$ 250.7	$ —	$ —	$ 421.2
Midstream service contracts	50.3	—	—	—	50.3
Gas sales and transportation services	—	—	286.7	—	286.7
Storage services	—	—	8.3	—	8.3
Other	—	8.4	2.9	—	11.3
Total revenue from contracts with customers	**$ 220.8**	**$ 259.1**	**$ 297.9**	**$ —**	**$ 777.8**
Other sources of revenue					
Revenue from alternative revenue programs [(a)]	$ —	$ —	$ 13.3	$ —	$ 13.3
Leasing revenue [(b)]	23.8	122.5	0.2	—	146.5
Risk management and trading activities [(c)(d)]	61.0	55.0	(0.3)	(14.7)	101.0
Other	—	4.4	(1.6)	—	2.8
Total revenue from other sources	**$ 84.8**	**$ 181.9**	**$ 11.6**	**$ (14.7)**	**$ 263.6**
Total revenue	**$ 305.6**	**$ 441.0**	**$ 309.5**	**$ (14.7)**	**$ 1,041.4**

(a) A large portion of revenue generated from the Utilities segment is subject to rate regulation and accordingly there are circumstances where the revenue recognized is mandated by the applicable regulators in accordance with ASC 980.

(b) Revenue generated from certain of AltaGas' gas facilities is accounted for as operating leases. For the Power segment, a significant amount of revenue earned is through power purchase agreements which are accounted for as operating leases.

(c) Risk management activities involve the use of derivative instruments such as physical and financial swaps, forward contracts, and options. These derivatives are accounted for under ASC 815 and ASC 825. The majority of revenue generated by the Gas and Power segments is from the physical sale and delivery of natural gas and power to end users, except for WGL Midstream (see footnote d).

(d) WGL Midstream trading margins are reported in risk management and trading activities from the Gas segment. WGL Midstream enters into derivative contracts for the purpose of optimizing its storage and transportation capacity as well as managing the transportation and storage assets on behalf of third parties. The trading margins of WGL Midstream, including unrealized gains and losses on derivative instruments, are netted within revenues. Gross revenues of $114.1 million associated with the GAIL Global (USA) LNG LLC (GAIL) contract, which is in scope of ASC 606, is reported in the risk management and trading activities. While the GAIL contract is individually not accounted for as a derivative, it is inseparable from the overall trading portfolio of WGL Midstream. Revenue is recognized at a point in time based on the actual volumes of the commodity sold at the delivery point, which corresponds to the customer's monthly invoice amount. The contract has a term of 20 years starting March 31, 2018.

	Nine months ended September 30, 2018				
	Gas	**Power**	**Utilities**	**Corporate**	**Total**
Revenue from contracts with customers					
Commodity sales contracts	$ 391.8	$ 250.7	$ —	$ —	$ 642.5
Midstream service contracts	152.1	—	—	—	152.1
Gas sales and transportation services	—	—	894.3	—	894.3
Storage services	—	—	26.5	—	26.5
Other	0.6	8.4	8.2	—	17.2
Total revenue from contracts with customers	**$ 544.5**	**$ 259.1**	**$ 929.0**	**$ —**	**$ 1,732.6**
Other sources of revenue					
Revenue from alternative revenue programs [(a)]	$ —	$ —	$ 8.8	$ —	$ 8.8
Leasing revenue [(b)]	71.5	287.0	0.3	—	358.8
Risk management and trading activities [(c)(d)]	249.0	194.2	0.8	(29.4)	414.6
Other	(0.2)	11.8	3.2	—	14.8
Total revenue from other sources	**$ 320.3**	**$ 493.0**	**$ 13.1**	**$ (29.4)**	**$ 797.0**
Total revenue	**$ 864.8**	**$ 752.1**	**$ 942.1**	**$ (29.4)**	**$ 2,529.6**

(a) A large portion of revenue generated from the Utilities segment is subject to rate regulation and accordingly there are circumstances where the revenue recognized is mandated by the applicable regulators in accordance with ASC 980.

(b) Revenue generated from certain of AltaGas' gas facilities is accounted for as operating leases. For the Power segment, a significant amount of revenue earned is through power purchase agreements which are accounted for as operating leases.

(c) Risk management activities involve the use of derivative instruments such as physical and financial swaps, forward contracts, and options. These derivatives are accounted for under ASC 815 and ASC 825. The majority of revenue generated by the Gas and Power segments is from the physical sale and delivery of natural gas and power to end users, except for WGL Midstream (see footnote d).

(d) WGL Midstream trading margins are reported in risk management and trading activities from the Gas segment. WGL Midstream enters into derivative contracts for the purpose of optimizing its storage and transportation capacity as well as managing the transportation and storage assets on behalf of third parties. The trading margins of WGL Midstream, including unrealized gains and losses on derivative instruments, are netted within revenues. Gross revenues of $114.1 million associated with the GAIL Global (USA) LNG LLC (GAIL) contract, which is in scope of ASC 606, is reported in the risk management and trading activities. While the GAIL contract is individually not accounted for as a derivative, it is inseparable from the overall trading portfolio of WGL Midstream. Revenue is recognized at a point in time based on the actual volumes of the commodity sold at the delivery point, which corresponds to the customer's monthly invoice amount. The contract has a term of 20 years starting March 31, 2018.

Revenue Recognition

The following is a description of the Corporation's revenue recognition policy by major sources of revenue from contracts with customers and segment.

Gas segment

Commodity sales

A portion of the NGL production from AltaGas' extraction facilities is subject to frac spread between NGLs extracted and the natural gas purchased to make up the heating value of the NGLs extracted. For commodity sales contracts that do not meet the definition of a derivative or for contracts whereby AltaGas has elected to apply the normal purchase normal sales scope exception, the sales contract is accounted for under ASC 606. These commodity sales contracts have varying terms but the majority of the contracts have a one-year term which coincides with the NGL year. AltaGas recognizes revenue for commodity sales contracts at a point in time based on the actual volumes of the commodity sold at the delivery point, which corresponds to the customer's monthly invoice amount.

Commodity sales also include gas sales to residential, commercial and industrial customers in certain states where WGL Energy is authorized as a competitive service provider. These commodity sales contracts have varying terms that generally range from one to five years. Customers are billed monthly based on the amount of gas delivered to the customer. Revenue is recognized based on the amount the Company is entitled to invoice the customer.

Midstream service contracts

AltaGas earns revenue from its field gathering and processing facilities, extraction facilities, and transmission systems through a variety of contractual arrangements. For arrangements that do not contain a lease, the revenue is accounted for under ASC 606 as follows:

Fee-for-service – The customer is charged a fee for the service provided on a per unit volume basis. Contract terms generally range from one month to up to the life of the reserves. Revenue under this type of arrangement is recognized over time as the service is provided, which corresponds to the customer's monthly invoice amount.

Take-or-pay – The customer has agreed to a minimum volume commitment whereby the customer must have AltaGas process or deliver a specified volume at a rate per unit that is specified in the contract. Quantities that the customer is unable to deliver are considered deficiency quantities. Certain of AltaGas' take-or-pay contracts contain provisions whereby the customer can make up deficiency quantities in subsequent periods. Under this type of arrangement, any consideration received relating to the deficiency quantities that will be made up in a future period will be deferred until either: (i) the customer makes up the volumes or (ii) the likelihood that the customer will make up the volumes before the make up period expires becomes remote. If AltaGas does not expect the customer to make up the deficiency quantities (also referred to as breakage amount), AltaGas may recognize the expected breakage amount as revenue before the make up period expires. Significant judgment is required in estimating the breakage amount. For contracts where the customer has no make-up rights, revenue is recognized on a monthly basis based on the higher of (i) the actual quantity delivered times the per unit rate or (ii) the contracted minimum amount.

Power segment

For the Power segment, a significant amount of revenue earned is through power purchase agreements which are accounted for as operating leases. In instances where power generation is not sold under a power purchase agreement, the commodity is sold via a merchant market, or via commodity sales agreements which are accounted for as financial instruments. For commodity sales contracts that do not meet the definition of a lease, derivative or for contracts whereby AltaGas has elected to apply the normal purchase normal sales scope exception, the sales contract is accounted for under ASC 606.

Commodity Sales

Energy generated from commercial solar and combined heating and power assets is sold under long term power purchase agreements with a general duration of 20 years. Commodity sales also include electricity sales to residential, commercial and industrial customers in certain states where WGL Energy Systems is authorized as a competitive service provider. These commodity sales contracts have varying terms that generally range from one to five years. Customers are billed monthly based on meter readings or the amount of energy delivered to the customer. Revenue is recognized based on the amount the Company is entitled to invoice the customer.

Utilities segment

Gas sales and transportation services

Customers are billed monthly based on regular meter readings. Customer billings are based on two main components: (i) a fixed service fee and (ii) a variable fee based on usage. Revenue is recognized over time when the gas has been delivered or as the service has been performed. As meter readings are performed on a cycle basis, AltaGas recognizes accrued revenue for any services rendered to its customers but not billed at month-end. The vast majority of these contracts are "at-will" as customers may cancel their service at any time, however, there are certain contracts that have terms of one year or longer. For these long-term contracts, there is generally a contract demand specified in the contract whereby the customer has to pay regardless of whether or not gas has been delivered. These contracts generally do not contain any make up rights and revenue is recognized on a monthly basis as service has been performed.

Gas storage services

Gas storage customers are billed monthly for services provided. Customer billings are based on four components: (i) reservation charges; (ii) capacity charges; (iii) injection/withdrawal charges; and (iv) excess charges. Reservation charges are based on the customer's contract withdrawal quantity, capacity charges are based on the customer's total contract quantity, and injection/withdrawal charges are based on the volume of gas delivered to or from the customer. Excess charges are applied to each day that the storage quantity exceeds 100 percent of the customer's maximum storage quantity. Revenue is recognized as the service has been performed over time on a monthly basis, which corresponds to the invoice amount. The majority of these contracts have terms extending beyond one-year.

Contract Balances

As at September 30, 2018, a contract asset of $7.8 million has been recorded within long-term investments and other assets on the Consolidated Balance Sheets (December 31, 2017 – $nil). This contract asset represents the difference in revenue recognized under a new rate in a blend-and-extend contract modification with a customer. Revenue from this contract modification will be recognized at the pre-modification rate for the remainder of the original term with the excess revenue recorded as a contract asset. The contract asset will be drawn down over the remaining term of the modified contract.

In addition, at September 30, 2018 there is a contract asset of $105.0 million (December 31, 2017 - $nil) recorded within accounts receivable on the Consolidated Balance Sheets for WGL Energy Systems' unbilled revenue relating to design-build construction contracts. The contract asset represents unbilled amounts typically resulting from sales under contracts when the cost-to-cost method of revenue recognition is utilized, and revenue recognized exceeds the amount billed to the customer. Right to payment is not just subject to the passage of time or until the projects are formally "accepted" by the federal government. Contract liabilities of $1.8 million (2017 - $nil) have been recorded within other current liabilities on the Consolidated Balance Sheets. The contract liabilities consist of advance payments and billings in excess of revenue recognized and deferred revenue. Contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period.

Transaction price allocated to the remaining obligations

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied as of September 30, 2018:

	Remainder of 2018	2019	2020	2021	2022	> 2022	Total
Midstream service contracts	$ 13.2	$ 51.4	$ 55.0	$ 32.5	$ 32.0	$ 222.0	**$ 406.1**
Gas sales and transportation services	4.0	6.1	12.9	16.9	16.8	19.6	**76.3**
Storage services	8.9	34.8	34.5	34.5	34.5	318.9	**466.1**
Other	21.8	12.5	3.0	1.5	1.4	3.8	**44.0**
	$ 47.9	$ 104.8	$ 105.4	$ 85.4	$ 84.7	$ 564.3	**$ 992.5**

AltaGas applies the practical expedient available under ASC 606 and does not disclose information about the remaining performance obligations for (i) contracts with an original expected length of one year or less, (ii) contracts for which revenue is recognized at the amount to which AltaGas has the right to invoice for performance completed, and (iii) contracts with variable consideration that is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation. In addition, the table above does not include any estimated amounts of variable consideration that are constrained. The majority of midstream service contracts, gas sales and transportation service contracts, and storage service contracts contain variable consideration whereby uncertainty related to the associated variable consideration will be resolved (usually on a daily basis) as volumes are processed, gas is delivered or as service is provided.

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable, risk management contracts, certain long-term investments and other assets, accounts payable and accrued liabilities, dividends payable, short-term and long-term debt and certain other current and long-term liabilities.

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 valuation models and techniques where inputs other than quoted prices included within level 1 are observable for the asset or liability either directly or indirectly. AltaGas enters into derivative instruments in the futures, over-the-counter and retail markets to manage fluctuations in commodity prices and foreign exchange rates. The fair values of power, natural gas and NGL derivative contracts were calculated using forward prices based on published sources for the relevant period, adjusted for factors specific to the asset or liability, including basis and location differentials, discount rates, and currency exchange. The fair value of foreign exchange derivative contracts was calculated using quoted market rates. The fair value of foreign exchange option contracts was calculated using a variation of the Black-Scholes pricing model.

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. A variety of valuation methodologies are used to determine the fair value of Level 3 derivative contracts, including developed valuation inputs and pricing models. The prices used in the valuations are corroborated using multiple pricing sources, and the Corporation periodically conducts assessments to determine whether each valuation model is appropriate for its intended purpose. Level 3 derivatives include physical contracts at illiquid market locations with no observable market data, long-dated positions where observable pricing is not available over the life of the contract, contracts valued using historical spot price volatility assumptions, and valuations using indicative broker quotes for inactive market locations.

	September 30, 2018				
	Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Financial assets					
Fair value through net income[(a)]					
Risk management assets - current	$ 51.3	$ —	$ 27.4	$ 23.9	$ 51.3
Risk management assets - non-current	33.0	—	15.0	18.0	33.0
Equity securities[(b)]	18.6	18.6	—	—	18.6
Fair value through regulatory assets/liabilities [(a)]					
Risk management assets - current	12.8	—	0.9	11.9	12.8
Risk management assets - non-current	6.3	—	—	6.3	6.3
Amortized cost					
Loans and receivables [(b)]	75.0	—	75.8	—	75.8
	$ 197.0	$ 18.6	$ 119.1	$ 60.1	$ 197.8
Financial liabilities					
Fair value through net income[(a)]					
Risk management liabilities - current	$ 75.2	$ —	$ 56.9	$ 18.3	$ 75.2
Risk management liabilities - non-current	77.4	—	16.3	61.1	77.4
Fair value through regulatory assets/liabilities [(a)]					
Risk management liabilities - current	11.8	—	—	11.8	11.8
Risk management liabilities - non-current	95.1	—	0.1	95.0	95.1
Amortized cost					
Current portion of long-term debt	1,998.6	—	1,868.6	—	1,868.6
Long-term debt	7,570.9	—	5,128.5	2,476.1	7,604.6
Other current liabilities [(c)]	19.3	—	19.3	—	19.3
Other long-term liabilities [(c)]	139.2	—	136.5	—	136.5
	$ 9,987.5	$ —	$ 7,226.2	$ 2,662.3	$ 9,888.5

(a) To manage price risk associated with acquiring natural gas supply for Maryland, Virginia, and District of Columbia utility customers, Washington Gas, a subsidiary of the Corporation, enters into physical and financial derivative transactions. Any gains and losses associated with these derivatives are recorded as regulatory liabilities or assets, respectively, to reflect the rate treatment for these economic hedging activities. Additionally, as part of its asset optimization program, Washington Gas enters into derivatives with the primary objective of securing operating margins that Washington Gas will ultimately realize. Regulatory sharing mechanisms provide for the annual realized profit from these transactions to be shared between Washington Gas' shareholder and customers; therefore, changes in fair value are recorded through earnings, or as regulatory assets or liabilities to the extent that it is probable that realized gains and losses associated with these derivative transactions will be included in the rates charged to customers when they are realized.

(b) Included under the line item "long-term investments and other assets" on the Consolidated Balance Sheets.

(c) Excludes non-financial liabilities.

	December 31, 2017				
	Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Financial assets					
Fair value through net income					
Risk management assets - current	$ 38.6	$ —	$ 38.6	$ —	$ 38.6
Risk management assets - non-current	15.9	—	15.9	—	15.9
Equity securities[(a)]	95.0	95.0	—	—	95.0
Amortized cost					
Loans and receivables [(a)]	75.0	—	85.6	—	85.6
	$ 224.5	$ 95.0	$ 140.1	$ —	$ 235.1
Financial liabilities					
Fair value through net income					
Risk management liabilities - current	$ 57.6	$ —	$ 57.6	$ —	$ 57.6
Risk management liabilities - non-current	13.8	—	13.8	—	13.8
Amortized cost					
Current portion of long-term debt	188.9	—	189.6	—	189.6
Long-term debt	3,436.5	—	3,568.3	—	3,568.3
Other current liabilities [(b)]	22.4	—	22.4	—	22.4
Other long-term liabilities [(b)]	146.0	—	147.7	—	147.7
	$ 3,865.2	$ —	$ 3,999.4	$ —	$ 3,999.4

(a) Included under the line item "long-term investments and other assets" on the Consolidated Balance Sheets.

(b) Excludes non-financial liabilities.

The following table includes quantitative information about the significant unobservable inputs used in the fair value measurement of Level 3 financial instruments at September 30, 2018:

	Net Fair Value	**Valuation Technique**	**Unobservable Inputs**	**Range**
Natural gas	$ (117.2)	Discounted Cash Flow	Natural Gas Basis Price (per dekatherm)	($1.30) - $5.03
Natural gas	$ (4.6)	Option Model	Natural Gas Basis Price (per dekatherm)	($1.28) - $4.80
			Annualized Volatility of Spot Market Natural Gas	37.46% - 900.98%
Electricity	$ (19.3)	Discounted Cash Flow	Electricity Congestion Price (per megawatt hour)	($8.10) - $83.69

The following table provides a reconciliation of changes in net fair value of derivative assets and liabilities classified as Level 3 in the fair value hierarchy:

	Three months ended					
	September 30, 2018			September 30, 2017		
	Natural Gas	**Electricity**	**Total**	Natural Gas	Electricity	Total
Balance, beginning of period	**$ —**	**$ —**	**$ —**	$ —	$ —	$ —
Acquired *(note 3)*	**(134.4)**	**(10.5)**	**(144.9)**	—	—	—
Realized and unrealized gains (losses):				—	—	—
Recorded in income	**8.4**	**(11.8)**	**(3.4)**			
Recorded in regulatory assets	**1.7**	**—**	**1.7**	—	—	—
Transfers out of Level 3	**0.8**	**—**	**0.8**	—	—	—
Purchases	**—**	**3.8**	**3.8**	—	—	—
Settlements	**1.7**	**(0.8)**	**0.9**	—	—	—
Balance, end of period	**$ (121.8)**	**$ (19.3)**	**$ (141.1)**	$ —	$ —	$ —

	Nine months ended					
	September 30, 2018			September 30, 2017		
	Natural Gas	**Electricity**	**Total**	Natural Gas	Electricity	Total
Balance, beginning of period	**$ —**	**$ —**	**$ —**	$ —	$ —	$ —
Acquired *(note 3)*	**(134.4)**	**(10.5)**	**(144.9)**	—	—	—
Realized and unrealized gains (losses):				—	—	—
Recorded in income	**8.4**	**(11.8)**	**(3.4)**			
Recorded in regulatory assets	**1.7**	**—**	**1.7**	—	—	—
Transfers out of Level 3	**0.8**	**—**	**0.8**	—	—	—
Purchases	**—**	**3.8**	**3.8**	—	—	—
Settlements	**1.7**	**(0.8)**	**0.9**	—	—	—
Balance, end of period	**$ (121.8)**	**$ (19.3)**	**$ (141.1)**	$ —	$ —	$ —

Transfers between different levels of the fair value hierarchy may occur based on fluctuations in the valuation and on the level of observable inputs used to value the instruments from period to period. Transfers into and out of the different levels of the fair value hierarchy are presented at the fair value as of the beginning of the period. Transfers out of Level 3 during the period ended September 30, 2018 were due to an increase in valuations using observable market inputs. Transfers into Level 3 during the period ended September 30, 2018 were due to an increase in unobservable market inputs used in valuations.

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

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Natural gas	**$ (3.8)**	$ (1.9)	**$ (15.0)**	$ (1.1)
NGL frac spread	**(7.4)**	(10.2)	**(4.6)**	(0.6)
Power	**2.2**	(3.0)	**(2.9)**	(12.1)
Foreign exchange	**(1.5)**	(10.2)	**34.5**	(32.7)
	$ (10.5)	$ (25.3)	**$ 12.0**	$ (46.5)

Offsetting of Derivative Assets and Derivative Liabilities

Certain AltaGas risk management contracts are subject to master netting arrangements that create a legally enforceable right for a counterparty to offset the related financial assets and financial liabilities. As part of these master netting agreements, cash, letters of credit and parental guarantees may be required to be posted or obtained from counterparties in order to mitigate credit risk related to both derivatives and non-derivative positions. Collateral balances are also offset against the related counterparties' derivative positions to the extent the application would not result in the over-collateralization of those derivative positions on the balance sheet.

	September 30, 2018			
Risk management assets [(a)]	**Gross amounts of recognized assets/liabilities**	**Gross amounts offset in balance sheet**	**Netting of collateral**	**Net amounts presented in balance sheet**
Natural gas	**$ 123.1**	**$ (42.0)**	**$ —**	**$ 81.1**
NGL frac spread	**1.3**	**(0.4)**	**—**	**0.9**
Power	**30.7**	**(9.0)**	**—**	**21.7**
Foreign exchange	**(0.3)**	**—**	**—**	**(0.3)**
	$ 154.8	**$ (51.4)**	**$ —**	**$ 103.4**
Risk management liabilities [(b)]				
Natural gas	**$ 263.9**	**$ (42.0)**	**$ (12.8)**	**$ 209.1**
NGL frac spread	**29.8**	**(0.4)**	**—**	**29.4**
Power	**43.5**	**(9.0)**	**(12.4)**	**22.1**
	$ 337.2	**$ (51.4)**	**$ (25.2)**	**$ 260.6**

(a) Net amount of risk management assets on the Balance Sheet is comprised of risk management assets (current) balance of $64.1 million and risk management assets (non-current) balance of $39.3 million.

(b) Net amount of risk management liabilities on the Balance Sheet is comprised of risk management liabilities (current) balance of $87.0 million, risk management liabilities (non-current) balance of $172.5 million, and an embedded derivative balance in accounts payable of $1.1 million.

	December 31, 2017			
Risk management assets [(a)]	Gross amounts of recognized assets/liabilities	Gross amounts offset in balance sheet	Netting of collateral	Net amounts presented in balance sheet
Natural gas	$ 41.0	$ (6.2)	$ —	$ 34.8
NGL frac spread	1.3	(0.3)	—	1.0
Power	17.7	(0.7)	—	17.0
Foreign exchange	1.7	—	—	1.7
	$ 61.7	$ (7.2)	$ —	$ 54.5
Risk management liabilities [(b)]				
Natural gas	$ 35.1	$ (6.2)	$ —	$ 28.9
NGL frac spread	25.3	(0.3)	—	25.0
Power	14.0	(0.7)	4.2	17.5
	$ 74.4	$ (7.2)	$ 4.2	$ 71.4

(a) Net amount of risk management assets on the Balance Sheet is comprised of risk management assets (current) balance of $38.6 million and risk management assets (non-current) balance of $15.9 million.

(b) Net amount of risk management liabilities on the Balance Sheet is comprised of risk management liabilities (current) balance of $57.6 million and risk management liabilities (non-current) balance of $13.8 million.

Cash Collateral

The following table presents collateral not offset against risk management assets and liabilities:

	September 30, 2018	December 31, 2017
Collateral posted with counterparties	**$ 77.8**	$ —
Cash collateral held representing an obligation	**$ 4.0**	$ —

Any collateral posted that is not offset against risk management assets and liabilities is included in line item "prepaid expenses and other current assets" in the Consolidated Balance Sheets. Collateral received and not offset against risk management assets and liabilities is included in line item "customer deposits" in the Consolidated Balance Sheets.

Certain derivative instruments contain contract provisions that require collateral to be posted if the credit rating of AltaGas or certain of its subsidiaries falls below certain levels. The following table shows the aggregate fair value of all derivative instruments with credit-related contingent features that are in a liability position, as well as the maximum amount of collateral that would be required if the most intrusive credit-risk-related contingent features underlying these agreements were triggered:

	September 30, 2018	December 31, 2017
Risk management liabilities with credit-risk-contingent features	**$ 7.9**	$ —
Maximum potential collateral requirements	**$ 1.4**	$ —

Notional Summary

The following table presents the notional quantity outstanding related to the Corporation's commodity contracts:

	September 30, 2018	December 31, 2017
Natural Gas		
Sales	**859,214,213 GJ**	94,804,039 GJ
Purchases	**1,674,993,508 GJ**	61,980,315 GJ
Swaps	**621,061,437 GJ**	6,039,642 GJ
NGL Frac Spread		
Propane swaps	**2,220,618 Bbl**	1,992,927 Bbl
Butane swaps	**181,582 Bbl**	130,088 Bbl
Crude oil swaps	**409,546 Bbl**	518,665 Bbl
Natural gas swaps	**12,370,977 GJ**	11,428,515 GJ
Power		
Sales	**4,449,998 MWh**	2,169,321 MWh
Purchases	**2,936,481 MWh**	17,520 MWh
Swaps	**6,922,518 MWh**	1,563,160 MWh

Foreign Exchange

AltaGas may designate its U.S. dollar-denominated debt as a net investment hedge of its U.S. subsidiaries. As at September 30, 2018, AltaGas has designated US$2,438.3 million of outstanding debt as a net investment hedge (December 31, 2017 - $nil). For the three and nine months ended September 30, 2018, AltaGas incurred after-tax unrealized gains of $37.4 million arising from the translation of debt in OCI (2017 - after-tax unrealized gains of $nil and $6.8 million, respectively).

In addition, to mitigate the foreign exchange risks associated with the cash purchase price of WGL, AltaGas entered into foreign currency option contracts with an aggregate notional value of US$1.2 billion which expired in May 2018. These foreign currency option contracts did not qualify for hedge accounting. Therefore, all changes in fair value were recognized in net income. For the three and nine months ended September 30, 2018, unrealized gains of $nil and $34.3 million, respectively, and realized losses of $nil and $36.0 million, respectively were recognized in revenue in relation to these contracts (2017 – unrealized losses of $10.3 million and $32.2 million, respectively). During the second quarter of 2018, AltaGas entered into foreign exchange forward contracts with an aggregate notional value of $3.2 billion which settled in July 2018. These foreign currency derivatives do not qualify for hedge accounting. For the three and nine months ended September 30, 2018, unrealized losses of $1.7 million and $nil, respectively, and a realized gain $1.3 million was recognized in income in relation to these forwards (2017 - $nil).

Weather Related Instruments

WGL Energy Services utilizes heating degree day (HDD) instruments from time to time to manage weather and price risks related to its natural gas and electricity sales during the winter heating season. WGL Energy Services also utilizes cooling degree day (CDD) instruments and other instruments to manage weather and price risks related to its electricity sales during the summer cooling season. These instruments cover a portion of estimated revenue or energy-related cost exposure to variations in HDDs or CDDs. For the period from close of the WGL Acquisition to September 30, 2018, pre-tax losses of $1 million were recorded related to these instruments (2017 - $nil).

16. 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.

Premium Dividend™, Dividend Reinvestment and Optional Cash Purchase Plan (DRIP or the Plan)

The Plan consists of three components: a Premium Dividend™ component, a Dividend Reinvestment component and an Optional Cash Purchase component.

The Plan provides eligible holders of common shares with the opportunity to, at their election, either: (1) reinvest the cash dividends paid by AltaGas on their common shares towards the purchase of new common shares at a 3 percent discount to the average market price (as defined below) of the common shares on the applicable dividend payment date (the Dividend Reinvestment component of the Plan); or (2) reinvest the cash dividends paid by AltaGas on their common shares towards the purchase of new common shares at a 3 percent discount to the average market price (as defined below) on the applicable dividend payment date and have these additional common shares of AltaGas exchanged for a cash payment equal to 101 percent of the reinvested amount (the Premium Dividend™ component of the Plan).

In addition, the Plan provides shareholders who are enrolled in the Dividend Reinvestment component of the Plan with the opportunity to purchase new common shares at the average market price (with no discount) on the applicable dividend payment date (the Optional Cash Purchase component of the Plan).

Each of the components of the Plan are subject to prorating and other limitations on availability of new common shares in certain events. The "average market price", in respect of a particular dividend payment date, refers to the arithmetic average (calculated to four decimal places) of the daily volume weighted average trading prices of common shares on the Toronto Stock Exchange for the trading days on which at least one board lot of common shares is traded during the 10 business days immediately preceding the applicable dividend payment date. Such trading prices will be appropriately adjusted for certain capital changes (including common share subdivisions, common share consolidations, certain rights offerings and certain dividends). Shareholders resident outside of Canada are not entitled to participate in the Premium Dividend™ component of the Plan. Shareholders resident outside of Canada (other than the U.S.) may participate in the Dividend Reinvestment component or the Optional Cash Purchase component of the Plan only if their participation is permitted by the laws of the jurisdiction in which they reside and provided that AltaGas is satisfied in its sole discretion, that such laws do not subject the Plan or AltaGas to additional legal or regulatory requirements. Effective December 18, 2018, the Premium Dividend™ portion of the plan has been suspended.

™ Denotes trademark of Canaccord Genuity Corp.

Common Shares Issued and Outstanding	Number of shares		Amount
January 1, 2017	166,906,833	$	3,773.4
Shares issued for cash on exercise of options	240,125		6.5
Deferred taxes on share issuance cost	—		(8.3)
Shares issued under DRIP	8,132,258		236.3
December 31, 2017	175,279,216		4,007.9
Shares issued on conversion of subscription receipts, net of issuance costs	84,510,000		2,321.1
Shares issued for cash on exercise of options	46,775		1.1
Deferred taxes on share issuance costs	—		13.3
Shares issued under DRIP	9,036,649		223.5
Issued and outstanding at September 30, 2018	**268,872,640**	**$**	**6,566.9**

Preferred Shares

As at	**September 30, 2018**			December 31, 2017		
Issued and Outstanding	**Number of shares**		**Amount**	Number of shares		Amount
Series A	**5,511,220**	**$**	**137.8**	5,511,220	$	137.8
Series B	**2,488,780**		**62.2**	2,488,780		62.2
Series C	**8,000,000**		**205.6**	8,000,000		205.6
Series E	**8,000,000**		**200.0**	8,000,000		200.0
Series G	**8,000,000**		**200.0**	8,000,000		200.0
Series I	**8,000,000**		**200.0**	8,000,000		200.0
Series K	**12,000,000**		**300.0**	12,000,000		300.0
Washington Gas						
$4.80 series	**150,000**		**19.7**	—		—
$4.25 series	**70,600**		**9.4**	—		—
$5.00 series	**60,000**		**7.9**	—		—
Share issuance costs, net of taxes			**(27.9)**			(27.9)
Fair value adjustment on WGL Acquisition *(note 3)*			**4.1**			—
	52,280,600	**$**	**1,318.8**	52,000,000	$	1,277.7

In connection with the WGL Acquisition, AltaGas assumed Washington Gas' preferred stock. Washington Gas has three series of cumulative preferred stock outstanding, and each series is subject to redemption by Washington Gas:

	Current yield	Annual dividend per share	Redemption price per share
Washington Gas			
$4.80 series	4.41%	US$4.80	US$101
$4.25 series	4.41%	US$4.25	US$105
$5.00 series	4.41%	US$5.00	US$102

Share Option Plan

AltaGas has an employee share option plan under which employees and directors are eligible to receive grants. As at September 30, 2018, 21,974,766 shares were reserved for issuance under the plan. As at September 30, 2018, share options granted under the plan have a term between six and ten years until expiry and vest no longer than over a four-year period.

As at September 30, 2018, unexpensed fair value of share option compensation cost associated with future periods was $1.2 million (December 31, 2017 - $1.3 million).

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

As at	**September 30, 2018**			December 31, 2017		
	Options outstanding			Options outstanding		
	Number of options		**Exercise price[(a)]**	Number of options		Exercise price[(a)]
Share options outstanding, beginning of period	**4,533,761**	**$**	**32.35**	4,119,386	$	32.39
Granted	**516,825**		**26.32**	848,000		30.80
Exercised	**(46,775)**		**22.13**	(240,125)		24.63
Forfeited	**(111,813)**		**31.77**	(193,500)		36.36
Expired	**(3,000)**		**26.23**	—		—
Share options outstanding, end of period	**4,888,998**	**$**	**31.82**	4,533,761	$	32.35
Share options exercisable, end of period	**3,497,109**	**$**	**32.25**	3,326,197	$	31.93

(a) Weighted average.

As at September 30, 2018, the aggregate intrinsic value of the total share options exercisable was $1.0 million (December 31, 2017 - $6.0 million), the total intrinsic value of share options outstanding was $1.0 million (December 31, 2017 - $6.0 million) and the total intrinsic value of share options exercised was $0.2 million (December 31, 2017 - $1.4 million).

The following table summarizes the employee share option plan as at September 30, 2018:

	Options outstanding				Options exercisable			
	Number outstanding		Weighted average exercise price	Weighted average remaining contractual life	Number exercisable		Weighted average exercise price	Weighted average remaining contractual life
$14.24 to $18.00	150,250	$	15.12	0.53	150,250	$	15.12	0.53
$18.01 to $25.08	444,700		20.75	2.08	444,700		20.75	2.08
$25.09 to $50.89	4,294,048		33.55	3.58	2,902,159		34.89	3.07
	4,888,998	**$**	**31.82**	**3.35**	**3,497,109**	**$**	**32.25**	**2.84**

Medium Term Incentive Plan (MTIP) and Deferred Share Unit Plan (DSUP)

AltaGas has a MTIP for employees and executive officers, which includes restricted units (RUs) and performance units (PUs) with vesting periods between 36 to 44 months from the grant date. In addition, AltaGas has a DSUP, which allows granting of deferred share units (DSUs) to directors. DSUs granted under the DSUP vest immediately but settlement of the DSUs occur when the individual ceases to be a director.

PUs, RUs, and DSUs	**September 30, 2018**	December 31, 2017
(number of units)		
Balance, beginning of period	**564,549**	364,839
Granted	**142,665**	386,126
Additional units added by performance factor	**—**	24,301
Vested and paid out	**(65,762)**	(221,775)
Forfeited	**(39,213)**	(27,279)
Units in lieu of dividends	**36,518**	38,337
Outstanding, end of period	**638,757**	564,549

For the three and nine months ended September 30, 2018, the compensation expense recorded for the MTIP and DSUP was a recovery of $0.2 million and an expense of $2.7 million, respectively (2017 – expense of $1.8 million and $5.0 million, respectively). As at September 30, 2018, the unrecognized compensation expense relating to the remaining vesting period for the MTIP was $7.2 million (December 31, 2017 - $8.4 million) and is expected to be recognized over the vesting period.

17. NET INCOME (LOSS) PER COMMON SHARE

The following table summarizes the computation of net income (loss) per common share:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Numerator:				
Net income (loss) applicable to controlling interests	**$ (709.3)**	$ 33.1	**$ (626.3)**	$ 86.2
Less: Preferred share dividends	**(16.9)**	(15.6)	**(49.7)**	(45.1)
Net income (loss) applicable to common shares	**$ (726.2)**	$ 17.5	**$ (676.0)**	$ 41.1
Denominator:				
(millions)				
Weighted average number of common shares outstanding	**261.3**	171.9	**206.0**	169.9
Dilutive equity instruments[(a)]	**0.1**	0.2	**0.1**	0.3
Weighted average number of common shares outstanding - diluted	**261.4**	172.1	**206.1**	170.2
Basic net income (loss) per common share	**$ (2.78)**	$ 0.10	**$ (3.28)**	$ 0.24
Diluted net income (loss) per common share	**$ (2.78)**	$ 0.10	**$ (3.28)**	$ 0.24

(a) Includes all options that have a strike price lower than the average share price of AltaGas' common shares during the periods noted.

For the three and nine months ended September 30, 2018, 4.3 million and 4.1 million share options, respectively (2017 – 3.8 million and 2.9 million, respectively) were excluded from the diluted net income (loss) per share calculation as their effects were anti-dilutive.

18. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments

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

As a result of the acquisition of WGL, AltaGas' operating lease commitments increased by approximately $169.3 million.

AltaGas' utilities (including Washington Gas) have contracts to purchase natural gas, natural gas transportation and storage services from various suppliers 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. These contracts have expiration dates that range from 2018 to 2044. In addition, WGL Energy Services also enters into contracts to purchase natural gas and electricity designed to match the duration of its sales commitments, and to secure a margin on estimated sales over the terms of existing sales contracts. WGL Midstream enters into contracts to acquire, invest in, manage and optimize natural gas storage and transportation assets. As a result of the WGL Acquisition, AltaGas' gas purchase, transportation, and storage services commitments increased by approximately $45 billion, the majority of which relate to 2023 and beyond. In addition, AltaGas' electricity purchase agreements increased by approximately $873.4 million as a result of the WGL Acquisition.

In connection with the WGL Acquisition, AltaGas and WGL have made commitments totaling approximately US$150.0 million related to the terms of the Public Service Commission of the District of Columbia settlement agreement and the conditions of approval from the Maryland Public Service Commission and the Commonwealth of Virginia State Corporation Commission. These commitments include US$56.4 million in rate credits distributable to both residential and non-residential customers, gas expansion and other programs in Maryland counties of approximately US$57.1 million, various public interest commitments totaling approximately US$33.3 million, safety programs of approximately US$2.8 million, and a renewable natural gas study of approximately US$0.4 million. In the third quarter of 2018, AltaGas paid approximately US$80.0 million of the regulatory commitments.

AltaGas also committed to make payments of approximately US$13 million for retention payments to senior executives and severance costs related to the retirement of senior executives, with the potential for additional payments in the future. In the third quarter of 2018, AltaGas paid approximately US$7.0 million of the retention and severance payments.

In 2017, AltaGas entered into a 12-year service agreement for tug services to support the marine operations of RIPET. AltaGas is obligated to pay fixed and variable fees of approximately $60.1 million over the term of the contract.

On October 4, 2017, Heritage Gas signed a Precedent Agreement (PA) with the intention of entering into a long-term (22 year) contract with Portland Natural Gas Transmission System (PNGTS) for natural gas transportation capacity from the Dawn Hub in Ontario to Nova Scotia on the Maritimes and Northeast Pipeline (M&NP) system. The PA with PNGTS was subject to Heritage Gas satisfying a condition precedent of obtaining regulatory approval by July 31, 2018 for the contract to proceed. On June 1, 2018, Heritage Gas received approval from the Nova Scotia Utility and Review Board (NSUARB) to enter into this contract and recover associated costs of the contract from its customers through regulated rates. The contract will commence on November 1, 2018.

In 2014, AltaGas' Blythe facility entered into a Long-Term Service Agreement with Siemens to complete various upgrade and maintenance services on the Combustion Turbines (CT) at Blythe. The term of the agreement is over 124,000 equivalent operating hours per CT, or 25 years, whichever comes first. As at September 30, 2018, approximately $191.7 million is expected to be paid over the next 18 years, of which $59.8 million is expected to be paid over the next five years.

In 2009, AltaGas entered into a 20-year storage agreement at the Dawn Hub in southwestern Ontario. AltaGas is obligated to pay approximately $3.5 million per annum over the term of the contract for storage services.

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 $6.3 million over the next four years.

Guarantees

In October 2014, Heritage Gas Limited, a wholly-owned subsidiary of AltaGas, entered into a throughput service contract with Enbridge Inc. (formerly Spectra Energy Corp.) for the use of the expansion of its Algonquin Gas Transmission and Maritimes & Northeast Pipeline systems (the Atlantic Bridge Project). The contract will commence upon completion of the construction of the pipelines and it will expire 15 years thereafter. AltaGas has two guarantees outstanding that total US$91.7 million to stand by all payment obligations under the transportation agreement.

WGL has guaranteed payments primarily for certain commitments on behalf of some of its subsidiaries. WGL has also guaranteed payments for certain of its external partners. As at September 30, 2018, WGL has no guarantees to external parties.

Contingencies

AltaGas and its subsidiaries are subject to various legal claims and actions arising in the normal course of business. While the final outcome of such legal claims and actions cannot be predicted with certainty, the Corporation does not believe that the resolution of such claims and actions will have a material impact on the Corporation's consolidated financial position or results of operations.

As a result of the WGL Acquisition, AltaGas has the following additional contingencies:

Antero Contract

Washington Gas and WGL Midstream contracted in June 2014 with Antero Resources Corporation (Antero) to buy gas from Antero at invoiced prices based on an index, and at a delivery point, specified in the contracts. Since deliveries began, however, the index price paid has been more than the fair market value at the same physical delivery point, resulting in losses within WGL entities of approximately US$29.6 million. Accordingly, Washington Gas and WGL Midstream notified Antero that it sought to apply a provision of the contracts that would permit a new index to be established. Antero objected, claiming that the contract provisions permitting re-pricing did not apply, unless Antero itself chose to sell gas at cheaper prices at the delivery point (which

Antero claimed it had not). The dispute was arbitrated in January 2017, and the arbitral tribunal ruled in favor of Antero on the applicability of the re-pricing mechanism. However, the tribunal ruled that it lacked authority to determine whether Antero was in breach of its obligation to deliver gas to Washington Gas and WGL Midstream at a point where they could obtain the higher pricing. Accordingly, Washington Gas and WGL Midstream filed suit in state court in Colorado for a determination of this issue. The state court granted Antero's motion to dismiss the case, however the court of appeals reversed the district court's decision to dismiss WGL's complaint in October 2018 and remanded the case back to the district court.

Separately, Antero has initiated suit against Washington Gas and WGL Midstream, claiming that they have failed to purchase specified daily quantities of gas and seeking alleged cover damages exceeding US$100 million as of April 4, 2018 according to Antero's complaint. Washington Gas and WGL Midstream oppose both the validity and amount of Antero's claim. WGL believes the probability that Antero could succeed in collecting these penalties is remote therefore no accrual was made as of September 30, 2018. In December 2017, WGL Midstream amended its purchase contract with Antero and, effective February 1, 2018, is no longer obligated to purchase gas at the delivery point that is the subject of these disputes.

Silver Spring, Maryland Incident

Washington Gas has continually worked with the National Transportation and Safety Board (NTSB) to support its investigation of the August 2016 explosion and fire at an apartment complex on Arliss Street in Silver Spring, Maryland, the cause of which has not been determined. Additional information will be made available by the NTSB at the appropriate time. A total of 40 civil actions related to the incident have been filed against WGL and Washington Gas in the Circuit Court for Montgomery County, Maryland. All of these suits seek unspecified damages for personal injury and/or property damage. An initial class action suit filed against WGL and Washington Gas was amended to assert property damage and loss of use claims. WGL maintains excess liability insurance coverage from highly-rated insurers, subject to a nominal self-insured retention and expects this coverage will be sufficient to cover any significant liability to it that may result from this incident. Management is unable to determine a range of potential losses that is reasonably possible of occurring and therefore has not recorded a reserve associated with this incident. Washington Gas was invited by the NTSB to be a party to the investigation and in that capacity, continues to work closely with the NTSB to help determine the cause of this incident.

19. PENSION PLANS AND RETIREE BENEFITS

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

The following defined benefit and post-retirement benefit plans were acquired in connection with the acquisition of WGL:

Defined Benefit Plans:

- Qualified Pension Plan - Washington Gas maintains a qualified, trusteed, non-contributory defined benefit pension plan covering most active and vested former employees of Washington Gas and certain employees of WGL subsidiaries. The non-contributory defined benefit pension plan is closed to all employees hired on or after January 1, 2010.
- Supplemental Executive Retirement Plan (DB SERP) - several executive officers of Washington Gas participate in the non-funded DB SERP, a nonqualified pension plan. The DB SERP was closed to new entrants beginning January 1, 2010.
- Defined Benefit Restoration Plan (DB Restoration) - a non-funded defined benefit restoration plan for the purpose of providing supplemental pension and pension-related benefits to a select group of management employees of Washington Gas.

Post-retirement Benefit Plans:

- Life Plan - Washington Gas provides life insurance benefits for retired employees of Washington Gas and certain employees of WGL subsidiaries

- Retiree Medical Plan – under this plan Washington Gas provides medical, prescription drug and dental benefits through Preferred Provider Organization (PPO) or Health Maintenance Organization (HMO) plans for eligible retirees and dependents not yet receiving Medicare benefits.
- Health Reimbursement Account (HRA) Plan – under this plan retirees age 65 and older and dependents receive an annual subsidy to help purchase supplemental medical, prescription drug and dental coverage in the marketplace.

Rabbi trusts have been funded to satisfy the employee benefit obligations associated with WGL's various pension plans for a total of $84.2 million. These balances are included in prepaid expenses and other current assets and long-term investments and other assets in the Consolidated Balance Sheets.

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

	Three months ended September 30, 2018					
	Canada		United States		Total	
	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits
Current service cost [(a)]	$ 2.4	$ 0.2	$ 6.5	$ 2.2	$ 8.9	$ 2.4
Interest cost [(b)]	1.3	0.1	16.5	4.8	17.8	4.9
Expected return on plan assets [(b)]	(1.5)	(0.1)	(21.0)	(9.6)	(22.5)	(9.7)
Amortization of net actuarial loss [(b)]	0.2	—	—	—	0.2	—
Amortization of regulatory asset [(b)]	0.4	—	1.9	—	2.3	—
Net benefit cost (income) recognized	$ 2.8	$ 0.2	$ 3.9	$ (2.6)	$ 6.7	$ (2.4)

(a) Recorded under the line item "Operating and administrative" expenses on the Consolidated Statements of Income.
(b) Recorded under the line item "Other income" on the Consolidated Statements of Income.

	Nine months ended September 30, 2018					
	Canada		United States		Total	
	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits
Current service cost [(a)]	$ 7.4	$ 0.6	$ 11.4	$ 3.6	$ 18.8	$ 4.2
Interest cost [(b)]	4.1	0.4	23.6	6.7	27.7	7.1
Expected return on plan assets [(b)]	(4.8)	(0.2)	(32.9)	(13.0)	(37.7)	(13.2)
Curtailment of plan [(b)]	(1.0)	(0.2)	—	—	(1.0)	(0.2)
Amortization of past service cost [(b)]	0.1	—	—	—	0.1	—
Amortization of net actuarial loss [(b)]	0.5	—	—	—	0.5	—
Amortization of regulatory asset [(b)]	1.1	—	5.6	0.1	6.7	0.1
Net benefit cost (income) recognized	$ 7.4	$ 0.6	$ 7.7	$ (2.6)	$ 15.1	$ (2.0)

(a) Recorded under the line item "Operating and administrative" expenses on the Consolidated Statements of Income.
(b) Recorded under the line item "Other income" on the Consolidated Statements of Income.

	Three months ended September 30, 2017					
	Canada		United States		Total	
	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits
Current service cost [(a)]	$ 2.0	$ 0.2	$ 1.7	$ 0.4	$ 3.7	$ 0.6
Interest cost [(b)]	1.4	0.2	2.8	0.7	4.2	0.9
Expected return on plan assets [(b)]	(1.5)	(0.1)	(3.9)	(1.1)	(5.4)	(1.2)
Amortization of net actuarial loss [(b)]	0.2	—	—	—	0.2	—
Amortization of regulatory asset/liability [(b)]	0.3	—	1.6	(0.1)	1.9	(0.1)
Net benefit cost (income) recognized	$ 2.4	$ 0.3	$ 2.2	$ (0.1)	$ 4.6	$ 0.2

(a) Recorded under the line item "Operating and administrative" expenses on the Consolidated Statements of Income.
(b) Recorded under the line item "Other income" on the Consolidated Statements of Income.

	Nine months ended September 30, 2017					
	Canada		United States		Total	
	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits
Current service cost [(a)]	$ 5.8	$ 0.5	$ 5.3	$ 1.2	$ 11.1	$ 1.7
Interest cost [(b)]	4.3	0.5	8.7	2.2	13.0	2.7
Expected return on plan assets [(b)]	(4.4)	(0.2)	(12.1)	(3.5)	(16.5)	(3.7)
Settlement of plan [(b)]	—	—	—	(0.1)	—	(0.1)
Amortization of past service cost [(b)]	0.1	—	—	—	0.1	—
Amortization of net actuarial loss [(b)]	0.6	—	—	—	0.6	—
Amortization of regulatory asset/liability [(b)]	0.9	0.1	4.9	(0.2)	5.8	(0.1)
Net benefit cost (income) recognized	$ 7.3	$ 0.9	$ 6.8	$ (0.4)	$ 14.1	$ 0.5

(a) Recorded under the line item "Operating and administrative" expenses on the Consolidated Statements of Income.
(b) Recorded under the line item "Other income" on the Consolidated Statements of Income.

20. INCOME TAXES

The effective income tax rates for the three and nine months ended September 30, 2018 were approximately 23.7 percent and 24.3 percent, respectively (2017 – 28.2 percent and 31.6 percent, respectively). The decrease in the effective tax rate for the three and nine months ended September 30, 2018 was mainly due to the decrease in the U.S. Federal tax rate from 35 percent to 21 percent. In addition, a lower amount of the transaction costs incurred on the WGL Acquisition was non-deductible in the first nine months of 2018 than in the first nine months of 2017. This was partially offset by an increase to the uncertain tax provision in the first quarter of 2018.

21. SUPPLEMENTAL CASH FLOW INFORMATION

The following table details the changes in operating assets and liabilities from operating activities:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Source (use) of cash:				
Accounts receivable	**$ 9.2**	$ (20.3)	**$ 139.4**	$ 77.0
Inventory	**(134.5)**	(51.8)	**(95.9)**	1.3
Other current assets	**(45.3)**	(1.0)	**(34.6)**	12.0
Regulatory assets (current)	**(8.1)**	(0.4)	**(8.6)**	(0.5)
Accounts payable and accrued liabilities	**(88.0)**	6.5	**(153.9)**	(22.8)
Customer deposits	**33.5**	11.4	**22.5**	(1.6)
Regulatory liabilities (current)	**2.1**	(1.5)	**13.5**	(9.8)
Other current liabilities	**(4.1)**	1.4	**(9.2)**	4.3
Other operating assets and liabilities	**(18.0)**	13.1	**(58.6)**	(48.0)
Changes in operating assets and liabilities	**$ (253.2)**	$ (42.6)	**$ (185.4)**	$ 11.9

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

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Interest paid (net of capitalized interest)	**$ 106.7**	$ 33.2	**$ 189.2**	$ 121.4
Income taxes paid	**$ 6.8**	$ 6.0	**$ 27.9**	$ 29.5

The following table is a reconciliation of cash and restricted cash balances:

As at September 30	**2018**	2017
Cash and cash equivalents	**$ 14.1**	$ 25.1
Restricted cash holdings from customers - current	**3.8**	7.7
Restricted cash holdings from customers - non-current	**5.8**	7.5
Restricted cash included in prepaid expenses and other current assets[(a)]	**26.2**	—
Restricted cash included in long-term investments and other assets[(a)]	**58.0**	—
Cash, cash equivalents and restricted cash per consolidated statement of cash flow	**$ 107.9**	$ 40.3

(a) The restricted cash balances included in prepaid expenses and other current assets and long-term investments and other assets relates to Rabbi trusts associated with WGL's pension plans (see Note 19). On the date of the WGL Acquisition, the restricted cash balance related to Rabbi trusts was $81.0 million.

22. 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 stronger first and fourth quarter results and weaker second and third quarter results.

The power generation at the run-of-river hydro-facilities Forrest Kerr, Volcano Creek, and McLymont Creek occurs substantially from mid second quarter through early fourth quarter, resulting in weaker results in the first and fourth quarters.

In addition, gas and power sales under the WGL Energy Services retail business are seasonal, with larger amounts of electricity being sold in the summer and peak winter months and larger amounts of natural gas being sold in the winter months.

23. 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; – purchase and sale of natural gas, including to commercial and industrial users; – natural gas storage facilities; – liquefied petroleum gas (LPG) terminal currently under construction; – natural gas and NGL marketing; – equity investment in Petrogas, a North American entity engaged in the marketing, storage and distribution of NGL, drilling fluids, crude oil and condensate diluents; – interests in four regulated gas pipelines in the Marcellus/Utica basins; and – WGL's retail gas marketing business.
Power	– natural gas-fired, wind, biomass and hydro power generation assets, whereby outputs are generally sold under long-term power purchase agreements, both operational and under development; – energy storage; – distributed generation assets; and – sale of power to commercial and industrial users in Alberta, Washington D.C., Maryland, Virginia, Delaware, and Pennsylvania.
Utilities	– rate-regulated natural gas distribution assets in Michigan, Alaska, District of Columbia, Maryland, Virginia, Alberta, British Columbia and Nova Scotia; and – rate-regulated natural gas storage in Michigan, Alaska, and Virginia.
Corporate	– the cost of providing corporate services, financing and general corporate overhead, investments in certain public and private entities, corporate assets, financing other segments and the effects of changes in the fair value of certain risk management contracts. Once the risk management contracts are settled, the realized gains and losses are recorded in the reporting segment to which the derivative instruments relate.

The following table provides a reconciliation of segment revenue to the disaggregated revenue table as disclosed under Note 14 of these unaudited condensed interim Consolidated Financial Statements:

	Three months ended September 30, 2018				
	Gas	**Power**	**Utilities**	**Corporate**	**Total**
External revenue *(note 11)*	**$ 305.6**	**$ 441.0**	**$ 309.5**	**$ (14.7)**	**$ 1,041.4**
Intersegment revenue	**7.5**	**2.6**	**4.2**	**(0.1)**	**14.2**
Segment revenue	**$ 313.1**	**$ 443.6**	**$ 313.7**	**$ (14.8)**	**$ 1,055.6**

	Nine months ended September 30, 2018				
	Gas	**Power**	**Utilities**	**Corporate**	**Total**
External revenue *(note 11)*	**$ 864.8**	**$ 752.1**	**$ 942.1**	**$ (29.4)**	**$ 2,529.6**
Intersegment revenue	**81.0**	**6.4**	**5.5**	**(0.1)**	**92.8**
Segment revenue	**$ 945.8**	**$ 758.5**	**$ 947.6**	**$ (29.5)**	**$ 2,622.4**

The following tables show the composition by segment:

	Three months ended September 30, 2018					
	Gas	**Power**	**Utilities**	**Corporate**	**Intersegment Elimination[(a)]**	**Total**
Segment revenue	**$ 313.1**	**$ 443.6**	**$ 313.7**	**$ (14.8)**	**$ (14.2)**	**$ 1,041.4**
Cost of sales	**(202.7)**	**(289.4)**	**(90.5)**	**—**	**11.5**	**(571.1)**
Operating and administrative	**(51.8)**	**(50.1)**	**(386.5)**	**(10.3)**	**2.8**	**(495.9)**
Accretion expenses	**(1.0)**	**(1.6)**	**—**	**—**	**—**	**(2.6)**
Depreciation and amortization	**(19.3)**	**(38.3)**	**(61.8)**	**(3.1)**	**—**	**(122.5)**
Provisions on assets *(note 9)*	**(151.5)**	**(352.2)**	**(193.7)**	**—**	**—**	**(697.4)**
Income from equity investments	**10.2**	**1.8**	**0.6**	**—**	**—**	**12.6**
Other income (loss)	**10.3**	**0.9**	**(9.6)**	**10.2**	**(0.1)**	**11.7**
Foreign exchange gains	**(0.1)**	**—**	**—**	**3.1**	**—**	**3.0**
Interest expense	**(1.2)**	**(4.0)**	**(70.3)**	**(36.6)**	**—**	**(112.1)**
Loss before income taxes	**(94.0)**	**(289.3)**	**(498.1)**	**(51.5)**	**—**	**(932.9)**
Net additions (reductions) to:						
Property, plant and equipment[(b)]	**60.5**	**46.6**	**258.7**	**1.0**	**—**	**366.8**
Intangible assets	**1.4**	**11.4**	**2.4**	**1.3**	**—**	**16.5**

(a) Intersegment transactions are recorded at market value.

(b) Net additions to property, plant, and equipment, and intangible assets may not agree to changes reflected in the Consolidated Statement of Cash flow due to classification of business acquisition and foreign exchange changes on U.S. assets.

	Nine months ended September 30, 2018					
	Gas	**Power**	**Utilities**	**Corporate**	**Intersegment Elimination[(a)]**	**Total**
Segment revenue	**$ 945.8**	**$ 758.5**	**$ 947.6**	**$ (29.5)**	**$ (92.8)**	**$ 2,529.6**
Cost of sales	**(634.4)**	**(436.5)**	**(448.9)**	**—**	**86.1**	**(1,433.7)**
Operating and administrative	**(144.4)**	**(105.2)**	**(503.7)**	**(36.8)**	**7.1**	**(783.0)**
Accretion expenses	**(3.1)**	**(4.9)**	**(0.1)**	**—**	**—**	**(8.1)**
Depreciation and amortization	**(57.2)**	**(97.4)**	**(103.0)**	**(10.4)**	**—**	**(268.0)**
Provisions on assets *(note 9)*	**(151.5)**	**(352.2)**	**(193.7)**	**—**	**—**	**(697.4)**
Income from equity investments	**19.8**	**4.3**	**1.3**	**—**	**—**	**25.4**
Other income (loss)	**0.3**	**0.9**	**(5.7)**	**10.1**	**(0.4)**	**5.2**
Foreign exchange gains	**(0.1)**	**—**	**—**	**3.7**	**—**	**3.6**
Interest expense	**(1.2)**	**(4.0)**	**(70.3)**	**(122.8)**	**—**	**(198.3)**
Loss before income taxes	**(26.0)**	**(236.5)**	**(376.5)**	**(185.7)**	**—**	**(824.7)**
Net additions (reductions) to:						
Property, plant and equipment[(b)]	**166.9**	**57.2**	**329.8**	**2.3**	**—**	**556.2**
Intangible assets	**3.8**	**12.1**	**3.8**	**2.9**	**—**	**22.6**

(a) Intersegment transactions are recorded at market value.

(b) Net additions to property, plant, and equipment, and intangible assets may not agree to changes reflected in the Consolidated Statement of Cash flow due to classification of business acquisition and foreign exchange changes on U.S. assets.

	Three months ended September 30, 2017					
	Gas	Power	Utilities	Corporate	Intersegment Elimination[(a)]	Total
Segment revenue	$ 205.4	$ 184.2	$ 152.0	$ (24.5)	$ (15.6)	$ 501.5
Cost of sales	(121.1)	(60.1)	(62.4)	—	13.6	(230.0)
Operating and administrative	(38.6)	(20.5)	(53.1)	(15.1)	2.1	(125.2)
Accretion expenses	(1.0)	(1.7)	—	—	—	(2.7)
Depreciation and amortization	(17.1)	(28.9)	(20.1)	(2.9)	—	(69.0)
Income from equity investments	4.4	2.2	0.7	—	—	7.3
Other income (loss)	5.2	—	0.4	0.8	(0.1)	6.3
Foreign exchange gains	0.2	—	—	0.2	—	0.4
Interest expense	—	—	—	(39.5)	—	(39.5)
Income (loss) before income taxes	$ 37.4	$ 75.2	$ 17.5	$ (81.0)	$ —	$ 49.1
Net additions (reductions) to:						
Property, plant and equipment[(b)]	$ 113.2	1.2	31.9	0.4	—	$ 146.7
Intangible assets	$ 0.2	11.1	0.2	—	—	$ 11.5

(a) Intersegment transactions are recorded at market value.

(b) Net additions to property, plant, and equipment, and intangible assets may not agree to changes reflected in the Consolidated Statement of Cash flow due to classification of business acquisition and foreign exchange changes on U.S. assets.

	Nine months ended September 30, 2017					
	Gas	Power	Utilities	Corporate	Intersegment Elimination[(a)]	Total
Segment revenue	$ 741.4	$ 467.7	$ 772.6	$ (43.5)	$ (126.8)	$ 1,811.4
Cost of sales	(476.2)	(173.9)	(405.9)	—	120.5	(935.5)
Operating and administrative	(125.2)	(67.4)	(165.3)	(69.7)	6.7	(420.9)
Accretion expenses	(3.0)	(5.2)	—	—	—	(8.2)
Depreciation and amortization	(50.3)	(90.5)	(61.8)	(8.5)	—	(211.1)
Provision on assets	—	(1.3)	—	—	—	(1.3)
Income from equity investments	17.1	5.4	1.9	—	—	24.4
Other income (loss)	(5.7)	0.8	3.6	2.8	(0.4)	1.1
Foreign exchange gains	0.2	—	—	1.6	—	1.8
Interest expense	—	—	—	(126.5)	—	(126.5)
Income (loss) before income taxes	$ 98.3	$ 135.6	$ 145.1	$ (243.8)	$ —	$ 135.2
Net additions (reductions) to:						
Property, plant and equipment[(b)]	$ 180.1	$ 13.7	$ 78.8	$ 1.1	$ —	$ 273.7
Intangible assets	$ 1.2	$ 12.7	$ 1.3	$ 1.6	$ —	$ 16.8

(a) Intersegment transactions are recorded at market value.

(b) Net additions to property, plant, and equipment, and intangible assets may not agree to changes reflected in the Consolidated Statement of Cash flow due to classification of business acquisition and foreign exchange changes on U.S. assets.

The following table shows goodwill and total assets by segment:

	Gas	Power	Utilities	Corporate	Total
As at September 30, 2018					
Goodwill	**$ 418.9**	**$ 199.2**	**$ 3,285.2**	**$ —**	**$ 3,903.3**
Segmented assets	**$ 5,559.7**	**$ 4,360.0**	**$ 12,815.8**	**$ 222.3**	**$ 22,957.8**
As at December 31, 2017					
Goodwill	$ 152.6	$ —	$ 664.7	$ —	$ 817.3
Segmented assets	$ 3,096.8	$ 3,192.5	$ 3,460.2	$ 282.7	$ 10,032.2

24. SUBSEQUENT EVENTS

On October 18, 2018, the final prospectus for the ACI IPO was filed reflecting a final price of $14.50 per common share of ACI. On October 25, 2018, the ACI IPO was successfully completed. Upon close, AltaGas holds approximately 45 percent of ACI common shares, which could be reduced to approximately 37 percent if the over-allotment option is exercised in full. Total expected proceeds to AltaGas (including $239 million from the sale of common shares and $635 million of debt) are approximately $874 million (before the deduction of underwriting fees and expenses) which could increase to approximately $910 million (before the deduction of underwriting fees and expenses) if the over-allotment option is exercised in full. Upon close of the ACI IPO, the assets associated with the IPO which were classified as held for sale at September 30, 2018 were deconsolidated from AltaGas and an equity investment for AltaGas' interest in ACI was recorded.

Subsequent events have been reviewed through October 29, 2018, the date on which these unaudited condensed interim Consolidated Financial Statements were issued.

Supplementary Quarterly Operating Information

(unaudited)

	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17
OPERATING HIGHLIGHTS					
GAS					
Total inlet gas processed (Mmcf/d)(1)	**1,333**	1,227	1,553	1,424	1,322
Extraction volumes (Bbls/d)(1)(2)	**60,945**	49,728	74,786	68,306	64,026
Frac spread - realized ($/Bbl)(1)(3)	**15.60**	14.98	19.01	18.02	14.96
Frac spread - average spot price ($/Bbl)(1)(4)	**25.87**	22.19	22.25	30.66	21.28
Natural gas optimization inventory (Bcf)	**36.7**	1.3	—	2.5	2.6
WGL retail energy marketing - gas sales volumes (Mmcf)	**8,155**	n/a	n/a	n/a	n/a
POWER					
Renewable power sold (GWh)	**690**	504	126	301	681
Conventional power sold (GWh)	**1,255**	642	842	1,059	992
Renewable capacity factor (%)	**44.6**	51.7	8.1	27.5	70.3
Contracted conventional availability factor (%)(5)	**98.5**	97.7	94.5	96.3	99.6
WGL retail energy marketing - electricity sales volumes (GWh)	**3,000**	n/a	n/a	n/a	n/a
UTILITIES					
Canadian utilities					
Natural gas deliveries - end-use (PJ)(6)	**3.5**	5.6	14.1	11.2	3.7
Natural gas deliveries - transportation (PJ)(6)	**1.1**	1.4	1.8	1.6	1.3
U.S. utilities					
Natural gas deliveries end use (Bcf) (6)	**10.9**	12.0	31.0	24.3	5.9
Natural gas deliveries transportation (Bcf)(6)	**25.7**	10.9	13.4	14.2	10.9
Service sites(7)	**1,759,154**	580,526	582,871	581,518	575,602
Degree day variance from normal - AUI (%)(8)	**80.0**	3.9	10.2	4.0	(16.9)
Degree day variance from normal - Heritage Gas (%)(8)	**(16.5)**	6.7	(8.1)	(4.6)	(20.4)
Degree day variance from normal - SEMCO Gas (%)(9)	**(17.8)**	14.8	3.0	4.8	5.7
Degree day variance from normal - ENSTAR (%)(9)	**(31.2)**	(6.1)	(1.7)	(8.3)	(16.6)
Degree day variance from normal - Washington Gas (%)(9)(10)	**(4.1)**	n/a	n/a	n/a	n/a

(1) Average for the period.

(2) Includes Harmattan NGL processed on behalf of customers.

(3) 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 extraction premiums, divided by the total frac exposed volumes produced during the period.

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

(5) Calculated as the availability factor contracted under long-term tolling arrangements adjusted for occasions where partial or excess capacity payments have been added or deducted.

(6) Petajoule (PJ) is one million gigajoules (GJ). Bcf is one billion cubic feet.

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

(8) 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 (BCUC) has approved a rate stabilization mechanism for its residential and small commercial customers.

(9) 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 15 years for SEMCO Energy Gas Company, during the prior 10 years for ENSTAR, and during the prior 30 years for Washington Gas.

(10) In certain of Washington Gas' jurisdictions (Virginia and Maryland) there are billing mechanisms in place which are designed to eliminate the effects of variance in customer usage caused by weather and other factors such as conservation. In the District of Columbia, there is no weather normalization billing mechanism nor does it hedge to offset the effects of weather. As a result, colder or warmer weather will result in variances to financial results.

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
MMBTU	million British thermal unit
PJ	petajoule
US$	United States dollar

ABOUT ALTAGAS

AltaGas is an energy infrastructure company 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 clean energy sources. For more information visit: www.altagas.ca.

For further information contact:

Investment Community
1-877-691-7199
investor.relations@altagas.ca