AltaGas

ALTAGAS ANNOUNCES STRONG FIRST QUARTER 2019 RESULTS

Midstream and Utilities provide strong results as near-term priorities to enhance asset performance, de-lever and fund organic growth are on track

Calgary, Alberta (May 2, 2019)

AltaGas Ltd. (AltaGas or the Company) (TSX: ALA) today reported first quarter 2019 financial results and provided an update on its business, including the expansion of its integrated western Canadian midstream service offering to include global energy export capabilities, through its Ridley Island Propane Export Terminal (RIPET).

AltaGas also announced today that its subsidiary WGL Midstream, Inc. (WGL Midstream) has reached an agreement for the sale of WGL Midstream's entire interest in the Stonewall Gas Gathering System (Stonewall) to a wholly-owned subsidiary of DTE Energy Company (DTE) for total gross proceeds of approximately $370 million (US $275.3 million). The transaction is subject to the execution of a definitive agreement following the satisfaction of certain third party notice and election periods. This sale forms part of the $1.5-$2.0 billion additional 2019 asset sale program and serves to advance AltaGas' overall strategy to de-lever the business and focus the Company on its core assets.

"We remain committed to restoring our financial strength and flexibility. The sale of our non-operating interest in the Stonewall gathering system and the significant progress we are making in other sales processes provides tangible proof that we are fulfilling the goals we set in December," said Mr. Randy Crawford, President and Chief Executive Officer of AltaGas. "In addition to having a strong first quarter, we reduced our net debt[1] balance by $1.7 billion in Q1, we are on target to unlock considerable value with our game changing RIPET project, and we continue to improve the return on our assets. 2019 will be a defining year for our Company, as we continue to unlock the true value of our assets."

AltaGas achieved normalized EBITDA[1] of $466 million, a 109 percent increase over first quarter 2018 normalized EBITDA of $223 million. The year-over-year increase reflects strong contributions from WGL Holdings Inc. (WGL) which were partially offset by asset sales. Normalized funds from operations (FFO)[1] were $376 million, an increase of approximately 122 percent over the first quarter of 2018.

Other Q1 2019 Highlights Included:
(all financial figures are unaudited and in Canadian dollars unless otherwise noted)

- Net income applicable to common shares was $809 million ($2.93 per share) in the first quarter compared to $49 million ($0.28 per share) in the first quarter of 2018. Normalized net income[1] was $202 million ($0.73 per share) in the first quarter compared to $70 million ($0.40 per share) in the first quarter of 2018.
- Normalized utility adjusted FFO (UAFFO)[1] was $301 million ($1.09 per share) in the first quarter compared to $140 million ($0.79 per share) in the first quarter of 2018.
- AltaGas' 2019 funding and deleveraging strategy is progressing as expected. In the first quarter AltaGas reduced net debt by approximately $1.7 billion.
- AltaGas' business outlook remains unchanged, with expected normalized EBITDA in the range of $1.2 - $1.3 billion and normalized FFO of $850 - $950 million.
- On April 22, 2019, Washington Gas filed an application with the Maryland Public Service Commission (MPSC) to increase base rates and charges.

Midstream and Utilities Performance

Delivered on-time and on budget, RIPET began introducing feedstock to fill the LPG tank, significantly expanding AltaGas' western Canadian midstream service offering. RIPET is Canada's first propane export facility, and is the

1. *Non-GAAP measure; see discussion in the advisories of this news release and reconciliation to US GAAP financial measures shown in AltaGas' Management's Discussion and Analysis (MD&A) as at and for the period ended March 31, 2019, which is available on www.sedar.com.*

cornerstone of the Company's integrated strategy in western Canada, leveraging AltaGas' existing gathering, processing and fractionation assets, while providing higher netbacks and market optionality to customers.

"This is an important and historic milestone for AltaGas, our project partners, western Canadian natural gas producers and our customers in Asia," continued Mr. Crawford. "RIPET has come online at a crucial time for the Canadian energy industry, providing domestic natural gas producers with much-needed access to tidewater and more attractive global pricing," concluded Mr. Crawford.

On April 22, 2019, Washington Gas filed an application with the MPSC to increase base rates and charges for natural gas service for its Maryland customers. The filing addresses rate relief necessary for Washington Gas to recover its costs of providing safe, reliable natural gas service in its Maryland service territory; continue delivering improved service to customers; and permit Washington Gas to earn its allowed rate of return. The change in proposed rates and charges includes an increase in base rates of US $35.9 million, partially offset by a reduction of US $5.1 million in surcharges currently paid by customers for system upgrades.

Financial Results

	Three Months Ended March 31	
($ millions)	**2019**	2018
Net Income Applicable to Common Shares	**$ 809**	$ 49
Segmented Normalized EBITDA[1]		
Utilities	**$ 341**	$ 112
Midstream	**107**	71
Power	**27**	41
Corporate	**(9)**	(1)
Normalized EBITDA [1]	**$ 466**	$ 223
Normalized FFO[1]	**$ 376**	$ 169
Normalized AFFO[1]	**$ 367**	$ 161
Normalized UAFFO[1]	**$ 301**	$ 140

(1) Non-GAAP financial measure; see discussion in Non-GAAP Financial Measures section at the end of this news release

In the first quarter of 2019, normalized EBITDA was positively impacted by contributions from WGL, higher equity earnings from Petrogas Energy Corp. (Petrogas), and the impact of the stronger U.S. dollar on reported results from U.S. assets. These were partially offset by the impact of asset sales, the initial public offering (IPO) of AltaGas Canada Inc. (ACI) in 2018, and an extended planned maintenance outage at the Blythe facility.

Utilities segment normalized EBITDA was higher year-over-year mainly due to WGL contributions of $254 million, the favorable impact of the stronger U.S. dollar, lower operating expenses, and colder weather in Michigan. The increase was partially offset by the impact of the ACI IPO in 2018, the 2019 revenue impact related to the federal tax reduction at the U.S. utilities, and warmer weather in Alaska.

Midstream segment normalized EBITDA was higher year-over-year mainly due to contributions from WGL's Midstream assets of $35 million, higher equity earnings from Petrogas, the acquisition of 50 percent ownership in Black Swan's Aitken Creek North gas processing facility in the fourth quarter of 2018, and additional volumes at the Townsend complex. These positive contributions were partly offset by lower frac exposed volumes at the Younger Extraction Plant due to outages at upstream facilities and reduced ownership, lower frac spreads, the sale of non-core gas processing facilities, and lower NGL marketing margins.

During the first quarter of 2019, AltaGas recorded equity earnings of $22 million from Petrogas, compared to $10 million in the same quarter of 2018. The increase in equity earnings from Petrogas was mainly due to higher pricing and activity levels.

Power segment normalized EBITDA decreased primarily as a result of asset sales, including the San Joaquin facilities in November 2018, the ACI IPO, and non-core Canadian Power assets in February 2019, as well as the extended planned spring outage at the Blythe facility in the first quarter of 2019. These decreases were partially offset by earnings from WGL's Power assets of $14 million.

Normalized FFO and normalized Adjusted FFO (AFFO) were impacted by the same drivers impacting normalized EBITDA which was partially offset by higher interest expense. In the first quarter, AltaGas received $3 million of dividend income from the Petrogas preferred shares (2018 - $3 million) and $1 million of common share dividends from Petrogas (2018 - $1 million). AFFO was positively impacted by higher net cash received from to non-controlling interests and negatively impacted by higher Midstream and Power maintenance capital, and higher preferred share dividends paid of $17 million (2018 - $16 million).

Normalized utility adjusted FFO (UAFFO) for the first quarter was impacted by the same drivers as normalized AFFO along with higher utility depreciation. Depreciation and amortization expenses for the first quarter of 2019 were $118 million, compared to $73 million for the same quarter in 2018, mainly due to the acquisition of WGL, partially offset by the impact of asset sales.

Normalized net income increased mainly due to higher normalized EBITDA, partially offset by higher income tax expense, higher interest expense, and higher depreciation and amortization expense.

Net income applicable to common shares for the first quarter of 2019 was impacted by higher EBITDA, a pre-tax gain of $688 million on the sale of AltaGas' remaining interest in Northwest Hydro, and lower losses on investments, partially offset by higher income tax expense, higher interest expense, higher depreciation and amortization expense, and higher net income applicable to non-controlling interests.

Interest expense for the first quarter of 2019 was $93 million, compared to $43 million for the same quarter in 2018. The increase was predominantly due to interest on debt assumed in the WGL acquisition and higher average debt balances.

AltaGas recorded income tax expense of $127 million for the first quarter of 2019 compared to $18 million in the same quarter of 2018. The increase in tax expense was mainly due to tax on the sale of the remaining interest in the Northwest Hydro facilities as well as tax adjustments related to the WGL acquisition. Current tax expense was $7 million for the first quarter of 2019 compared to $13 million in the same quarter of 2018.

Guidance and Funding

AltaGas' previously announced balanced funding plan is designed to de-lever the balance sheet, fund the approximately $1.3 billion 2019 capital program and optimize per share cash flow and earnings growth. During the first quarter, AltaGas completed the sale of its remaining interest of approximately 55 percent in the Northwest Hydro facilities in British Columbia for net cash proceeds of approximately $1.3 billion. AltaGas also completed the sale of certain non-core Midstream and Power assets in Canada for net cash proceeds of approximately $88 million. Proceeds from the asset sales were used to reduce net debt by approximately $1.7 billion, bringing the net debt balance to approximately $8.4 billion as at March 31, 2019, down from $10.1 billion as at December 31, 2018.

AltaGas remains on-track to monetize $1.5 - $2.0 billion in non-core assets through the remainder of 2019 and announced today an agreement for the sale of WGL Midstream's 30 percent indirect equity interest in Stonewall to DTE, for total proceeds of approximately $370 million (US $275.3 million). DTE is the operator of Stonewall, and currently holds a 55 percent interest.

The terms of the agreement include a contingent payment to AltaGas if a future expansion of Stonewall occurs. The transaction is subject to execution of a definitive agreement, which is expected to contain customary closing conditions.

Stonewall is a 67-mile, 36-inch diameter natural gas gathering system that transports natural gas from the Marcellus region in West Virginia, and connects with an interstate pipeline system that serves markets in the mid-Atlantic region.

AltaGas reiterates its outlook for 2019, with anticipated normalized EBITDA in the range of $1.2 - $1.3 billion and normalized FFO of $850 - $950 million. Year-over-year growth is underpinned by a full-year of earnings from WGL, including the Central Penn Pipeline, and projects coming into service, including RIPET; the Townsend 2B Facility and Nig Creek Gas Plant – both expected to come online in the fourth quarter of 2019. These projects will attract additional natural gas liquids to AltaGas' integrated system, increase utilization of AltaGas' existing liquids pipelines, underpin the expansion of the North Pine Fractionation facility, and provide additional propane supply to RIPET.

In the Utilities segment, the Marquette Connector Pipeline is expected to be in service in the fourth quarter of 2019. While it is not a driver of EBITDA growth in 2019, this project will improve system reliability and supply and allow for the connection of new customers to existing facilities. This investment is aligned with the timing of SEMCO Energy Gas Company's rate case and will start generating timely returns and recovery of capital in 2020.

The 2019 investment plan remains unchanged and includes prudent capital allocation of approximately $1.3 billion to projects with strong risk-adjusted returns, near-term contributions to normalized FFO per share and normalized earnings per share (EPS), and secure commercial underpinnings.

Monthly Common Share Dividend and Quarterly Preferred Share Dividends

- The Board of Directors approved a dividend of $0.08 per common share. The dividend will be paid on June 17, 2019, to common shareholders of record on May 27, 2019. The ex-dividend date is May 24, 2019. 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 March 31, 2019 and ending June 29, 2019, on AltaGas' outstanding Series A Preferred Shares. The dividend will be paid on June 28, 2019 to shareholders of record on June 14, 2019. The ex-dividend date is June 13, 2019;
- The Board of Directors approved a dividend of $0.27051 per share for the period commencing March 31, 2019 and ending June 29, 2019, on AltaGas' outstanding Series B Preferred Shares. The dividend will be paid on June 28, 2019 to shareholders of record on June 14, 2019. The ex-dividend date is June 13, 2019;
- The Board of Directors approved a dividend of US$0.330625 per share for the period commencing March 31, 2019 and ending June 29, 2019, on AltaGas' outstanding Series C Preferred Shares. The dividend will be paid on June 28, 2019 to shareholders of record on June 14, 2019. The ex-dividend date is June 13, 2019;
- The Board of Directors approved a dividend of $0.337063 per share for the period commencing March 31, 2019, and ending June 29, 2019, on AltaGas' outstanding Series E Preferred Shares. The dividend will be paid on June 28, 2019 to shareholders of record on June 14, 2019. The ex-dividend date is June 13, 2019;
- The Board of Directors approved a dividend of $0.296875 per share for the period commencing March 31, 2019, and ending June 29, 2019, on AltaGas' outstanding Series G Preferred Shares. The dividend will be paid on June 28, 2019 to shareholders of record on June 14, 2019. The ex-dividend date is June 13, 2019;
- The Board of Directors approved a dividend of $0.328125 per share for the period commencing March 31, 2019, and ending June 29, 2019, on AltaGas' outstanding Series I Preferred Shares. The dividend will be paid on June 28, 2019 to shareholders of record on June 14, 2019. The ex-dividend date is June 13, 2019; and
- The Board of Directors approved a dividend of $0.3125 per share for the period commencing March 31, 2019, and ending June 29, 2019, on AltaGas' outstanding Series K Preferred Shares. The dividend will be paid on June 28, 2019 to shareholders of record on June 14, 2019. The ex-dividend date is June 13, 2019.

Consolidated Financial Review

($ millions)	Three Months Ended March 31 2019	2018
Revenue	**1,898**	878
Normalized EBITDA(1)	**466**	223
Net income applicable to common shares	**809**	49
Normalized net income(1)	**202**	70
Total assets	**21,563**	10,106
Total long-term liabilities	**10,374**	4,631
Net additions (dispositions) of property, plant and equipment	**(1,201)**	66
Dividends declared(2)	**66**	97
Normalized funds from operations(1)	**376**	169
Normalized adjusted funds from operations(1)	**367**	161
Normalized utility adjusted funds from operations(1)	**301**	140

($ per share, except shares outstanding)	Three Months Ended March 31 2019	2018
Net income per common share - basic	**2.93**	0.28
Net income per common share - diluted	**2.93**	0.28
Normalized net income - basic(1)	**0.73**	0.40
Normalized net income - diluted(1)	**0.73**	0.40
Dividends declared(2)	**0.24**	0.55
Normalized funds from operations(1)	**1.36**	0.96
Normalized adjusted funds from operations(1)	**1.33**	0.91
Normalized utility adjusted funds from operations(1)	**1.09**	0.79
Shares outstanding - basic (millions)		
During the period(3)	**276**	177
End of period	**276**	178

(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: $0.1825 beginning on November 27, 2017, and $0.08 beginning on December 27, 2018.
(3) Weighted average.

Conference Call and Webcast Details

AltaGas will hold a conference call today at 8:00 a.m. MT (10:00 a.m. ET) to discuss 2019 first quarter results, provide an update on the business 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 May 2, 2019 by dialing 403-451-9481 or toll free 1-855-859-2056. The passcode is 8744909. The replay will expire at 9:59 p.m. MT (11:59 p.m. ET) on May 9, 2019.

AltaGas' unaudited Consolidated Financial Statements and accompanying notes for the first quarter ended March 31, 2019, as well as its related Management's Discussion and Analysis, are now available online at: www.altagas.ca. All documents will be filed with the Canadian securities regulatory authorities and will be posted under AltaGas' SEDAR profile at www.sedar.com.

About AltaGas

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

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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 the Corporation or any affiliate of the Corporation, 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: expected normalized EBITDA and expected normalized funds from operations for the full year 2019; expected timing for applicability of new rates for Washington Gas in Maryland; anticipated benefits of RIPET; details of the balance funding plan; expected closing conditions and bonus payment related to the Stonewall Agreement; expected 2019 asset sales of approximately $1.5 to $2.0 billion; use of proceeds from the asset sales; expected in-services dates for RIPET, Townsend 2B Facility, Nig Creek and Marquette Connector Pipeline; timing of SEMCO rate case; anticipated date on which the Marquette Pipeline is expected to generate timely returns; expected capital investment plan; and expected dividend payments and dates of payment. 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: assumptions regarding asset sales anticipated to close in 2019, the U.S/Canadian dollar exchange rate, financing initiatives, the performance of the businesses underlying each sector; impacts of the hedging program; commodity prices; weather; frac spread; access to capital; timing and receipt of regulatory approvals; timing of regulatory approvals related to Utility Projects; seasonality; planned and unplanned plant outages; timing of in-service dates of new projects and acquisition and divestiture activities; taxes; operational expenses; returns on investments; dividend levels; and transaction costs.

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: capital market and liquidity risks; general economic conditions; consumption risk; market risk; internal credit risk; foreign exchange risk; debt service risk; financing and refinancing risk; market value of common shares and other securities; variability of dividends; commitments associated with the regulatory approval of the WGL Acquisition; integration of WGL; growth strategy risk; planned asset sales in 2019; potential sale of additional shares; volume throughput; counterparty credit risk; dependence on certain partners; natural gas supply risk; operating risk; changes in laws; risk management costs and limitations; regulatory; climate change and carbon tax; construction and development; RIPET rail and marine transportation; litigation; infrastructure; cybersecurity, information and control systems risk; external stakeholder relations; composition risk; electricity and resource adequacy prices; interest rates; collateral; indigenous land and rights claims; duty to consult; underinsured and uninsured losses; weather data; service interruptions; rep agreements; Cook Inlet gas supply; health and safety; non-controlling interests in investments; decommissioning, abandonment and reclamation costs; cost of providing retirement plan benefits; labour relations; key personnel; failure of service providers; technical systems and processes incidents; securities class action suits and derivative suits; return on investments in renewable energy projects; competition; compliance with applicable law; and the other factors discussed under the heading "Risk Factors" in the Corporation's Annual Information Form for the year ended December 31, 2018 (AIF) 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 press 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 AltaGas management's (Management) 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.

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

Non-GAAP Measures

This news release contains references to certain financial measures that do not have a standardized meaning prescribed by US GAAP and may not be comparable to similar measures presented by other entities. The non-GAAP measures and their reconciliation to US GAAP financial measures are shown in AltaGas' Management's Discussion and Analysis (MD&A) as at and for the period ended March 31, 2019. 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. Readers are cautioned that these non-GAAP measures should not be construed as alternatives to other measures of financial performance calculated in accordance with US GAAP.

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 on risk management contracts, gains (losses) on investments, transaction costs related to acquisitions and dispositions, merger commitment cost recovery due to the reversal of a liability associated with WGL merger commitments, gains on the sale of assets, accretion expenses related to asset retirement obligations, 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 represents net income applicable to common shares adjusted for the after-tax impact of unrealized gains on risk management contracts, gains (losses) on investments, transaction costs related to acquisitions and dispositions, merger commitment cost recovery due to the reversal of a liability associated with WGL merger commitments, gains on the sale of 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, normalized adjusted funds from operations, and normalized utility adjusted funds from operations are used to assist management and investors in analyzing the liquidity of the Corporation. Normalized funds from operations is calculated based on cash from operations and adjusted for changes in operating assets and liabilities in the period and assets retirement obligations settled and non-operating related expenses (net of current taxes) such as transaction and financing costs related to acquisitions and merger commitments. Normalized adjusted funds from operations is based on normalized funds from operations, further adjusted to remove the impact of cash transactions with non-controlling interests, Midstream and Power maintenance capital, and preferred share dividends paid. Normalized utility adjusted funds from operations is based on normalized adjusted funds from operations, further adjusted for Utility segment depreciation and amortization.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) dated May 1, 2019 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 months ended March 31, 2019. 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 months ended March 31, 2019 and the audited Consolidated Financial Statements and MD&A as at and for the year ended December 31, 2018.

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, 2018 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: expected normalized EBITDA and expected normalized funds from operations for the full year 2019; expected 2019 asset sales of approximately $1.5 to $2.0 billion; growth levels and drivers expected in the three business segments; expectation that Utilities will have the largest contribution to EBITDA; expected in-service date for RIPET; exposure to frac spreads prior to hedging activities; exposure to propane price differential; anticipated tolling arrangements; expected net invested capital expenditures; anticipated segment allocation of capital expenditures in 2019; expected funding sources for 2019 capital expenditure program; estimated costs of growth capital projects; expected in-service dates for growth projects; expected date of regulatory approval and construction of pipeline at Aitken Creek; expected date of construction at Townsend 2B, North Pine, Mountain Valley Pipeline, MVP Southgate Project; expected timing of regulatory approvals and construction activities at Central Penn Expansion; anticipated timing of applications, hearings and decisions before Utilities regulators; expected funding sources for working capital deficiency; future changes in accounting policies; and AltaGas' long term strategy. 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: assumptions regarding asset sales anticipated to close in 2019, the U.S/Canadian dollar exchange rate, financing initiatives, the performance of the businesses underlying each sector; impacts of the hedging program; commodity prices; weather; frac spread; access to capital; timing and receipt of regulatory approvals; timing of regulatory approvals related to Utility projects; seasonality; planned and unplanned plant outages; timing of in-service dates of new projects and acquisition and divestiture activities; taxes; operational expenses; returns on investments; dividend levels; and transaction costs.

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: capital market and liquidity risks; general economic conditions; consumption risk; market risk; internal credit risk; foreign exchange risk; debt service risk; financing and refinancing risk; market value of common shares and other securities; variability of dividends; commitments associated with the regulatory approval of the WGL Acquisition; integration of WGL; growth strategy risk; planned asset sales in 2019; potential sale of additional shares; volume throughput; counterparty credit risk; dependence on certain partners; natural gas supply risk; operating risk; changes in laws; risk management costs and limitations; regulatory; climate change and carbon tax; construction and development; RIPET rail and marine transportation; litigation; infrastructure; cybersecurity, information and control systems risk; external stakeholder relations; composition risk; electricity and resource adequacy prices; interest rates; collateral; indigenous land and rights claims;

duty to consult; underinsured and uninsured losses; weather data; service interruptions; rep agreements; Cook Inlet gas supply; health and safety; non-controlling interests in investments; decommissioning, abandonment and reclamation costs; cost of providing retirement plan benefits; labour relations; key personnel; failure of service providers; technical systems and processes incidents; securities class action suits and derivative suits; return on investments in renewable energy projects; competition; compliance with applicable law; and the other factors discussed under the heading "Risk Factors" in the Corporation's Annual Information Form for the year ended December 31, 2018 (AIF) 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.

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., WGL Holdings Inc. (WGL), Wrangler 1 LLC, Wrangler SPE LLC, Washington Gas Resources Corporation, WGL Energy Services, Inc. (WGL Energy Services), and SEMCO Holding Corporation; in regards to the Midstream business, AltaGas Extraction and Transmission Limited Partnership, AltaGas Pipeline Partnership, AltaGas Processing Partnership, AltaGas Northwest Processing Limited Partnership, Harmattan Gas Processing Limited Partnership, and WGL Midstream Inc. (WGL Midstream); in regards to the Power business, AltaGas Power Holdings (U.S.) Inc., WGSW, Inc., WGL Energy Systems, Inc. (WGL Energy Systems), and Blythe Energy Inc. (Blythe); and, in regards to the Utility business, Washington Gas Light Company (Washington Gas), Hampshire Gas Company, and SEMCO Energy, Inc. (SEMCO). SEMCO conducts its Michigan natural gas distribution business under the name SEMCO Energy Gas Company (SEMCO Gas), its Alaska natural gas distribution business under the name ENSTAR Natural Gas Company (ENSTAR) and its 65 percent interest in an Alaska regulated gas storage utility under the name Cook Inlet Natural Gas Storage Alaska LLC (CINGSA).

First Quarter Highlights

(Normalized EBITDA, normalized funds from operations, normalized adjusted funds from operations, normalized utility adjusted 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 January 31, 2019, AltaGas completed the sale of its remaining interest of approximately 55 percent in the Northwest Hydro Electric facilities in British Columbia (Northwest Hydro) for net cash proceeds of approximately $1.3 billion, resulting in a pre-tax gain of $688 million. AltaGas remains the operator of the facilities under an operating and maintenance agreement expiring January 31, 2021;

- On February 1, 2019, AltaGas completed the sale of certain non-core Midstream and Power assets in Canada. Cash proceeds for the portion of the sale that closed in the first quarter of 2019 were approximately $88 million;
- On March 21, 2019, AltaGas announced that David Cornhill, founder of AltaGas and Chairman of the Board of Directors, has elected to step down on April 1, 2019 from the Chairman position. The new Chairman, Pentti Karkkainen, has been appointed by the Board of Directors effective April 2, 2019. Mr. Cornhill will remain on the Board, ensuring an orderly transition and continuity;
- Normalized EBITDA was $466 million compared to $223 million in the first quarter of 2018;
- Cash from operations was $427 million ($1.55 per share) compared to $189 million ($1.07 per share) in the first quarter of 2018;
- Normalized funds from operations were $376 million ($1.36 per share) compared to $169 million ($0.96 per share) in the first quarter of 2018;
- Normalized adjusted funds from operations were $367 million ($1.33 per share) compared to $161 million ($0.91 per share) in the first quarter of 2018;
- Normalized utility adjusted funds from operations were $301 million ($1.09 per share) compared to $140 million ($0.79 per share) in the first quarter of 2018;
- Net income applicable to common shares was $809 million ($2.93 per share) compared to $49 million ($0.28 per share) in the first quarter of 2018;
- Normalized net income was $202 million ($0.73 per share) compared to $70 million ($0.40 per share) in the first quarter of 2018;
- Net debt was $8.4 billion as at March 31, 2019, compared to $10.1 billion at December 31, 2018; and
- Net debt-to-total capitalization ratio was 52 percent as at March 31, 2019, compared to 57 percent as at December 31, 2018.

Consolidated Financial Review

($ millions)	Three Months Ended March 31 2019	2018
Revenue	**1,898**	878
Normalized EBITDA[1]	**466**	223
Net income applicable to common shares	**809**	49
Normalized net income[1]	**202**	70
Total assets	**21,563**	10,106
Total long-term liabilities	**10,374**	4,631
Net additions (dispositions) of property, plant and equipment	**(1,201)**	66
Dividends declared[2]	**66**	97
Normalized funds from operations[1]	**376**	169
Normalized adjusted funds from operations[1]	**367**	161
Normalized utility adjusted funds from operations[1]	**301**	140

($ per share, except shares outstanding)	Three Months Ended March 31 2019	2018
Net income per common share - basic	**2.93**	0.28
Net income per common share - diluted	**2.93**	0.28
Normalized net income - basic[1]	**0.73**	0.40
Normalized net income - diluted[1]	**0.73**	0.40
Dividends declared[2]	**0.24**	0.55
Normalized funds from operations[1]	**1.36**	0.96
Normalized adjusted funds from operations[1]	**1.33**	0.91
Normalized utility adjusted funds from operations[1]	**1.09**	0.79
Shares outstanding - basic (millions)		
During the period[3]	**276**	177
End of period	**276**	178

(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: $0.1825 beginning on November 27, 2017, and $0.08 beginning on December 27, 2018.

(3) Weighted average.

Three Months Ended March 31

Normalized EBITDA for the first quarter of 2019 was $466 million, compared to $223 million for the same quarter in 2018. Factors positively impacting normalized EBITDA included contributions from WGL, higher equity earnings from Petrogas Energy Corp. (Petrogas), equity income from the investment in AltaGas Canada Inc. (ACI), and the impact of the stronger U.S. dollar on reported results from U.S. assets. These were partially offset by the impact of the initial public offering (IPO) of ACI in 2018, the impact of the sale of the San Joaquin facilities in the fourth quarter of 2018, the impact of the sale of non-core Midstream and Power assets in February 2019, and higher expenses related to employee incentive plans as a result of the increasing share price during the first quarter of 2019. For the three months ended March 31, 2019, the average Canadian/U.S. dollar exchange rate increased to 1.33 from an average of 1.26 in the same quarter of 2018, resulting in an increase in normalized EBITDA of approximately $5 million.

Normalized funds from operations for the first quarter of 2019 were $376 million ($1.36 per share), compared to $169 million ($0.96 per share) for the same quarter in 2018. The increase was mainly due to the same drivers as normalized EBITDA, partially offset by higher interest expense. In the first quarter of 2019, AltaGas received $3 million of dividend income from the Petrogas Preferred Shares (2018 - $3 million) and $1 million of common share dividends from Petrogas (2018 - $1 million).

Normalized adjusted funds from operations (AFFO) for the first quarter of 2019 were $367 million ($1.33 per share), compared to $161 million ($0.91 per share) for the same quarter in 2018. The increase was mainly due to the same drivers as normalized funds from operations and higher cash received from non-controlling interests, partially offset by higher Midstream and Power maintenance capital. In the first quarter of 2019, AltaGas paid $17 million of preferred share dividends (2018 - $16 million).

Normalized utility adjusted funds from operations (UAFFO) for the first quarter of 2019 were $301 million ($1.09 per share), compared to $140 million ($0.79 per share) for the same quarter in 2018. The increase was due to the same drivers as normalized adjusted funds from operations partially offset by higher utility depreciation.

Operating and administrative expenses for the first quarter of 2019 were $350 million, compared to $141 million for the same quarter in 2018. The increase was mainly due to the addition of WGL's operating and administrative expenses, partially offset by the impact of the ACI IPO in 2018. Depreciation and amortization expense for the first quarter of 2019 was $118 million, compared to $73 million for the same quarter in 2018. The increase was mainly due to depreciation and amortization expense on assets acquired in the acquisition of WGL (the WGL Acquisition), partially offset by the impact of asset sales completed in 2018 and the first quarter of 2019. Interest expense for the first quarter of 2019 was $93 million, compared to $43 million for the same quarter in 2018. The increase was predominantly due to interest on debt assumed in the WGL Acquisition and higher average debt balances.

AltaGas recorded income tax expense of $127 million for the first quarter of 2019 compared to $18 million in the same quarter of 2018. The increase in tax expense was mainly due to tax on the sale of the remaining interest in the Northwest Hydro facilities and tax on WGL's earnings, partially offset by a tax recovery due to a one-time unitary tax rate adjustment related to the WGL Acquisition.

Net income applicable to common shares for the first quarter of 2019 was $809 million ($2.93 per share), compared to $49 million ($0.28 per share) for the same quarter in 2018. The increase was mainly due to the gain on the sale of AltaGas' remaining interest in the Northwest Hydro facilities, the same previously referenced factors impacting normalized EBITDA, and higher unrealized gains on risk management contracts, partially offset by higher income tax expense, higher interest expense, and higher depreciation and amortization expense.

Normalized net income was $202 million ($0.73 per share) for the first quarter of 2019, compared to normalized net income of $70 million ($0.40 per share) reported for the same quarter in 2018. The increase was mainly due to the same previously referenced factors impacting normalized EBITDA, partially offset by higher income tax expense, higher interest expense, and higher depreciation and amortization expense. Normalizing items in the first quarter of 2019 reduced normalized net income by $607 million ($2.20 per share) and included after-tax amounts related to gains on sale of assets, change in fair value of natural gas optimization inventory, merger commitment cost recovery due to a change in timing related to certain WGL merger commitments, transaction costs related to acquisitions and dispositions, unrealized gains on risk management contracts, and gains on investments. Normalizing items in the first quarter of 2018 increased normalized net income by $21 million ($0.12 per share) and included after-tax amounts related to losses on investments, transaction costs on acquisitions, financing costs associated with the bridge facility for the WGL Acquisition of $4 million, unrealized gains on risk management contracts, and gain on sale of certain non-core Midstream assets. Please refer to the Non-GAAP Financial Measures section of this MD&A for further details on normalization adjustments.

2019 Outlook

With 2019 being the first full year of operations including WGL, AltaGas expects to achieve consolidated normalized EBITDA of approximately $1.2 to $1.3 billion, and normalized funds from operations of approximately $850 to $950 million. This range is net of asset sales which have closed or are anticipated to close in 2019, including the remaining 55 percent interest in the Northwest Hydro facilities which closed in January 2019 and additional expected 2019 asset sales of approximately $1.5 to $2.0 billion.

Growth is expected in 2019 in the Utilities and Midstream segments, and in the Power segment excluding the impact of asset sales. The Utilities segment is expected to have the largest contribution to EBITDA, followed by the Midstream and Power segments. Specifically for Utilities, a full year of WGL results will be the largest contributor to growth, along with new capital and rate base growth. Growth in the Midstream segment will largely be driven by a full year of WGL results and Ridley Island Propane Export Terminal (RIPET) coming into service, with the first scheduled ship expected in the second quarter of 2019. Recent agreements with Kelt, Black Swan and other producers will see increased use of AltaGas' integrated infrastructure in Northeastern British Columbia, including the North Pine facility (North Pine). In addition, 2019 will be the first full year of operations for the Central Penn Pipeline and AltaGas' first full year of results from the Stonewall Gas Gathering System (Stonewall). Finally, the Power segment is expected to be impacted by the non-core power sales completed in 2018, as well as the sale of the remaining 55 percent interest in the Northwest Hydro facilities which was completed in January 2019. This will be partially offset by a full year of contributions from WGL's existing contracted renewable power business and power marketing business.

The overall forecasted normalized EBITDA and funds from operations include assumptions around asset sales anticipated to close in 2019, the U.S./Canadian dollar exchange rate, and other financing initiatives. Within each segment, the performance of the underlying businesses has the potential to vary. Any variance from AltaGas' current assumptions could impact the forecasted normalized EBITDA and funds from operations.

AltaGas estimates an average of approximately 10,000 Bbls/d will be exposed to frac spreads prior to hedging activities. For 2019, AltaGas has frac hedges in place for approximately 6,200 Bbls/d at an average price of approximately $40/Bbl excluding basis differentials. Once RIPET is in service, AltaGas will be exposed to the propane price differential between Mont Belvieu and Far East Index for contracts not under tolling arrangements. AltaGas has an active hedging program in place to manage this differential. AltaGas plans to manage the facility such that a majority of annual capacity will be underpinned by tolling arrangements, and expects to reach this objective over the next several years.

Sensitivity Analysis

AltaGas' financial performance is affected by factors such as changes in commodity prices, exchange rates and weather. The following table illustrates the approximate effect of these key variables on AltaGas' expected normalized EBITDA for 2019:

Factor	Increase or decrease	Approximate impact on normalized annual EBITDA *($ millions)*
Natural gas liquids fractionation spread [(1)]	$1/Bbl	1
Degree day variance from normal - U.S. utilities [(2)]	5 percent	5
Change in CAD per US$ exchange rate	0.05	35
FG&P and extraction inlet volumes	10 percent	13
RIPET Propane Far East Index to Mont Belvieu spread [(3)]	US$0.02/gal	5

(1) Based on approximately 60 percent of frac spread exposed NGL volumes being hedged.

(2) Degree days – U.S. utilities relate to SEMCO Gas, ENSTAR, and Washington Gas service areas. For U.S. utilities, degree days are a measure of coldness determined daily as the numbers of degrees the average temperature during the day in question is below 65 degrees Fahrenheit. 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.

(3) Assumes RIPET in-service date of early in the second quarter of 2019. The impact on EBITDA due to changes in the spread will vary and will be mitigated through an active hedging program.

Growth Capital

Based on projects currently under review, development or construction, AltaGas expects net invested capital expenditures of approximately $1.3 billion in 2019. The focused and strategic approach to capital expenditures in 2019 will target projects that provide ongoing growth potential, favorable risk profiles, and the strongest risk-adjusted returns with immediate payback, as

AltaGas continues to strengthen its balance sheet. The Utilities segment is expected to account for approximately 60 to 65 percent of total capital expenditures, while the Midstream segment is expected to account for approximately 35 to 40 percent and the Power segment is expected to account for the remainder. Midstream and Power maintenance capital is expected to be approximately $30 to $40 million of the total capital expenditures in 2019. The majority of AltaGas' capital expenditures for the Utilities segment will focus on accelerated pipe replacement programs in Virginia, Maryland, the District of Columbia and Michigan, new customer additions, and the construction of the Marquette Connector Pipeline. In the Midstream segment, capital expenditures are anticipated to primarily relate to the completion of RIPET, the Townsend expansion, the Aitken Creek integrated development project, the second train of North Pine, and WGL's investments in the Mountain Valley gas pipeline development and Central Penn Pipeline expansion. The Power segment continues to pursue a capital-light strategy with expenditures focused on selected smaller investments in distributed generation and potential energy storage projects across the United States. The Corporation continues to focus on enhancing productivity and streamlining businesses.

AltaGas' 2019 committed capital program is expected to be funded through internally-generated cash flow, asset sales, the Dividend Reinvestment and Optional Cash Purchase Plan (DRIP), proceeds from hybrid securities and preferred share offerings, and normal course borrowings on existing committed credit facilities.

Growth Capital Project Updates

The following table summarizes the status of AltaGas' significant growth projects. A full description of each project is provided in the MD&A for the year ended December 31, 2018.

Project	AltaGas' Ownership Interest	Estimated Cost (1)	Expenditures to Date (2)	Status	Expected In-Service Date
Midstream Projects					
Ridley Island Propane Export Terminal	70%	$283 million (net of partner recoveries)	$223 million (net of partner recoveries)	The majority of the construction and commissioning activities were completed in the first quarter of 2019. The operational phase has commenced with the introduction of propane feedstock and the first cargo is expected in the second quarter of 2019.	Q2 2019
Aitken Creek Development	50%	$230 million	$137 million	AltaGas acquired 50 percent ownership in the Aitken Creek North gas plant in the fourth quarter of 2018. Black Swan is progressing construction of the second plant (Nig Creek) which is also 50 percent owned by AltaGas and is expected to be on stream in the fourth quarter of 2019. AltaGas is constructing a natural gas liquids (NGL) pipeline from the Aitken Creek facilities to connect to the Townsend Complex. AltaGas expects to have regulatory approval and begin construction activities in the second quarter of 2019.	Q4 2019
Townsend 2B including Inga Gas Gathering Pipeline	100%	$180 million	$27 million	Detailed design is well underway. All long lead equipment has been ordered and certain fabrication is in progress. Construction activities are expected to commence in the second quarter of 2019.	Q4 2019
North Pine	100%	$58 million	$nil	Detailed design is well underway. All major long lead equipment has been ordered. Construction activities are expected to commence in the third quarter of 2019.	Q1 2020
Mountain Valley Pipeline	10%	US$350 million	US$301 million	Construction is underway. However, there are several pending regulatory and legal challenges that must be resolved before the project can be completed. As at March 31, 2019, approximately 80 percent of the project is complete, which includes construction of three compressor stations and related facilities.	Although completion in 2019 is unlikely, target in-service date remains Q4 2019.

Project	AltaGas' Ownership Interest	Estimated Cost (1)	Expenditures to Date (2)	Status	Expected In-Service Date
Midstream Projects, continued					
MVP Southgate Project	5%	US$20 million	US$1 million	Construction is expected to begin late in the first quarter of 2020. Expenditures to date relate to land surveys, land acquisitions, and obtaining permits and regulatory approvals.	Late 2020
Central Penn Expansion (Leidy South)	22%	US$50 million	Less than US$1 million	Regulatory approvals are expected in the fourth quarter of 2020 with construction anticipated to begin in early 2021.	Q4 2021
Utility Projects					
Accelerated Utility Pipe Replacement Programs – ***District of Columbia***	100%	Estimated US$305 million over the five year period from October 2019 to December 2024, plus additional expenditures in subsequent periods.	$nil(3)(4)	Washington Gas has submitted an application for the second phase of PROJECTpipes to the Public Service Commission of the District of Columbia (PSC of DC). A decision is expected by late September 2019.	Individual assets are placed into service throughout the program.
Accelerated Utility Pipe Replacement Programs – ***Maryland***	100%	Estimated US$350 million over the five year period from January 2019 to December 2023, plus additional expenditures in subsequent periods.	US$7 million(3)	The second phase of the accelerated utility pipe replacement programs in Maryland (STRIDE 2.0) began in January 2019.	Individual assets are placed into service throughout the program.
Accelerated Utility Pipe Replacement Programs – ***Virginia***	100%	Estimated US$500 million over the five year period from January 2018 to December 2022, plus additional expenditures in subsequent periods.	US$94 million(3)	The second phase of the accelerated pipe replacement programs in Virginia (SAVE 2.0) began in January 2018.	Individual assets are placed into service throughout the program.
Accelerated Mains Replacement Programs – ***Michigan***	100%	Estimated US$50 million over five year period from 2015 to 2020.	US$31 million(3)	The third phase of the Accelerated Mains Replacement Program (MRP3) in Michigan expires in May 2020. SEMCO's May 2019 rate case will include a new five year plan beyond 2020, similar to the current spend of approximately US$10 million annually. A decision is expected in Q3 2019.	Individual assets are placed into service throughout the program.
Marquette Connector Pipeline	100%	US$154 million	US$17 million	Right-of-way (ROW) acquisitions continue with approximately 91 percent of total ROW secured. Additionally, land clearing began in the first quarter of 2019 with 90 percent of trees felled along the pipeline route.	Late Q4 2019
Power Projects					
Distributed Generation Investments - SFGF II, LLC (SFGF II)	65%	US$95 million by the end of the commitment period.	US$84 million	SFGF II was formed to acquire, own and operate distributed generation solar projects. The commitment period for SFGF II ends on September 30, 2019.	Q3 2019

(1) These amounts are estimates and are subject to change based on various factors. Where appropriate, the amounts reflect AltaGas' share of the various projects.

(2) Expenditures to date reflect total cumulative expenditures incurred from inception of the projects to March 31, 2019. For WGL projects, this also includes any expenditures prior to the close of the WGL Acquisition on July 6, 2018.

(3) The utility accelerated replacement programs are long-term projects with multiple phases for which expenditures are approved by the regulators and managed in five year increments. Expenditures to date only include amounts for the current programs described above, and exclude any expenditures made under prior increments of the programs. Actual regulatory filings may differ from reported amounts.

(4) Program is expected to commence in October 2019.

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, normalized adjusted funds from operations, normalized utility adjusted 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 March 31	
($ millions)	**2019**	2018
Normalized EBITDA	**$ 466**	$ 223
Add (deduct):		
Transaction costs related to acquisitions and dispositions	**(12)**	(11)
Merger commitment cost recovery	**5**	—
Unrealized gains on risk management contracts	**29**	1
Changes in fair value of natural gas optimization inventory	**(6)**	—
Non-controlling interest related to HLBV investments	**(5)**	—
Gains (losses) on investments	**1**	(9)
Gain on sale of assets	**686**	1
Investment tax credits related to distributed generation assets	**(2)**	—
Accretion expenses	**(2)**	(3)
EBITDA	**$ 1,160**	$ 202
Add (deduct):		
Depreciation and amortization	**(118)**	(73)
Interest expense	**(93)**	(43)
Income tax expense	**(127)**	(18)
Net income after taxes (GAAP financial measure)	**$ 822**	$ 68

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 on risk management contracts, gains (losses) on investments, transaction costs related to acquisitions and dispositions, merger commitment cost recovery due to a change in timing related to certain WGL merger commitments, gains on the sale of assets, accretion expenses related to asset retirement obligations, 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

($ millions)	Three Months Ended March 31 2019	2018
Normalized net income	**$ 202**	$ 70
Add (deduct) after-tax:		
Transaction costs related to acquisitions and dispositions	**(10)**	(9)
Merger commitment cost recovery	**5**	—
Unrealized gains on risk management contracts	**22**	—
Changes in fair value of natural gas optimization inventory	**(4)**	—
Gains (losses) on investments	**1**	(9)
Gain on sale of assets	**593**	1
Financing costs associated with the bridge facility	**—**	(4)
Net income applicable to common shares (GAAP financial measure)	**$ 809**	$ 49

Normalized net income represents net income applicable to common shares adjusted for the after-tax impact of unrealized gains on risk management contracts, gains (losses) on investments, transaction costs related to acquisitions and dispositions, merger commitment cost recovery due to a change in timing related to certain WGL merger commitments, gains on the sale of 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, AFFO and UAFFO

($ millions)	Three Months Ended March 31 2019	2018
Normalized utility adjusted funds from operations	**$ 301**	$ 140
Add (deduct):		
Utility depreciation and amortization	**66**	21
Normalized adjusted funds from operations	**$ 367**	$ 161
Add (deduct):		
Cash received from non-controlling interests	**(16)**	(13)
Midstream and Power maintenance capital	**8**	5
Preferred dividends paid	**17**	16
Normalized funds from operations	**$ 376**	$ 169
Add (deduct):		
Transaction and financing costs related to acquisitions and dispositions	**(12)**	(13)
Merger commitment cost recovery	**5**	—
Funds from operations	**369**	156
Add (deduct):		
Net change in operating assets and liabilities	**63**	34
Asset retirement obligations settled	**(5)**	(1)
Cash from operations (GAAP financial measure)	**$ 427**	$ 189

Normalized funds from operations, normalized adjusted funds from operations, and normalized utility adjusted funds from operations are used to assist management and investors in analyzing the liquidity of the Corporation. Normalized funds from operations is calculated based on cash from operations and adjusted for 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 and merger commitments. Normalized adjusted funds from operations is based on normalized funds from operations, further adjusted to remove the impact of cash transactions with non-controlling interests, Midstream and Power maintenance capital, and preferred share dividends paid. Normalized utility adjusted funds from operations is based on normalized adjusted funds from operations, further adjusted for Utility segment depreciation and amortization.

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, normalized funds from operations, normalized adjusted funds from operations, and normalized utility adjusted 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 *Capital Resources* section of this MD&A.

Results of Operations by Reporting Segment

Normalized EBITDA [(1)]		Three Months Ended March 31		
($ millions)		**2019**		2018
Utilities	**$**	**341**	$	112
Midstream		**107**		71
Power		**27**		41
Sub-total: Operating Segments		**475**		224
Corporate		**(9)**		(1)
	$	**466**	$	223

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

Revenue		Three Months Ended March 31		
($ millions)		**2019**		2018
Utilities	**$**	**1,107**	$	422
Midstream		**451**		371
Power		**359**		148
Sub-total: Operating Segments		**1,917**		941
Corporate		**—**		(1)
Intersegment eliminations		**(19)**		(62)
	$	**1,898**	$	878

Utilities

Operating Statistics

	Three Months Ended March 31	
	2019	2018
U.S. Utilities		
Natural gas deliveries - end-use (Bcf)[1]	**75.4**	31.0
Natural gas deliveries - transportation (Bcf)[1]	**47.6**	13.4
Service sites [2]	**1,647,461**	582,871
Degree day variance from normal - SEMCO Gas (%) [3]	**5.7**	3.0
Degree day variance from normal - ENSTAR (%) [3]	**(9.4)**	(1.7)
Degree day variance from normal - Washington Gas (%) [3] [4]	**(1.1)**	—

(1) Bcf is one billion cubic feet.

(2) Service sites reflect all of the service sites of the U.S. utilities, including transportation and non-regulated business lines. Service sites at March 31, 2018 also include service sites of the Canadian utilities, which were included in the ACI IPO in October 2018.

(3) 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.

(4) 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 Washington Gas hedge to offset the effects of weather. As a result, colder or warmer weather will result in variances to financial results.

During the first quarter of 2019, AltaGas' Utilities segment experienced colder weather at SEMCO and warmer weather at ENSTAR compared to the same quarter of 2018. Washington Gas experienced warmer than normal weather. The 2019 increase in customers and transportation represents the addition of Washington Gas natural gas deliveries.

Service sites increased by approximately 1.1 million sites in 2019 compared to 2018 due to the addition of Washington Gas customers and growth in customer base, partially offset by service sites relating to the Canadian utilities which were included in the ACI IPO in the fourth quarter of 2018.

Three Months Ended March 31

The Utilities segment reported normalized EBITDA of $341 million during the three months ended March 31, 2019, compared to $112 million in the same quarter of 2018. The increase was mainly due to WGL earnings of $254 million, equity earnings from ACI, the favorable impact of the stronger U.S. dollar, and colder weather in Michigan. The increase was partially offset by the impact of the ACI IPO in 2018, the 2019 revenue impact related to the federal tax reduction at the U.S. utilities, and warmer weather in Alaska.

Rate Case Updates

On May 15, 2018, Washington Gas filed an application with the Maryland Public Service Commission (PSC of MD) to increase its base rates for natural gas service for approximately US$56 million including approximately US$15 million in annual surcharges currently paid by customers for system upgrades. On December 11, 2018, the PSC of MD approved US$29 million in new revenues and increased the return on equity to 9.7 percent. The difference between the net amount requested of US$41 million and the amount approved of US$29 million was due to the disallowance of certain items. On January 10, 2019, Washington Gas requested a rehearing, alleging two errors in the agency's final order. The expected timing of an order from the PSC of MD on this appeal is not yet known.

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 requested approval of approximately US$394 million in accelerated infrastructure replacements for the 2019 to 2023 period. On December 11, 2018, the PSC of MD approved a US$350 million five-year program.

On January 9, 2019, Washington Gas applied to supplement its 2019 project list with an additional annual spend of approximately US$65 million. On January 25, 2019, the PSC of MD approved the 2019 revised project list and affirmed the annual spend of approximately US$65 million.

On April 22, 2019, Washington Gas filed an application with the PSC of MD to increase base rates and charges for natural gas service for its Maryland customers. The change in proposed rates and charges includes an increase in base rates of approximately US$36 million, partially offset by a reduction of approximately US$5 million in surcharges currently paid by customers for system upgrades.

On July 31, 2018, Washington Gas filed an application with the Virginia State Corporation Commission (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, subject to refund, in January 2019. Hearings are scheduled for late April and early May 2019 with a decision expected in late 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 SAVE application for 2019 was approved and implemented beginning January 2019.

On December 7, 2018, Washington Gas filed an application with the PSC of DC for the phase 2 PROJECTpipes program requesting approval of approximately US$305 million in accelerated infrastructure replacement in the District of Columbia during the 2019 to 2024 period. A decision is expected in late September 2019.

In April 2018, CINGSA filed a request for an advanced ruling on a redundancy project 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 and a hearing occurred in October 2018. In February 2019, the Regulatory Commission of Alaska issued an order denying the petition in part and closing the docket.

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

Midstream

Operating Statistics

	Three Months Ended March 31	
	2019	2018
Extraction inlet gas processed (Mmcf/d)(1)	**977**	1,086
FG&P inlet gas processed (Mmcf/d)(1)	**504**	467
Total inlet gas processed (Mmcf/d)(1)	**1,481**	1,553
Extraction ethane volumes (Bbls/d)(1)	**23,431**	31,222
Extraction NGL volumes (Bbls/d)(1) (2)	**38,901**	43,564
Total extraction volumes (Bbls/d)(1) (3)	**62,332**	74,786
Frac spread - realized ($/Bbl)(1) (4)	**16.84**	19.01
Frac spread - average spot price ($/Bbl)(1) (5)	**11.79**	22.25
Natural gas optimization inventory (Bcf)	**13.2**	—
WGL retail energy marketing - gas sales volumes (Mmcf)	**27,411**	—

(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 March 31, 2019 decreased by 109 Mmcf/d, compared to the same period in 2018. The decrease was primarily due to operational issues upstream at the Younger facility (Younger) and reduced ownership of this facility effective April 2018. Inlet gas volumes processed at the field gathering and processing (FG&P) facilities for the three months ended March 31, 2019 increased by 37 Mmcf/d primarily due to the recently acquired Aitken Creek North facility and additional third party volumes received at the Townsend facilities, partially offset by the disposition of certain non-core facilities in 2018 and early 2019.

Average ethane volumes for the three months ended March 31, 2019 decreased by 7,791 Bbls/d, while average NGL volumes decreased by 4,663 Bbls/d compared to the same period in 2018. Lower ethane volumes were a result of rejecting production at Younger due to uneconomic pricing and lower production at Edmonton Ethane Extraction Plant (EEEP) and Harmattan, partially offset by higher ethane production at Pembina Empress Extraction Plant (PEEP) and Joffre Ethane Extraction Plant (JEEP). Lower NGL volumes were a result of a lower ownership interest at Younger and lower volumes at Harmattan, EEEP and Gordondale, partially offset by additional volumes available from the Townsend facilities.

With the addition of WGL, for the three months ended March 31, 2019, U.S. retail sales volumes were 27,411 Mmcf and natural gas optimization inventory was 13.2 Bcf.

Three Months Ended March 31

The Midstream segment reported normalized EBITDA of $107 million in the first quarter of 2019, compared to $71 million in the same quarter of 2018. The increase was mainly due to contributions from WGL Midstream assets of $35 million, higher equity earnings from Petrogas, and the acquisition of 50 percent ownership in Black Swan’s Aitken Creek North gas facility in the fourth quarter of 2018, partly offset by lower frac exposed volumes at Younger due to operational issues upstream and reduced ownership, the sale of non-core Midstream processing facilities, lower NGL marketing margins, and lower frac spreads. During the first quarter of 2019, AltaGas recorded equity earnings of $22 million from Petrogas, compared to $10 million in the same quarter of 2018. The increase in equity earnings from Petrogas was mainly due to higher pricing and activity levels.

During the first quarter of 2019, AltaGas hedged approximately 6,228 Bbls/d of NGL volumes at an average price of $40/Bbl excluding basis differentials. During the first quarter of 2018, AltaGas hedged 7,500 Bbls/d of NGL volumes at an average price of $33/Bbl, excluding basis differentials. The average indicative spot NGL frac spread for the first quarter of 2019 was approximately $12/Bbl, compared to $22/Bbl in the same quarter of 2018 inclusive of basis differentials. The realized frac spread of approximately $17/Bbl in the first quarter of 2019 (2018 - $19/Bbl) was lower than the same quarter in 2018 due to lower realized frac spreads partially offset by higher frac hedge gains.

During the first quarter of 2019, AltaGas recognized a pre-tax gain of $5 million on the sale of remaining non-core Midstream processing facilities, while in the first quarter of 2018, AltaGas recognized a pre-tax gain of $1 million on the sale of a non-core Midstream processing facility.

Power

Operating Statistics

	Three Months Ended March 31	
	2019	2018
Renewable power sold (GWh)	**141**	126
Conventional power sold (GWh)	**263**	842
Renewable capacity factor (%)	**12.2**	8.1
Contracted conventional equivalent availability factor (%) (1)	**43.2**	94.5
WGL retail energy marketing - electricity sales volumes (GWh)	**3,080**	—

(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 first quarter of 2019, the volume of renewable power sold increased by 15 GWh and the volume of conventional power sold decreased by 579 GWh compared to the same quarter in 2018. The increase in renewable volumes was due to the addition of WGL power generation, partially offset by the October 2018 sale of the Bear Mountain wind facility to ACI and the January 2019 sale of the Northwest Hydro facilities. The decrease in conventional volumes sold was due to the November 2018 sale of the San Joaquin facilities and a longer planned outage at the Blythe facility.

The renewable capacity factor is higher for the three months ended March 31, 2019 due to the addition of WGL power generation, partially offset by the sale of the Bear Mountain wind facility.

The contracted conventional equivalent availability factor was lower for the three months ended March 31, 2019 as a result of the longer planned outage at Blythe.

For the three months ended March 31, 2019, U.S. retail sales volumes were 3,080 GWh.

Three Months Ended March 31

The Power segment reported normalized EBITDA of $27 million during the three months ended March 31, 2019, compared to $41 million in the same period of 2018. Normalized EBITDA decreased primarily as a result of asset sales, including the San Joaquin facilities in November 2018, the ACI IPO in October 2018, and non-core Canadian Power assets in February 2019, as well as the extended planned spring outage at the Blythe facility in the first quarter of 2019. These decreases were partially offset by earnings from WGL’s Power assets of $14 million.

During the first quarter of 2019, AltaGas recognized a pre-tax gain of $688 million on the sale of the remaining interest in the Northwest Hydro facilities. In addition, during the first quarter of 2019, the sale of Canadian non-core Power assets was completed resulting in a pre-tax loss of $6 million, and the sale of a WGL Energy Systems financing receivable was completed resulting in a pre-tax loss of $1 million.

Corporate

Three Months Ended March 31

In the Corporate segment, normalized EBITDA for the first quarter of 2019 was a loss of $9 million, compared to a loss of $1 million in the same quarter of 2018. The increased loss was mainly due to higher expenses related to employee incentive plans as a result of the increasing share price during the first quarter of 2019 and higher information technology related costs.

Invested Capital

Three Months Ended March 31, 2019					
($ millions)	**Utilities**	**Midstream**	**Power**	**Corporate**	**Total**
Invested capital:					
Property, plant and equipment	**$ 140**	**$ 74**	**$ 13**	**$ 1**	**$ 228**
Intangible assets	**—**	**1**	**—**	**3**	**4**
Long-term investments	**—**	**85**	**—**	**—**	**85**
Contributions from non-controlling interest	**—**	**(16)**	**—**	**—**	**(16)**
Invested capital	**140**	**144**	**13**	**4**	**301**
Disposals:					
Property, plant and equipment	**—**	**(88)**	**(1,341)**	**—**	**(1,429)**
Net invested capital	**$ 140**	**$ 56**	**$ (1,328)**	**$ 4**	**$ (1,128)**

Three Months Ended March 31, 2018					
($ millions)	Utilities	Midstream	Power	Corporate	Total
Invested capital:					
Property, plant and equipment	$ 17	$ 54	$ 4	$ —	$ 75
Intangible assets	—	1	—	1	2
Long-term investments	—	19	—	—	19
Contributions from non-controlling interest	—	(14)	—	—	(14)
Invested capital	17	60	4	1	82
Disposals:					
Property, plant and equipment	—	(7)	(2)	—	(9)
Net invested capital	$ 17	$ 53	$ 2	$ 1	$ 73

During the first quarter of 2019, AltaGas' invested capital was $301 million, compared to $82 million in the same quarter of 2018. The increase in invested capital was primarily due to higher additions to property, plant and equipment and contributions to WGL's investments in the Central Penn and Mountain Valley pipelines, partially offset by higher contributions from non-controlling interest (representing Vopak Development Canada Inc.'s share of construction costs related to RIPET).

The increase in additions to property, plant and equipment in the first quarter of 2019 was mainly due to capital expenditures related to system betterment and accelerated pipeline replacement programs at Washington Gas, construction costs at RIPET, Townsend 2B and capital expenditures related to WGL's distributed generation projects.

The invested capital in the first quarter of 2019 included maintenance capital of $1 million (2018 - $3 million) in the Midstream segment and $7 million (2018 - $2 million) in the Power segment. The decrease in maintenance capital for the Midstream segment was primarily due to reduced turnaround expenditures. The increase in maintenance capital for the Power segment was primarily due to planned turnaround maintenance capital at the Blythe facility.

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. As at March 31, 2019 and December 31, 2018, the fair values of the Corporation's derivatives were as follows:

($ millions)	**March 31, 2019**	December 31, 2018
Natural gas	**$ (94)**	$ (137)
NGL frac spread	**7**	16
Power	**(6)**	(9)
Foreign exchange	**—**	(1)
Net derivative liability	**$ (93)**	$ (131)

Summary of Risk Management Contracts

Type	First Quarter Highlights
Commodity Price Contracts	▪ The average indicative spot NGL frac spread for the three months ended March 31, 2019 was approximately $12/Bbl (2018 – $22/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 three months ended March 31, 2019 was approximately $17/Bbl inclusive of basis differentials (2018 - $19/Bbl). ▪ For 2019, AltaGas currently has frac hedges in place to hedge approximately 6,200 Bbls/d out of a total of approximately 10,000 Bbls/d at an average price of $40/Bbl, excluding basis differentials.
Foreign Exchange Contracts	▪ As at March 31, 2019, management has designated US$1.2 billion of outstanding U.S. dollar denominated long-term debt to hedge against the currency translation effect of its foreign investments (December 31, 2018 - US$1.5 billion). ▪ For the three months ended March 31, 2019, AltaGas incurred after-tax unrealized gains of $39 million arising from the translation of debt in other comprehensive income (2018 - $nil).
Weather Instruments	▪ For the three months ended March 31, 2019, pre-tax gains of less than $1 million (2018 - $nil) were recorded related to heating degree day (HDD) and cooling degree day (CDD) instruments.

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 March 31	
($ millions)	**2019**	2018
Natural gas	**$ 12**	$ (6)
NGL frac spread	**(11)**	11
Power	**5**	(3)
Foreign exchange	**1**	(1)
	$ 7	$ 1

Please refer to Note 22 of the 2018 Annual Consolidated Financial Statements and Note 12 of the unaudited condensed interim Consolidated Financial Statements as at and for the three months ended March 31, 2019 for further details regarding AltaGas' risk management activities.

Liquidity

As a result of certain commitments made to the PSC of DC, the PSC of MD, and the SCC of VA in respect of the WGL Acquisition, Washington Gas is subject to certain restrictions when paying dividends to AltaGas. However, AltaGas does not expect that this will have an impact on AltaGas' ability to meet its obligations.

	Three Months Ended March 31	
($ millions)	**2019**	2018
Cash from operations	**$ 427**	$ 189
Investing activities	**1,180**	(89)
Financing activities	**(1,627)**	(34)
Increase (decrease) in cash and cash equivalents	**$ (20)**	$ 66

Cash from Operations

Cash from operations increased by $238 million for the three months ended March 31, 2019 compared to the same period in 2018, primarily due to higher net income after taxes and a favorable 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 increased cash flows from changes in inventory due to seasonality at the Utilities, increased cash flows from changes in accounts receivable due to the lower price of gas and asset sales completed in the first quarter of 2019, partially offset by decreased cash flows from accounts payable and accrued liabilities due to lower rates and volumes at the Utilities and as a result of asset sales completed in the first quarter of 2019.

Working Capital

($ millions except current ratio)	**March 31, 2019**	December 31, 2018
Current assets	**$ 2,036**	$ 4,033
Current liabilities	**3,413**	4,102
Working deficiency	**$ (1,377)**	$ (69)
Working capital ratio [(1)]	**0.60**	0.98

(1) Calculated as current assets divided by current liabilities.

The decrease in the working capital ratio was primarily due to decreases in assets held for sale, inventory and accounts receivable, partially offset by decreases in accounts payable and accrued liabilities, short-term debt and liabilities associated with assets held for sale. AltaGas' working capital will fluctuate in the normal course of business. The working capital deficiency is expected to be funded using cash flow from operations, proceeds from asset sales, and available credit facilities as required.

Investing Activities

Cash from investing activities for the three months ended March 31, 2019 was $1.2 billion, compared to cash used in investing activities of $89 million in the same period in 2018. Investing activities for the three months ended March 31, 2019 primarily included proceeds of $1.4 billion from asset sales completed in the first quarter of 2019 (including the Northwest Hydro facilities and non-core Canadian Midstream and Power assets) and proceeds of $74 million from the sale of a WGL Energy Systems financing receivable, partially offset by expenditures of approximately $237 million for property, plant, and equipment and intangible assets, and approximately $85 million of contributions to equity investments. Investing activities for the three months ended March 31, 2018 primarily included expenditures of approximately $84 million for property, plant, and equipment and intangible assets, and approximately $19 million of contributions to AltaGas' equity investments, partially offset by cash proceeds of approximately $9 million for asset dispositions and $5 million for the disposition of an investment.

Financing Activities

Cash used in financing activities for the three months ended March 31, 2019 was $1.6 billion, compared to cash used in financing activities of $34 million in the same period in 2018. Financing activities for the three months ended March 31, 2019 were primarily comprised of net repayments of short and long-term debt of $1.4 billion, net repayments under bankers' acceptances of $0.7 billion, and dividends of $83 million, partially offset by draws on credit facilities of $0.6 billion, contributions from non-controlling interests of $17 million, and net proceeds from the issuance of common shares of $10 million (mainly from common shares issued through the DRIP). Financing activities for the three months ended March 31, 2018 were primarily comprised of net repayments of short and long-term debt of $248 million and dividends of $113 million, partially offset by borrowings under the credit facilities of $248 million, net proceeds from the issuance of common shares of $66 million (mainly from common shares issued through the DRIP), and contributions from non-controlling interests of $13 million. Total dividends paid to common and preferred shareholders of AltaGas for the three months ended March 31, 2019 were $83 million (2018 - $113 million), of which $10 million was reinvested through the DRIP (2018 - $66 million). The decrease in dividends paid was due to the reduction in dividends on common shares declared in the fourth quarter of 2018, partially offset by more common shares outstanding.

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)		March 31, 2019		December 31, 2018
Short-term debt	**$**	**1,027**	$	1,210
Current portion of long-term debt		**948**		890
Long-term debt[1]		**6,492**		8,067
Total debt		**8,467**		10,167
Less: cash and cash equivalents		**(109)**		(102)
Net debt	**$**	**8,358**	$	10,065
Shareholders' equity		**7,634**		7,020
Non-controlling interests		**143**		621
Total capitalization	**$**	**16,135**	$	17,706
Net debt-to-total capitalization (%)		**52**		57

(1) Net of debt issuance costs of $34 million as at March 31, 2019 (December 31, 2018 - $35 million).

As at March 31, 2019, AltaGas' total debt primarily consisted of outstanding MTNs of $2.6 billion (December 31, 2018 - $2.7 billion), WGL and Washington Gas long-term debt of $2.6 billion, reflecting fair value adjustments on acquisition (December 31, 2018 - $2.7 billion), SEMCO long-term debt of $482 million (December 31, 2018 - $496 million), and $1.8 billion drawn under the bank credit facilities (December 31, 2018 - $3.0 billion) and short-term debt of $1.0 billion (December 31, 2018 - $1.2 billion). In addition, AltaGas had $283 million of letters of credit (December 31, 2018 - $271 million) outstanding.

As at March 31, 2019, AltaGas' total market capitalization was approximately $4.9 billion based on approximately 275.9 million common shares outstanding and a closing trading price on March 31, 2019 of $17.59 per common share.

AltaGas' earnings interest coverage for the rolling 12 months ended March 31, 2019 was 1.4 times (12 months ended March 31, 2018 – 1.3 times).

Credit Facilities ($ millions)		Borrowing capacity		Drawn at March 31, 2019		Drawn at December 31, 2018
AltaGas unsecured demand credit facilities [1] [2]	$	337	**$**	**174**	$	153
AltaGas unsecured extendible revolving letter of credit facilities [1] [2]		551		**101**		117
AltaGas unsecured revolving credit facilities [1] [2]		3,404		**1,411**		2,890
AltaGas bridge facility [1] [3]		—		**—**		113
AltaGas unsecured term credit facility [1] [2]		401		**401**		—
SEMCO Energy US$200 million unsecured credit facilities [1] [2]		267		**9**		1
WGL US$650 million unsecured revolving credit facility [2]		869		**—**		—
Washington Gas US$350 million unsecured revolving credit facility [2] [4]		468		**—**		—
	$	6,297	**$**	**2,096**	$	3,274

(1) Amount drawn at March 31, 2019 converted at the month-end rate of 1 U.S. dollar = 1.3363 Canadian dollar (December 31, 2018 - 1 U.S. dollar = 1.3642 Canadian dollar).
(2) All US$ borrowing capacity was converted at the March 31, 2019 U.S./Canadian dollar month-end exchange rate.
(3) The remaining balance on the bridge facility was paid in full on February 1, 2019.
(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 March 31, 2019, commercial paper outstanding totaled US$719 million for WGL and Washington Gas (December 31, 2018 – US$840 million).

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 March 31, 2019
Bank debt-to-capitalization[1]	not greater than 65 percent	51.4%
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	35.5%
Bank EBITDA-to-interest expense (SEMCO)[3]	not less than 2.25x	7.2
Bank debt-to-capitalization (WGL)[4]	not greater than 65 percent	56.4%
Bank debt-to-capitalization (Washington Gas)[4]	not greater than 65 percent	43.7%

(1) Calculated in accordance with the Corporation's US$1.2 billion credit facility agreement, which is available on SEDAR at www.sedar.com. The covenants are equivalent and applicable to all the Corporation's committed credit facilities.
(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 March 31, 2019, 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 March 31, 2019, 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. There were no significant changes in the nature of the related party transactions described in Note 30 of the 2018 Annual Consolidated Financial Statements.

Share Information

	As at April 26, 2019
Issued and outstanding	
Common shares	276,176,432
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
Washington Gas $4.25 series	150,000
Washington Gas $4.80 series	70,600
Washington Gas $5.00 series	60,000
Issued	
Share options	6,371,978
Share options exercisable	2,677,348

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)	**2019**	2018
First quarter	**$ 0.240000**	$ 0.547500
Second quarter	**—**	0.547500
Third quarter	**—**	0.547500
Fourth quarter	**—**	0.445000
Total	**$ 0.240000**	$ 2.087500

Series A Preferred Share Dividends

Year ended December 31		
($ per preferred share)	**2019**	2018
First quarter	**$ 0.211250**	$ 0.211250
Second quarter	**—**	0.211250
Third quarter	**—**	0.211250
Fourth quarter	**—**	0.211250
Total	**$ 0.211250**	$ 0.845000

Series B Preferred Share Dividends

Year ended December 31		
($ per preferred share)	**2019**	2018
First quarter	**$ 0.269380**	$ 0.217600
Second quarter	**—**	0.238720
Third quarter	**—**	0.249530
Fourth quarter	**—**	0.262770
Total	**$ 0.269380**	$ 0.968620

Series C Preferred Share Dividends

Year ended December 31		
(US$ per preferred share)	**2019**	2018
First quarter	**$ 0.330625**	$ 0.330625
Second quarter	**—**	0.330625
Third quarter	**—**	0.330625
Fourth quarter	**—**	0.330625
Total	**$ 0.330625**	$ 1.322500

Series E Preferred Share Dividends

Year ended December 31		
($ per preferred share)	**2019**	2018
First quarter	**$ 0.337063**	$ 0.312500
Second quarter	**—**	0.312500
Third quarter	**—**	0.312500
Fourth quarter	**—**	0.312500
Total	**$ 0.337063**	$ 1.250000

Series G Preferred Share Dividends

Year ended December 31				
($ per preferred share)		**2019**		2018
First quarter	**$**	**0.296875**	$	0.296875
Second quarter		**—**		0.296875
Third quarter		**—**		0.296875
Fourth quarter		**—**		0.296875
Total	**$**	**0.296875**	$	1.187500

Series I Preferred Share Dividends

Year ended December 31				
($ per preferred share)		**2019**		2018
First quarter	**$**	**0.328125**	$	0.328125
Second quarter		**—**		0.328125
Third quarter		**—**		0.328125
Fourth quarter		**—**		0.328125
Total	**$**	**0.328125**	$	1.312500

Series K Preferred Share Dividends

Year ended December 31				
($ per preferred share)		**2019**		2018
First quarter	**$**	**0.312500**	$	0.312500
Second quarter		**—**		0.312500
Third quarter		**—**		0.312500
Fourth quarter		**—**		0.312500
Total	**$**	**0.312500**	$	1.250000

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 March 31, 2019 were as follows:

$4.25 series Preferred Share Dividends

Year ended December 31				
(US$ per preferred share)		**2019**		2018
First quarter	**$**	**1.062500**	$	—
Second quarter		**—**		—
Third quarter		**—**		1.062500
Fourth quarter		**—**		1.062500
Total	**$**	**1.062500**	$	2.125000

$4.80 series Preferred Share Dividends

Year ended December 31				
(US$ per preferred share)		**2019**		2018
First quarter	**$**	**1.200000**	$	—
Second quarter		**—**		—
Third quarter		**—**		1.200000
Fourth quarter		**—**		1.200000
Total	**$**	**1.200000**	$	2.400000

$5.00 series Preferred Share Dividends

Year ended December 31				
(US$ per preferred share)		**2019**		2018
First quarter	**$**	**1.250000**	$	—
Second quarter		**—**		—
Third quarter		**—**		1.250000
Fourth quarter		**—**		1.250000
Total	**$**	**1.250000**	$	2.500000

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 2018 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 relate to revenue recognition, financial instruments, depreciation and amortization expense, accounting for leases, 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 2018 Annual Consolidated Financial Statements and MD&A and Note 2 of the unaudited condensed interim Consolidated Financial Statements as at and for the three months ended March 31, 2019.

Adoption of New Accounting Standards

Effective January 1, 2019, AltaGas adopted the following Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU):

- ASU No. 2016-02 "Leases" and all related amendments (collectively "ASC 842"). AltaGas has applied ASC 842 using the modified retrospective approach as of the effective date of the new standard. Comparative information has not been restated and continues to be reported under the previous lease guidance ASC 840. AltaGas has applied the package of transition practical expedients which permitted the Corporation to not reassess (a) whether any expired or existing contracts contain leases, (b) lease classifications for any expired or existing leases, and (c) initial direct costs for any existing leases. In addition, AltaGas applied the transition practical expedient that permitted the Corporation to grandfather its accounting policy for land easements that existed as of, or expired, before January 1, 2019. The transition practical expedient to not separate lease and non-lease components for its building, office equipment, transportation equipment and vehicle leases has been elected for lessee arrangements. The transition practical expedient to not separate lease and non-lease components for its lessor arrangements related to Power assets and Midstream processing facilities has also been elected. AltaGas has applied the short term lease recognition exemption under which lease arrangements with a term of twelve months or less, including extension options that are reasonably certain of being exercised, are exempt from the recognition of a right of use asset and lease liability and recorded as an expense over the term of the lease. This exemption applies to all classes of assets.

  On adoption of ASC 842, all operating leases were recognized on the balance sheet. The adoption resulted in an increase to long-term assets of approximately $181 million and an increase to long-term liabilities of approximately $171 million (net of the current portion that is recorded in current liabilities of approximately $23 million). The lease related liabilities were measured using the present value of the remaining minimum lease payments for existing leases discounted using the Corporation's incremental borrowing rate as of January 1, 2019. For operating leases, the associated right-of-use assets were measured at the amount equal to the lease liabilities on January 1, 2019, adjusted for any prepaid or accrued lease payments and the remaining balance of any lease incentives received. The adoption of ASC 842 did not impact lessor accounting, the consolidated statement of income, or the consolidated statement of cash flow.

Please also refer to Note 13 of the unaudited condensed interim Consolidated Financial Statements as at and for the three months ended March 31, 2019 for further details;

- ASU No. 2017-08 “Receivables – Nonrefundable Fees and Other Costs: Premium Amortization on Purchased Callable Debt Securities. The amendments in this ASU shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The adoption of this ASU did not have a material impact on AltaGas’ consolidated financial statements;

- ASU No. 2017-11 “Earnings per Share and Derivatives and Hedging – Distinguishing Liabilities from Equity: Accounting for Certain Financial Instruments with Down Round Features, Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Non-controlling Interests with a Scope Exception”. The amendments in this ASU simplify the accounting for certain equity-linked financial instruments and embedded features with down round features that reduce the exercise price when pricing of a future round of financing is lower. The amendments in this ASU also require entities that present EPS under ASC 260 to recognize the effect of a down round feature in a freestanding equity-classified financial instrument only when it is triggered. The adoption of this ASU did not have a material impact on AltaGas’ consolidated financial statements;

- 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 adoption of this ASU did not have a material impact on AltaGas’ consolidated financial statements;

- ASU No. 2018-08 “Not-for-Profit-Entities – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made”. The amendments in this ASU clarify whether a transfer of assets is a contribution or an exchange transaction. The adoption of this ASU did not have a material impact on AltaGas’ consolidated financial statements;

- 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 adoption of this ASU did not have a material impact on AltaGas’ consolidated financial statements; and

- ASU No. 2018-16 “Derivatives and Hedging: Inclusion of the Second Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes”. The amendments in this ASU permit the use of Overhead Index Swap (OIS) rate based on SOFR as a U.S. benchmark interest rate for hedge accounting purposes. The adoption of this ASU did not have a material impact on AltaGas’ consolidated financial statements.

Future Changes in Accounting Principles

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 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 October 2018, FASB issued ASU No. 2018-17 “Consolidation: Targeted Improvements to Related Party Guidance for Variable Interest Entities”. The amendments in this Update provide a private-company scope exception to the VIE guidance for certain entities and clarify that indirect interest held through related parties under common control will be considered on a proportional basis when determining whether fees paid to decision makers and service providers are variable interests. The amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. An entity should apply the amendments retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas’ consolidated financial statements.

In March 2019, FASB issued ASU No. 2019-01 “Leases: Codification Improvements”. The amendments in this ASU provide a fair value exception for lessors that are not manufacturers or dealers, clarify the presentation of principal payments received under sales-type and direct finance leases on the statements of cash flows, and clarify transition disclosure requirements for the adoption of ASC 842. The amendments on the fair value exception and on the presentation on the statement of cash flows are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The amendment on the transition disclosure requirement is effective upon adoption of ASC 842. The adoption of this ASU is not expected to have a material impact on AltaGas’ consolidated financial statements.

Off-Balance Sheet Arrangements

AltaGas did not enter into any material off-balance sheet arrangements during the three months ended March 31, 2019. Reference should be made to the audited Consolidated Financial Statements and MD&A as at and for the year ended December 31, 2018 for further information on off-balance sheet arrangements.

Disclosure Controls and Procedures (DCP) and Internal Control Over Financial Reporting (ICFR)

Management, including the Chief Executive Officer 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 Chief Executive Officer 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).

During the first quarter of 2019, there were no changes made to AltaGas' ICFR 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.

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 Utility and Midstream business segments seeking optimal capital deployment. In the Midstream 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 invest in U.S utilities located in strong growth markets with increasing capital deployment to support customer additions, system improvement and accelerated replacement programs. AltaGas has three business segments:

- Utilities, which serves approximately 1.6 million customers with a rate base of approximately US$3.7 billion through ownership of regulated natural gas distribution utilities across five jurisdictions in the United States and two regulated natural gas storage utilities 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;
- Midstream, which 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; and
- Power, which includes 1,102 MW of operational gross capacity from natural gas-fired, biomass, solar, other distributed generation and energy storage assets located in Alberta, 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.

Summary of Consolidated Results for the Eight Most Recent Quarters [1]

($ millions)	**Q1-19**	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17
Total revenue	**1,898**	1,727	1,041	610	878	745	502	539
Normalized EBITDA[2]	**466**	394	226	166	223	213	190	166
Net income (loss) applicable to common shares	**809**	174	(726)	1	49	(11)	18	(8)
($ per share)	**Q1-19**	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17
Net income (loss) per common share								
Basic	**2.93**	0.64	(2.78)	0.01	0.28	(0.06)	0.10	(0.05)
Diluted	**2.93**	0.64	(2.78)	0.01	0.28	(0.06)	0.10	(0.05)
Dividends declared	**0.24**	0.45	0.55	0.55	0.55	0.54	0.53	0.53

(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.

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

- Revenue from WGL after the acquisition closed in the third quarter of 2018;
- The weak Alberta power pool prices throughout 2017;
- 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, throughout 2018, and the first quarter of 2019;
- 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 the Tax Cuts and Jobs Act (TCJA) at the U.S. utilities throughout 2018;
- The impact of the sale of non-core U.S. Power assets in the fourth quarter of 2018;
- The impact of the sale of the Canadian utilities to ACI in the fourth quarter of 2018; and
- The impact of the sale of the Northwest Hydro facilities and non-core Canadian Midstream and Power assets in the first quarter of 2019.

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 long-term 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:

- The impact of WGL income for the period after the close of the acquisition on July 6, 2018;
- Higher depreciation and amortization expense due to new assets placed into service;
- 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 Midstream processing facility in Alberta, and a non-core development stage peaking project in California;
- Impact of the TCJA 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 2018 ($50 million) predominantly due to the WGL Acquisition;
- After-tax merger commitment costs of $135 million associated with the WGL Acquisition recorded in the second half of 2018;
- After-tax provisions of approximately $562 million recognized in 2018 primarily related to assets held for sale;
- An income tax recovery of approximately $104 million related to the Northwest Hydro facilities held for sale classification at December 31, 2018;
- The impact of the sale of non-core U.S. Power assets in the fourth quarter of 2018;
- The impact of the sale of the Canadian utilities to ACI in the fourth quarter of 2018; and

  The impact of the sale of the Northwest Hydro facilities and non-core Canadian Midstream and Power assets in the first quarter of 2019.

CONSOLIDATED BALANCE SHEETS

(condensed and unaudited)

As at *($ millions)*		**March 31, 2019**		December 31, 2018
ASSETS				
Current assets				
Cash and cash equivalents *(note 19)*	**$**	**108.5**	$	101.6
Accounts receivable, net of allowances		**1,352.1**		1,547.5
Inventory *(note 5)*		**260.9**		515.9
Restricted cash holdings from customers *(note 19)*		**4.1**		4.1
Regulatory assets		**17.2**		21.0
Risk management assets *(note 12)*		**63.2**		114.1
Prepaid expenses and other current assets *(note 19)*		**230.2**		199.9
Assets held for sale		**—**		1,528.9
		2,036.2		4,033.0
Property, plant and equipment		**10,912.1**		10,929.6
Intangible assets		**679.1**		711.9
Operating right of use assets *(note 13)*		**170.3**		—
Goodwill *(note 6)*		**3,999.0**		4,068.2
Regulatory assets		**548.4**		663.0
Risk management assets *(note 12)*		**55.0**		57.7
Restricted cash holdings from customers *(note 19)*		**4.0**		6.1
Prepaid post-retirement benefits		**337.9**		342.7
Long-term investments and other assets *(notes 7, 12 and 19)*		**293.8**		283.1
Investments accounted for by the equity method		**2,527.5**		2,392.4
	$	**21,563.3**	$	23,487.7
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**1,133.4**	$	1,488.2
Dividends payable		**22.1**		22.0
Short-term debt		**1,026.8**		1,209.9
Current portion of long-term debt *(notes 9 and 12)*		**947.8**		890.2
Customer deposits		**73.5**		98.0
Regulatory liabilities		**132.6**		114.9
Risk management liabilities *(note 12)*		**49.6**		89.3
Operating lease liabilities *(note 13)*		**19.8**		—
Other current liabilities *(note 12)*		**7.1**		18.1
Liabilities associated with assets held for sale		**—**		171.4
		3,412.7		4,102.0
Long-term debt *(notes 9 and 12)*		**6,492.1**		8,066.9
Asset retirement obligations		**496.2**		500.6
Unamortized investment tax credits		**183.5**		190.1
Deferred income taxes		**1,097.5**		957.9
Regulatory liabilities		**1,357.1**		1,392.8
Risk management liabilities *(note 12)*		**161.5**		213.0
Operating lease liabilities *(note 13)*		**163.5**		—
Other long-term liabilities *(note 12)*		**112.4**		122.0
Future employee obligations		**310.1**		302.2
	$	**13,786.6**	$	15,847.5

As at *($ millions)*		**March 31, 2019**		December 31, 2018
Shareholders' equity				
Common shares, no par values, unlimited shares authorized; 2019 - 275.9 million and 2018 - 275.2 million issued and outstanding *(note 14)*	**$**	**6,663.8**	$	6,653.9
Preferred shares *(note 14)*		**1,318.8**		1,318.8
Contributed surplus		**373.7**		373.2
Accumulated deficit		**(1,163.0)**		(1,905.3)
Accumulated other comprehensive income (AOCI) *(note 10)*		**440.9**		579.0
Total shareholders' equity		**7,634.2**		7,019.6
Non-controlling interests		**142.5**		620.6
Total equity		**7,776.7**		7,640.2
	$	**21,563.3**	$	23,487.7

Variable interest entities (note 8)
Commitments, guarantees and contingencies (note 16)
Seasonality (note 20)
Segmented information (note 21)
Subsequent events (note 22)

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME
(condensed and unaudited)

For the three months ended March 31 ($ millions except per share amounts)		2019		2018
REVENUE *(note 11)*	**$**	**1,898.1**	$	878.4
EXPENSES				
Cost of sales, exclusive of items shown separately		**1,139.6**		538.0
Operating and administrative		**349.6**		140.8
Accretion expenses		**1.6**		2.7
Depreciation and amortization		**118.7**		72.6
		1,609.5		754.1
Income from equity investments		**55.2**		10.1
Other income (loss) *(note 4)*		**697.4**		(5.3)
Foreign exchange gains		**0.4**		—
Interest expense				
Short-term debt		**(17.3)**		(0.8)
Long-term debt		**(75.9)**		(42.3)
Income before income taxes		**948.4**		86.0
Income tax expense *(note 18)*				
Current		**7.0**		12.8
Deferred		**119.8**		5.7
Net income after taxes		**821.6**		67.5
Net income (loss) applicable to non-controlling interests		**(4.1)**		2.3
Net income applicable to controlling interests		**825.7**		65.2
Preferred share dividends		**(17.2)**		(16.4)
Net income applicable to common shares	**$**	**808.5**	$	48.8
Net income per common share *(note 15)*				
Basic	**$**	**2.93**	$	0.28
Diluted	**$**	**2.93**	$	0.28
Weighted average number of common shares outstanding (millions) *(note 15)*				
Basic		**275.5**		176.5
Diluted		**275.7**		176.6

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(condensed and unaudited)

For the three months ended March 31 ($ millions)		2019		2018
Net income after taxes	**$**	**821.6**	$	67.5
Other comprehensive income (loss), net of taxes				
Gain (loss) on foreign currency translation		**(178.9)**		73.2
Unrealized gain on net investment hedge *(note 12)*		**38.7**		—
Reclassification of actuarial gains and prior service costs on defined benefit (DB) and post-retirement benefit plans (PRB) to net income *(note 17)*		**1.5**		0.2
Adoption of ASU 2016-01		**—**		7.1
Other comprehensive income from equity investees		**0.6**		1.3
Total other comprehensive income (loss) (OCI), net of taxes *(note 10)*		**(138.1)**		81.8
Comprehensive income attributable to controlling interests and non-controlling interests, net of taxes	**$**	**683.5**	$	149.3
Comprehensive income (loss) attributable to:				
Non-controlling interests	**$**	**(4.1)**	$	2.3
Controlling interests		**687.6**		147.0
	$	**683.5**	$	149.3

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF EQUITY

(condensed and unaudited)

For the three months ended March 31 ($ millions)		2019		2018
Common shares *(note 14)*				
Balance, beginning of period	**$**	**6,653.9**	$	4,007.9
Shares issued for cash on exercise of options		**—**		0.6
Shares issued under DRIP [(1)]		**9.9**		65.9
Balance, end of period	**$**	**6,663.8**	$	4,074.4
Preferred shares *(note 14)*				
Balance, beginning of period	**$**	**1,318.8**	$	1,277.7
Balance, end of period	**$**	**1,318.8**	$	1,277.7
Contributed surplus				
Balance, beginning of period	**$**	**373.2**	$	22.3
Share options expense		**0.6**		0.2
Forfeiture of share options		**(0.1)**		—
Balance, end of period	**$**	**373.7**	$	22.5
Accumulated deficit				
Balance, beginning of period	**$**	**(1,905.3)**	$	(933.6)
Net income applicable to controlling interests		**825.7**		65.2
Common share dividends		**(66.2)**		(96.8)
Preferred share dividends		**(17.2)**		(16.4)
Adoption of ASU No. 2016-01		**—**		(7.1)
Balance, end of period	**$**	**(1,163.0)**	$	(988.7)
AOCI (*note 10*)				
Balance, beginning of period	**$**	**579.0**	$	199.1
Other comprehensive income (loss)		**(138.1)**		81.8
Balance, end of period	**$**	**440.9**	$	280.9
Total shareholders' equity	**$**	**7,634.2**	$	4,666.8
Non-controlling interests				
Balance, beginning of period	**$**	**620.6**	$	65.8
Net income (loss) applicable to non-controlling interests		**(4.1)**		2.3
Adjustment on disposition of Northwest Hydro facilities		**(490.0)**		—
Contributions from non-controlling interests to subsidiaries		**16.8**		13.0
Distributions by subsidiaries to non-controlling interests		**(0.8)**		—
Balance, end of period		**142.5**		81.1
Total equity	**$**	**7,776.7**	$	4,747.9

(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)

For the three months ended March 31 ($ millions)		2019		2018
Cash from operations				
Net income after taxes	**$**	**821.6**	$	67.5
Items not involving cash:				
Depreciation and amortization		**118.7**		72.6
Accretion expenses		**1.6**		2.7
Share-based compensation *(note 14)*		**0.5**		0.2
Deferred income tax expense *(note 18)*		**119.8**		5.7
Gains on sale of assets *(note 4)*		**(686.4)**		(1.3)
Income from equity investments		**(55.2)**		(10.1)
Unrealized gains on risk management contracts *(note 12)*		**(6.8)**		(0.6)
(Gains) losses on investments		**(1.2)**		9.5
Amortization of deferred financing costs		**3.9**		3.1
Provision for doubtful accounts		**11.9**		—
Net change in pension and other post retirement benefits		**6.1**		—
Other		**1.4**		0.3
Asset retirement obligations settled		**(4.7)**		(0.7)
Distributions from equity investments		**33.3**		6.3
Changes in operating assets and liabilities *(note 19)*		**62.9**		33.8
	$	**427.4**	$	189.0
Investing activities				
Acquisition of property, plant and equipment		**(232.8)**		(82.3)
Acquisition of intangible assets		**(4.6)**		(1.7)
Contributions to equity investments		**(85.4)**		(19.0)
Proceeds from disposition of investments		**—**		5.2
Proceeds from disposition of assets, net of transaction costs *(note 4)*		**1,429.4**		9.1
Proceeds from disposition of financing receivable *(note 4)*		**73.5**		—
	$	**1,180.1**	$	(88.7)
Financing activities				
Net repayment of short-term debt		**(158.4)**		(42.9)
Issuance of long-term debt, net of debt issuance costs		**563.9**		247.8
Repayment of long-term debt		**(1,291.4)**		(205.1)
Net repayment of bankers' acceptances		**(683.4)**		—
Dividends - common shares		**(66.1)**		(96.3)
Dividends - preferred shares		**(17.2)**		(16.4)
Distributions to non-controlling interest		**(0.8)**		—
Contributions from non-controlling interests		**16.8**		13.0
Net proceeds from shares issued on exercise of options		**—**		0.6
Net proceeds from issuance of common shares		**9.9**		65.9
Other		**—**		(0.2)
	$	**(1,626.7)**	$	(33.6)
Change in cash, cash equivalents and restricted cash		**(19.2)**		66.7
Effect of exchange rate changes on cash, cash equivalents and restricted cash		**(3.9)**		0.7
Net change in cash classified within assets held for sale		**4.8**		—
Cash, cash equivalents, and restricted cash beginning of period		**201.1**		43.7
Cash, cash equivalents, and restricted cash end of period *(note 19)*	**$**	**182.8**	$	111.1

See accompanying notes to the Consolidated Financial Statements.

(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 are operated by AltaGas and a number of its subsidiaries including, without limitation, AltaGas Services (U.S.) Inc., AltaGas Utility Holdings (U.S.) Inc., WGL Holdings Inc. (WGL), Wrangler 1 LLC, Wrangler SPE LLC, Washington Gas Resources Corporation, WGL Energy Services, Inc. (WGL Energy Services), and SEMCO Holding Corporation; in regards to the Midstream business, AltaGas Extraction and Transmission Limited Partnership, AltaGas Pipeline Partnership, AltaGas Processing Partnership, AltaGas Northwest Processing Limited Partnership, Harmattan Gas Processing Limited Partnership, and WGL Midstream Inc.; in regards to the Power business, AltaGas Power Holdings (U.S.) Inc., WGSW, Inc., WGL Energy Systems, Inc. (WGL Energy Systems), and Blythe Energy Inc. (Blythe); and, in regards to the Utility business, Washington Gas Light Company (Washington Gas), Hampshire Gas Company, and SEMCO Energy, Inc. (SEMCO). SEMCO conducts its Michigan natural gas distribution business under the name SEMCO Energy Gas Company (SEMCO Gas), its Alaska natural gas distribution business under the name ENSTAR Natural Gas Company (ENSTAR) and its 65 percent interest in an Alaska regulated gas storage utility under the name Cook Inlet Natural Gas Storage Alaska LLC (CINGSA).

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 Utility, Midstream, and Power business segments seeking optimal capital deployment. In the Midstream 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 invest in U.S utilities located in strong growth markets with increasing capital deployment 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:

- Utilities, which serves approximately 1.6 million customers with a rate base of approximately US$3.7 billion through ownership of regulated natural gas distribution utilities across five jurisdictions in the United States, and two regulated natural gas storage utilities 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;
- Midstream, which 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; and
- Power, which includes 1,102 MW of gross capacity from natural gas-fired, biomass, solar, other distributed generation and energy storage assets located in Alberta, 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.

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 2018 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.

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; determination as to whether a contract is or contains a lease; determination of the classification, term, and discount rate for leases; 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, 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 2018 annual audited Consolidated Financial Statements.

The following are the Corporation's significant accounting policies upon the adoption of ASC 842:

Leases – Lessee

AltaGas determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets, current operating lease liabilities, and long term operating lease liabilities in the consolidated balance sheets. Finance leases are included in property, plant and equipment and current and long-term debt in the consolidated balance sheets.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. AltaGas uses the rate implicit in the lease when readily determinable. When the implicit lease rate is not readily determinable, AltaGas uses its incremental borrowing rate to determine the present value of lease payments. AltaGas includes lessee options to renew or terminate the lease term in the determination of the ROU asset and lease liability when exercise is reasonably certain. The operating lease ROU asset is adjusted for lease payments made in advance of the commencement date, initial direct costs and any lease incentives.

Operating lease expense is recognized on a straight-line basis over the lease term in operating and administrative expense. Depreciation and interest expense are recorded on finance leases.

Leases – Lessor

AltaGas determines if an arrangement is a lease at inception. Lease payments under an operating lease are recognized on a straight-line basis over the term of the lease. Variable lease payments are recognized as revenue as the facts and circumstances on which the variable lease payment is based occur.

AltaGas does not include taxes assessed by governmental authorities, such as sales and related taxes, in the lease payments or variable lease payments.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2019, AltaGas adopted the following Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU):

- ASU No. 2016-02 "Leases" and all related amendments (collectively "ASC 842"). AltaGas has applied ASC 842 using the modified retrospective approach as of the effective date of the new standard. Comparative information has not been restated and continues to be reported under the previous lease guidance ASC 840. AltaGas has applied the package of transition practical expedients which permitted the Corporation to not reassess (a) whether any expired or existing contracts contain leases, (b) lease classifications for any expired or existing leases, and (c) initial direct costs for any existing leases. In addition, AltaGas applied the transition practical expedient that permitted the Corporation to grandfather its accounting policy for land easements that existed as of, or expired, before January 1, 2019. The transition practical expedient to not separate lease and non-lease components for its building, office equipment, transportation equipment and vehicle leases has been elected for lessee arrangements. The transition practical expedient to not separate lease and non-lease components for its lessor arrangements related to Power assets and Midstream processing facilities has also been elected. AltaGas has applied the short term lease recognition exemption under which lease arrangements with a term of twelve months or less, including extension options that are reasonably certain of being exercised, are exempt from the recognition of a right of use asset and lease liability and recorded as an expense over the term of the lease. This exemption applies to all classes of assets.

On adoption of ASC 842, all operating leases were recognized on the balance sheet. The adoption resulted in an increase to long-term assets of approximately $181.0 million and an increase to long-term liabilities of approximately $170.5 million (net of the current portion that is recorded in current liabilities of approximately $23.3 million). The lease related liabilities were measured using the present value of the remaining minimum lease payments for existing leases discounted using the Corporation's incremental borrowing rate as of January 1, 2019. For operating leases, the associated right-of-use assets were measured at the amount equal to the lease liabilities on January 1, 2019, adjusted for any prepaid or accrued lease payments and the remaining balance of any lease incentives received. The adoption of ASC 842 did not impact lessor accounting, the consolidated statement of income, or the consolidated statement of cash flow.

Please also refer to Note 13 of the unaudited condensed interim Consolidated Financial Statements as at and for the three months ended March 31, 2019 for further details;

- ASU No. 2017-08 "Receivables – Nonrefundable Fees and Other Costs: Premium Amortization on Purchased Callable Debt Securities. The amendments in this ASU shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements;

- ASU No. 2017-11 "Earnings per Share and Derivatives and Hedging – Distinguishing Liabilities from Equity: Accounting for Certain Financial Instruments with Down Round Features, Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Non-controlling Interests with a Scope Exception". The amendments in this ASU simplify the accounting for certain equity-linked financial instruments and embedded features with down round features that reduce the exercise price when pricing of a future round of financing is lower. The amendments in this ASU also require entities that present EPS under ASC 260 to recognize the effect of a down round feature in a freestanding equity-classified financial instrument only when it is triggered. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements;

- 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 adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements;

- ASU No. 2018-08 "Not-for-Profit-Entities – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". The amendments in this ASU clarify whether a transfer of assets is a contribution or an exchange transaction. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements;

- 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 adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements; and

- ASU No. 2018-16 "Derivatives and Hedging: Inclusion of the Second Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes". The amendments in this ASU permit the use of Overhead Index Swap (OIS) rate based on SOFR as a U.S. benchmark interest rate for hedge accounting purposes. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements.

FUTURE CHANGES IN ACCOUNTING PRINCIPLES

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 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 October 2018, FASB issued ASU No. 2018-17 "Consolidation: Targeted Improvements to Related Party Guidance for Variable Interest Entities". The amendments in this Update provide a private-company scope exception to the VIE guidance for certain entities and clarify that indirect interest held through related parties under common control will be considered on a proportional basis when determining whether fees paid to decision makers and service providers are variable interests. The amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. An entity should apply the amendments retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

In March 2019, FASB issued ASU No. 2019-01 "Leases: Codification Improvements". The amendments in this ASU provide a fair value exception for lessors that are not manufacturers or dealers, clarify the presentation of principal payments received under sales-type and direct finance leases on the statements of cash flows, and clarify transition disclosure requirements for the adoption of ASC 842. The amendments on the fair value exception and on the presentation on the statement of cash flows are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The amendment on the transition disclosure requirement is effective upon adoption of ASC 842. 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 (the WGL Acquisition). The WGL Acquisition was 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 was recognized as goodwill at the acquisition date.

The following table summarizes the 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 purchase price allocation is preliminary and 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. Management is continuing to obtain specific information to support the valuation of fixed assets, valuation of equity investments in Midstream pipelines, goodwill and deferred income taxes for certain elements of the acquired business. As the additional information becomes available, the purchase price allocation may differ 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. In the first quarter of 2019, adjustments to the purchase price allocation included amounts relating to deferred income taxes, pension liabilities, valuation of equity investments in Midstream pipelines, and deferred rent, resulting in a net increase to goodwill of approximately $10.8 million (note 6).

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	$	1,187
Property, plant and equipment		5,943
Intangible assets		637
Regulatory assets		402
Long-term investments		1,419
Other long-term assets		462
Current liabilities		(1,798)
Long-term debt		(2,548)
Preferred shares		(41)
Regulatory liabilities		(1,125)
Deferred income taxes		(798)
Other long-term liabilities		(965)
Non-controlling interest		(9)
Fair value of net assets acquired	**$**	**2,766**
Goodwill	**$**	**3,207**

4. Dispositions

Northwest Hydro Electric Facilities

On January 31, 2019, AltaGas completed the disposition of its remaining 55 percent indirect interest in the Northwest Hydro Electric facilities in British Columbia (Northwest Hydro) for net cash proceeds of approximately $1.3 billion. The disposition was completed through the sale of 55 percent of Northwest Hydro Limited Partnership, a subsidiary of AltaGas which indirectly held the Northwest Hydro facilities. As a result, AltaGas recognized a pre-tax gain on disposition of approximately $688.1 million in the Consolidated Statements of Income under the line item “other income (loss)” for the three months ended March 31, 2019.

Non-Core Midstream and Power Assets in Canada

On February 1, 2019, AltaGas completed the disposition of certain non-core Midstream and Power assets for cash proceeds of approximately $87.8 million. As a result, AltaGas recognized a pre-tax loss on disposition of approximately $1.2 million in the Consolidated Statements of Income under the line item “other income (loss)” for the three months ended March 31, 2019.

Architect of the Capitol (AOC) Project

In February 2019, AltaGas completed the disposition of a financing receivable related to the construction of an energy management services project for cash proceeds of approximately $73.5 million. As a result, AltaGas recognized a pre-tax loss on disposition of approximately $1.5 million in the Consolidated Statement of Income under the line item “other income (loss)” for the three months ended March 31, 2019.

5. Inventory

As at		March 31, 2019		December 31, 2018
Natural gas held in storage	**$**	**167.7**	$	418.0
Materials and supplies		**51.7**		53.3
Renewable energy credits and emission compliance instruments		**28.9**		38.2
Other inventory		**12.6**		6.4
	$	**260.9**	$	515.9

6. Goodwill

As at		March 31, 2019		December 31, 2018
Balance, beginning of period	**$**	**4,068.2**	$	817.3
Provisions on assets		**—**		(124.2)
Business acquisition *(note 3)*		**—**		3,196.4
Adjustment to goodwill on business acquisition *(note 3)*		**10.8**		—
Foreign exchange translation		**(80.0)**		178.7
Balance, end of period	**$**	**3,999.0**	$	4,068.2

7. Long-Term Investments and Other Assets

As at		March 31, 2019		December 31, 2018
Investments in publicly-traded entities	**$**	**9.7**	$	8.4
Loan to affiliate		**45.0**		45.0
Deferred lease receivable		**30.8**		24.4
Debt issuance costs associated with credit facilities		**7.8**		7.9
Refundable deposits		**15.8**		16.2
Prepayment on long-term service agreements		**87.0**		82.5
Contract asset *(note 11)*		**16.0**		11.5
Rabbi trust *(notes 17 and 19)*		**60.7**		61.7
Other		**21.0**		25.5
	$	**293.8**	$	283.1

8. 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:

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 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.

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.

Consolidated VIE Investments

At March 31, 2019, 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 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 Consolidated Statements of Income and is recorded to non-controlling interest on the accompanying Consolidated Balance Sheets. At March 31, 2019, WGSW was the primary beneficiary of SFGF, SFRC, and SFGF II, 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.

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. At March 31, 2019, WGSW was the primary beneficiary of SFEE because of its ability to direct the activities most significant to the economic performance of this entity plus the right to receive potentially significant benefits or the obligation to absorb potentially significant losses. Accordingly, SFEE has been consolidated.

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 LLC, a wholly-owned subsidiary of WGL Energy Systems, has management rights and control of ASD. At March 31, 2019, WGSW was the primary beneficiary of ASD because of its ability to direct the activities most significant to the economic performance of this entity plus the right to receive potentially significant benefits or the obligation to absorb potentially significant losses. Accordingly, ASD has been consolidated.

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

As at		**March 31, 2019**		December 31, 2018
Current assets	**$**	**33.2**	$	1,383.5
Property, plant and equipment		**686.4**		619.2
Operating right of use assets		**13.8**		—
Long-term investments and other assets		**48.0**		48.0
Current liabilities		**(1.8)**		(161.8)
Asset retirement obligations		**(2.9)**		(0.9)
Other long-term liabilities		**(23.3)**		(3.0)
Net assets	**$**	**753.4**	$	1,885.0

The decrease in current assets and current liabilities associated with AltaGas' consolidated VIEs at March 31, 2019 compared to December 31, 2018 is primarily due to the sale of Northwest Hydro Limited Partnership in January 2019 (Note 4).

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), which is 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 March 31, 2019, AltaGas held an equity investment in Meade with a carrying value of $752.8 million, inclusive of fair value adjustments on acquisition date (Note 3). WGL Midstream owns a 55 percent interest in Meade (21 percent indirect interest in Central Penn). 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.

9. Long-Term Debt

As at	Maturity date	March 31, 2019	December 31, 2018
Credit facilities			
$1,400 million unsecured extendible revolving facility[(a)]	15-May-2023	**$ 63.1**	$ 964.7
US$300 million unsecured extendible revolving facility[(b)]	15-May-2022	**100.3**	287.8
Acquisition credit facility[(c)]	6-Jan-2020	**—**	113.2
US$1,200 million revolving credit facility[(d)]	28-Dec-2021	**1,248.8**	1,637.0
US$300 million unsecured term facility[(e)]	27-Feb-2021	**400.9**	—
Medium-term notes (MTNs)			
$200 million Senior unsecured - 4.55 percent	17-Jan-2019	**—**	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$450 million Senior unsecured - 2.25 to 4.76 percent	Nov 2019	**601.3**	682.1
US$250 million Senior unsecured - 3.15 percent	12-Mar-2020	**334.1**	341.1
US$20 million Senior unsecured - 6.65 percent	20-Mar-2023	**26.7**	27.3
US$40.5 million Senior unsecured - 5.44 percent	11-Aug-2025	**54.1**	55.3
US$53 million Senior unsecured - 6.62 to 6.82 percent	Oct - 2026	**70.8**	72.3
US$72 million Senior unsecured - 6.40 to 6.57 percent	Feb - Sep 2027	**96.2**	98.2
US$52 million Senior unsecured - 6.57 to 6.85 percent	Jan - Mar 2028	**69.5**	70.9
US$8.5 million Senior unsecured - 7.50 percent	1-Apr-2030	**11.4**	11.6
US$50 million Senior unsecured - 5.70 to 5.78 percent	Jan - Mar 2036	**66.8**	68.2
US$75 million Senior unsecured - 5.21 percent	3-Dec-2040	**100.2**	102.3
US$75 million Senior unsecured - 5.00 percent	15-Dec-2043	**100.2**	102.3
US$300 million Senior unsecured - 4.22 to 4.60 percent	Sep - Dec 2044	**400.9**	409.3
US$450 million Senior unsecured - 3.80 percent	15-Sep-2046	**601.3**	613.9
SEMCO long-term debt			
US$300 million SEMCO Senior secured - 5.15 percent[(f)]	21-Apr-2020	**400.9**	409.3
US$82 million CINGSA Senior secured - 4.48 percent[(g)]	2-Mar-2032	**81.4**	86.3
Fair value adjustment on WGL Acquisition *(note 3)*		**87.6**	89.0
Finance lease liabilities *(note 13)*		**7.5**	0.8
		$ 7,473.4	$ 8,992.3
Less debt issuance costs		**(33.5)**	(35.2)
		7,439.9	8,957.1
Less current portion		**(947.8)**	(890.2)
		$ 6,492.1	$ 8,066.9

(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) The acquisition facility was repaid in full and cancelled on February 1, 2019.

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

(e) Borrowings on the facility can be by way of prime loans, U.S. base-rate loans, LIBOR loans, or bankers' acceptances.

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

(g) 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.

10. 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, 2019	**$ —**	**$ (19.0)**	**$ (209.2)**	**$ 801.4**	**$ 5.8**	**$ 579.0**
OCI before reclassification	**—**	**—**	**44.7**	**(178.9)**	**0.6**	**(133.6)**
Amounts reclassified from OCI	**—**	**2.2**	**—**	**—**	**—**	**2.2**
Current period OCI (pre-tax)	**—**	**2.2**	**44.7**	**(178.9)**	**0.6**	**(131.4)**
Income tax on amounts retained in AOCI	**—**	**—**	**(6.0)**	**—**	**—**	**(6.0)**
Income tax on amounts reclassified to earnings	**—**	**(0.7)**	**—**	**—**	**—**	**(0.7)**
Net current period OCI	**—**	**1.5**	**38.7**	**(178.9)**	**0.6**	**(138.1)**
Ending balance, March 31, 2019	**$ —**	**$ (17.5)**	**$ (170.5)**	**$ 622.5**	**$ 6.4**	**$ 440.9**
Opening balance, January 1, 2018	$ (7.1)	$ (11.4)	$ (129.0)	$ 342.9	$ 3.7	$ 199.1
OCI before reclassification	—	—	—	73.2	1.3	74.5
Amounts reclassified from AOCI	—	0.3	—	—	—	0.3
Adoption of ASU No. 2016-01	7.1	—	—	—	—	7.1
Current period OCI (pre-tax)	7.1	0.3	—	73.2	1.3	81.9
Income tax on amounts reclassified to earnings	—	(0.1)	—	—	—	(0.1)
Net current period OCI	7.1	0.2	—	73.2	1.3	81.8
Ending balance, March 31, 2018	$ —	$ (11.2)	$ (129.0)	$ 416.1	$ 5.0	$ 280.9

Reclassification From Accumulated Other Comprehensive Income

AOCI components reclassified	Income statement line item	**Three months ended March 31, 2019**	Three months ended March 31, 2018
Defined benefit pension and PRB	Operating and administrative	**$ 2.2**	$ 0.3
Deferred income taxes	Income tax expenses – deferred	**(0.7)**	(0.1)
		$ 1.5	$ 0.2

11. Revenue

The following tables disaggregate revenue by major sources for the period:

	Three months ended March 31, 2019				
	Utilities	**Midstream**	**Power**	**Corporate**	**Total**
Revenue from contracts with customers					
Commodity sales contracts	$ —	$ 248.3	$ 280.2	$ —	$ 528.5
Midstream service contracts	—	37.2	—	—	37.2
Gas sales and transportation services	1,083.4	—	—	—	1,083.4
Storage services	8.4	—	—	—	8.4
Other	2.1	—	10.3	—	12.4
Total revenue from contracts with customers	$ 1,093.9	$ 285.5	$ 290.5	$ —	$ 1,669.9
Other sources of revenue					
Revenue from alternative revenue programs (a)	$ 5.5	$ —	$ —	$ —	$ 5.5
Leasing revenue (b)	0.3	33.1	22.7	—	56.1
Risk management and trading activities (c)(d)	—	128.1	37.8	0.3	166.2
Other	(4.8)	(0.3)	5.5	—	0.4
Total revenue from other sources	$ 1.0	$ 160.9	$ 66.0	$ 0.3	$ 228.2
Total revenue	$ 1,094.9	$ 446.4	$ 356.5	$ 0.3	$ 1,898.1

(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 Midstream 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 Midstream 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 for the three months ended March 31, 2019 of $160.6 million associated with the GAIL Global (USA) LNG LLC (GAIL) contract, which are in scope of ASC 606, are reported within 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 GAIL contract has a term of 20 years and began on March 31, 2018.

	Three months ended March 31, 2018				
	Utilities	Midstream	Power	Corporate	Total
Revenue from contracts with customers					
Commodity sales contracts	$ —	$ 107.3	$ —	$ —	$ 107.3
Midstream service contracts	—	49.5	—	—	49.5
Gas sales and transportation services	410.3	—	—	—	410.3
Storage services	9.1	—	—	—	9.1
Other	2.9	0.6	—	—	3.5
Total revenue from contracts with customers	$ 422.3	$ 157.4	$ —	$ —	$ 579.7
Other sources of revenue					
Revenue from alternative revenue programs [(a)]	$ (5.1)	$ —	$ —	$ —	$ (5.1)
Leasing revenue [(b)]	—	24.0	67.2	—	91.2
Risk management and trading activities [(c)]	1.2	130.5	75.8	(0.6)	206.9
Other	3.0	(0.1)	2.8	—	5.7
Total revenue from other sources	$ (0.9)	$ 154.4	$ 145.8	$ (0.6)	$ 298.7
Total revenue	$ 421.4	$ 311.8	$ 145.8	$ (0.6)	$ 878.4

(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. Revenue generated by the Midstream and Power segments is from the physical sale and delivery of natural gas and power to end users.

Revenue Recognition

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

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.

Midstream 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 Services 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 Corporation 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 approximately 20 years. These long term purchase agreements provide stable cash flow by way of contracted prices for the underlying commodities. Commodity sales also include electricity sales to residential, commercial and industrial customers in certain states where WGL Energy Services 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 Corporation is entitled to invoice the customer.

Contract Balances

As at March 31, 2019, a contract asset of $16.0 million has been recorded within long-term investments and other assets on the Consolidated Balance Sheets (December 31, 2018 – $11.5 million). 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 March 31, 2019 there is a contract asset of $50.1 million (December 31, 2018 - $47.3 million) recorded within prepaid expenses and other current assets 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 achieved when the projects are formally "accepted" by the federal government. Contract liabilities of $0.6 million (December 31, 2018 - $2.2 million) 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.

Contract Assets

As at	March 31, 2019	December 31, 2018
Balance, beginning of period	**$ 58.8**	$ —
Additions	**7.3**	134.7
Transfers to held for sale [(a)]	**—**	(72.2)
Transfers to accounts receivable [(b)]	**—**	(3.7)
Balance, end of period	**$ 66.1**	$ 58.8

(a) In the fourth quarter of 2018, WGL Energy Systems reached an agreement for the sale of a financing receivable included in the contract asset balance. Accordingly, the receivable was classified as held for sale at December 31, 2018. In February 2019, WGL Energy Systems completed the sale of the financing receivable (note 4).

(b) Amounts included in contract assets are transferred to accounts receivable when AltaGas' right to consideration becomes unconditional.

Contract Liabilities

As at	March 31, 2019	December 31, 2018
Balance, beginning of period	**$ 2.2**	$ —
Additions	**—**	2.7
Revenue recognized from contract liabilities [(a)]	**(1.6)**	(0.5)
Balance, end of period	**$ 0.6**	$ 2.2

(a) Recognition of revenue related to performance obligations satisfied in the current period for amounts that were previously included in contract liabilities.

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 March 31, 2019:

	Remainder of 2019	2020	2021	2022	2023	> 2023	Total
Midstream service contracts	$ 38.0	$ 52.9	$ 29.9	$ 29.5	$ 26.6	$ 219.5	**$ 396.4**
Gas sales and transportation services	0.2	0.2	0.2	0.2	0.2	1.1	**2.1**
Storage services	23.6	31.5	31.5	30.6	30.2	249.5	**396.9**
Other	30.6	11.6	2.9	2.1	2.1	8.4	**57.7**
Subtotals	$ 92.4	$ 96.2	$ 64.5	$ 62.4	$ 59.1	$ 478.5	**$ 853.1**

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.

12. 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.

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

Other current liabilities - the carrying amounts approximate fair value because of the short maturity of these instruments.

Current portion of long-term debt, Long-term debt and Other long-term liabilities - the fair value of these liabilities was estimated based on discounted future interest and principal payments using the current market interest rates of instruments with similar terms. The fair value of level 3 long term debt was determined by taking the present value of the debt securities' future cash flows discounted at interest rates that reflect market conditions as of the measurement date. The discount rate is 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.

Risk management assets and liabilities - the fair values of power, natural gas and NGL derivative contracts were calculated using forward prices from published sources for the relevant period. The fair value of foreign exchange derivative contracts was calculated using quoted market rates. The fair value of level 3 derivative contracts was calculated using internally developed valuation inputs and pricing models.

Equity securities – the fair value of equity securities was calculated using quoted market prices.

Loans and receivables – the fair value of these assets was estimated based on discounted future interest and principal payments using the current market interest rates of instruments with similar terms.

As at	March 31, 2019				
	Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Financial assets					
Fair value through net income[(a)]					
Risk management assets - current	$ 52.8	$ —	$ 27.4	$ 25.4	$ 52.8
Risk management assets - non-current	40.1	—	5.2	34.9	40.1
Equity securities[(b)]	9.7	9.7	—	—	9.7
Fair value through regulatory assets/liabilities [(a)]					
Risk management assets - current	10.4	—	—	10.4	10.4
Risk management assets - non-current	14.9	—	0.1	14.8	14.9
Amortized cost					
Loans and receivables [(b)]	45.0	—	45.5	—	45.5
	$ 172.9	$ 9.7	$ 78.2	$ 85.5	$ 173.4
Financial liabilities					
Fair value through net income[(a)]					
Risk management liabilities - current	$ 42.9	$ —	$ 22.2	$ 20.7	$ 42.9
Risk management liabilities - non-current	58.7	—	7.1	51.6	58.7
Fair value through regulatory assets/liabilities [(a)]					
Risk management liabilities - current	6.7	—	0.3	6.4	6.7
Risk management liabilities - non-current	102.8	—	0.1	102.7	102.8
Amortized cost					
Current portion of long-term debt	947.8	—	947.8	—	947.8
Long-term debt [(d)]	6,492.1	—	4,865.3	1,679.2	6,544.5
Other current liabilities [(c)]	2.7	—	2.7	—	2.7
Other long-term liabilities [(c)]	2.0	—	2.0	—	2.0
	$ 7,655.7	$ —	$ 5,847.5	$ 1,860.6	$ 7,708.1

(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.

(d) Long term debt classified as level 3 is comprised of the long term portion of WGL and Washington Gas medium term notes (MTN). These MTNs are classified as level 3 as they are not traded frequently or publicly traded at all, which makes observable market prices non-existent or stale.

As at	December 31, 2018				
	Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Financial assets					
Fair value through net income[a]					
Risk management assets - current	$ 99.0	$ —	$ 68.3	$ 30.7	$ 99.0
Risk management assets - non-current	49.0	—	18.0	31.0	49.0
Equity securities[b]	8.4	8.4	—	—	8.4
Fair value through regulatory assets/liabilities [a]					
Risk management assets - current	15.1	—	2.7	12.4	15.1
Risk management assets - non-current	8.7	—	—	8.7	8.7
Amortized cost					
Loans and receivables [b]	45.0	—	45.2	—	45.2
	$ 225.2	$ 8.4	$ 134.2	$ 82.8	$ 225.4
Financial liabilities					
Fair value through net income[a]					
Risk management liabilities - current	$ 72.0	$ —	$ 41.3	$ 30.7	$ 72.0
Risk management liabilities - non-current	103.4	—	15.3	88.1	103.4
Fair value through regulatory assets/liabilities [a]					
Risk management liabilities - current	17.3	—	2.9	14.4	17.3
Risk management liabilities - non-current	109.6	—	0.1	109.5	109.6
Amortized cost					
Current portion of long-term debt	890.2	—	884.4	—	884.4
Long-term debt [d]	8,066.9	—	6,027.6	2,012.7	8,040.3
Other current liabilities [c]	11.2	—	11.2	—	11.2
Other long-term liabilities [c]	2.0	—	2.0	—	2.0
	$ 9,272.6	$ —	$ 6,984.8	$ 2,255.4	$ 9,240.2

(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.

(d) Long term debt classified as level 3 is comprised of the long term portion of WGL and Washington Gas medium term notes (MTN). These MTNs are classified as level 3 as they are not traded frequently or publicly traded at all, which makes observable market prices non-existent or stale.

The following table includes quantitative information about the significant unobservable inputs used in the fair value measurement of Level 3 financial instruments at March 31, 2019:

	Net Fair Value	Valuation Technique	Unobservable Inputs	Range
Natural gas	$ (91.2)	Discounted Cash Flow	Natural Gas Basis Price (per dekatherm)	($1.18) - $4.20
Natural gas	$ (3.0)	Option Model	Natural Gas Basis Price (per dekatherm)	($1.15) - $4.20
			Annualized Volatility of Spot Market Natural Gas	50.05% - 1,211.30%
Electricity	$ (7.4)	Discounted Cash Flow	Electricity Congestion Price (per megawatt hour)	($8.12) - $78.70

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:

For the three months ended	March 31, 2019			March 31, 2018		
	Natural Gas	**Electricity**	**Total**	Natural Gas	Electricity	Total
Balance, beginning of period	**$ (148.5)**	**$ (14.7)**	**$ (163.2)**	$ —	$ —	$ —
Realized and unrealized gains:				—	—	—
Recorded in income	**33.1**	**7.0**	**40.1**			
Recorded in regulatory assets	**16.7**	**—**	**16.7**	—	—	—
Transfers into Level 3	**(5.3)**	**—**	**(5.3)**	—	—	—
Transfers out of Level 3	**7.2**	**—**	**7.2**	—	—	—
Settlements	**(0.5)**	**(0.1)**	**(0.6)**	—	—	—
Foreign exchange translation	**3.2**	**0.3**	**3.5**			
Balance, end of period	**$ (94.1)**	**$ (7.5)**	**$ (101.6)**	$ —	$ —	$ —

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 March 31, 2019 were due to an increase in valuations using observable market inputs. Transfers into Level 3 during the period ended March 31, 2019 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

For the three months ended March 31	**2019**	2018
Natural gas	**$ 11.6**	$ (5.8)
NGL frac spread	**(10.5)**	11.0
Power	**4.6**	(3.4)
Foreign exchange	**1.1**	(1.2)
	$ 6.8	$ 0.6

Offsetting of Derivative Assets and Derivative Liabilities

Certain of 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 derivative 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.

As at	March 31, 2019			
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	**$ 141.1**	**$ (54.1)**	**$ —**	**$ 87.0**
NGL frac spread	**9.7**	**(1.1)**	**—**	**8.6**
Power	**34.0**	**(11.4)**	**—**	**22.6**
	$ 184.8	**$ (66.6)**	**$ —**	**$ 118.2**
Risk management liabilities [(b)]				
Natural gas	**$ 241.2**	**$ (54.1)**	**$ (5.9)**	**$ 181.2**
NGL frac spread	**2.8**	**(1.1)**	**—**	**1.7**
Power	**36.7**	**(11.4)**	**2.8**	**28.1**
Foreign exchange	**0.1**	**—**	**—**	**0.1**
	$ 280.8	**$ (66.6)**	**$ (3.1)**	**$ 211.1**

(a) Net amount of risk management assets on the Balance Sheet is comprised of risk management assets (current) balance of $63.2 million and risk management assets (non-current) balance of $55.0 million.

(b) Net amount of risk management liabilities on the Balance Sheet is comprised of risk management liabilities (current) balance of $49.6 million and risk management liabilities (non-current) balance of $161.5 million.

As at	December 31, 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	$ 200.8	$ (82.0)	$ —	$ 118.8
NGL frac spread	18.7	(0.7)	—	18.0
Power	42.8	(7.8)	—	35.0
	$ 262.3	$ (90.5)	$ —	$ 171.8
Risk management liabilities [(b)]				
Natural gas	$ 340.4	$ (82.0)	$ (3.3)	$ 255.1
NGL frac spread	2.7	(0.7)	—	2.0
Power	50.6	(7.8)	1.2	44.0
Foreign exchange	1.2	—	—	1.2
	$ 394.9	$ (90.5)	$ (2.1)	$ 302.3

(a) Net amount of risk management assets on the Balance Sheet is comprised of risk management assets (current) balance of $114.1 million and risk management assets (non-current) balance of $57.7 million.

(b) Net amount of risk management liabilities on the Balance Sheet is comprised of risk management liabilities (current) balance of $89.3 million and risk management liabilities (non-current) balance of $213.0 million.

Cash Collateral

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

As at	**March 31, 2019**	December 31, 2018
Collateral posted with counterparties	**$ 32.7**	$ 27.6
Cash collateral held representing an obligation	**$ 3.2**	$ 0.8

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. At March 31, 2019 and December 31, 2018, AltaGas had not posted any collateral related to its derivative liabilities that contained credit-related contingent features. 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 specific credit-risk-related contingent features underlying these agreements were triggered:

As at		March 31, 2019		December 31, 2018
Risk management liabilities with credit-risk-contingent features	**$**	**11.5**	$	14.7
Maximum potential collateral requirements	**$**	**2.4**	$	7.5

Notional Summary

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

As at	March 31, 2019	December 31, 2018
Natural Gas		
Sales	**839,545,295 GJ**	858,640,810 GJ
Purchases	**1,590,905,677 GJ**	1,638,207,391 GJ
Swaps	**624,263,697 GJ**	621,578,572 GJ
NGL Frac Spread		
Propane swaps	**1,299,743 Bbl**	1,725,114 Bbl
Butane swaps	**77,227 Bbl**	74,371 Bbl
Crude oil swaps	**251,023 Bbl**	329,230 Bbl
Natural gas swaps	**7,150,275 GJ**	9,490,365 GJ
Power		
Sales	**8,750,117 MWh**	11,881,575 MWh
Purchases	**8,943,733 MWh**	8,507,874 MWh
Swaps	**16,705,469 MWh**	20,957,180 MWh

Foreign Exchange Risk

AltaGas is exposed to foreign exchange risk as changes in foreign exchange rates may affect the fair value or future cash flows of the Corporation's financial instruments. AltaGas has foreign operations whereby the functional currency is the U.S. dollar. As a result, the Corporation's earnings, cash flows, and OCI 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/or 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 March 31, 2019 and December 31, 2018, AltaGas did not have any outstanding foreign exchange forward contracts.

AltaGas may designate its U.S. dollar-denominated debt as a net investment hedge of its U.S. subsidiaries. As at March 31, 2019, AltaGas has designated US$1,234.5 million of outstanding debt as a net investment hedge (December 31, 2018 - US$1,494.0 million). For the three months ended March 31, 2019, AltaGas incurred an after-tax unrealized gain of $38.7 million arising from the translation of debt in OCI (three months ended March 31, 2018 - $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 three months ended March 31, 2019, pre-tax gains of $0.4 million were recorded related to these instruments (three months ended March 31, 2018 - $nil).

13. Leases

Lessee

AltaGas has operating and finance leases for office space, office equipment, field equipment, rail cars, vehicles, power and gas facilities, transmission and distribution assets and land.

The components of lease expense were as follows:

For the three months ended		March 31, 2019
Operating lease cost (includes variable lease payments)	$	7.0
Finance lease cost		
Amortization of right-of-use assets	$	0.8
Interest on lease liabilities		0.1
Total finance lease cost	$	0.9
Total lease cost	$	7.9

Supplemental cash flow information related to leases was as follows:

For the three months ended		March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$	(0.1)
Operating cash flows from operating leases	$	(4.0)
Financing cash flows from finance leases [(a)]	$	(0.8)
Right-of-use assets obtained in exchange for new lease liabilities		
Operating leases	$	7.0
Finance leases	$	0.3

(a) Included within repayment of long-term debt on the Consolidated Statements of Cash Flows.

Supplemental balance sheet information related to leases was as follows:

As at		March 31, 2019
Operating Leases		
Operating lease right-of-use assets	$	170.3
Operating lease liabilities		
Current	$	(19.8)
Long-term		(163.5)
Total operating lease liabilities	$	(183.3)
Finance Leases		
Property and equipment, gross	$	8.3
Accumulated depreciation		(0.8)
Property and equipment, net	$	7.5
Current portion of long-term debt	$	(2.8)
Long-term debt		(4.7)
Total finance lease liabilities	$	(7.5)

As at	March 31, 2019
Weighted average remaining lease term (years)	
Operating leases	**13.6**
Finance leases	**5.8**
Weighted average discount rate (%)	
Operating leases	**3.94%**
Finance leases	**4.19%**

Maturity analysis of lease liabilities was as follows:

	Operating Leases	Finance Leases
Remainder of 2019	$ 20.2	$ 2.9
2020	22.5	2.1
2021	21.6	1.6
2022	21.0	0.8
2023	18.6	0.2
Thereafter	141.0	1.9
Total lease payments	244.9	9.5
Less: imputed interest	(61.6)	(2.0)
Total	$ 183.3	$ 7.5

As of March 31, 2019, AltaGas has additional operating leases, primarily for rail cars, that have not yet commenced of $42.1 million. These operating leases will commence later in 2019 with lease terms of up to 5 years.

Lessor

Certain of AltaGas' revenues are obtained through power purchase agreements or take-or-pay contracts whereby AltaGas is the lessor in these operating lease arrangements. Minimum lease payments received are amortized over the term of the lease. Contingent rentals are recorded when the condition that created the present obligation to make such payments occurs such as when actual electricity is generated and delivered.

Maturity analysis of lease receivables was as follows:

	Operating Leases
Remainder of 2019	$ 150.3
2020	161.9
2021	119.0
2022	120.2
2023	121.4
Thereafter	1,282.8
Total	$ 1,955.6

The carrying value of property, plant, and equipment associated with these leases was approximately $1.4 billion as at March 31, 2019.

AltaGas manages its risk associated with the residual value of its leased assets through strategically constructing leased facilities in key commercial regions, and retaining the ability to sell commodities and ancillary services via the merchant market or through commodity sales agreements.

14. Shareholders' Equity

Authorization

AltaGas is authorized to issue an unlimited number of voting common shares. AltaGas is also authorized to issue such number of Preferred Shares in series at any time as have aggregate voting rights either directly or on conversion or exchange that in the aggregate represent less than 50 percent of the voting rights attaching to the then issued and outstanding Common Shares.

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

The Plan consists of two components: a Dividend Reinvestment component and an Optional Cash Purchase component. The Premium Dividend™ component of the plan was suspended effective December 18, 2018.

The Plan provides eligible holders of common shares with the opportunity to, at their election, 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).

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 (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.

Common Shares Issued and Outstanding	Number of shares		Amount
January 1, 2018	175,279,216	$	4,007.9
Shares issued on conversion of subscription receipts, net of issuance costs	84,510,000		2,305.6
Shares issued for cash on exercise of options	57,275		1.3
Deferred taxes on share issuance cost	—		13.3
Shares issued under DRIP	15,377,575		325.8
December 31, 2018	275,224,066		6,653.9
Shares issued under DRIP	652,621		9.9
Issued and outstanding at March 31, 2019	**275,876,687**	**$**	**6,663.8**

Preferred Shares

As at	**March 31, 2019**			December 31, 2018		
Issued and Outstanding	**Number of**		**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**	150,000		19.7
$4.25 series	**70,600**		**9.4**	70,600		9.4
$5.00 series	**60,000**		**7.9**	60,000		7.9
Share issuance costs, net of taxes			**(27.9)**			(27.9)
Fair value adjustment on WGL Acquisition *(note 3)*			**4.1**			4.1
	52,280,600	**$**	**1,318.8**	52,280,600	$	1,318.8

Share Option Plan

AltaGas has an employee share option plan under which officers, employees, and service providers (as defined by the TSX) are eligible to receive grants. As at March 31, 2019, 21,688,001 shares were reserved for issuance under the plan. As at March 31, 2019, 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 March 31, 2019, the unexpensed fair value of share option compensation cost associated with future periods was $3.1 million (December 31, 2018 - $3.7 million).

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

As at	**March 31, 2019 Options outstanding**			December 31, 2018 Options outstanding		
	Number of options		**Exercise price(a)**	Number of options		Exercise price(a)
Share options outstanding, beginning of period	**6,309,183**	**$**	**25.18**	4,533,761	$	32.35
Granted	**49,760**		**17.87**	2,811,460		16.69
Exercised	**—**		**—**	(57,275)		20.68
Forfeited	**(459,275)**		**31.28**	(878,013)		36.47
Expired	**—**		**—**	(100,750)		14.60
Share options outstanding, end of period	**5,899,668**	**$**	**24.65**	6,309,183	$	25.18
Share options exercisable, end of period	**2,679,348**	**$**	**32.11**	2,897,723	$	32.01

(a) Weighted average.

As at March 31, 2019, the aggregate intrinsic value of the total share options exercisable was $nil (December 31, 2018 - $nil), the total intrinsic value of share options outstanding was $7.1 million (December 31, 2018 - $nil) and the total intrinsic value of share options exercised was $nil (December 31, 2018 - $0.3 million).

The following table summarizes the employee share option plan as at March 31, 2019:

	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	2,371,395	$ 14.62	5.67	27,000	$ 17.17	1.12
$18.01 to $25.08	348,375	20.74	1.60	348,375	20.74	1.60
$25.09 to $50.89	3,179,898	32.55	3.25	2,303,973	34.01	2.75
	5,899,668	**$ 24.65**	**4.13**	**2,679,348**	**$ 32.11**	**2.58**

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	March 31, 2019	December 31, 2018
(number of units)		
Balance, beginning of period	**15,199,775**	564,549
Acquired [(a)]	**—**	5,291,621
Granted	**42,147**	9,502,347
Vested and paid out	**(18,935)**	(148,154)
Forfeited	**(673,940)**	(66,522)
Units in lieu of dividends	**16,961**	55,934
Outstanding, end of period	**14,566,008**	15,199,775

(a) Upon close of the WGL Acquisition in 2018, AltaGas acquired WGL's PUs. These were converted to a fixed cash amount at a value of US$1.00 per unit.

For the three months ended March 31, 2019, the compensation expense recorded for the MTIP and DSUP was an expense of $5.4 million (three months ended March 31, 2018 – expense of $0.2 million). As at March 31, 2019, the unrecognized compensation expense relating to the remaining vesting period for the MTIP was $21.8 million (December 31, 2018 - $26.9 million) and is expected to be recognized over the vesting period.

15. Net Income Per Common Share

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

Three months ended March 31	2019	2018
Numerator:		
Net income applicable to controlling interests	**$ 825.7**	$ 65.2
Less: Preferred share dividends	**(17.2)**	(16.4)
Net income applicable to common shares	**$ 808.5**	$ 48.8
Denominator:		
(millions)		
Weighted average number of common shares outstanding	**275.5**	176.5
Dilutive equity instruments[(a)]	**0.2**	0.1
Weighted average number of common shares outstanding - diluted	**275.7**	176.6
Basic net income per common share	**$ 2.93**	$ 0.28
Diluted net income per common share	**$ 2.93**	$ 0.28

(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 months ended March 31, 2019, 3.7 million share options (2018 – 1.3 million) were excluded from the diluted net income per share calculation as their effects were anti-dilutive.

16. Commitments, Guarantees, and Contingencies

Commitments

AltaGas has long-term natural gas purchase and transportation arrangements, electricity purchase arrangements, service agreements, storage contracts, environmental commitments, 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.

AltaGas' utilities 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 2019 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.

In connection with the WGL Acquisition, AltaGas and WGL have made commitments related to the terms of the Public Service Commission of the District of Columbia (PSC of DC) settlement agreement and the conditions of approval from the Maryland Public Service Commission (PSC of MD) and the Commonwealth of Virginia State Corporation Commission (SCC of VA). Among other things, these commitments include rate credits distributable to both residential and non-residential customers, gas expansion and other programs, various public interest commitments, and safety programs. As at March 31, 2019, the total amount of merger commitments which have been expensed but are not yet paid is approximately US$23 million. In addition, there are certain additional regulatory commitments which will be expensed when the costs are incurred in the future, including the hiring of damage prevention trainers, investment of US$70 million over a 10 year period to further extend natural gas service, US$8 million for leak mitigation, and development of 15MW of either electric grid energy storage or Tier 1 renewable resources within 5 years.

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 $59.3 million over the term of the contract.

In 2019, AltaGas entered into propane supply contracts with various counterparties to secure physical volumes required for RIPET's export capacity commitments. The contract terms range from 1 to 15 years, for an aggregate commitment amount of approximately $820 million. The commencement of these contracts are subject to the commercial operation date (COD) of RIPET.

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 March 31, 2019, approximately $189.3 million is expected to be paid over the next 17 years, of which $53.2 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.

Guarantees

AltaGas has guaranteed payments primarily for certain commitments on behalf of some of its subsidiaries. AltaGas has also guaranteed payments for certain of its external partners. As at March 31, 2019, AltaGas 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.

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$40 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 initially granted Antero's motion to dismiss the case and WGL subsequently filed an appeal. In October 2018, the Court of Appeals reversed the state court's decision and remanded the lawsuit to the trial 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 it has a number of strong defenses and intends to vigorously defend the matter. As a result, and as the outcome of the litigation is not yet determinable, WGL is unable to make an estimate of any possible loss or range of losses related to the litigation. In addition, given the uncertainty of the outcome of the matter at this time, no accrual was made as of March 31, 2019. In December 2017, WGL Midstream amended its purchase contract with Antero and, effective February 1, 2018, was no longer obligated to purchase gas at the delivery point that is the subject of these disputes.

These two cases have been consolidated and a jury trial has been scheduled for June 10, 2019.

Silver Spring, Maryland Incident

On April 23, 2019, the National Transportation and Safety Board (NTSB) held a hearing during which it found, among other things, that the probable cause of the August 10, 2016, explosion and fire at an apartment complex on Arliss Street in Silver Spring, Maryland "was the failure of an indoor mercury service regulator with an unconnected vent line that allowed natural gas into the meter room where it accumulated and ignited from an unknown ignition source. Contributing to the accident was the location of the mercury service regulators where leak detection by odor was not readily available." Washington Gas disagrees with the NTSB's probable cause findings.

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 cases have been consolidated for discovery purposes. All of these suits seek unspecified damages for personal injury and/or property damage. The one action seeking class action status has been amended to assert property damage and loss of use claims and is no longer seeking class status. The trial date for the civil actions has been scheduled for December 2, 2019. Washington Gas maintains excess liability insurance coverage from highly-rated insurers, subject to a nominal self-insured retention. Washington Gas believes that this coverage will be sufficient to cover any significant liability that may result from this incident. Given the early stage of the litigation, the outcome is not yet determinable and management is unable to make an estimate of any potential loss or range of potential losses that are reasonably possible of occurring. As a result, Management has not recorded a reserve associated with this incident.

17. 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.

Rabbi trusts have been funded to satisfy the employee benefit obligations associated with WGL's various pension plans for a total of $66.2 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 March 31, 2019					
	Canada		United States		Total	
	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits
Current service cost [a]	$ 0.6	$ —	$ 6.0	$ 2.2	$ 6.6	$ 2.2
Interest cost [b]	0.3	—	17.0	4.8	17.3	4.8
Expected return on plan assets [b]	(0.1)	—	(18.7)	(9.3)	(18.8)	(9.3)
Amortization of past service cost [b]	—	—	—	(5.1)	—	(5.1)
Amortization of net actuarial loss [b]	0.2	—	2.0	—	2.2	—
Amortization of regulatory asset [b]	—	—	5.7	—	5.7	—
Net benefit cost (income) recognized	$ 1.0	$ —	$ 12.0	$ (7.4)	$ 13.0	$ (7.4)

(a) Recorded under the line item "operating and administrative" expenses on the Consolidated Statements of Income.

(b) Recorded under the line item "other income (loss)" on the Consolidated Statements of Income.

	Three months ended March 31, 2018					
	Canada		United States		Total	
	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits
Current service cost [a]	$ 2.6	$ 0.2	$ 2.5	$ 0.7	$ 5.1	$ 0.9
Interest cost [b]	1.4	0.1	3.5	1.0	4.9	1.1
Expected return on plan assets [b]	(1.7)	(0.1)	(5.9)	(1.7)	(7.6)	(1.8)
Amortization of net actuarial loss [b]	0.3	—	—	—	0.3	—
Amortization of regulatory asset/liability [b]	0.4	—	1.8	—	2.2	—
Net benefit cost recognized	$ 3.0	$ 0.2	$ 1.9	$ —	$ 4.9	$ 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 (loss)" on the Consolidated Statements of Income.

18. Income Taxes

The effective income tax rate for the three months ended March 31, 2019 was approximately 13.3 percent (three months ended March 31, 2018 – 21.5 percent). The decrease in the effective tax rate for the three months ended March 31, 2019 was mainly due to the capital gain on the sale of the remaining interest in the Northwest Hydro facilities in the first quarter of 2019, which was taxed at the capital rate.

19. Supplemental Cash Flow Information

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

Three months ended March 31		2019		2018
Source (use) of cash:				
Accounts receivable	**$**	**122.7**	$	34.1
Inventory		**245.8**		69.0
Other current assets		**(16.7)**		7.2
Regulatory assets (current)		**3.4**		(0.6)
Accounts payable and accrued liabilities		**(329.8)**		(43.7)
Customer deposits		**(22.5)**		(10.7)
Regulatory liabilities (current)		**18.1**		(2.8)
Risk management liabilities (current)		**(7.6)**		—
Other current liabilities		**(9.2)**		(7.8)
Operating lease liability (current)		**1.8**		—
Other operating assets and liabilities		**56.9**		(10.9)
Changes in operating assets and liabilities	**$**	**62.9**	$	33.8

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

Three months ended March 31		2019		2018
Interest paid (net of capitalized interest)	**$**	**101.2**	$	40.7
Income taxes paid	**$**	**7.9**	$	11.7

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

As at March 31		2019		2018
Cash and cash equivalents	**$**	**108.5**	$	100.1
Restricted cash holdings from customers - current		**4.1**		5.2
Restricted cash holdings from customers - non-current		**4.0**		5.8
Restricted cash included in prepaid expenses and other current assets[(a)]		**5.5**		—
Restricted cash included in long-term investments and other assets[(a)]		**60.7**		—
Cash, cash equivalents and restricted cash per consolidated statement of cash flow	**$**	**182.8**	$	111.1

(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 17).

20. 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.

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.

21. 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:

Utilities	▪ rate-regulated natural gas distribution assets in Michigan, Alaska, the District of Columbia, Maryland, and Virginia; ▪ rate-regulated natural gas storage in the United States; and ▪ equity investment in AltaGas Canada Inc.
Midstream	▪ 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; ▪ 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 ▪ sale of natural gas to residential, commercial and industrial customers in Washington D.C., Maryland, Virginia, Delaware, and Pennsylvania.
Power	▪ natural gas-fired, biomass, and solar power generation assets, whereby outputs are generally sold under power purchase agreements, both operational and under development; ▪ energy storage; and ▪ sale of power to residential, commercial and industrial users in Washington D.C., Maryland, Virginia, Delaware, Pennsylvania, and Ohio.
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.

The following table provides a reconciliation of segment revenue to the disaggregated revenue table as disclosed under Note 11:

	Three months ended March 31, 2019				
	Utilities	**Midstream**	**Power**	**Corporate**	**Total**
External revenue *(note 11)*	**$ 1,094.9**	**$ 446.4**	**$ 356.5**	**$ 0.3**	**$ 1,898.1**
Intersegment revenue	**11.9**	**4.4**	**3.1**	**(0.1)**	**19.3**
Segment revenue	**$ 1,106.8**	**$ 450.8**	**$ 359.6**	**$ 0.2**	**$ 1,917.4**

The following tables show the composition by segment:

	Three months ended March 31, 2019					
	Utilities	**Midstream**	**Power**	**Corporate**	**Intersegment Elimination**[a]	**Total**
Segment revenue	**$ 1,106.8**	**$ 450.8**	**$ 359.6**	**$ 0.2**	**$ (19.3)**	**$ 1,898.1**
Cost of sales	**(534.6)**	**(324.3)**	**(296.7)**	**—**	**16.0**	**(1,139.6)**
Operating and administrative	**(243.5)**	**(56.6)**	**(43.0)**	**(9.8)**	**3.3**	**(349.6)**
Accretion expenses	**—**	**(1.0)**	**(0.6)**	**—**	**—**	**(1.6)**
Depreciation and amortization	**(65.7)**	**(23.6)**	**(26.7)**	**(2.7)**	**—**	**(118.7)**
Income from equity investments	**8.3**	**44.9**	**2.0**	**—**	**—**	**55.2**
Other income	**7.5**	**5.0**	**682.7**	**2.2**	**—**	**697.4**
Foreign exchange gain	**—**	**—**	**—**	**0.4**	**—**	**0.4**
Interest expense	**—**	**—**	**—**	**(93.2)**	**—**	**(93.2)**
Income (loss) before income taxes	**$ 278.8**	**$ 95.2**	**$ 677.3**	**$ (102.9)**	**$ —**	**$ 948.4**
Net additions (reductions) to:						
Property, plant and equipment[b]	**$ 140.1**	**$ (13.8)**	**$ (1,327.8)**	**$ 0.6**	**$ —**	**$ (1,200.9)**
Intangible assets	**$ 0.3**	**$ 1.4**	**$ —**	**$ 2.6**	**$ —**	**$ 4.3**

(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 Statements of Cash Flows due to classification of business acquisition and foreign exchange changes on U.S. assets.

	Three months ended March 31, 2018					
	Utilities	Midstream	Power	Corporate	Intersegment Elimination[a]	Total
Segment revenue	$ 422.3	$ 371.1	$ 147.7	$ (0.5)	$ (62.2)	$ 878.4
Cost of sales	(253.1)	(266.5)	(78.5)	—	60.1	(538.0)
Operating and administrative	(57.8)	(43.2)	(29.4)	(12.6)	2.2	(140.8)
Accretion expenses	—	(1.0)	(1.7)	—	—	(2.7)
Depreciation and amortization	(20.5)	(18.8)	(29.6)	(3.7)	—	(72.6)
Income from equity investments	0.3	9.2	0.6	—	—	10.1
Other income (loss)	1.4	(4.0)	—	(2.6)	(0.1)	(5.3)
Foreign exchange gain (loss)	—	(0.1)	—	0.1	—	—
Interest expense	—	—	—	(43.1)	—	(43.1)
Income (loss) before income taxes	$ 92.6	$ 46.7	$ 9.1	$ (62.4)	$ —	$ 86.0
Net additions to:						
Property, plant and equipment[b]	$ 17.4	$ 46.6	$ 1.7	$ 0.4	$ —	$ 66.1
Intangible assets	$ 0.4	$ 0.9	$ —	$ 0.9	$ —	$ 2.2

(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 Statements of Cash Flows due to classification of business acquisition and foreign exchange changes on U.S. assets.

The following table shows goodwill and total assets by segment:

	Utilities	**Midstream**	**Power**	**Corporate**	**Total**
As at March 31, 2019					
Goodwill	**$ 3,397.1**	**$ 414.8**	**$ 187.1**	**$ —**	**$ 3,999.0**
Segmented assets	**$ 12,701.3**	**$ 6,209.5**	**$ 2,367.3**	**$ 285.2**	**$ 21,563.3**
As at December 31, 2018					
Goodwill	$ 3,450.8	$ 426.4	$ 191.0	$ —	$ 4,068.2
Segmented assets	$ 12,991.3	$ 6,398.8	$ 3,814.7	$ 282.9	$ 23,487.7

22. Subsequent Events

Subsequent events have been reviewed through May 1, 2019, the date on which these unaudited condensed interim Consolidated Financial Statements were issued.

SUPPLEMENTAL QUARTERLY OPERATING INFORMATION

	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18
OPERATING HIGHLIGHTS					
UTILITIES					
U.S. Utilities					
Natural gas deliveries end use (Bcf) (1)	**75.4**	58.5	10.9	12.0	31.0
Natural gas deliveries transportation (Bcf)(1)	**47.6**	52.0	25.7	10.9	13.4
Service sites(2)	**1,647,461**	1,642,523	1,759,154	580,526	582,871
Degree day variance from normal - SEMCO Gas (%)(3)	**5.7**	7.5	(17.8)	14.8	3.0
Degree day variance from normal - ENSTAR (%)(3)	**(9.4)**	(19.6)	(31.2)	(6.1)	(1.7)
Degree day variance from normal - Washington Gas (%)(3)(4)	**(1.1)**	0.4	(4.1)	n/a	n/a
MIDSTREAM					
Total inlet gas processed (Mmcf/d)(5)	**1,481**	1,413	1,333	1,227	1,553
Extraction volumes (Bbls/d)(5)(6)	**62,332**	64,522	60,945	49,728	74,786
Frac spread - realized ($/Bbl)(5)(7)	**16.84**	15.84	15.60	14.98	19.01
Frac spread - average spot price ($/Bbl)(5)(8)	**11.79**	21.00	25.87	22.19	22.25
Natural gas optimization inventory (Bcf)	**13.2**	35.9	36.7	1.3	-
WGL retail energy marketing - gas sales volumes (Mmcf)	**27,411**	20,750	8,155	n/a	n/a
POWER					
Renewable power sold (GWh)	**141**	233	690	504	126
Conventional power sold (GWh)	**263**	985	1,255	642	842
Renewable capacity factor (%)	**12.2**	14.6	44.6	51.7	8.1
Contracted conventional availability factor (%)(9)	**43.2**	97.4	98.5	97.7	94.5
WGL retail energy marketing - electricity sales volumes (GWh)	**3,080**	2,911	3,000	n/a	n/a

(1) Bcf is one billion cubic feet.

(2) Service sites reflect all service sites of the utilities, including transportation and non-regulated business lines.

(3) 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.

(4) 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.

(5) Average for the period.

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

(7) 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.

(8) 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.

(9) 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.

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
US$	United States dollar

ABOUT ALTAGAS

AltaGas is an energy infrastructure company with a focus on regulated utilities, midstream and power. 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.

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