AltaGas News Release

ALTAGAS ANNOUNCES SECOND QUARTER 2019 RESULTS

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

Calgary, Alberta (August 1, 2019)

HIGHLIGHTS

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

- Normalized EBITDA[1] was $203 million, a 22 percent increase over second quarter 2018 normalized EBITDA of $166 million. This increase was driven by contributions from WGL Holdings Inc. (WGL) and the recently commissioned Ridley Island Propane Export Terminal (RIPET).
- Net income applicable to common shares was $41 million ($0.15 per share) in the second quarter compared to $1 million ($0.01 per share) in the second quarter of 2018. Normalized net loss[1] was $5 million ($0.02 per share) in the second quarter compared to normalized net income of $23 million ($0.13 per share) in the second quarter of 2018.
- Normalized funds from operations (FFO)[1] were $120 million, compared to $121 million in the second quarter of 2018.
- AltaGas announced $1.3 billion in asset sales to-date in 2019, positioning the Company to achieve its $1.5 - $2 billion 2019 asset monetization program designed to de-lever the balance sheet and fund organic growth.
- The 2019 de-leveraging strategy remains on plan, with net debt reduced by approximately $2 billion year-to-date, before including the impact of the recently announced asset sale.
- Outlook for 2019 remains on track, with expected normalized EBITDA in the range of $1.2 - $1.3 billion and normalized FFO of $850 - $950 million.
- On May 31, 2019, SEMCO Gas filed a request with the Michigan Public Service Commission (MPSC) seeking authority to increase base rates by approximately US$38 million annually.
- RIPET, Canada's first marine propane export facility, was completed and placed into service. The facility's first ship departed the terminal for Asia in late May, with two additional shipments in June.

AltaGas Ltd. (AltaGas or the Company) (TSX: ALA) today reported second quarter 2019 financial results, reaffirmed its outlook for the remainder of 2019, and provided an update on its business and on its near-term priorities, which remain on track.

"The second quarter saw strong results in-line with our expectations and the achievement of significant milestones critical to delivering on our near-term priorities," said Randy Crawford, President and Chief Executive Officer of AltaGas. "Over the past six months, we have considerably strengthened our financial flexibility with announced asset dispositions of $1.3 billion. We also delivered on RIPET, which is expected to be a strong catalyst for further growth across our Midstream business.

"In the back half of 2019, we will continue to build on this momentum and stay focused on delivering our near-term priorities," added Mr. Crawford. "I am confident we will enter 2020 in a much stronger position and deliver normalized EBITDA that is at least equal to that of 2019 despite this year's asset sales program. By applying capital discipline in our core segments, driving efficiencies through business optimization, and capturing increased and timely returns in our Utilities, we are well-positioned to drive future growth and unlock the underlying value of our asset base."

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1. Non-GAAP measure; see discussion in the advisories of this news release and reconciliation to U.S. GAAP financial measures shown in AltaGas' Management's Discussion and Analysis (MD&A) as at and for the period ended June 30, 2019, which is available on www.sedar.com.

MIDSTREAM AND UTILITIES PERFORMANCE

In the second quarter of 2019, RIPET was successfully commissioned with volumes steadily increasing to its current 40,000 bbl/d capacity. The facility's first shipment to Asia departed the terminal in late May, with two additional shipments in June. AltaGas' volume capacity translates into approximately two ships per month with the possibility of a periodic additional ship.

"RIPET is performing as expected, and we are seeing meaningful contributions from this asset," said Mr. Crawford. "Our ability to handle the molecule through the entire value chain uniquely positions us to offer our customers a complete solution and, ultimately, higher netbacks for their product. This provides a competitive advantage that we expect will attract additional volumes to our system and further growth across our integrated platform in the future."

On May 31, 2019, SEMCO Gas filed a request with the MPSC seeking authority to increase base rates by approximately US$38 million annually with a forecasted test year of 2020. The increase in rates requested captures the investment in the Marquette Connector Pipeline, as well as the inflation of operations and maintenance costs from the last rate case in 2010. This case includes the addition of a new Main Replacement Program and the introduction of an Infrastructure Reliability Improvement Program to recover the capital costs associated with the replacement of certain mains, services and other infrastructure. The MPSC has a 10-month statutory requirement to rule in this case and, as a result, is expected to contribute in 2020.

FINANCIAL RESULTS

	Three Months Ended June 30	
($ millions)	**2019**	2018
Net Income Applicable to Common Shares	**$ 41**	$ 1
Segmented Normalized EBITDA[(1)]		
Utilities	**$ 81**	$ 50
Midstream	**97**	48
Power	**34**	75
Corporate	**(9)**	(7)
Normalized EBITDA [(1)]	**$ 203**	$ 166
Normalized FFO[(1)]	**$ 120**	$ 121
Normalized AFFO[(1)]	**$ 102**	$ 94
Normalized UAFFO[(1)]	**$ 34**	$ 73

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

In the second quarter of 2019, normalized EBITDA was positively impacted by contributions from WGL, approximately two months of contributions from RIPET, higher realized frac spreads, and higher equity earnings from our indirect interest in Petrogas Energy Corp. (Petrogas). These were partially offset by the impact of asset sales and the initial public offering (IPO) of AltaGas Canada Inc. (ACI).

The Utilities segment reported normalized EBITDA was higher year-over-year, mainly due to contributions from WGL's utility assets of $41 million, the favourable impact of the stronger U.S. dollar, and lower operating expenses. The increase was partially offset by the impact of the ACI IPO in 2018 and warmer weather in Alaska.

The Midstream segment reported normalized EBITDA was higher year-over-year, mainly due to contributions from WGL Midstream assets of $21 million, contributions from RIPET and higher realized frac spreads, partially offset by the sale of certain non-core facilities in the first quarter of 2019.

During the second quarter of 2019, AltaGas recorded equity earnings of $11 million from Petrogas, compared to $1 million in the same quarter of 2018, mainly due to expanded activity levels in Petrogas' core business units.

The Power segment reported normalized EBITDA was lower, primarily as a result of the impact of the sale of the Northwest Hydro facilities in January, the sale of the San Joaquin facilities in November 2018, the impact of the ACI IPO, and the extended planned spring outage at the Blythe Facility, which were partially offset by contributions from WGL's power assets of $15 million.

Normalized FFO and normalized adjusted FFO (AFFO) were impacted by higher interest expense, partially offset by the same factors impacting normalized EBITDA. In the second quarter of 2019, AltaGas received $3 million of dividend income from the Petrogas Preferred Shares (2018 - $3 million) and $2 million of common share dividends from Petrogas (2018 - $1 million). AFFO was also positively impacted by higher cash received from non-controlling interests. In the second quarter of 2019, AltaGas paid $17 million of preferred share dividends (2018 - $16 million).

Normalized utility adjusted FFO (UAFFO) for the second quarter of 2019 was $34 million ($0.12 per share), compared to $73 million ($0.41 per share) for the same quarter in 2018. The decrease was due to higher utilities depreciation and the same drivers as normalized AFFO. Depreciation and amortization expense for the second quarter of 2019 was $107 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 decreased, mainly due to higher interest expense and higher depreciation and amortization expense, partially offset by the same previously referenced factors impacting normalized EBITDA.

Net income applicable to common shares for the second quarter of 2019 was impacted by higher EBITDA, primarily due to the same previously referenced factors impacting normalized EBITDA, gains on sale of assets, and lower income tax expense, partially offset by higher unrealized losses on risk management contracts, higher interest expense, and higher depreciation and amortization expense.

Interest expense for the second quarter of 2019 was $83 million, compared to $43 million for the same period in 2018. The increase was predominantly due to the interest on the debt assumed in the WGL acquisition, as well as higher average debt balances.

AltaGas recorded an income tax recovery of $33 million for the second quarter of 2019, compared to income tax expense of $2 million in the same quarter of 2018. The increase in tax recovery was mainly due to tax rate adjustments related to the Alberta Job Creation Tax Cut, as well as the inclusion of tax at WGL.

GUIDANCE AND FUNDING

AltaGas' previously announced balanced funding plan is designed to de-lever the balance sheet, fund the 2019 capital program of approximately $1.3 billion, and optimize per share cash flow and earnings growth. During the second quarter of 2019, AltaGas completed the sale of WGL Midstream's interest in Stonewall Gas Gathering System on May 31, 2019, for total gross proceeds of approximately $379 million (US$280 million). Proceeds from the asset sale were used to reduce net debt to approximately $8.1 billion as at June 30, 2019, down from $10.1 billion as at December 31, 2018.

Subsequent to the end of the second quarter of 2019, AltaGas announced the sale of its U.S. distributed generation portfolio for approximately $940 million (US$720 million). Proceeds from the asset sale will be used to fund growth and reduce debt to help AltaGas achieve its year-end target of $3 billion in net debt reduction. To-date in 2019, AltaGas has announced or completed approximately $1.3 billion in asset sales, positioning the Company well to achieve the $1.5 - $2 billion asset sales program targeted for 2019.

AltaGas reaffirms 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, as well as Midstream projects coming into service including RIPET. Additionally, the Townsend 2B Facility and Nig Creek Gas Plant are expected to come online in the first quarter of 2020 and in the fourth quarter of 2019, respectively. These projects are expected to 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 Gas' rate case and is expected to 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 September 16, 2019 to common shareholders of record on August 26, 2019. The ex-dividend date is August 23, 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 June 30, 2019 and ending September 29, 2019 on AltaGas' outstanding Series A Preferred Shares. The dividend will be paid on September 30, 2019 to shareholders of record on September 16, 2019. The ex-dividend date is September 13, 2019.
- The Board of Directors approved a dividend of $0.273921 per share for the period commencing June 30, 2019 and ending September 29, 2019 on AltaGas' outstanding Series B Preferred Shares. The dividend will be paid on September 30, 2019 to shareholders of record on September 16, 2019. The ex-dividend date is September 13, 2019.
- The Board of Directors approved a dividend of US$0.330625 per share for the period commencing June 30, 2019 and ending September 29, 2019 on AltaGas' outstanding Series C Preferred Shares. The dividend will be paid on September 30, 2019 to shareholders of record on September 16, 2019. The ex-dividend date is September 13, 2019.
- The Board of Directors approved a dividend of $0.337063 per share for the period commencing June 30, 2019 and ending September 29, 2019 on AltaGas' outstanding Series E Preferred Shares. The dividend will be paid on September 30, 2019 to shareholders of record on September 16, 2019. The ex-dividend date is September 13, 2019.
- The Board of Directors approved a dividend of $0.296875 per share for the period commencing June 30, 2019 and ending September 29, 2019 on AltaGas' outstanding Series G Preferred Shares. The dividend will be paid on September 30, 2019 to shareholders of record on September 16, 2019. The ex-dividend date is September 13, 2019.
- The Board of Directors approved a dividend of $0.328125 per share for the period commencing June 30, 2019, and ending September 29, 2019 on AltaGas' outstanding Series I Preferred Shares. The dividend will be paid on September 30, 2019 to shareholders of record on September 16, 2019. The ex-dividend date is September 13, 2019.
- The Board of Directors approved a dividend of $0.3125 per share for the period commencing June 30, 2019 and ending September 29, 2019 on AltaGas' outstanding Series K Preferred Shares. The dividend will be paid on September 30, 2019 to shareholders of record on September 16, 2019. The ex-dividend date is September 13, 2019.

CONSOLIDATED FINANCIAL REVIEW

	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2019**	2018	**2019**	2018
Revenue	**1,174**	610	**3,072**	1,488
Normalized EBITDA[(1)]	**203**	166	**669**	388
Net income applicable to common shares	**41**	1	**850**	50
Normalized net income (loss) [(1)]	**(5)**	23	**196**	93
Total assets	**21,000**	10,876	**21,000**	10,876
Total long-term liabilities	**9,494**	4,602	**9,494**	4,602
Net additions (dispositions) of property, plant and equipment	**371**	124	**(829)**	190
Dividends declared[(2)]	**66**	98	**133**	195
Cash from operations	**203**	147	**630**	336
Normalized funds from operations[(1)]	**120**	121	**496**	290
Normalized adjusted funds from operations[(1)]	**102**	94	**469**	254
Normalized utility adjusted funds from operations[(1)]	**34**	73	**335**	213

	Three Months Ended June 30		Six Months Ended June 30	
($ per share, except shares outstanding)	**2019**	2018	**2019**	2018
Net income per common share - basic	**0.15**	0.01	**3.08**	0.28
Net income per common share - diluted	**0.15**	0.01	**3.08**	0.28
Normalized net income (loss) - basic[(1)]	**(0.02)**	0.13	**0.71**	0.52
Normalized net income (loss) - diluted[(1)]	**(0.02)**	0.13	**0.71**	0.52
Dividends declared[(2)]	**0.24**	0.55	**0.48**	1.10
Cash from operations	**0.74**	0.82	**2.28**	1.89
Normalized funds from operations[(1)]	**0.43**	0.67	**1.80**	1.63
Normalized adjusted funds from operations[(1)]	**0.37**	0.52	**1.70**	1.43
Normalized utility adjusted funds from operations[(1)]	**0.12**	0.41	**1.21**	1.20
Shares outstanding - basic (millions)				
During the period[(3)]	**276**	179	**276**	178
End of period	**277**	181	**277**	181

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

(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 second quarter results and 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 August 1, 2019 by dialing 1-403-451-9481 or toll-free 1-855-859-2056. The passcode is 4595067. The replay will expire at 9:59 p.m. MT (11:59 p.m. ET) on August 8, 2019.

AltaGas' unaudited Consolidated Financial Statements and accompanying notes for the second quarter ended June 30, 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 a leading North American 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 FFO for the full year 2019; focus on earning allowed returns; expected shipments volumes from RIPET; anticipated benefits of RIPET, including additional volumes and growth across the integrated platform; expected completion date for SEMCO rate case with MPSC; use of proceeds from the sale of the U.S. distributed generation assets; sources of year over year growth; expected in-service dates for Townsend 2B Facility, Nig Creek and the Marquette Connector Pipeline and expected results from operation of such assets; anticipated date on which the Marquette Pipeline is expected to generate timely returns; details of the balanced funding plan; expected capital investment plan; expectation for 2020 EBITDA to be at least equal to 2019 levels 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 Utilities 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 June 30, 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 (losses) on risk management contracts, gains (losses) on investments, transaction costs related to acquisitions and dispositions, merger commitment cost recovery due to with a change in timing related to certain WGL merger commitments, gains on the sale of assets, accretion expenses related to asset retirement obligations, realized losses on foreign exchange derivatives, provisions on assets, provisions on investments accounted for by the equity method, development costs, foreign exchange gains (losses), distributed generation asset related investment tax credits, non-controlling interest of certain investments to which Hypothetical Liquidation at Book Value (HLBV) accounting is applied, and changes in fair value of natural gas optimization inventory. AltaGas presents normalized EBITDA as a supplemental measure. Normalized EBITDA is frequently used by analysts and investors in the evaluation of entities within the industry as it excludes items that can vary substantially between entities depending on the accounting policies chosen, the book value of assets and the capital structure.

Normalized net income (loss) represents net income (loss) applicable to common shares adjusted for the after-tax impact of unrealized gains (losses) on risk management contracts, 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, realized loss on foreign exchange derivatives, provisions on investments accounted for by the equity method, provisions on assets, statutory tax rate change. 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. Management uses these measures to understand the ability to generate funds for capital investment, debt repayment, dividend payments and other investing activities. 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 Utilities segment depreciation and amortization.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) dated July 31, 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 and six months ended June 30, 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 and six months ended June 30, 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 for the year ended December 31, 2018.

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: anticipated closing date for sale of distributed generation assets; anticipated asset sales for the remainder of 2019, conditions to closing and EBITDA impact of pending asset dispositions; RIPET as an expected catalyst for growth in the Midstream business; expected normalized EBITDA and expected normalized funds from operations for the full year 2019; growth levels and drivers expected in the three business segments; expectation that Utilities will have the largest contribution to EBITDA anticipated effect of commodity prices, exchange rates and weather on 2019 normalized EBITDA; 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 timing of additional expenditures at RIPET; expected on-stream date of Nig Creek; expected date of construction at Townsend 2B, North Pine expansion, Mountain Valley Pipeline, MVP Southgate Project and Central Penn Pipeline; anticipated timing of applications, hearings and decisions before Utilities regulators; expected closing date of the sale of two biomass plants in the United States; expected funding sources for working capital deficiency; future changes in accounting policies and adoption of new accounting standards; 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 Utilities 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, Ridley Island LPG Export 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 Utilities 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).

Second Quarter Highlights

(Normalized EBITDA, normalized funds from operations, normalized net income (loss), 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.)

- In the second quarter of 2019, the Ridley Island Propane Export Terminal (RIPET) was completed, with its first shipment of propane to Asia departing on May 23, 2019. RIPET is the first propane marine export facility in Canada and its completion is expected to be a catalyst for further growth within AltaGas' Midstream business;
- On May 2, 2019, AltaGas announced that it 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 for total gross proceeds of approximately $379 million (US$280 million). This sale, which closed on May 31, 2019, represents a portion of the planned 2019 asset sales and serves to advance AltaGas' overall strategy to de-lever the Corporation and focus on core assets;
- On May 27, 2019, AltaGas announced the appointment of D. James Harbilas as Executive Vice President and Chief Financial Officer of AltaGas, effective June 10, 2019. Mr. Harbilas replaced Timothy Watson, who served as Executive Vice President and Chief Financial Officer until June 9, 2019;
- Normalized EBITDA was $203 million compared to $166 million in the second quarter of 2018;
- Cash from operations was $203 million ($0.74 per share) compared to $147 million ($0.82 per share) in the second quarter of 2018;
- Normalized funds from operations were $120 million ($0.43 per share) compared to $121 million ($0.67 per share) in the second quarter of 2018;
- Net income applicable to common shares was $41 million ($0.15 per share) compared to $1 million ($0.01 per share) in the second quarter of 2018;
- Normalized net loss was $5 million ($0.02 per share) compared to normalized net income of $23 million ($0.13 per share) in the second quarter of 2018;
- Net debt was $8.1 billion as at June 30, 2019, compared to $10.1 billion at December 31, 2018; and
- Net debt-to-total capitalization ratio was 51 percent as at June 30, 2019, compared to 57 percent as at December 31, 2018.

Highlights Subsequent to Quarter End

- On July 22, 2019, AltaGas announced that it has entered into a definitive agreement for the sale of its portfolio of U.S. distributed generation assets held by its subsidiaries WGL Energy Systems, Inc. and WGSW, Inc., to TerraForm Power, Inc., an affiliate of Brookfield Asset Management, for total gross proceeds of approximately US$720 million, subject to customary closing conditions. The transaction is expected to close in the third quarter of 2019. The estimated annual decrease in EBITDA resulting from the disposition of these assets is approximately $70 to $80 million.

Consolidated Financial Review

	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2019**	2018	**2019**	2018
Revenue	**1,174**	610	**3,072**	1,488
Normalized EBITDA(1)	**203**	166	**669**	388
Net income applicable to common shares	**41**	1	**850**	50
Normalized net income (loss) (1)	**(5)**	23	**196**	93
Total assets	**21,000**	10,876	**21,000**	10,876
Total long-term liabilities	**9,494**	4,602	**9,494**	4,602
Net additions (dispositions) of property, plant and equipment	**371**	124	**(829)**	190
Dividends declared(2)	**66**	98	**133**	195
Cash from operations	**203**	147	**630**	336
Normalized funds from operations(1)	**120**	121	**496**	290
Normalized adjusted funds from operations(1)	**102**	94	**469**	254
Normalized utility adjusted funds from operations(1)	**34**	73	**335**	213

	Three Months Ended June 30		Six Months Ended June 30	
($ per share, except shares outstanding)	**2019**	2018	**2019**	2018
Net income per common share - basic	**0.15**	0.01	**3.08**	0.28
Net income per common share - diluted	**0.15**	0.01	**3.08**	0.28
Normalized net income (loss) - basic(1)	**(0.02)**	0.13	**0.71**	0.52
Normalized net income (loss) - diluted(1)	**(0.02)**	0.13	**0.71**	0.52
Dividends declared(2)	**0.24**	0.55	**0.48**	1.10
Cash from operations	**0.74**	0.82	**2.28**	1.89
Normalized funds from operations(1)	**0.43**	0.67	**1.80**	1.63
Normalized adjusted funds from operations(1)	**0.37**	0.52	**1.70**	1.43
Normalized utility adjusted funds from operations(1)	**0.12**	0.41	**1.21**	1.20
Shares outstanding - basic (millions)				
During the period(3)	**276**	179	**276**	178
End of period	**277**	181	**277**	181

(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 June 30

Normalized EBITDA for the second quarter of 2019 was $203 million, compared to $166 million for the same quarter in 2018. Factors positively impacting normalized EBITDA included contributions from the WGL Acquisition, contributions from RIPET which was placed into service in May 2019, higher realized frac spreads, and higher equity earnings from Petrogas. These were partially offset by the impact of the sale of the Northwest Hydro Electric facilities (Northwest Hydro) in January 2019, the impact of the sale of the San Joaquin facilities in the fourth quarter of 2018, the impact of the initial public offering (IPO) of AltaGas Canada Inc. (ACI) in October 2018, and the impact of the sale of non-core Midstream and Power assets in February 2019. For the three months ended June 30, 2019, the average Canadian/U.S. dollar exchange rate increased to 1.34 from an average of 1.29 in the same quarter of 2018, resulting in an increase in normalized EBITDA of approximately $2 million.

Normalized funds from operations for the second quarter of 2019 were $120 million ($0.43 per share), compared to $121 million ($0.67 per share) for the same quarter in 2018. The decrease was mainly due to higher interest expense, partially offset by the same factors impacting normalized EBITDA. In the second quarter of 2019, AltaGas received $3 million of dividend income from the Petrogas Preferred Shares (2018 - $3 million) and $2 million of common share dividends from Petrogas (2018 - $1 million).

Normalized adjusted funds from operations (AFFO) for the second quarter of 2019 were $102 million ($0.37 per share), compared to $94 million ($0.52 per share) for the same quarter in 2018. Factors impacting AFFO in the second quarter of 2019 included the same drivers as normalized funds from operations and higher cash received from non-controlling interests. In the second quarter of 2019, AltaGas paid $17 million of preferred share dividends (2018 - $16 million).

Normalized utility adjusted funds from operations (UAFFO) for the second quarter of 2019 were $34 million ($0.12 per share), compared to $73 million ($0.41 per share) for the same quarter in 2018. The decrease was due to higher utilities depreciation and the same drivers as normalized adjusted funds from operations.

Operating and administrative expenses for the second quarter of 2019 were $309 million, compared to $146 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 asset sales completed in 2018 and early 2019. Depreciation and amortization expense for the second quarter of 2019 was $107 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 WGL Acquisition, partially offset by the impact of asset sales completed in 2018 and the first quarter of 2019. Interest expense for the second quarter of 2019 was $83 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 an income tax recovery of $33 million for the second quarter of 2019 compared to income tax expense of $2 million in the same quarter of 2018. The increase in tax recovery was mainly due to tax rate adjustments related to the Alberta Job Creation Tax Cut, as well as the inclusion of tax at WGL.

Net income applicable to common shares for the second quarter of 2019 was $41 million ($0.15 per share), compared to $1 million ($0.01 per share) for the same quarter in 2018. The increase was mainly due to the same previously referenced factors impacting normalized EBITDA, gains on sale of assets, and lower income tax expense, partially offset by higher unrealized losses on risk management contracts, higher interest expense, and higher depreciation and amortization expense.

Normalized net loss was $5 million ($0.02 per share) for the second quarter of 2019, compared to normalized net income of $23 million ($0.13 per share) reported for the same quarter in 2018. The decrease was mainly due to higher interest expense and higher depreciation and amortization expense, partially offset by the same previously referenced factors impacting normalized EBITDA. Normalizing items in the second quarter of 2019 reduced normalized net income (loss) by $46 million and included after-tax amounts related to gains on sale of assets, changes in fair value of natural gas optimization inventory, transaction costs related to acquisitions and dispositions, unrealized losses on risk management contracts, losses on investments, provisions on assets, a statutory tax rate change in Alberta, and provisions on investments accounted for by the equity method. Normalizing items in the second quarter of 2018 increased normalized net income by $22 million and included after-tax amounts related to transaction costs on acquisitions, unrealized gains on risk management contracts, amortization of financing costs associated with the bridge facility of $2 million, realized losses on foreign exchange derivatives, and losses on investments. Please refer to the Non-GAAP Financial Measures section of this MD&A for further details on normalization adjustments.

Six Months Ended June 30

Normalized EBITDA for the first half of 2019 was $669 million, compared to $388 million for the same period in 2018. Factors positively impacting normalized EBITDA included contributions from the WGL Acquisition, contributions from RIPET which was placed into service in May 2019, higher realized frac spreads, and higher equity earnings from Petrogas. These were partially offset by the impact of the sale of the San Joaquin facilities in the fourth quarter of 2018, the impact of the IPO of ACI in October 2018, the impact of the sale of the Northwest Hydro facilities in January 2019, and the impact of the sale of non-core Midstream and Power assets in February 2019. For the first half of 2019, the average Canadian/U.S. dollar exchange rate increased to 1.33 from an average of 1.28 in the same period of 2018, resulting in an increase in normalized EBITDA of approximately $7 million.

Normalized funds from operations for the first half of 2019 were $496 million ($1.80 per share), compared to $290 million ($1.63 per share) for the same period in 2018. The increase was mainly due to the same drivers as normalized EBITDA and lower current tax expense, partially offset by higher interest expense. In the first half of 2019, AltaGas received $6 million of dividend income from the Petrogas Preferred Shares (2018 - $6 million) and $3 million of common share dividends from Petrogas (2018 - $2 million).

Normalized adjusted funds from operations for the first half of 2019 were $469 million ($1.70 per share), compared to $254 million ($1.43 per share) for the same period in 2018. The increase was mainly due to the same drivers as normalized funds from operations and higher cash received from non-controlling interests. In the first half of 2019, AltaGas paid $35 million of preferred share dividends (2018 - $33 million).

Normalized utility adjusted funds from operations for the first half of 2019 were $335 million ($1.21 per share), compared to $213 million ($1.20 per share) for the same period in 2018. The increase was due to the same drivers as normalized adjusted funds from operations partially offset by higher utilities depreciation. The decrease in the per share amount is due to a higher number of shares outstanding during the first half of 2019 compared to the first half of 2018.

Operating and administrative expenses for the first half of 2019 were $659 million, compared to $287 million for the same period 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 half of 2019 was $226 million, compared to $145 million for the same period in 2018. The increase was mainly due to depreciation and amortization expense on assets acquired in 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 half of 2019 was $176 million, compared to $86 million for the same period 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 $94 million for the first half of 2019 compared to $21 million in the same period of 2018. The increase in tax expense was mainly due to tax expense incurred on the sale of the remaining interest in the Northwest Hydro facilities and tax on WGL's earnings, partially offset by tax recoveries due to a one-time unitary tax rate adjustment related to the WGL Acquisition and a tax rate adjustment related to the Alberta Job Creation Tax Cut.

Net income applicable to common shares for the first half of 2019 was $850 million ($3.08 per share), compared to $50 million ($0.28 per share) for the same period in 2018. The increase was mainly due to the gain on the sale of AltaGas' remaining interest in the Northwest Hydro facilities and the same previously referenced factors impacting normalized EBITDA, partially offset by higher deferred income tax expense, higher interest expense, higher depreciation and amortization expense, and lower unrealized gains on risk management contracts.

Normalized net income was $196 million ($0.71 per share) for the first half of 2019, compared to normalized net income of $93 million ($0.52 per share) reported for the same period 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 half of 2019 reduced normalized net income by $654 million and included after-tax amounts related to gains on sale of assets, changes 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, losses on investments, provisions on assets, provisions on investments accounted for by the equity method, and the impact of a statutory tax rate change in Alberta. Normalizing items in the first half of 2018 increased normalized net income by $43 million and included after-tax amounts related to transaction costs on acquisitions, losses on investments, amortization of financing costs associated with the bridge facility of $5 million, unrealized gains on risk management contracts, realized loss on foreign exchange derivatives, and gains on sale of 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 annual 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, the interest in Stonewall which closed in May 2019, and the pending sale of WGL's distributed generation portfolio. To date this year, AltaGas has announced or completed approximately $1.3 billion of the planned $1.5 to $2.0 billion asset sales program targeted for 2019.

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, contributions from RIPET, and higher equity earnings from Petrogas. Recent agreements with Black Swan and other producers are expected to result in increased use of AltaGas' integrated infrastructure in Northeastern British Columbia, including the North Pine facility (North Pine). 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 contributions from WGL's existing contracted renewable power business (prior to disposal) 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 of NGL 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. At RIPET, AltaGas is exposed to the propane price differential between North American Indices and the Far East Index for contracts not under tolling arrangements. AltaGas estimates an average of approximately 29,000 Bbls/d will be exposed to these price differentials for the remainder of 2019. AltaGas has hedges in place for approximately 66 percent of these exposed propane volumes at an average FEI to Mont Belvieu spread of US$129/MT. 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)	$1/Bbl	1
Degree day variance from normal - Utilities (2)	5 percent	7
Change in CAD per US$ 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	3

(1) Based on approximately 63 percent of frac spread exposed NGL volumes being hedged.

(2) Degree days – Utilities relate to SEMCO Gas, ENSTAR, and Washington Gas service areas. 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) The impact on EBITDA due to changes in the spread will vary and is being managed 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 any remainder. Midstream and Power maintenance capital is expected to be approximately $30 to $40 million of the total capital expenditures in 2019. 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 investment in the Mountain Valley gas pipeline development. The Power segment continues to pursue a capital-light strategy. 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), 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 growth capital projects 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%	$276 million (net of partner recoveries) [(5)]	$248 million (net of partner recoveries)	RIPET commenced operations in the second quarter of 2019, with the introduction of feedstock in mid-April and the first shipment departing with propane destined for Asia on May 23, 2019. Additional expenditures, primarily related to close-out of construction activities, are expected to be incurred in the third quarter of 2019.	RIPET was placed into service in May 2019.
Nig Creek Plant	50%	$100 million	$50 million	Construction of Nig Creek, the second plant in the Aitken Creek development, is progressing and is expected to be on stream in the fourth quarter of 2019.	Q4 2019
Northeast B.C. Pipeline Projects	33% to 100%	$68 million	$16 million	The Northeast B.C. Pipeline projects consists of three pipelines; the Inga gas gathering pipeline (33% ownership), the Aitken Creek natural gas liquids (NGL) pipeline (100% ownership) which will connect the Aitken Creek facilities to the Townsend Complex, and the Gundy lateral pipeline (100% ownership). Construction of all segments is underway or expected to begin in the third quarter of 2019.	Q4 2019, pending regulatory approvals.
Townsend 2B Expansion and Mercaptan Treating	100%	$165 million	$59 million	Construction activities commenced in the second quarter of 2019. The expected completion date is the first quarter of 2020.	Q1 2020
North Pine Expansion	100%	$58 million	$9 million	Detailed design is complete. All major long lead equipment has been ordered and fabrication is in progress. Construction activities are expected to commence in the third quarter of 2019.	Q1 2020
Mountain Valley Pipeline	10%	US$350 million	US$332 million	Construction is underway. As at June 30, 2019, approximately 80 percent of the project is complete, which includes construction of five compressor stations and related facilities. In the second quarter of 2019, the estimated completion date was moved to mid-2020 from Q4 2019 due to ongoing legal and regulatory challenges. Despite the delays, AltaGas' exposure is contractually capped to the original estimated contributions of US$350 million.	Mid-2020 due to ongoing legal and regulatory challenges
MVP Southgate Project	5%	US$20 million	US$2 million	Construction is expected to begin late in the first quarter of 2020. Expenditures to date relate to land surveys, land acquisition, and obtaining permits and regulatory approvals.	Late 2020
Central Penn Expansion (Leidy South)	22%	US$50 million	US$1 million	Regulatory approvals are expected in the fourth quarter of 2020 with construction anticipated to begin in early 2021.	Q4 2021

Project	AltaGas' Ownership Interest	Estimated Cost (1)	Expenditures to Date (2)	Status	Expected In-Service Date
Utilities 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). The PSC of DC is finalizing its procedural schedule related to this application.	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$21 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$118 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 Main Replacement Programs – ***Michigan***	100%	Estimated US$50 million over five year period from 2015 to 2020.	US$33 million(3)	The third phase of the Accelerated Main Replacement Program (MRP3) in Michigan expires in May 2020. SEMCO's May 2019 rate case included the request for a new five year plan beyond 2020, similar to the current spend of approximately US$10 million annually. Settlement discussions are expected to begin in Q3 2019. The MPSC is required to rule in the case no later than March 31, 2020.	Individual assets are placed into service throughout the program.
Marquette Connector Pipeline	100%	US$154 million	US$55 million	Construction is well underway with over 300 contract employees currently working on the project. All permanent Right-of-Way and associated construction easements have been secured. Community engagement, interaction, and media coverage continue to be positive. The pipeline in-service date is scheduled for November 2019.	Late Q4 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 June 30, 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.
(5) AltaGas' share of the original budgeted costs for RIPET (net of partner recoveries) was approximately $290 million.

With the pending sale of the WGL distributed generation portfolio, the investment in SFGF II, LLC is no longer included in AltaGas' growth capital projects.

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 (loss), 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 June 30		Six Months Ended June 30	
($ millions)	**2019**	2018	**2019**	2018
Normalized EBITDA	**$ 203**	$ 166	**$ 669**	$ 388
Add (deduct):				
Transaction costs related to acquisitions and dispositions	**(1)**	(7)	**(13)**	(17)
Merger commitment cost recovery	**—**	—	**5**	—
Unrealized gains (losses) on risk management contracts	**(15)**	22	**16**	23
Changes in fair value of natural gas optimization inventory	**10**	—	**4**	—
Non-controlling interest related to HLBV investments	**(3)**	—	**(8)**	—
Realized losses on foreign exchange derivatives	**—**	(36)	**—**	(36)
Losses on investments	**(4)**	(5)	**(3)**	(15)
Gain on sale of assets	**34**	—	**720**	1
Provisions on assets	**(1)**	—	**(1)**	—
Provisions on investments accounted for by the equity method	**(2)**	—	**(2)**	—
Development costs	**—**	—	**—**	1
Investment tax credits related to distributed generation assets	**(2)**	—	**(5)**	—
Accretion expenses	**(1)**	(3)	**(3)**	(6)
Foreign exchange gains (losses)	**(1)**	1	**(1)**	1
EBITDA	**$ 217**	$ 138	**$ 1,378**	$ 340
Add (deduct):				
Depreciation and amortization	**(107)**	(73)	**(226)**	(145)
Interest expense	**(83)**	(43)	**(176)**	(86)
Income tax recovery (expense)	**33**	(2)	**(94)**	(21)
Net income after taxes (GAAP financial measure)	**$ 60**	$ 20	**$ 882**	$ 88

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

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

Normalized Net Income (Loss)

	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2019**	2018	**2019**	2018
Normalized net income (loss)	**$ (5)**	$ 23	**$ 196**	$ 93
Add (deduct) after-tax:				
Transaction costs related to acquisitions and dispositions	**(1)**	(5)	**(10)**	(16)
Merger commitment cost recovery	**—**	—	**5**	—
Unrealized gains (losses) on risk management contracts	**(11)**	26	**12**	26
Changes in fair value of natural gas optimization inventory	**8**	—	**3**	—
Realized loss on foreign exchange derivatives	**—**	(36)	**—**	(36)
Losses on investments	**(4)**	(5)	**(3)**	(13)
Gain on sale of assets	**46**	—	**639**	1
Provisions on assets	**(1)**	—	**(1)**	—
Provisions on investments accounted for by the equity method	**(2)**	—	**(2)**	—
Statutory tax rate change	**11**	—	**11**	—
Financing costs associated with the bridge facility	**—**	(2)	**—**	(5)
Net income applicable to common shares (GAAP financial measure)	**$ 41**	$ 1	**$ 850**	$ 50

Normalized net income (loss) represents net income (loss) applicable to common shares adjusted for the after-tax impact of unrealized gains (losses) on risk management contracts, 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, realized loss on foreign exchange derivatives, provisions on investments accounted for by the equity method, provisions on assets, statutory tax rate change, 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

	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2019**	2018	**2019**	2018
Normalized utility adjusted funds from operations	**$ 34**	$ 73	**$ 335**	$ 213
Add (deduct):				
Utilities depreciation and amortization	**68**	21	**134**	41
Normalized adjusted funds from operations	**$ 102**	$ 94	**$ 469**	$ 254
Add (deduct):				
Net cash received from non-controlling interests	**(16)**	(6)	**(32)**	(19)
Midstream and Power maintenance capital	**17**	17	**24**	22
Preferred dividends paid	**17**	16	**35**	33
Normalized funds from operations	**$ 120**	$ 121	**$ 496**	$ 290
Add (deduct):				
Transaction and financing costs related to acquisitions and dispositions	**(1)**	(7)	**(13)**	(20)
Merger commitment cost recovery	**—**	—	**5**	—
Funds from operations	**$ 119**	$ 114	**$ 488**	$ 270
Add (deduct):				
Net change in operating assets and liabilities	**85**	34	**148**	68
Asset retirement obligations settled	**(1)**	(1)	**(6)**	(2)
Cash from operations (GAAP financial measure)	**$ 203**	$ 147	**$ 630**	$ 336

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. Management uses these measures to understand the ability to generate funds for capital investments, debt repayment, dividend payments and other investing activities.

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. 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 Utilities segment depreciation and amortization.

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.

Supplemental Reconciliation

Reconciliation of Normalized EBITDA to Normalized Net Income (Loss)

The below table provides a supplemental reconciliation of normalized EBITDA to normalized net income (loss). Both of these non-GAAP measures have been previously reconciled to the relevant GAAP financial measures in the section above. This supplemental information is provided as additional information to assist analysts and investors in comparing normalized EBITDA to normalized net income (loss) and is not intended as a substitute for the reconciliations to the nearest comparable GAAP measures. Readers should not place undue reliance on this supplemental reconciliation.

	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2019**	2018	**2019**	2018
Normalized EBITDA	**$ 203**	$ 166	**$ 669**	$ 388
Add (deduct):				
Depreciation and amortization	**(107)**	(73)	**(226)**	(145)
Interest expense	**(83)**	(43)	**(176)**	(86)
Normalizing items impacting interest expense	**—**	4	**—**	9
Income tax recovery (expense)	**33**	(2)	**(94)**	(21)
Normalizing items impacting tax expense	**(28)**	(9)	**66**	(9)
Accretion expenses	**(1)**	(3)	**(3)**	(6)
Foreign exchange gains (losses)	**(1)**	1	**(1)**	1
Non-controlling interest related to HLBV investments	**(3)**	—	**(8)**	—
Net (income) loss applicable to non-controlling interests	**(1)**	(2)	**3**	(5)
Preferred share dividends	**(17)**	(16)	**(34)**	(33)
Normalized net income (loss)	**$ (5)**	$ 23	**$ 196**	$ 93

Results of Operations by Reporting Segment

Normalized EBITDA [1]	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2019**	2018	**2019**	2018
Utilities	**$ 81**	$ 50	**$ 422**	$ 162
Midstream	**97**	48	**204**	119
Power	**34**	75	**61**	116
Sub-total: Operating Segments	**$ 212**	$ 173	**$ 687**	$ 397
Corporate	**(9)**	(7)	**(18)**	(9)
	$ 203	$ 166	**$ 669**	$ 388

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

Revenue	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2019**	2018	**2019**	2018
Utilities	**$ 417**	$ 212	**$ 1,524**	$ 634
Midstream	**414**	262	**865**	633
Power	**351**	167	**710**	315
Sub-total: Operating Segments	**$ 1,182**	$ 641	**$ 3,099**	$ 1,582
Corporate	**—**	(15)	**—**	(15)
Intersegment eliminations	**(8)**	(16)	**(27)**	(79)
	$ 1,174	$ 610	**$ 3,072**	$ 1,488

Utilities

Operating Statistics

	Three Months Ended June 30		Six Months Ended June 30	
	2019	2018	**2019**	2018
Natural gas deliveries - end-use (Bcf)(1)	**20.7**	12.0	**96.1**	43.0
Natural gas deliveries - transportation (Bcf)(1)	**25.2**	10.9	**72.8**	24.3
Service sites (thousands)(2)	**1,648**	581	**1,648**	581
Degree day variance from normal - SEMCO Gas (%) (3)	**14.5**	14.8	**7.5**	5.5
Degree day variance from normal - ENSTAR (%) (3)	**(16.1)**	(6.1)	**(11.4)**	(3.0)
Degree day variance from normal - Washington Gas (%) (3) (4)	**(44.5)**	—	**(6.3)**	—

(1) Bcf is one billion cubic feet.
(2) Service sites reflect all of the service sites of the utilities, including transportation and non-regulated business lines. Service sites at June 30, 2018 also include service sites of the Canadian utilities, which were included in the ACI IPO in October 2018.
(3) A degree day 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 second quarter of 2019, AltaGas' Utilities segment experienced similar 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.

During the first half of 2019, AltaGas' Utilities segment experienced colder weather at SEMCO and warmer weather at ENSTAR compared to the same period 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 at June 30, 2019 increased by approximately 1.1 million sites compared to June 30, 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 June 30

The Utilities segment reported normalized EBITDA of $81 million in the second quarter of 2019, compared to $50 million in the same quarter in 2018. The increase in normalized EBITDA was mainly due to the addition of WGL ($41 million), the favorable impact of the stronger U.S. dollar, and lower operating expenses. The increase was partially offset by the impact of the ACI IPO in 2018 and warmer weather in Alaska.

Six Months Ended June 30

The Utilities segment reported normalized EBITDA of $422 million in the first half of 2019, compared to $162 million in the same period of 2018. The increase in normalized EBITDA was mainly due to the addition of WGL ($295 million), the favorable impact of the stronger U.S. dollar, growth in customer base, and colder weather in Michigan. The increase was partially offset by the impact of the ACI IPO in 2018, lower storage revenue at CINGSA, 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. On June 25, 2019, the PSC of MD issued an order granting in part and denying in part Washington Gas' application for a rehearing. Washington Gas is directed to file revised tariffs with an effective date of December 11, 2018, subject to acceptance by the PSC of MD.

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, of which approximately US$5 million relates to costs being collected through the monthly STRIDE surcharges for system upgrades. Evidentiary hearing will take place at the end of August 2019 and a final decision from the PSC of MD is expected in November 2019.

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 occurred in the second quarter of 2019 with a decision expected in late 2019.

On December 7, 2018, Washington Gas filed an application with the PSC of DC for the phase 2 PROJECTpipes program requesting approval, by end of the third quarter of 2019, of approximately US$305 million in accelerated infrastructure replacement in the District of Columbia during the 2019 to 2024 period. In June 2019, in response to interveners petition for an extension of time to file testimony, the PSC of DC requested parties to submit scheduling proposals. In view of the expiry of the phase 1 PROJECTpipes program by the end of the third quarter of 2019, Washington Gas filed a proposed schedule that would allow for a PSC of DC decision by the end of 2019, and requested an extension of the phase 1 PROJECTpipes program until the requested date for final PSC of DC order approving the phase 2 PROJECTpipes program. Parties are waiting for a PSC of DC decision on process schedule.

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 occurred in May 2019 with a decision expected in the third quarter of 2019.

On May 31, 2019, SEMCO Gas filed a request with the Michigan Public Service Commission (MPSC) seeking authority to increase SEMCO Gas's base rates by approximately US$38 million on an annual basis established with a forecasted test year of 2020. The increase in rates requested captures the inflation of operations and maintenance costs from the last rate case in 2010 as well as the investment in the Marquette Connector Pipeline. With the upcoming sunset of the Main Replacement Program (MRP) in 2020, this case includes the addition of a new MRP and the introduction of an Infrastructure Reliability Improvement Program (IRIP) to recover the capital costs associated with the replacement of certain mains, services, and other infrastructure through surcharges similar to the currently-enacted MRP program. The MPSC has a 10-month statutory requirement to rule in this case and as a result, the case is expected to be completed no later than March 31, 2020.

Midstream

Operating Statistics

	Three Months Ended June 30		Six Months Ended June 30	
	2019	2018	**2019**	2018
Extraction inlet gas processed (Mmcf/d)[1]	**980**	769	**979**	926
FG&P inlet gas processed (Mmcf/d)[1]	**437**	458	**470**	463
Total inlet gas processed (Mmcf/d)[1]	**1,417**	1,227	**1,449**	1,389
Extraction ethane volumes (Bbls/d)[1]	**23,046**	16,527	**23,238**	20,955
Extraction NGL volumes (Bbls/d)[1] [2]	**33,944**	33,201	**36,409**	38,354
Total extraction volumes (Bbls/d)[1] [3]	**56,990**	49,728	**59,647**	59,309
Frac spread - realized ($/Bbl)[1] [4]	**19.50**	14.98	**18.18**	17.20
Frac spread - average spot price ($/Bbl)[1] [5]	**15.27**	22.19	**13.55**	22.22
RIPET export volumes (MT)[6]	**109,966**	—	**109,966**	—
Propane Far East Index (FEI) to Mont Belvieu spread (US$/MT)[7]	**177**	—	**177**	—
Natural gas optimization inventory (Bcf)	**31.9**	—	**31.9**	—
WGL retail energy marketing - gas sales volumes (Mmcf)	**9,360**	—	**36,770**	—

(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, before accounting for hedges, divided by the respective frac exposed volumes for the period.

(6) Energy export volumes represents propane volumes exported at RIPET since facility was placed into service in May 2019.

(7) Average propane price spread between Argus Far East Index and Mont Belvieu TET commercial index for May and June 2019.

Inlet gas volumes processed at the extraction facilities for the second quarter of 2019 increased by 211 Mmcf/d compared to the same quarter of 2018. The increase was primarily due to plant turnarounds at Harmattan in May 2018 and at Joffre Ethane Extraction Plant (JEEP) and Pembina Empress Extraction Plant (PEEP) in June 2018, partially offset by reduced ownership at Younger effective April 2018. Inlet gas volumes processed at the field gathering and processing (FG&P) facilities for the second quarter of 2019 decreased by 21 Mmcf/d primarily due to the disposition of certain non-core facilities in the first quarter of 2019, partially offset by the recently acquired Aitken Creek North facility.

Inlet gas volumes processed at the extraction facilities for the first half of 2019 increased by 53 Mmcf/d compared to the same period of 2018. The increase was primarily due to plant turnarounds at Harmattan in May 2018 and at JEEP and PEEP in June 2018, partially offset by Younger due to operational issues upstream and reduced ownership effective April 2018. Inlet gas volumes processed at the FG&P facilities for the first half of 2019 increased by 7 Mmcf/d primarily due to higher volumes received at the Townsend facilities and the Aitken Creek North facility, partially offset by the disposition of certain non-core facilities in the first quarter of 2019.

Average ethane volumes for the second quarter of 2019 increased by 6,519 Bbls/d, while average NGL volumes increased by 743 Bbls/d compared to the same period in 2018. Higher ethane volumes were a result of plant turnarounds at Harmattan, JEEP and PEEP in second quarter of 2018, partially offset by rejecting production at Younger due to uneconomic pricing. Higher NGL volumes were a result of additional volumes available from the Townsend complex and plant turnarounds at Harmattan, JEEP and PEEP in the second quarter of 2018, partially offset by a lower ownership interest at Younger, the disposition of certain non-core facilities in the first quarter of 2019 and lower volumes at Gordondale.

Average ethane volumes for the first half of 2019 increased by 2,283 Bbls/d, while average NGL volumes decreased by 1,945 Bbls/d compared to the same period in 2018. Higher ethane volumes were a result of plant turnarounds at Harmattan, JEEP and PEEP in second quarter of 2018, partially offset by rejecting production at Younger due to uneconomic pricing. Lower NGL volumes were a result of a lower ownership interest at Younger, the disposition of certain non-core facilities in the first quarter of 2019 and lower volumes at Gordondale, partially offset by additional volumes available from the Townsend complex and plant turnarounds at Harmattan, JEEP and PEEP in the second quarter of 2018.

With RIPET commencing operations in the late May 2019, total propane volumes exported to Asia for the three and six months ended June 30, 2019 were 109,966 MT.

With the addition of WGL, for the three and six months ended June 30, 2019, U.S. retail sales volumes were 9,360 Mmcf and 36,770 Mmcf, respectively. Natural gas optimization inventory as at June 30, 2019 was 31.9 Bcf (December 31, 2018 - 35.9 Bcf).

Three Months Ended June 30

The Midstream segment reported normalized EBITDA of $97 million in the second quarter of 2019, compared to $48 million in the same quarter of 2018. The increase was mainly due to contributions from WGL Midstream assets of $21 million, contributions from RIPET which was placed in-service in May 2019, the acquisition of 50 percent ownership in Black Swan's Aitken Creek North gas processing facility in the fourth quarter of 2018, higher realized frac spreads, and higher revenues at Harmattan due to increased NGL activities, partly offset by the disposition of certain non-core facilities in the first quarter of 2019, a one-time payment received in 2018 related to reduced ownership at Younger, and lower NGL marketing margins. During the second quarter of 2019, AltaGas recorded equity earnings of $11 million from Petrogas, compared to $1 million in the same quarter of 2018 mainly due to expanded activity levels in Petrogas' core business units.

During the second 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 second quarter of 2018, AltaGas hedged 7,500 Bbls/d of NGL at an average price of $33/Bbl, excluding basis differentials. The average indicative spot NGL frac spread for the second quarter of 2019 was approximately $15/Bbl, compared to $22/Bbl in the same quarter of 2018 inclusive of basis differentials. The realized frac spread of approximately $20/Bbl in the second quarter of 2019 (2018 - $15/Bbl) was higher than the same period in 2018 due to frac hedge gains. For RIPET, during the second quarter of 2019, AltaGas hedged approximately 58,676 MT of propane export volumes at the FEI to Mont Belvieu spread of US$137/MT.

During the second quarter of 2019. the Midstream segment recognized a pre-tax gain of $35 million on the disposition of the equity investment in Stonewall.

Six Months Ended June 30

The Midstream segment reported normalized EBITDA of $204 million in the first half of 2019, compared to $119 million in the same period of 2018. The increase in normalized EBITDA was due to contributions from WGL Midstream assets of $56 million, contributions from RIPET which was placed in-service in May 2019, the acquisition of 50 percent ownership in Black Swan's Aitken Creek North gas processing facility in the fourth quarter of 2018, higher realized frac spreads (inclusive of hedges), and higher revenues at Harmattan due to increased NGL activities, partly offset by the disposition of certain non-core facilities in the first quarter of 2019, and lower frac exposed volumes primarily due to reduced ownership at Younger and lower marketing margins due to a weak spot market. During the first half of 2019, AltaGas recorded equity earnings of $34 million from Petrogas, compared to $11 million in the same period in 2018. The increase in Petrogas earnings was due to higher export volumes at Ferndale as a result of higher activity levels, a planned turnaround in the first quarter of 2018, and improved margins.

During the first half 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 half of 2018, AltaGas hedged 7,500 Bbls/d of NGL at an average price of $33/Bbl, excluding basis differentials. The average indicative spot NGL frac spread for first half of 2019 was approximately $14/Bbl compared to $22/Bbl in the same period of 2018. The realized frac spread of $18/Bbl in the first half of 2019 (2018 - $17/Bbl) was higher than the same period in 2018 due to frac hedge gains. For RIPET, during the first half of 2019, AltaGas hedged approximately 58,676 MT of propane export volumes at the FEI to Mont Belvieu spread of US$137/MT.

During the first half of 2019, AltaGas recognized a pre-tax gain of $5 million on the sale of remaining non-core Midstream processing facilities, and was also impacted by the previously mentioned gains recorded in the second quarter of 2019. In the first half 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 June 30		Six Months Ended June 30	
	2019	2018	**2019**	2018
Renewable power sold (GWh)	**150**	504	**316**	630
Conventional power sold (GWh)	**361**	642	**625**	1,484
Renewable capacity factor (%)	**22.3**	51.7	**16.3**	30.0
Contracted conventional equivalent availability factor (%) (1)	**66.7**	97.7	**54.9**	96.6
WGL retail energy marketing - electricity sales volumes (GWh)	**3,125**	—	**6,205**	—

(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 second quarter of 2019, the volume of renewable power sold decreased by 354 GWh and the volume of conventional power sold decreased by 281 GWh, compared to the same quarter in 2018. The decrease in renewable volumes was due to the January 2019 sale of the Northwest Hydro facilities and the October 2018 sale of the Bear Mountain wind facility to ACI, partially offset by the addition of WGL power generation. The decrease in conventional volumes sold was due to the November 2018 sale of the San Joaquin facilities and an extended planned outage at the Blythe facility.

The contracted conventional equivalent availability factor was lower for the second quarter of 2019 as a result of the extended planned outage at Blythe. The renewable capacity factor was lower for the second quarter of 2019 due to the sale of the Northwest Hydro facilities and the sale of the Bear Mountain wind facility, partially offset by the addition of WGL power generation.

During the first half of 2019, the volume of renewable power sold decreased by 314 GWh and the volume of conventional power sold decreased by 859 GWh. The change in volumes was due to the same reasons as noted above for the second quarter of 2019.

The variances related to the renewable capacity factor and contracted conventional availability factor for the first half of 2019 were due to the same factors as noted above for the second quarter of 2019.

For the three and six months ended June 30, 2019, U.S. retail sales volumes were 3,125 GWh and 6,205 GWh, respectively.

Three Months Ended June 30

The Power segment reported normalized EBITDA of $34 million during the second quarter of 2019, compared to $75 million in the same period of 2018. Normalized EBITDA decreased as a result of the impact of the January 2019 sale of the Northwest Hydro facilities, the impact of the sale of the San Joaquin facilities in November 2018, the impact of the ACI IPO, and the extended planned spring outage at the Blythe facility, partially offset by the addition of WGL ($15 million).

In the second quarter of 2019, AltaGas signed an agreement for the sale of its equity ownership interest in two biomass plants in the United States for proceeds of approximately US$20 million. The sale is expected to close in the third quarter of 2019, subject to regulatory approval. A provision of $2 million was recorded on these equity investments in the second quarter of 2019.

Also in the second quarter of 2019, a pre-tax provision of $1 million was recorded related to a capital spare turbine in storage which was classified as held for sale as at June 30, 2019. There were no provisions recorded in the Power segment in the second quarter of 2018.

Six Months Ended June 30

The Power segment reported normalized EBITDA of $61 million in the first half of 2019, compared to $116 million in the same period of 2018. Normalized EBITDA decreased as a result of the impact of the sale of the San Joaquin facilities in November 2018, the impact of the January 2019 sale of the Northwest Hydro facilities, the impact of the ACI IPO, and the extended planned outage at the Blythe facility, partially offset by the addition of WGL ($28 million).

During the first half 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 half 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.

In the first half of 2019, the Power segment was impacted by the previously mentioned provision recorded in the second quarter of 2019. There were no provisions recorded in the Power segment in the first half of 2018.

Corporate

Three Months Ended June 30

In the Corporate segment, normalized EBITDA for the second quarter of 2019 was a loss of $9 million, compared to a loss of $7 million in the same quarter of 2018. The increased loss was mainly due to higher information technology related costs.

Six Months ended June 30

In the Corporate segment, normalized EBITDA for the first half of 2019 was a loss of $18 million, compared to a loss of $9 million in the same period of 2018. The increased loss was a result of a number of factors including higher expenses related to employee incentive plans as a result of the increasing share price in the first half of 2019 and higher information technology related costs.

Invested Capital

($ millions)		Utilities		Midstream		Power		Corporate		Three Months Ended June 30, 2019 Total
Invested capital:										
Property, plant and equipment	$	243	$	107	$	21	$	—	$	371
Intangible assets		1		1		—		2		4
Long-term investments		—		50		—		—		50
Contributions from non-controlling interest		—		(13)		—		—		(13)
Invested capital		244		145		21		2		412
Disposals:										
Equity method investments		—		(379)		—		—		(379)
Net invested capital	$	244		(234)	$	21	$	2	$	33

($ millions)		Utilities		Midstream		Power		Corporate		Three Months Ended June 30, 2018 Total
Invested capital:										
Property, plant and equipment	$	54	$	61	$	9	$	1	$	125
Intangible assets		1		2		—		1		4
Contributions from non-controlling interest		—		(9)		—		—		(9)
Invested capital		55		54		9		2		120
Disposals:										
Property, plant and equipment		—		(1)		—		—		(1)
Net invested capital	$	55	$	53	$	9	$	2	$	119

During the second quarter of 2019, AltaGas' invested capital was $412 million, compared to $120 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 second 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 and Townsend 2B, and capital expenditures related to WGL's distributed generation projects. The disposal of equity method investments related to the disposition of Stonewall in May 2019.

The invested capital in the second quarter of 2019 included maintenance capital of $1 million (2018 - $10 million) in the Midstream segment and $16 million (2018 - $7 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.

($ millions)		Utilities		Midstream		Power		Corporate		Six Months Ended June 30, 2019 Total
Invested capital:										
Property, plant and equipment	$	**383**	$	**181**	$	**35**	$	**1**	$	**600**
Intangible assets		**1**		**3**		**—**		**5**		**9**
Long-term investments		**—**		**135**		**—**		**—**		**135**
Contributions from non-controlling interest		**—**		**(30)**		**—**		**—**		**(30)**
Invested capital		**384**		**289**		**35**		**6**		**714**
Disposals:										
Property, plant and equipment		**—**		**(88)**		**(1,341)**		**—**		**(1,429)**
Equity method investments		**—**		**(379)**		**—**		**—**		**(379)**
Net invested capital	$	**384**	$	**(178)**	$	**(1,306)**	$	**6**	$	**(1,094)**

($ millions)		Utilities		Midstream		Power		Corporate		Six Months Ended June 30, 2018 Total
Invested capital:										
Property, plant and equipment	$	71	$	115	$	13	$	1	$	200
Intangible assets		1		2		1		2		6
Long-term investments		—		19		—		—		19
Contributions from non-controlling interest		—		(23)		—		—		(23)
Invested capital		72		113		14		3		202
Disposals:										
Property, plant and equipment		—		(8)		(2)		—		(10)
Net invested capital	$	72	$	105	$	12	$	3	$	192

During the first half of 2019, AltaGas' invested capital was $714 million, compared to $202 million in the same period of 2018. The increase in invested capital in the first half of 2019 was mainly 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 half of 2019 was mainly due to capital expenditures related to system betterment and accelerated pipeline replacement programs at Washington Gas, construction costs at RIPET and Townsend 2B, and capital expenditures related to WGL's distributed generation projects. The disposals of property, plant and equipment in the first half of 2019 primarily related to the Northwest Hydro facilities and non-core Canadian Midstream and Power assets, while in the first half of 2018 the disposals of property, plant and equipment related to non-core facilities in the Midstream segment and a development stage wind asset in the Power segment. The disposal of equity method investments related to the disposition of Stonewall in May 2019.

The invested capital in the first half of 2019 included maintenance capital of $1 million (2018 - $13 million) in the Midstream segment and $23 million (2018 - $9 million) in the Power segment. The variances in maintenance capital for the first half of 2019 was primarily due to the same factors impacting maintenance capital in the second quarter of 2019.

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 June 30, 2019 and December 31, 2018, the fair values of the Corporation's derivatives were as follows:

($ millions)		**June 30, 2019**		December 31, 2018
Natural gas	**$**	**(94)**	$	(137)
Energy exports		**8**		—
NGL frac spread		**11**		16
Power		**(2)**		(9)
Foreign exchange		**—**		(1)
Net derivative liability	**$**	**(77)**	$	(131)

Summary of Risk Management Contracts

Commodity Price Contracts

- The average indicative spot NGL frac spread for the six months ended June 30, 2019 was approximately $14/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 six months ended June 30, 2019 was approximately $18/Bbl inclusive of basis differentials (2018 - $17/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.
- At RIPET, AltaGas is exposed to the propane price differential between North American Indices and the Far East Index for contracts not under tolling arrangements. AltaGas estimates an average of approximately 29,000 Bbls/d will be exposed to these price differentials for the remainder of 2019. AltaGas has hedges in place for approximately 66 percent of these exposed propane volumes at an average FEI to Mont Belvieu spread of US$129/MT.

Foreign Exchange Contracts

- As at June 30, 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 six months ended June 30, 2019, AltaGas incurred after-tax unrealized gains of $69 million arising from the translation of debt in other comprehensive income (2018 - nil).

Weather Instruments

- For the six months ended June 30, 2019, pre-tax gains of $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 June 30		Six Months Ended June 30	
($ millions)	**2019**	2018	**2019**	2018
Natural gas	**$ (5)**	$ (5)	**$ 8**	$ (11)
Energy exports	**(5)**	—	**(7)**	—
NGL frac spread	**5**	(8)	**(5)**	3
Power	**(8)**	(2)	**(3)**	(5)
Foreign exchange	**—**	37	**1**	36
	$ (13)	$ 22	**$ (6)**	$ 23

Please refer to Note 22 of the 2018 Annual Consolidated Financial Statements and Note 14 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and six months ended June 30, 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.

In addition, Wrangler SPE LLC and Washington Gas made certain ring fencing commitments to the PSC of DC, the PSC of MD and the SCC of VA with the intention of removing Washington Gas from the bankruptcy estate of AltaGas and its affiliates, other than Washington Gas and Wrangler SPE LLC (together, the "Ring Fenced Entities"). Because of these ring fencing measures, none of the assets of the Ring Fenced Entities would be available to satisfy the debt or contractual obligations of AltaGas or any non-Ring Fenced Entity Affiliate, including any indebtedness or other contractual obligations of AltaGas, and the Ring Fenced Entities do not bear any liability for indebtedness or other contractual obligations of any non-Ring Fenced Entity, and vice versa.

	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2019**	2018	**2019**	**2018**
Cash from operations	**$ 203**	$ 147	**$ 630**	$ 336
Investing activities	**7**	(107)	**1,187**	(196)
Financing activities	**(271)**	642	**(1,898)**	609
Increase (decrease) in cash and cash equivalents	**$ (61)**	$ 682	**$ (81)**	$ 749

Cash from Operations

Cash from operations increased by $294 million for the six months ended June 30, 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 accounts receivable due to seasonality at the Utilities, 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.

Working Capital

($ millions except current ratio)		**June 30, 2019**		December 31, 2018
Current assets	**$**	**2,656**	$	4,033
Current liabilities		**3,866**		4,102
Working deficiency	**$**	**(1,210)**	$	(69)
Working capital ratio [1]		**0.69**		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, accounts receivable, inventory, and cash, and increases in the current portion of long-term debt, 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 six months ended June 30, 2019 was $1.2 billion, compared to cash used in investing activities of $196 million in the same period in 2018. Investing activities for the six months ended June 30, 2019 primarily included proceeds of $1.8 billion from asset sales completed in the first half of 2019 (including the Northwest Hydro facilities, Stonewall, 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 $561 million for property, plant, and equipment and intangible assets, and approximately $134 million of contributions to equity investments. Investing activities for the six months ended June 30, 2018 primarily included expenditures of approximately $195 million for property, plant, and equipment and approximately $19 million of contributions to AltaGas' equity investments, partially offset by cash proceeds of approximately $23 million, net of transaction costs, primarily from the sale of non-core Midstream facilities and a wind asset, as well as the sale of an investment.

Financing Activities

Cash used in financing activities for the six months ended June 30, 2019 was $1.9 billion, compared to cash from financing activities of $609 million in the same period in 2018. Financing activities for the six months ended June 30, 2019 were primarily comprised of net repayments of short and long-term debt of $1.9 billion, net repayments under bankers' acceptances of $0.5 billion, and dividends of $167 million, partially offset by draws on credit facilities of $0.6 billion, contributions from non-controlling interests of $36 million, and net proceeds from the issuance of common shares of $28 million (mainly from common shares issued through the DRIP). Financing activities for the six months ended June 30, 2018 were primarily comprised of proceeds from the sale of a non-controlling interest in the Northwest Hydro facilities of $921 million (net of transaction costs), net proceeds from the issuance of common shares of $135 million (mainly from shares issued through the DRIP), contributions from non-controlling interests of $23 million and net borrowings under bankers' acceptances of $8 million, partially offset by repayments of long-term debt and short-term debt of $205 million and $48 million, respectively. Total dividends paid to common and preferred shareholders of AltaGas for the six months ended June 30, 2019 were $167 million (2018 - $227 million), of which $28 million was reinvested through the DRIP (2018 - $134 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)		June 30, 2019		December 31, 2018
Short-term debt	$	**738**	$	1,210
Current portion of long-term debt		**1,516**		890
Long-term debt(1)		**5,864**		8,067
Total debt		**8,118**		10,167
Less: cash and cash equivalents		**(46)**		(102)
Net debt	$	**8,072**	$	10,065
Shareholders' equity		**7,480**		7,020
Non-controlling interests		**160**		621
Total capitalization	$	**15,712**	$	17,706
Net debt-to-total capitalization (%)		**51**		57

(1) Net of debt issuance costs of $33 million as at June 30, 2019 (December 31, 2018 - $35 million).

As at June 30, 2019, AltaGas' total debt primarily consisted of outstanding MTNs of $2.5 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 $472 million (December 31, 2018 - $496 million), $1.8 billion drawn under the bank credit facilities (December 31, 2018 - $3.0 billion) and short-term debt of $0.7 billion (December 31, 2018 - $1.2 billion). In addition, AltaGas had $305 million of letters of credit outstanding (December 31, 2018 - $271 million).

As at June 30, 2019, AltaGas' total market capitalization was approximately $5.5 billion based on approximately 277 million common shares outstanding and a closing trading price on June 30, 2019 of $19.81 per common share.

AltaGas' earnings interest coverage for the rolling 12 months ended June 30, 2019 was 1.4 times (12 months ended June 30, 2018 – 1.4 times).

Credit Facilities ($ millions)		Borrowing capacity		Drawn at June 30, 2019		Drawn at December 31, 2018
AltaGas unsecured demand credit facilities (1) (2)	$	332	$	**134**	$	153
AltaGas unsecured extendible revolving letter of credit facilities (1) (2)		543		**162**		117
AltaGas unsecured revolving credit facilities (1) (2)		3,363		**1,425**		2,890
AltaGas bridge facility (1) (3)		—		**—**		113
AltaGas unsecured term credit facility (1) (2)		393		**393**		—
SEMCO Energy US$200 million unsecured credit facilities (1) (2)		262		**9**		1
WGL US$650 million unsecured revolving credit facility (2)		851		**—**		—
Washington Gas US$350 million unsecured revolving credit facility (2) (4)		458		**—**		—
	$	6,202	$	**2,123**	$	3,274

(1) Amount drawn at June 30, 2019 converted at the month-end rate of 1 U.S. dollar = 1.3087 Canadian dollar (December 31, 2018 - 1 U.S. dollar = 1.3462 Canadian dollar).

(2) All US$ borrowing capacity was converted at the June 30, 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 June 30, 2019, commercial paper outstanding totaled US$510 million for WGL and Washington Gas (December 31, 2018 – US$840 million).

Effective July 19, 2019, WGL and Washington Gas amended and restated their unsecured, revolving credit facilities. The WGL facility was reduced from US$650 million to US$250 million for a period of three years. The Washington Gas facility was increased from US$350 million to US$450 million for a period of five years. The facilities both have a US$100 million accordion option and there were no changes to the financial covenants. The commercial paper programs supported by these facilities have been revised to match the new facility amounts.

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 June 30, 2019
Bank debt-to-capitalization[(1)]	not greater than 65 percent	51.3%
Bank EBITDA-to-interest expense [(1) (2)]	not less than 2.5x	2.7
Bank debt-to-capitalization (SEMCO)[(3)]	not greater than 60 percent	35.6%
Bank EBITDA-to-interest expense (SEMCO)[(3)]	not less than 2.25x	7.3
Bank debt-to-capitalization (WGL)[(4)]	not greater than 65 percent	54.0%
Bank debt-to-capitalization (Washington Gas)[(4)]	not greater than 65 percent	44.3%

(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 $5.0 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 June 30, 2019, approximately $4.6 billion was available under the base shelf prospectus.

On June 4, 2018, a US$2.0 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 June 30, 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 July 26, 2019
Issued and outstanding	
Common shares	277,214,345
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 US$4.25 series	150,000
Washington Gas US$4.80 series	70,600
Washington Gas US$5.00 series	60,000
Issued	
Share options	7,701,091
Share options exercisable	2,738,863

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	**0.240000**	0.547500
Third quarter	**—**	0.547500
Fourth quarter	**—**	0.445000
Total	**$ 0.480000**	$ 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**	0.211250
Third quarter	**—**	0.211250
Fourth quarter	**—**	0.211250
Total	**$ 0.422500**	$ 0.845000

Series B Preferred Share Dividends

Year ended December 31				
($ per preferred share)		**2019**		2018
First quarter	**$**	**0.269380**	$	0.217600
Second quarter		**0.270510**		0.238720
Third quarter		**—**		0.249530
Fourth quarter		**—**		0.262770
Total	**$**	**0.539890**	$	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**		0.330625
Third quarter		**—**		0.330625
Fourth quarter		**—**		0.330625
Total	**$**	**0.661250**	$	1.322500

Series E Preferred Share Dividends

Year ended December 31				
($ per preferred share)		**2019**		2018
First quarter	**$**	**0.337063**	$	0.312500
Second quarter		**0.337063**		0.312500
Third quarter		**—**		0.312500
Fourth quarter		**—**		0.312500
Total	**$**	**0.674126**	$	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**		0.296875
Third quarter		**—**		0.296875
Fourth quarter		**—**		0.296875
Total	**$**	**0.593750**	$	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**		0.328125
Third quarter		**—**		0.328125
Fourth quarter		**—**		0.328125
Total	**$**	**0.656250**	$	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**	0.312500
Third quarter	**—**	0.312500
Fourth quarter	**—**	0.312500
Total	**$ 0.625000**	$ 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 June 30, 2019 were as follows:

US$4.25 series Preferred Share Dividends

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

US$4.80 series Preferred Share Dividends

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

US$5.00 series Preferred Share Dividends

Year ended December 31		
(US$ per preferred share)	**2019**	2018
First quarter	**$ 1.250000**	$ —
Second quarter	**1.250000**	—
Third quarter	**—**	1.250000
Fourth quarter	**—**	1.250000
Total	**$ 2.500000**	$ 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 and six months ended June 30, 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 $181.0 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 15 of the unaudited condensed interim Consolidated Financial Statements as at and for the six months ended June 30, 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;

- 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 post-retirement 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 ASU 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 ASU 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.

In April 2019, FASB issued ASU No. 2019-04 “Financial Instruments - Credit Losses, Derivatives and Hedging, and Codification Improvements”. The amendments in this ASU provide clarification and improve the codification in recently issued accounting standards on credit losses (ASU 2016-13), hedging (ASU 2017-12), and recognizing and measuring financial instruments (ASU 2016-01). The amendments related to credit losses have the same effective date and transition requirements as ASU 2016-13, the amendments related to hedge accounting are effective as of the beginning of the first annual period beginning after issuance of this ASU and may be applied retrospectively to the date ASU 2017-12 was adopted or prospectively with some exceptions, and the amendments related to financial instruments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The adoption of this ASU is not expected to have a material impact on AltaGas’ consolidated financial statements.

In May 2019, FASB issued ASU No. 2019-05 “Financial Instruments - Credit Losses: Targeted Transition Relief". The amendments in this ASU provide entities that have certain instruments within the scope of Subtopic 326-20 - Financial Instruments - Credit Losses - Measured at Amortized Cost (other than held-to-maturity debt securities) a one-time irrevocable option to elect fair value treatment on an eligible instrument-by-instrument basis. The effective date and transition methodology for the amendments in this ASU are the same as ASU 2016-13. 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 six months ended June 30, 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 second 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 Utilities 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$3.6 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 a 70 percent interest in the recently completed Ridley Island Propane Export Terminal, allowing AltaGas to leverage its assets along the energy value chain in Western Canada including natural gas gathering and processing, natural gas liquids (NGL) extraction and fractionation, and natural gas and NGL marketing. The Midstream segment also includes transmission, storage, an interest in three regulated pipelines in the Marcellus/Utica gas formation in the northeastern United States, WGL's retail gas marketing business, the Corporation's 50 percent interest in AltaGas Idemitsu Joint Venture Limited Partnership (AIJVLP), and an indirectly held one-third ownership investment in Petrogas Energy Corp. (Petrogas), through which AltaGas' interest in the Ferndale Terminal is held; and
- Power, which includes 1,102 MW of operational gross capacity from natural gas-fired, biomass, solar, other distributed generation and energy storage assets, certain of which are pending sale, 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)	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17
Total revenue	**1,174**	1,898	1,727	1,041	610	878	745	502
Normalized EBITDA[2]	**203**	466	394	226	166	223	213	190
Net income (loss) applicable to common shares	**41**	809	174	(726)	1	49	(11)	18
($ per share)	**Q2-19**	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17
Net income (loss) per common share								
Basic	**0.15**	2.93	0.64	(2.78)	0.01	0.28	(0.06)	0.10
Diluted	**0.15**	2.93	0.64	(2.78)	0.01	0.28	(0.06)	0.10
Dividends declared	**0.24**	0.24	0.45	0.55	0.55	0.55	0.54	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 and the first half of 2019;
- 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;
- The impact of the sale of the Northwest Hydro facilities and non-core Canadian Midstream and Power assets in the first quarter of 2019; and
- RIPET entering commercial service in the second 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;
- 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)*		**June 30, 2019**		December 31, 2018
ASSETS				
Current assets				
Cash and cash equivalents *(note 21)*	**$**	**46.3**	$	101.6
Accounts receivable, net of allowances		**930.1**		1,547.5
Inventory *(note 7)*		**420.6**		515.9
Restricted cash holdings from customers *(note 21)*		**4.0**		4.1
Regulatory assets		**16.4**		21.0
Risk management assets *(note 14)*		**97.9**		114.1
Prepaid expenses and other current assets *(note 21)*		**205.7**		199.9
Assets held for sale *(note 5)*		**935.2**		1,528.9
		2,656.2		4,033.0
Property, plant and equipment		**10,162.5**		10,929.6
Intangible assets		**610.8**		711.9
Operating right of use assets *(note 15)*		**138.2**		—
Goodwill *(note 8)*		**3,971.1**		4,068.2
Regulatory assets		**508.3**		663.0
Risk management assets *(note 14)*		**65.5**		57.7
Restricted cash holdings from customers *(note 21)*		**3.9**		6.1
Prepaid post-retirement benefits		**333.4**		342.7
Long-term investments and other assets *(notes 9, 14, and 21)*		**286.5**		283.1
Investments accounted for by the equity method		**2,263.6**		2,392.4
	$	**21,000.0**	$	23,487.7
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**1,185.4**	$	1,488.2
Dividends payable		**22.2**		22.0
Short-term debt		**738.3**		1,209.9
Current portion of long-term debt *(notes 11 and 14)*		**1,516.3**		890.2
Customer deposits		**67.0**		98.0
Regulatory liabilities		**80.7**		114.9
Risk management liabilities *(note 14)*		**67.7**		89.3
Operating lease liabilities *(note 15)*		**19.3**		—
Other current liabilities *(note 14)*		**9.0**		18.1
Liabilities associated with assets held for sale *(note 5)*		**160.0**		171.4
		3,865.9		4,102.0
Long-term debt *(notes 11 and 14)*		**5,863.9**		8,066.9
Asset retirement obligations		**484.2**		500.6
Unamortized investment tax credits		**4.5**		190.1
Deferred income taxes		**1,110.8**		957.9
Regulatory liabilities		**1,314.0**		1,392.8
Risk management liabilities *(note 14)*		**172.4**		213.0
Operating lease liabilities *(note 15)*		**133.8**		—
Other long-term liabilities *(note 14)*		**114.5**		122.0
Future employee obligations		**295.5**		302.2
	$	**13,359.5**	$	15,847.5

As at *($ millions)*		**June 30, 2019**		December 31, 2018
Shareholders' equity				
Common shares, no par values, unlimited shares authorized; 2019 - 276.9 million and 2018 - 275.2 million issued and outstanding *(note 16)*	**$**	**6,682.3**	$	6,653.9
Preferred shares *(note 16)*		**1,318.8**		1,318.8
Contributed surplus		**374.6**		373.2
Accumulated deficit		**(1,188.1)**		(1,905.3)
Accumulated other comprehensive income (AOCI) *(note 12)*		**292.6**		579.0
Total shareholders' equity		**7,480.2**		7,019.6
Non-controlling interests		**160.3**		620.6
Total equity	**$**	**7,640.5**	$	7,640.2
	$	**21,000.0**	$	23,487.7

Variable interest entities (note 10)
Commitments, guarantees and contingencies (note 18)
Seasonality (note 22)
Segmented information (note 23)
Subsequent events (note 24)

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

(condensed and unaudited)

	Three months ended June 30		Six months ended June 30	
($ millions except per share amounts)	**2019**	2018	**2019**	2018
REVENUE *(note 13)*	**$ 1,173.9**	$ 609.8	**$ 3,072.0**	$ 1,488.2
EXPENSES				
Cost of sales, exclusive of items shown separately	**717.2**	324.7	**1,856.8**	862.6
Operating and administrative	**309.0**	146.3	**658.6**	287.1
Accretion expenses	**1.1**	2.7	**2.7**	5.5
Depreciation and amortization	**107.1**	72.9	**225.8**	145.5
Provisions on assets *(note 6)*	**0.8**	—	**0.8**	—
	1,135.2	546.6	**2,744.7**	1,300.7
Income from equity investments *(note 6)*	**34.6**	2.7	**89.8**	12.8
Other income (loss) *(note 4)*	**37.9**	(1.3)	**735.3**	(6.6)
Foreign exchange gains (losses)	**(1.0)**	0.6	**(0.7)**	0.6
Interest expense				
Short-term debt	**(9.2)**	(0.4)	**(26.5)**	(1.2)
Long-term debt	**(74.1)**	(42.5)	**(150.1)**	(84.9)
Income before income taxes	**26.9**	22.3	**975.1**	108.2
Income tax expense (recovery) *(note 20)*				
Current	**6.7**	9.8	**13.6**	22.5
Deferred	**(39.9)**	(7.6)	**79.9**	(1.9)
Net income after taxes	**60.1**	20.1	**881.6**	87.6
Net income (loss) applicable to non-controlling interests	**1.4**	2.3	**(2.7)**	4.6
Net income applicable to controlling interests	**58.7**	17.8	**884.3**	83.0
Preferred share dividends	**(17.3)**	(16.4)	**(34.5)**	(32.8)
Net income applicable to common shares	**$ 41.4**	$ 1.4	**$ 849.8**	$ 50.2
Net income per common share *(note 17)*				
Basic	**$ 0.15**	$ 0.01	**$ 3.08**	$ 0.28
Diluted	**$ 0.15**	$ 0.01	**$ 3.08**	$ 0.28
Weighted average number of common shares outstanding (millions) *(note 17)*				
Basic	**276.4**	179.3	**275.9**	177.9
Diluted	**277.0**	179.4	**276.3**	178.1

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(condensed and unaudited)

	Three months ended June 30		Six months ended June 30	
($ millions)	**2019**	2018	**2019**	2018
Net income after taxes	**$ 60.1**	$ 20.1	**$ 881.6**	$ 87.6
Other comprehensive income (loss), net of taxes				
Gain (loss) on foreign currency translation	**(182.0)**	58.3	**(360.8)**	131.5
Unrealized gain on net investment hedge *(note 14)*	**29.5**	—	**68.9**	—
Reclassification of actuarial gains and prior service costs on defined benefit (DB) and post-retirement benefit plans (PRB) to net income *(note 19)*	**4.9**	0.1	**6.4**	0.3
Curtailment of DB and PRB plan *(note 19)*	**—**	2.7	**—**	2.7
Adoption of ASU 2016-01	**—**	—	**—**	7.1
Other comprehensive income (loss) from equity investees	**(1.5)**	0.4	**(0.9)**	1.7
Total other comprehensive income (loss) (OCI), net of taxes *(note 12)*	**(149.1)**	61.5	**(286.4)**	143.3
Comprehensive income (loss) attributable to controlling interests and non-controlling interests, net of taxes	**$ (89.0)**	$ 81.6	**$ 595.2**	$ 230.9
Comprehensive income (loss) attributable to:				
Non-controlling interests	**$ 1.4**	$ 2.3	**$ (2.7)**	$ 4.6
Controlling interests	**(90.4)**	79.3	**597.9**	226.3
	$ (89.0)	$ 81.6	**$ 595.2**	$ 230.9

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF EQUITY
(condensed and unaudited)

Six months ended June 30 *($ millions)*		**2019**		2018
Common shares *(note 16)*				
Balance, beginning of period	**$**	**6,653.9**	$	4,007.9
Shares issued for cash on exercise of options		**—**		1.1
Shares issued under DRIP [1]		**28.4**		133.9
Balance, end of period	**$**	**6,682.3**	$	4,142.9
Preferred shares *(note 16)*				
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		**1.6**		0.5
Exercise of share options		**—**		(0.1)
Forfeiture of share options		**(0.2)**		—
Sale of non-controlling interest		**—**		335.2
Balance, end of period	**$**	**374.6**	$	357.9
Accumulated deficit				
Balance, beginning of period	**$**	**(1,905.3)**	$	(933.6)
Net income applicable to controlling interests		**884.3**		83.0
Common share dividends		**(132.6)**		(195.2)
Preferred share dividends		**(34.5)**		(32.8)
Adoption of ASU No. 2016-01		**—**		(7.1)
Balance, end of period	**$**	**(1,188.1)**	$	(1,085.7)
AOCI *(note 12)*				
Balance, beginning of period	**$**	**579.0**	$	199.1
Other comprehensive income (loss)		**(286.4)**		143.3
Balance, end of period	**$**	**292.6**	$	342.4
Total shareholders' equity	**$**	**7,480.2**	$	5,035.2
Non-controlling interests				
Balance, beginning of period	**$**	**620.6**	$	65.8
Net income (loss) applicable to non-controlling interests		**(2.7)**		4.6
Sale of non-controlling interest		**—**		420.4
Adjustment on disposition of Northwest Hydro facilities		**(489.9)**		—
Contributions from non-controlling interests to subsidiaries		**35.9**		23.2
Distributions by subsidiaries to non-controlling interests		**(3.6)**		(4.5)
Balance, end of period	**$**	**160.3**	$	509.5
Total equity	**$**	**7,640.5**	$	5,544.7

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

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(condensed and unaudited)

	Three months ended June 30		Six months ended June 30	
	2019	2018	**2019**	2018
Cash from operations				
Net income after taxes	**$ 60.1**	$ 20.1	**$ 881.6**	$ 87.6
Items not involving cash:				
Depreciation and amortization	**107.1**	72.9	**225.8**	145.5
Provisions on assets *(note 6)*	**0.8**	—	**0.8**	—
Accretion expenses	**1.1**	2.7	**2.7**	5.5
Share-based compensation *(note 16)*	**0.8**	0.2	**1.3**	0.5
Deferred income tax expense (recovery) *(note 20)*	**(39.9)**	(7.6)	**79.9**	(1.9)
Losses (gains) on sale of assets *(note 4)*	**(33.3)**	0.1	**(719.7)**	(1.2)
Income from equity investments	**(34.6)**	(2.7)	**(89.8)**	(12.8)
Unrealized losses (gains) on risk management contracts *(note 14)*	**12.9**	(21.9)	**6.1**	(22.5)
Realized loss on expiry of foreign exchange options	**—**	36.0	**—**	36.0
Losses on investments	**4.3**	5.4	**3.0**	14.8
Amortization of deferred financing costs	**2.4**	3.2	**6.3**	6.3
Provision for doubtful accounts	**3.1**	—	**15.0**	—
Net change in pension and other post retirement benefits	**(1.6)**	—	**4.5**	—
Other	**4.9**	(0.4)	**6.3**	(0.2)
Asset retirement obligations settled	**(1.3)**	(0.9)	**(6.0)**	(1.6)
Distributions from equity investments	**31.0**	5.8	**64.4**	12.5
Changes in operating assets and liabilities *(note 21)*	**85.1**	34.0	**148.1**	67.8
	$ 202.9	$ 146.9	**$ 630.3**	$ 336.3
Investing activities				
Acquisition of property, plant and equipment	**(309.4)**	(112.9)	**(542.3)**	(195.2)
Acquisition of intangible assets	**(14.0)**	(3.1)	**(18.7)**	(4.7)
Contributions to equity investments	**(48.4)**	—	**(133.8)**	(19.4)
Proceeds from disposition of investments	**—**	7.9	**—**	13.1
Proceeds from disposition of assets, net of transaction costs *(note 4)*	**379.1**	0.9	**1,808.5**	10.0
Proceeds from disposition of financing receivable *(note 4)*	**—**	—	**73.5**	—
	$ 7.3	$ (107.2)	**$ 1,187.2**	$ (196.2)
Financing activities				
Net repayment of short-term debt	**(264.0)**	(5.5)	**(422.4)**	(48.4)
Issuance of long-term debt, net of debt issuance costs	**33.5**	7.6	**597.4**	7.3
Repayment of long-term debt	**(151.2)**	(0.6)	**(1,442.6)**	(205.7)
Net issuance (repayment) of bankers' acceptances	**159.3**	(239.9)	**(524.0)**	8.3
Dividends - common shares	**(66.3)**	(97.9)	**(132.4)**	(194.2)
Dividends - preferred shares	**(17.3)**	(16.4)	**(34.5)**	(32.8)
Distributions to non-controlling interest	**(2.8)**	(3.0)	**(3.6)**	(4.5)
Contributions from non-controlling interests	**19.2**	8.7	**35.9**	23.2
Net proceeds from shares issued on exercise of options	**—**	0.5	**—**	1.0
Net proceeds from issuance of common shares	**18.4**	68.0	**28.4**	133.9
Net proceeds from sale of non-controlling interest	**—**	921.0	**—**	921.0
Other	**—**	(0.2)	**—**	(0.5)
	$ (271.2)	$ 642.3	**$ (1,897.8)**	$ 608.6
Change in cash, cash equivalents and restricted cash	**(61.0)**	682.0	**(80.3)**	748.7
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**(3.8)**	0.6	**(7.7)**	1.3
Net change in cash classified within assets held for sale	**—**	—	**4.9**	—
Cash, cash equivalents, and restricted cash beginning of period	**182.8**	111.1	**201.1**	43.7
Cash, cash equivalents, and restricted cash end of period *(note 21)*	**$ 118.0**	$ 793.7	**$ 118.0**	$ 793.7

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, Ridley Island LPG Export 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 Utilities 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 Utilities 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$3.6 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 a 70 percent interest in the recently completed Ridley Island Propane Export Terminal, allowing AltaGas to leverage its assets along the energy value chain in Western Canada including natural gas gathering and processing, natural gas liquids (NGL) extraction and fractionation, and natural gas and NGL marketing. The Midstream segment also includes transmission, storage, an interest in three regulated pipelines in the Marcellus/Utica gas formation in the northeastern United States, WGL's retail gas marketing business, the Corporation's 50 percent interest in AltaGas Idemitsu Joint Venture Limited Partnership (AIJVLP), and an indirectly held one-third ownership investment in Petrogas Energy Corp. (Petrogas), through which AltaGas' interest in the Ferndale Terminal is held; and
- Power, which includes 1,102 MW of operational gross capacity from natural gas-fired, biomass, solar, other distributed generation and energy storage assets, certain of which are pending sale, 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 15 of the unaudited condensed interim Consolidated Financial Statements as at and for the six months ended June 30, 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;

- 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 post-retirement 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 ASU 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 ASU 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.

In April 2019, FASB issued ASU No. 2019-04 "Financial Instruments - Credit Losses, Derivatives and Hedging, and Codification Improvements". The amendments in this ASU provide clarification and improve the codification in recently issued accounting standards on credit losses (ASU 2016-13), hedging (ASU 2017-12), and recognizing and measuring financial instruments (ASU 2016-01). The amendments related to credit losses have the same effective date and transition requirements as ASU 2016-13, the amendments related to hedge accounting are effective as of the beginning of the first annual period beginning after issuance of this ASU and may be applied retrospectively to the date ASU 2017-12 was adopted or prospectively with some exceptions, and the amendments related to financial instruments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

In May 2019, FASB issued ASU No. 2019-05 "Financial Instruments - Credit Losses: Targeted Transition Relief". The amendments in this ASU provide entities that have certain instruments within the scope of Subtopic 326-20 - Financial Instruments - Credit Losses - Measured at Amortized Cost (other than held-to-maturity debt securities) a one-time irrevocable option to elect fair value treatment on an eligible instrument-by-instrument basis. The effective date and transition methodology for the amendments in this ASU are the same as ASU 2016-13. 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. As of June 30, 2019, the purchase price allocation is final and reflects Management's best estimate of the fair value of WGL's assets and liabilities. In the first half of 2019, based on new information obtained in the period and further refinement of assumptions, adjustments to the purchase price allocation included amounts relating to intangible assets, deferred income taxes, pension liabilities, current liabilities, other long-term liabilities, valuation of equity investments in Midstream pipelines, and deferred rent, resulting in a net increase to goodwill of approximately $92.2 million (note 8).

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	$	1,220
Property, plant and equipment		5,884
Intangible assets		577
Regulatory assets		408
Long-term investments		1,475
Other long-term assets		462
Current liabilities		(1,916)
Long-term debt		(2,548)
Preferred shares		(41)
Regulatory liabilities		(1,126)
Deferred income taxes		(741)
Other long-term liabilities		(959)
Non-controlling interest		(9)
Accumulated other comprehensive income		(2)
Fair value of net assets acquired	**$**	**2,684**
Goodwill	**$**	**3,289**

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 $687.9 million in the Consolidated Statements of Income under the line item “other income (loss)” for the six months ended June 30, 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 six months ended June 30, 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 $1.3 million in the Consolidated Statement of Income under the line item “other income (loss)” for the six months ended June 30, 2019.

Stonewall Gas Gathering System

On May 31, 2019, AltaGas completed the disposition of WGL Midstream's entire interest in the Stonewall Gas Gathering System (Stonewall) to a wholly-owned subsidiary of DTE Energy Company for total gross proceeds of approximately $379.2 million (US $280 million). As a result, AltaGas recognized a pre-tax gain on disposition of $35.3 million in the Consolidated Statement of Income under the line item “other income (loss)” for the six months ended June 30, 2019.

5. Assets Held For Sale

As at		June 30, 2019		December 31, 2018
Assets held for sale				
Cash	**$**	**—**	$	4.9
Accounts receivable		**—**		85.2
Inventory		**—**		0.5
Property, plant and equipment		**872.1**		1,189.6
Intangible assets		**—**		248.7
Operating right of use assets		**33.4**		—
Goodwill		**29.7**		—
	$	**935.2**	$	1,528.9
Liabilities associated with assets held for sale				
Accounts payable and accrued liabilities	**$**	**—**	$	23.8
Operating lease liabilities - current		**2.4**		—
Asset retirement obligations		**6.4**		10.8
Unamortized investment tax credits		**120.1**		—
Operating lease liabilities - long-term		**31.1**		—
Other long-term liabilities		**—**		136.8
	$	**160.0**	$	171.4

Distributed Generation Assets

On July 22, 2019, AltaGas announced that it has entered into a definitive agreement for the sale of its portfolio of U.S. distributed generation assets for a purchase price of approximately US$720 million, subject to customary closing conditions (Note 24). The transaction is expected to close in the third quarter of 2019. The carrying value of the assets and liabilities were classified as held for sale at June 30, 2019, which resulted in the reclassification of $930.6 million of assets to assets held for sale and $160.0 million of liabilities to liabilities associated with assets held for sale on the Consolidated Balance Sheets. These assets are recorded in the Power segment.

Capital Spare

In the second quarter of 2019, an agreement was signed for the disposal of a capital spare, comprising a turbine in storage, for a purchase price of approximately US$3.5 million. The sale is expected to close in the third quarter of 2019, and as such, $4.6 million of property, plant and equipment was classified as held for sale as at June 30, 2019. A pre-tax provision of $0.8 million was recorded in the second quarter of 2019 due to the reduction of the carrying value of the asset to fair value less costs to sell (Note 6). This asset is recorded in the Power segment.

6. Provisions on Assets

Six months ended June 30		2019		2018
Power	**$**	**0.8**	$	—
	$	**0.8**	$	—

Power

In the second quarter of 2019, AltaGas recorded pre-tax provisions totaling $0.8 million in the Power segment related to a capital spare which was classified as held for sale at June 30, 2019 (Note 5). There were no provisions recorded in the Power segment in the first six months of 2018.

Utilities

There were no provisions recorded in the Utilities segment in the first six months of 2019 or 2018.

Midstream

There were no provisions recorded in the Midstream segment in the first six months of 2019 or 2018.

Provisions on investments accounted for by the equity method

In the second quarter of 2019, AltaGas signed an agreement for the sale of its equity ownership interest in two biomass plants in the United States for proceeds of approximately US$20 million. The sale is expected to close in the third quarter of 2019, subject to regulatory approval. As a result of this pending sale, during the second quarter of 2019, a pre-tax provision of $2.2 million was recorded against AltaGas' investment in Craven Wood County Energy LP. This equity investment is in the Power segment and the provision was recorded in the Consolidated Statements of Income under the line item "Income from equity investments".

There were no provisions on equity investments recorded during the six months ended June 30, 2018.

7. Inventory

As at		June 30, 2019		December 31, 2018
Natural gas held in storage	**$**	**295.6**	$	418.0
Materials and supplies		**52.5**		53.3
Renewable energy credits and emission compliance instruments		**45.7**		38.2
Natural gas liquids		**26.8**		6.4
	$	**420.6**	$	515.9

8. Goodwill

As at		June 30, 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)*		**92.2**		—
Reclassified to assets held for sale *(note 5)*		**(29.7)**		—
Foreign exchange translation		**(159.6)**		178.7
Balance, end of period	$	**3,971.1**	$	4,068.2

9. Long-Term Investments and Other Assets

As at		June 30, 2019		December 31, 2018
Investments in publicly-traded entities	$	**5.4**	$	8.4
Loan to affiliate		**45.0**		45.0
Deferred lease receivable		**33.3**		24.4
Debt issuance costs associated with credit facilities		**7.2**		7.9
Refundable deposits		**12.1**		16.2
Prepayment on long-term service agreements		**79.1**		82.5
Contract asset *(note 13)*		**20.6**		11.5
Rabbi trust *(notes 19 and 21)*		**58.2**		61.7
Other		**25.6**		25.5
	$	**286.5**	$	283.1

10. Variable Interest Entities

Consolidated VIEs

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

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 was 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. With the 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 June 30, 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. The majority of the assets and liabilities within these entities are included in the pending disposition of WGL's distributed generation portfolio, and as such, have been classified as held for sale at June 30, 2019 (Note 5).

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 June 30, 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 June 30, 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 June 30, 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		June 30, 2019		December 31, 2018
Current assets	**$**	**388.6**	$	1,383.5
Property, plant and equipment		**346.1**		619.2
Long-term investments and other assets		**57.6**		48.0
Current liabilities		**(30.0)**		(161.8)
Asset retirement obligations		**(0.9)**		(0.9)
Other long term liabilities		**(0.5)**		(3.0)
Net assets	**$**	**760.9**	$	1,885.0

The decrease in current assets and current liabilities associated with AltaGas' consolidated VIEs at June 30, 2019 compared to December 31, 2018 is primarily due to the sale of Northwest Hydro Limited Partnership in January 2019 (Note 4), partially offset by the held for sale classification of VIEs included in the pending sale of WGL's distributed generation portfolio at June 30, 2019 (Note 5).

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 June 30, 2019, AltaGas held an equity investment in Meade with a carrying value of $850.1 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.

11. Long-Term Debt

As at	Maturity date		June 30, 2019		December 31, 2018
Credit facilities					
$1,400 million unsecured extendible revolving facility[(a)]	15-May-2023	**$**	**222.7**	$	964.7
US$300 million unsecured extendible revolving facility[(b)]	15-May-2022		**2.7**		287.8
Acquisition credit facility[(c)]	6-Jan-2020		**—**		113.2
US$1,200 million revolving credit facility[(d)]	28-Dec-2021		**1,199.4**		1,637.0
US$300 million unsecured term facility[(e)]	27-Feb-2021		**392.6**		—
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		**588.9**		682.1
US$250 million Senior unsecured - 3.15 percent	12-Mar-2020		**327.2**		341.1
US$20 million Senior unsecured - 6.65 percent	20-Mar-2023		**26.2**		27.3
US$40.5 million Senior unsecured - 5.44 percent	11-Aug-2025		**53.0**		55.3
US$53 million Senior unsecured - 6.62 to 6.82 percent	Oct - 2026		**69.4**		72.3
US$72 million Senior unsecured - 6.40 to 6.57 percent	Feb - Sep 2027		**94.2**		98.2
US$52 million Senior unsecured - 6.57 to 6.85 percent	Jan - Mar 2028		**68.1**		70.9
US$8.5 million Senior unsecured - 7.50 percent	1-Apr-2030		**11.1**		11.6
US$50 million Senior unsecured - 5.70 to 5.78 percent	Jan - Mar 2036		**65.4**		68.2
US$75 million Senior unsecured - 5.21 percent	3-Dec-2040		**98.2**		102.3
US$75 million Senior unsecured - 5.00 percent	15-Dec-2043		**98.2**		102.3
US$300 million Senior unsecured - 4.22 to 4.60 percent	Sep - Dec 2044		**392.6**		409.3
US$450 million Senior unsecured - 3.80 percent	15-Sep-2046		**588.9**		613.9
SEMCO long-term debt					
US$300 million SEMCO Senior Secured - 5.15 percent[(f)]	21-Apr-2020		**392.6**		409.3
US$82 million SEMCO Senior Secured - 4.48 percent[(g)]	2-Mar-2032		**79.7**		86.3
Fair value adjustment on WGL Acquisition *(note 3)*			**85.5**		89.0
Finance lease liabilities *(note 15)*			**6.9**		0.8
		$	**7,412.9**	$	8,992.3
Less debt issuance costs			**(32.7)**		(35.2)
		$	**7,380.2**	$	8,957.1
Less current portion			**(1,516.3)**		(890.2)
		$	**5,863.9**	$	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 canceled 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.

12. 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	**—**	**—**	**78.3**	**$ (360.8)**	**$ (0.9)**	**(283.4)**
Amounts reclassified from OCI	**—**	**6.0**	**—**	**—**	**—**	**6.0**
Current period OCI (pre-tax)	**—**	**6.0**	**78.3**	**(360.8)**	**(0.9)**	**(277.4)**
Income tax on amounts retained in AOCI	**—**	**—**	**(9.4)**	**—**	**—**	**(9.4)**
Income tax on amounts reclassified to earnings	**—**	**0.4**	**—**	**—**	**—**	**0.4**
Net current period OCI	**—**	**6.4**	**68.9**	**(360.8)**	**(0.9)**	**(286.4)**
Ending balance, June 30, 2019	**$ —**	**$ (12.6)**	**$ (140.3)**	**$ 440.6**	**$ 4.9**	**$ 292.6**
Opening balance, January 1, 2018	$ (7.1)	$ (11.4)	$ (129.0)	$ 342.9	$ 3.7	$ 199.1
OCI before reclassification	—	—	—	131.5	1.7	133.2
Amounts reclassified from AOCI	—	0.4	—	—	—	0.4
Adoption of ASU No. 2016-01	7.1	—	—	—	—	7.1
Curtailment of DB and PRB plan	—	4.2	—	—	—	4.2
Current period OCI (pre-tax)	7.1	4.6	—	131.5	1.7	144.9
Income tax on amounts reclassified to earnings	—	(0.1)	—	—	—	(0.1)
Income tax on amounts related to curtailment of DB and PRB plan	—	(1.5)	—	—	—	(1.5)
Net current period OCI	7.1	3.0	—	131.5	1.7	143.3
Ending balance, June 30, 2018	$ —	$ (8.4)	$ (129.0)	$ 474.4	$ 5.4	$ 342.4

Reclassification From Accumulated Other Comprehensive Income

AOCI components reclassified	Income statement line item	**Three months ended June 30, 2019**	Three months ended June 30, 2018
Defined benefit pension and PRB plans	Other income (loss)	**$ 3.8**	$ 0.2
Deferred income taxes	Income tax expenses – deferred	**1.1**	(0.1)
		$ 4.9	$ 0.1

AOCI components reclassified	Income statement line item	**Six months ended June 30, 2019**	Six months ended June 30, 2018
Defined benefit pension and PRB plans	Other income (loss)	**$ 6.0**	$ 0.4
Deferred income taxes	Income tax expenses – deferred	**0.4**	(0.1)
		$ 6.4	$ 0.3

13. Revenue

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

	Three months ended June 30, 2019				
	Utilities	**Midstream**	**Power**	**Corporate**	**Total**
Revenue from contracts with customers					
Commodity sales contracts	$ —	$ 231.3	$ 271.3	$ —	$ 502.6
Midstream service contracts	—	34.9	—	—	34.9
Gas sales and transportation services	390.1	—	—	—	390.1
Storage services	8.3	—	—	—	8.3
Other	2.5	1.1	7.5	—	11.1
Total revenue from contracts with customers	$ 400.9	$ 267.3	$ 278.8	$ —	$ 947.0
Other sources of revenue					
Revenue from alternative revenue programs [a]	$ 9.7	$ —	$ —	$ —	$ 9.7
Leasing revenue [b]	0.2	36.2	25.4	—	61.8
Risk management and trading activities [c][d]	—	109.0	36.1	(0.1)	145.0
Other	2.5	0.7	7.2	—	10.4
Total revenue from other sources	$ 12.4	$ 145.9	$ 68.7	$ (0.1)	$ 226.9
Total revenue	$ 413.3	$ 413.2	$ 347.5	$ (0.1)	$ 1,173.9

(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 June 30, 2019 of $129.1 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.

	Six months ended June 30, 2019				
	Utilities	Midstream	Power	Corporate	Total
Revenue from contracts with customers					
Commodity sales contracts	$ —	$ 479.6	$ 551.5	$ —	$ 1,031.1
Midstream service contracts	—	72.1	—	—	72.1
Gas sales and transportation services	1,473.5	—	—	—	1,473.5
Storage services	16.7	—	—	—	16.7
Other	4.6	1.1	17.8	—	23.5
Total revenue from contracts with customers	$ 1,494.8	$ 552.8	$ 569.3	$ —	$ 2,616.9
Other sources of revenue					
Revenue from alternative revenue programs [(a)]	$ 15.2	$ —	$ —	$ —	$ 15.2
Leasing revenue [(b)]	0.5	69.3	48.1	—	117.9
Risk management and trading activities [(c)(d)]	—	237.1	73.9	0.2	311.2
Other	(2.3)	0.4	12.7	—	10.8
Total revenue from other sources	$ 13.4	$ 306.8	$ 134.7	$ 0.2	$ 455.1
Total revenue	$ 1,508.2	$ 859.6	$ 704.0	$ 0.2	$ 3,072.0

(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 six months ended June 30, 2019 of $289.8 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 June 30, 2018				
	Utilities	Midstream	Power	Corporate	Total
Revenue from contracts with customers					
Commodity sales contracts	$ —	$ 114.0	$ —	$ —	$ 114.0
Midstream service contracts	—	52.3	—	—	52.3
Gas sales and transportation services	197.3	—	—	—	197.3
Storage services	9.1	—	—	—	9.1
Other	2.4	—	—	—	2.4
Total revenue from contracts with customers	$ 208.8	$ 166.3	$ —	$ —	$ 375.1
Other sources of revenue					
Revenue from alternative revenue programs [(a)]	$ 0.6	$ —	$ —	$ —	$ 0.6
Leasing revenue [(b)]	0.1	23.7	97.3	—	121.1
Risk management and trading activities [(c)]	(0.1)	57.5	63.4	(14.1)	106.7
Other	1.8	(0.1)	4.6	—	6.3
Total revenue from other sources	$ 2.4	$ 81.1	$ 165.3	$ (14.1)	$ 234.7
Total revenue	$ 211.2	$ 247.4	$ 165.3	$ (14.1)	$ 609.8

(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.

	Six months ended June 30, 2018				
	Utilities	**Midstream**	**Power**	**Corporate**	**Total**
Revenue from contracts with customers					
Commodity sales contracts	$ —	$ 221.3	$ —	$ —	$ 221.3
Midstream service contracts	—	101.8	—	—	101.8
Gas sales and transportation services	607.6	—	—	—	607.6
Storage services	18.2	—	—	—	18.2
Other	5.3	0.6	—	—	5.9
Total revenue from contracts with customers	$ 631.1	$ 323.7	$ —	$ —	$ 954.8
Other sources of revenue					
Revenue from alternative revenue programs [(a)]	$ (4.5)	$ —	$ —	$ —	$ (4.5)
Leasing revenue [(b)]	0.1	47.7	164.5	—	212.3
Risk management and trading activities [(c)]	1.1	188.0	139.2	(14.7)	313.6
Other	4.8	(0.2)	7.4	—	12.0
Total revenue from other sources	$ 1.5	$ 235.5	$ 311.1	$ (14.7)	$ 533.4
Total revenue	$ 632.6	$ 559.2	$ 311.1	$ (14.7)	$ 1,488.2

(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 contracts at the Ridley Island Propane Export Terminal (RIPET) generate revenue from the sale and delivery of liquid propane purchased from upstream producers. Revenue from these sales contracts is recognized when propane is loaded onto transport vessels; the delivery point. AltaGas has the right to consideration in an amount that directly corresponds to the volumes of propane loaded on a vessel.

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 June 30, 2019, a contract asset of $20.6 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 June 30, 2019 there is a contract asset of $53.0 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 $1.0 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		June 30, 2019		December 31, 2018
Balance, beginning of period	**$**	**58.8**	$	—
Additions		**16.8**		130.1
Transfers to held for sale [(a)]		**—**		(72.2)
Transfers to accounts receivable [(b)]		**—**		(3.7)
Foreign exchange translation		**(2.0)**		4.6
Balance, end of period	**$**	**73.6**	$	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		June 30, 2019		December 31, 2018
Balance, beginning of period	**$**	**2.2**	$	—
Additions		**0.9**		2.6
Revenue recognized from contract liabilities [(a)]		**(2.0)**		(0.5)
Foreign exchange translation		**(0.1)**		0.1
Balance, end of period	**$**	**1.0**	$	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 June 30, 2019:

		Remainder of 2019		2020		2021		2022		2023		> 2023		Total
Midstream service contracts	$	25.3	$	52.9	$	29.9	$	29.4	$	26.5	$	219.1	**$**	**383.1**
Gas sales and transportation services		0.1		0.2		0.2		0.2		0.2		1.1		**2.0**
Storage services		15.4		30.9		30.9		29.9		29.6		244.4		**381.1**
Other		20.3		14.8		2.2		1.6		1.6		7.6		**48.1**
	$	61.1	$	98.8	$	63.2	$	61.1	$	57.9	$	472.2	**$**	**814.3**

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.

14. 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	June 30, 2019				
	Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Financial assets					
Fair value through net income[a]					
Risk management assets - current	$ 94.7	$ —	$ 56.6	$ 38.1	$ 94.7
Risk management assets - non-current	57.4	—	16.3	41.1	57.4
Equity securities[b]	5.4	5.4	—	—	5.4
Fair value through regulatory assets/liabilities [a]					
Risk management assets - current	3.2	—	—	3.3	3.3
Risk management assets - non-current	8.1	—	—	8.1	8.1
Amortized cost					
Loans and receivables [b]	45.0	—	46.4	—	46.4
	$ 213.8	$ 5.4	$ 119.3	$ 90.6	$ 215.3
Financial liabilities					
Fair value through net income[a]					
Risk management liabilities - current	$ 60.6	$ —	$ 43.7	$ 16.9	$ 60.6
Risk management liabilities - non-current	85.4	—	26.8	58.6	85.4
Fair value through regulatory assets/liabilities [a]					
Risk management liabilities - current	7.1	—	0.2	6.9	7.1
Risk management liabilities - non-current	87.0	—	—	87.0	87.0
Amortized cost					
Current portion of long-term debt	1,516.3	—	1,516.3	—	1,516.3
Long-term debt [d]	5,863.9	—	4,422.9	1,746.4	6,169.3
Other current liabilities [c]	5.7	—	5.7	—	5.7
Other long-term liabilities [c]	2.0	—	2.0	—	2.0
	$ 7,628.0	$ —	$ 6,017.6	$ 1,915.8	$ 7,933.4

(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 June 30, 2019:

	Net Fair Value	Valuation Technique	Unobservable Inputs	Range
Natural gas	$ (89.5)	Discounted Cash Flow	Natural Gas Basis Price (per dekatherm)	$ (1.15) - $ 3.85
Natural gas	$ (2.7)	Option Model	Natural Gas Basis Price (per dekatherm)	$ (1.16) - $ 4.10
			Annualized Volatility of Spot Market Natural Gas	37.70 % - 1,186.28 %
Electricity	$ 13.3	Discounted Cash Flow	Electricity Congestion Price (per megawatt hour)	$ (6.71) - $ 67.27

The following tables provide 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	June 30, 2019			June 30, 2018		
	Natural Gas	**Electricity**	**Total**	Natural Gas	Electricity	Total
Balance, beginning of period	**$ (94.1)**	**$ (7.5)**	**$ (101.6)**	$ —	$ —	$ —
Realized and unrealized gains:						
Recorded in income	**4.2**	**18.7**	**22.9**	—	—	—
Recorded in regulatory assets	**2.5**	**—**	**2.5**	—	—	—
Transfers into Level 3	**0.1**	**—**	**0.1**	—	—	—
Purchases	**—**	**(6.2)**	**(6.2)**			
Settlements	**(6.7)**	**8.5**	**1.8**	—	—	—
Foreign exchange translation	**1.8**	**(0.2)**	**1.6**	—	—	—
Balance, end of period	**$ (92.2)**	**$ 13.3**	**$ (78.9)**	$ —	$ —	$ —

For the six months ended	June 30, 2019			June 30, 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	**37.3**	**25.6**	**62.9**	—	—	—
Recorded in regulatory assets	**19.2**	**—**	**19.2**	—	—	—
Transfers into Level 3	**(5.2)**	**—**	**(5.2)**	—	—	—
Transfers out of Level 3	**7.2**	**—**	**7.2**	—	—	—
Purchases	**—**	**(6.1)**	**(6.1)**			
Settlements	**(7.2)**	**8.4**	**1.2**	—	—	—
Foreign exchange translation	**5.0**	**0.1**	**5.1**	—	—	—
Balance, end of period	**$ (92.2)**	**$ 13.3**	**$ (78.9)**	$ —	$ —	$ —

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 June 30, 2019 were due to an increase in valuations using observable market inputs. Transfers into Level 3 during the period ended June 30, 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

	Three months ended June 30		Six months ended June 30	
	2019	2018	**2019**	2018
Natural gas	**$ (5.2)**	$ (5.4)	**$ 8.3**	$ (11.2)
Energy exports	**(4.6)**	—	**(8.0)**	—
NGL frac spread	**4.5**	(8.2)	**(4.5)**	2.8
Power	**(7.7)**	(1.7)	**(3.1)**	(5.1)
Foreign exchange	**0.1**	37.2	**1.2**	36.0
	$ (12.9)	$ 21.9	**$ (6.1)**	$ 22.5

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	**June 30, 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	**$ 107.4**	**$ (46.0)**	**$ —**	**$ 61.4**
Energy exports	**13.7**	**(1.4)**	**16.0**	**28.3**
NGL frac spread	**12.9**	**(0.2)**	**—**	**12.7**
Power	**72.8**	**(11.8)**	**—**	**61.0**
	$ 206.8	**$ (59.4)**	**$ 16.0**	**$ 163.4**
Risk management liabilities [(b)]				
Natural gas	**$ 216.9**	**$ (46.0)**	**$ (15.3)**	**$ 155.6**
Energy exports	**21.8**	**(1.4)**	**—**	**20.4**
NGL frac spread	**1.2**	**(0.2)**	**—**	**1.0**
Power	**76.7**	**(11.8)**	**(1.8)**	**63.1**
	$ 316.6	**$ (59.4)**	**$ (17.1)**	**$ 240.1**

(a) Net amount of risk management assets on the Balance Sheet is comprised of risk management assets (current) balance of $97.9 million and risk management assets (non-current) balance of $65.5 million.

(b) Net amount of risk management liabilities on the Balance Sheet is comprised of risk management liabilities (current) balance of $67.7 million and risk management liabilities (non-current) balance of $172.4 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		June 30, 2019		December 31, 2018
Collateral posted with counterparties	**$**	**26.8**	$	27.6
Cash collateral held representing an obligation	**$**	**3.7**	$	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 June 30, 2019, AltaGas has posted $7.1 million (December 31, 2018 - nil), of 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		June 30, 2019		December 31, 2018
Risk management liabilities with credit-risk-contingent features	**$**	**42.9**	$	14.7
Maximum potential collateral requirements	**$**	**29.7**	$	7.5

Notional Summary

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

As at	June 30, 2019	December 31, 2018
Natural Gas		
Sales	**809,849,231 GJ**	858,640,810 GJ
Purchases	**1,545,911,043 GJ**	1,638,207,391 GJ
Swaps	**675,054,287 GJ**	621,578,572 GJ
Energy Exports		
Swaps	**12,647,218 Bbl**	—
NGL Frac Spread		
Propane swaps	**1,003,259 Bbl**	1,725,114 Bbl
Butane swaps	**58,357 Bbl**	74,371 Bbl
Crude oil swaps	**177,629 Bbl**	329,230 Bbl
Natural gas swaps	**4,784,184 GJ**	9,490,365 GJ
Power		
Sales	**9,132,748 MWh**	11,881,575 MWh
Purchases	**8,591,436 MWh**	8,507,874 MWh
Swaps	**28,468,519 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 June 30, 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 June 30, 2019, AltaGas has designated US$1,216.5 million of outstanding debt as a net investment hedge (December 31, 2018 - US$1,494.0 million). For the three and six months ended June 30, 2019, AltaGas respectively incurred after-tax unrealized gains of $29.5 million and $68.9 million arising from the translation of debt in OCI (three and six months ended June 30, 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 and six months ended June 30, 2019, pre-tax gains of $0.1 million and $0.6 million, respectively, were recorded related to these instruments (three and six months ended June 30, 2018 - nil).

15. 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:

	Three months ended June 30, 2019	Six months ended June 30, 2019
Operating lease cost (includes variable lease payments)	$ 7.5	$ 14.5
Finance lease cost		
Amortization of right-of-use assets	$ 0.8	$ 1.6
Interest on lease liabilities	0.1	0.2
Total finance lease cost	$ 0.9	$ 1.8
Total lease cost	$ 8.4	$ 16.3

Supplemental cash flow information related to leases was as follows:

	Three months ended June 30, 2019	Six months ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$ (0.1)	$ (0.2)
Operating cash flows from operating leases	$ (4.5)	$ (8.5)
Financing cash flows from finance leases [(a)]	$ (0.9)	$ (1.7)
Right-of-use assets obtained in exchange for new lease liabilities		
Operating leases	$ 6.9	$ 13.9
Finance leases	$ 0.2	$ 1.0

(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		June 30, 2019
Operating Leases		
Operating lease right-of-use assets		
Long-term	**$**	**138.2**
Included in assets held for sale *(note 5)*		**33.4**
Total operating lease right-of-use assets		**171.6**
Operating lease liabilities		
Current	**$**	**19.3**
Long-term		**133.8**
Included in liabilities associated with assets held for sale *(note 5)*		**33.5**
Total operating lease liabilities	**$**	**186.6**
Finance Leases		
Property and equipment, gross	**$**	**8.4**
Accumulated depreciation		**(1.5)**
Property and equipment, net	**$**	**6.9**
Current portion of long-term debt	**$**	**(2.5)**
Long-term debt		**(4.4)**
Total finance lease liabilities	**$**	**(6.9)**

As at	June 30, 2019
Weighted average remaining lease term (years)	
Operating leases	**13.8**
Finance leases	**5.6**
Weighted average discount rate (%)	
Operating leases	**3.91%**
Finance leases	**4.12%**

Maturity analysis of lease liabilities was as follows:

		Operating Leases		Finance Leases
Remainder of 2019	$	22.2	$	2.6
2020		23.2		2.0
2021		22.5		1.5
2022		21.7		0.7
2023		18.6		0.2
Thereafter		144.1		1.8
Total lease payments		252.3		8.8
Less: imputed interest		(65.7)		(1.9)
Total	$	186.6	$	6.9

As of June 30, 2019, AltaGas has additional operating leases, primarily for rail cars, that have not yet commenced of $34.8 million. These operating leases will commence later in 2019 with lease terms of up to 5.5 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	$	99.2
2020		160.7
2021		118.7
2022		119.9
2023		121.0
Thereafter		1,263.3
Total	$	1,882.8

The carrying value of property, plant, and equipment associated with these leases was approximately $1.4 billion as at June 30, 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.

16. 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	1,678,826		28.4
Issued and outstanding at June 30, 2019	**276,902,892**	**$**	**6,682.3**

Preferred Shares

As at	**June 30, 2019**			December 31, 2018		
Issued and Outstanding	**Number of shares**		**Amount**	Number of shares		Amount
Series A	**5,511,220**	**$**	**137.8**	5,511,220	$	137.8
Series B	**2,488,780**		**62.2**	2,488,780		62.2
Series C	**8,000,000**		**205.6**	8,000,000		205.6
Series E	**8,000,000**		**200.0**	8,000,000		200.0
Series G	**8,000,000**		**200.0**	8,000,000		200.0
Series I	**8,000,000**		**200.0**	8,000,000		200.0
Series K	**12,000,000**		**300.0**	12,000,000		300.0
Washington Gas						
$4.80 series	**150,000**		**19.7**	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 June 30, 2019, 19,881,454 shares were reserved for issuance under the plan. As at June 30, 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 June 30, 2019, the unexpensed fair value of share option compensation cost associated with future periods was $3.3 million (December 31, 2018 - $3.7 million).

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

As at	**June 30, 2019**			December 31, 2018		
	Options outstanding			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	**2,125,824**		**19.14**	2,811,460		16.69
Exercised	**—**		**—**	(57,275)		20.68
Forfeited	**(626,172)**		**29.38**	(878,013)		36.47
Expired	**—**		**—**	(100,750)		14.60
Share options outstanding, end of period	**7,808,835**	**$**	**23.20**	6,309,183	$	25.18
Share options exercisable, end of period	**2,776,276**	**$**	**31.92**	2,897,723	$	32.01

(a) Weighted average.

As at June 30, 2019, the aggregate intrinsic value of the total share options exercisable was $0.1 million (December 31, 2018 - $nil), the total intrinsic value of share options outstanding was $13.3 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 June 30, 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	2,781,205	$	15.14	5.48	25,000	$	17.10	0.92
$18.01 to $25.08	1,947,969		19.83	5.11	348,375		20.74	1.35
$25.09 to $50.89	3,079,661		32.62	2.98	2,402,901		33.69	2.61
	7,808,835	**$**	**23.20**	**4.40**	**2,776,276**	**$**	**31.92**	**2.44**

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	**June 30, 2019**	December 31, 2018
(number of units)		
Balance, beginning of period	**15,199,775**	564,549
Acquired [a]	**—**	5,291,621
Granted	**582,397**	9,502,347
Vested and paid out	**(31,150)**	(148,154)
Forfeited	**(1,561,796)**	(66,522)
Units in lieu of dividends	**31,841**	55,934
Outstanding, end of period	**14,221,067**	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 and six months ended June 30, 2019, the compensation expense recorded for the MTIP and DSUP was an expense of $4.8 million and $10.2 million respectively (three and six months ended June 30, 2018 – expense of $2.7 million and $2.9 million respectively). As at June 30, 2019, the unrecognized compensation expense relating to the remaining vesting period for the MTIP was $30.5 million (December 31, 2018 - $26.9 million) and is expected to be recognized over the vesting period.

17. Net Income Per Common Share

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

	Three months ended June 30		Six months ended June 30	
	2019	2018	**2019**	2018
Numerator:				
Net income applicable to controlling interests	**$ 58.7**	$ 17.8	**$ 884.3**	$ 83.0
Less: Preferred share dividends	**(17.3)**	(16.4)	**(34.5)**	(32.8)
Net income applicable to common shares	**$ 41.4**	$ 1.4	**$ 849.8**	$ 50.2
Denominator:				
(millions)				
Weighted average number of common shares outstanding	**276.4**	179.3	**275.9**	177.9
Dilutive equity instruments[(a)]	**0.6**	0.1	**0.4**	0.2
Weighted average number of common shares outstanding - diluted	**277.0**	179.4	**276.3**	178.1
Basic net income per common share	**$ 0.15**	$ 0.01	**$ 3.08**	$ 0.28
Diluted net income per common share	**$ 0.15**	$ 0.01	**$ 3.08**	$ 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 and six months ended June 30, 2019, 4.0 million and 4.1 million share options, respectively (2018 – 3.9 million and 3.9 million, respectively) were excluded from the diluted net income per share calculation as their effects were anti-dilutive.

18. 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 June 30, 2019, the total amount of merger commitments which have been expensed but are not yet paid is approximately US$19 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 $26.8 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 - 15 years, for an aggregate commitment amount of approximately $716 million.

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 June 30, 2019, approximately $179.4 million is expected to be paid over the next 17 years, of which $51.4 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 June 30, 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 (together, the Companies) 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. Once deliveries began, however, the index price paid was more than the fair market value at the same physical delivery point, resulting in losses to the Companies. Accordingly, the Companies notified Antero that they sought to apply a contract provision that would permit the establishment of a new index. Antero objected.

The dispute was arbitrated in January 2017, and the arbitral tribunal ruled in favor of Antero on the applicability of the re-pricing mechanism but found that it lacked authority to determine whether Antero was in breach of its obligation to deliver gas to the Companies at a point where a higher price could be obtained. The Companies filed suit in state court in Colorado for a determination of that issue. Separately, Antero initiated suit against the Companies, claiming that those entities failed to purchase specified daily quantities of gas.

The two cases were consolidated and a jury trial was held in June 2019 in the County Court for Denver, Colorado. Following the trial, the jury returned a verdict in favor of Antero for approximately US$96 million, of which approximately US$11 million was against Washington Gas with the remainder against WGL Midstream. Once the judgment is officially entered, the Companies would have 49 days to file a Notice of Appeal under Colorado rules, provided the Companies file a supersedeas bond within 14 days of the judgment entry. The Companies are considering their option to appeal.

AltaGas recorded a net reduction to the acquired working capital of WGL of approximately US$45 million to account for the verdict in favor of Antero net of tax and other expected recoveries.

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. Following this hearing, on June 10, 2019, the NTSB issued an accident report.

In connection with the incident, a total of 37 civil actions related to the incident have been filed and are pending 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 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.

19. Pension Plans and Retiree Benefits

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

Rabbi trusts of $63.8 million as at June 30, 2019 have been funded to satisfy the employee benefit obligations associated with WGL's various pension plans (December 31, 2018 - $89.3 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 June 30, 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	—	17.1	4.8	17.4	4.8
Expected return on plan assets [(b)]	(0.1)	—	(18.8)	(9.3)	(18.9)	(9.3)
Amortization of past service cost [(b)]	—	—	—	(5.2)	—	(5.2)
Amortization of net actuarial loss [(b)]	0.2	—	2.5	—	2.7	—
Net benefit cost (income) recognized	$ 1.0	$ —	$ 6.8	$ (7.5)	$ 7.8	$ (7.5)

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

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

Three months ended June 30, 2018												
	Canada				United States				Total			
		Defined Benefit		Post-retirement Benefits		Defined Benefit		Post-retirement Benefits		Defined Benefit		Post-retirement Benefits
Current service cost [(a)]	$	2.4	$	0.2	$	2.5	$	0.7	$	4.9	$	0.9
Interest cost [(b)]		1.3		0.1		3.6		1.0		4.9		1.1
Expected return on plan assets [(b)]		(1.5)		(0.1)		(6.0)		(1.7)		(7.5)		(1.8)
Curtailment of plan [(b)]		(1.0)		(0.2)		—		—		(1.0)		(0.2)
Amortization of net actuarial loss [(b)]		0.5		—		1.9		—		2.4		—
Net benefit cost (income) recognized	$	1.7	$	—	$	2.0	$	—	$	3.7	$	—

(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.

Six months ended June 30, 2019												
	Canada				**United States**				**Total**			
		Defined Benefit		**Post-retirement Benefits**		**Defined Benefit**		**Post-retirement Benefits**		**Defined Benefit**		**Post-retirement Benefits**
Current service cost [(a)]	**$**	**1.2**	**$**	**—**	**$**	**12.0**	**$**	**4.3**	**$**	**13.2**	**$**	**4.3**
Interest cost [(b)]		**0.6**		**—**		**34.0**		**9.6**		**34.6**		**9.6**
Expected return on plan assets [(b)]		**(0.2)**		**—**		**(37.5)**		**(18.6)**		**(37.7)**		**(18.6)**
Amortization of past service cost [(b)]		**—**		**—**		**0.1**		**(10.3)**		**0.1**		**(10.3)**
Amortization of net actuarial loss [(b)]		**0.4**		**—**		**10.3**		**—**		**10.7**		**—**
Net benefit cost (income) recognized	**$**	**2.0**	**$**	**—**	**$**	**18.9**	**$**	**(15.0)**	**$**	**20.9**	**$**	**(15.0)**

(a) Recorded under the line item “operating and administrative” expenses on the Consolidated Statements of Income.
(b) Recorded under the line item “other income (loss)” on the Consolidated Statements of Income.

Six months ended June 30, 2018												
	Canada				United States				Total			
		Defined Benefit		Post-retirement Benefits		Defined Benefit		Post-retirement Benefits		Defined Benefit		Post-retirement Benefits
Current service cost [(a)]	$	5.0	$	0.4	$	5.0	$	1.4	$	10.0	$	1.8
Interest cost [(b)]		2.8		0.3		7.0		1.9		9.8		2.2
Expected return on plan assets [(b)]		(3.2)		(0.1)		(11.9)		(3.4)		(15.1)		(3.5)
Curtailment of plan [(b)]		(1.0)		(0.2)		—		—		(1.0)		(0.2)
Amortization of net actuarial loss [(b)]		1.1		—		3.7		—		4.8		—
Net benefit cost (income) recognized	$	4.7	$	0.4	$	3.8	$	(0.1)	$	8.5	$	0.3

(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.

20. Income Taxes

The effective income tax rates for the three and six months ended June 30, 2019 were approximately (124) percent and 9.6 percent, respectively (three and six months ended June 30, 2018 – 9.9 percent and 19.1 percent, respectively). The decrease in the effective tax rate for the three months ended June 30, 2019 was mainly due to adjustments related to the Alberta Job Creation Tax Cut. The decrease in the effective tax rate for the six months ended June 30, 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, tax recoveries due to a unitary tax rate adjustment related to the WGL Acquisition, as well as a tax rate adjustment related to the Alberta Job Creation Tax Cut.

21. Supplemental Cash Flow Information

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

	Three months ended June 30		Six months ended June 30	
	2019	2018	**2019**	2018
Source (use) of cash:				
Accounts receivable	**$ 412.3**	$ 96.1	**$ 535.1**	$ 130.2
Inventory	**(157.7)**	(30.4)	**88.1**	38.6
Other current assets	**(12.3)**	3.3	**(29.0)**	10.5
Regulatory assets - current	**0.3**	0.2	**3.7**	(0.4)
Accounts payable and accrued liabilities	**(83.7)**	(22.1)	**(413.4)**	(65.8)
Customer deposits	**(4.5)**	(0.3)	**(27.0)**	(11.0)
Regulatory liabilities - current	**(49.6)**	14.1	**(31.5)**	11.3
Risk management liabilities - current	**11.5**	—	**3.8**	—
Other current liabilities	**1.9**	2.7	**(7.3)**	(5.1)
Operating lease liability - current	**(1.8)**	—	**—**	—
Other operating assets and liabilities	**(31.3)**	(29.6)	**25.6**	(40.5)
Changes in operating assets and liabilities	**$ 85.1**	$ 34.0	**$ 148.1**	$ 67.8

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

	Three months ended June 30		Six months ended June 30	
	2019	2018	**2019**	2018
Interest paid (net of capitalized interest)	**$ 75.3**	$ 41.8	**$ 176.5**	$ 82.5
Income taxes paid	**$ 8.2**	$ 9.4	**$ 16.2**	$ 21.0

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

As at June 30	**2019**	2018
Cash and cash equivalents	**$ 46.3**	$ 783.8
Restricted cash holdings from customers - current	**4.0**	4.0
Restricted cash holdings from customers - non-current	**3.9**	5.9
Restricted cash included in prepaid expenses and other current assets[(a)]	**5.6**	—
Restricted cash included in long-term investments and other assets[(a)]	**58.2**	—
Cash, cash equivalents and restricted cash per consolidated statement of cash flow	**$ 118.0**	$ 793.7

(a) The restricted cash balances included in prepaid expenses and other current assets and long-term investments and other assets relates to Rabbi trusts associated with WGL's pension plans (see Note 19).

22. Seasonality

The Utilities 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.

23. Segmented Information

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

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; ▪ 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 three 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, certain of which are pending sale, 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 13:

	Three months ended June 30, 2019				
	Utilities	Midstream	Power	Corporate	Total
External revenue *(note 13)*	$ **413.3**	$ **413.2**	$ **347.5**	$ **(0.1)**	$ **1,173.9**
Intersegment revenue	**4.0**	**0.7**	**3.0**	**0.1**	**7.8**
Segment revenue	$ **417.3**	$ **413.9**	$ **350.5**	$ **—**	$ **1,181.7**

	Three months ended June 30, 2018				
	Utilities	Midstream	Power	Corporate	Total
External revenue *(note 13)*	$ 211.2	$ 247.4	$ 165.3	$ (14.1)	$ 609.8
Intersegment revenue	0.4	14.2	1.9	(0.1)	16.4
Segment revenue	$ 211.6	$ 261.6	$ 167.2	$ (14.2)	$ 626.2

	Six months ended June 30, 2019				
	Utilities	**Midstream**	**Power**	**Corporate**	**Total**
External revenue *(note 13)*	**$ 1,508.2**	**$ 859.6**	**$ 704.0**	**$ 0.2**	**$ 3,072.0**
Intersegment revenue	**15.9**	**5.1**	**6.1**	**—**	**27.1**
Segment revenue	**$ 1,524.1**	**$ 864.7**	**$ 710.1**	**$ 0.2**	**$ 3,099.1**

	Six months ended June 30, 2018				
	Utilities	Midstream	Power	Corporate	Total
External revenue *(note 13)*	$ 632.6	$ 559.2	$ 311.1	$ (14.7)	$ 1,488.2
Intersegment revenue	1.3	73.5	3.8	—	78.6
Segment revenue	$ 633.9	$ 632.7	$ 314.9	$ (14.7)	$ 1,566.8

The following tables show the composition by segment:

	Three months ended June 30, 2019					
	Utilities	Midstream	Power	Corporate	Intersegment Elimination [a]	Total
Segment revenue	**$ 417.3**	**$ 413.9**	**$ 350.5**	**$ —**	**$ (7.8)**	**$ 1,173.9**
Cost of sales	**(152.9)**	**(282.7)**	**(286.3)**	**—**	**4.7**	**(717.2)**
Operating and administrative	**(193.0)**	**(65.1)**	**(44.2)**	**(9.8)**	**3.1**	**(309.0)**
Accretion expenses	**(0.1)**	**(0.9)**	**(0.1)**	**—**	**—**	**(1.1)**
Depreciation and amortization	**(68.4)**	**(20.2)**	**(15.5)**	**(3.0)**	**—**	**(107.1)**
Provisions on assets *(note 6)*	**—**	**—**	**(0.8)**	**—**	**—**	**(0.8)**
Income from equity investments	**1.3**	**35.6**	**(2.3)**	**—**	**—**	**34.6**
Other income (loss)	**6.8**	**34.4**	**0.8**	**(4.1)**	**—**	**37.9**
Foreign exchange losses	**—**	**(0.8)**	**—**	**(0.2)**	**—**	**(1.0)**
Interest expense	**—**	**—**	**—**	**(83.3)**	**—**	**(83.3)**
Income (loss) before income taxes	**$ 11.0**	**$ 114.2**	**$ 2.1**	**$ (100.4)**	**$ —**	**$ 26.9**
Net additions (reductions) to:						
Property, plant and equipment[b]	**$ 242.8**	**$ 106.7**	**$ 21.7**	**$ (0.1)**	**$ —**	**$ 371.1**
Intangible assets	**$ 0.7**	**$ 1.7**	**$ —**	**$ 1.8**	**$ —**	**$ 4.2**

(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.

Three months ended June 30, 2018						
	Utilities	Midstream	Power	Corporate	Intersegment Elimination [a]	Total
Segment revenue	$ 211.6	$ 261.6	$ 167.2	$ (14.2)	$ (16.4)	$ 609.8
Cost of sales	(105.3)	(165.2)	(68.7)	—	14.5	(324.7)
Operating and administrative	(59.5)	(49.4)	(25.7)	(13.8)	2.1	(146.3)
Accretion expenses	(0.1)	(1.0)	(1.6)	—	—	(2.7)
Depreciation and amortization	(20.7)	(19.1)	(29.5)	(3.6)	—	(72.9)
Income from equity investments	0.4	0.4	1.9	—	—	2.7
Other income (loss)	2.4	(6.0)	—	2.5	(0.2)	(1.3)
Foreign exchange gains	—	0.1	—	0.5	—	0.6
Interest expense	—	—	—	(42.9)	—	(42.9)
Income (loss) before income taxes	$ 28.8	$ 21.4	$ 43.6	$ (71.5)	$ —	$ 22.3
Net additions to:						
Property, plant and equipment[b]	$ 53.8	$ 59.9	$ 8.9	$ 0.9	$ —	$ 123.5
Intangible assets	$ 0.8	$ 1.5	$ 0.6	$ 0.7	$ —	$ 3.6

(a) Intersegment transactions are recorded at market value.

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

Six months ended June 30, 2019						
	Utilities	Midstream	Power	Corporate	Intersegment Elimination [a]	Total
Segment revenue	**$ 1,524.1**	**$ 864.7**	**$ 710.1**	**$ 0.2**	**$ (27.1)**	**$ 3,072.0**
Cost of sales	**(687.5)**	**(607.0)**	**(583.0)**	**—**	**20.7**	**(1,856.8)**
Operating and administrative	**(436.5)**	**(121.7)**	**(87.2)**	**(19.6)**	**6.4**	**(658.6)**
Accretion expenses	**(0.1)**	**(1.9)**	**(0.7)**	**—**	**—**	**(2.7)**
Depreciation and amortization	**(134.1)**	**(43.8)**	**(42.2)**	**(5.7)**	**—**	**(225.8)**
Provisions on assets *(note 6)*	**—**	**—**	**(0.8)**	**—**	**—**	**(0.8)**
Income from equity investments	**9.6**	**80.5**	**(0.3)**	**—**	**—**	**89.8**
Other income (loss)	**14.3**	**39.4**	**683.5**	**(1.9)**	**—**	**735.3**
Foreign exchange gains (losses)	**—**	**(0.8)**	**—**	**0.1**	**—**	**(0.7)**
Interest expense	**—**	**—**	**—**	**(176.6)**	**—**	**(176.6)**
Income (loss) before income taxes	**$ 289.8**	**$ 209.4**	**$ 679.4**	**$ (203.5)**	**$ —**	**$ 975.1**
Net additions (reductions) to:						
Property, plant and equipment[b]	**$ 382.9**	**$ 93.1**	**$ (1,305.8)**	**$ 0.5**	**$ —**	**$ (829.3)**
Intangible assets	**$ 1.1**	**$ 3.2**	**$ —**	**$ 4.4**	**$ —**	**$ 8.7**

(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.

	Six months ended June 30, 2018					
	Utilities	Midstream	Power	Corporate	Intersegment Elimination [a]	Total
Segment revenue	$ 633.9	$ 632.7	$ 314.9	$ (14.7)	$ (78.6)	$ 1,488.2
Cost of sales	(358.4)	(431.7)	(147.1)	—	74.6	(862.6)
Operating and administrative	(117.3)	(92.6)	(55.1)	(26.4)	4.3	(287.1)
Accretion expenses	(0.1)	(2.1)	(3.3)	—	—	(5.5)
Depreciation and amortization	(41.2)	(37.9)	(59.1)	(7.3)	—	(145.5)
Income from equity investments	0.7	9.6	2.5	—	—	12.8
Other income (loss)	3.8	(10.0)	—	(0.1)	(0.3)	(6.6)
Foreign exchange gains	—	—	—	0.6	—	0.6
Interest expense	—	—	—	(86.1)	—	(86.1)
Income (loss) before income taxes	$ 121.4	$ 68.0	$ 52.8	$ (134.0)	$ —	$ 108.2
Net additions to:						
Property, plant and equipment[b]	$ 71.1	$ 106.5	$ 10.8	$ 1.2	$ —	$ 189.6
Intangible assets	$ 1.3	$ 2.4	$ 0.6	$ 1.6	$ —	$ 5.9

(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 June 30, 2019					
Goodwill	**$ 3,600.4**	**$ 247.2**	**$ 123.5**	**$ —**	**$ 3,971.1**
Segmented assets	**$ 12,528.1**	**$ 6,074.2**	**$ 2,339.9**	**$ 57.8**	**$ 21,000.0**
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

24. Subsequent Events

On July 22, 2019, AltaGas announced that it has entered into a definitive agreement for the sale of its portfolio of U.S. distributed generation assets for a purchase price of approximately US$720 million, subject to customary closing conditions. The transaction is expected to close in the third quarter of 2019.

Subsequent events have been reviewed through July 31, 2019, the date on which these unaudited condensed interim Consolidated Financial Statements were issued.

SUPPLEMENTAL QUARTERLY OPERATING INFORMATION

	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18
OPERATING HIGHLIGHTS					
UTILITIES					
Natural gas deliveries - end use (Bcf)(1)	**20.7**	75.4	58.5	10.9	12.0
Natural gas deliveries - transportation (Bcf)(1)	**25.2**	47.6	52.0	25.7	10.9
Service sites (thousands)(2)	**1,648**	1,647	1,643	1,759	581
Degree day variance from normal - SEMCO Gas (%)(3)	**14.5**	5.7	7.5	(17.8)	14.8
Degree day variance from normal - ENSTAR (%)(3)	**(16.1)**	(9.4)	(19.6)	(31.2)	(6.1)
Degree day variance from normal - Washington Gas (%)(3)(4)	**(44.5)**	(1.1)	0.4	(4.1)	n/a
MIDSTREAM					
Total inlet gas processed (Mmcf/d)(5)	**1,417**	1,481	1,413	1,333	1,227
Extraction volumes (Bbls/d)(5)(6)	**56,990**	62,332	64,522	60,945	49,728
Frac spread - realized ($/Bbl)(5)(7)	**19.50**	16.84	15.84	15.60	14.98
Frac spread - average spot price ($/Bbl)(5)(8)	**15.27**	11.79	21.00	25.87	22.19
RIPET export volumes (MT)(9)	**109,966**	—	—	—	—
Propane Far East Index to Mont Belvieu spread (US$/MT)(10)	**177**	—	—	—	—
Natural gas optimization inventory (Bcf)	**31.9**	13.2	35.9	36.7	1.3
WGL retail energy marketing - gas sales volumes (Mmcf)	**9,360**	27,411	20,750	8,155	n/a
POWER					
Renewable power sold (GWh)	**150**	141	233	690	504
Conventional power sold (GWh)	**361**	263	985	1,255	642
Renewable capacity factor (%)	**22.3**	12.2	14.6	44.6	51.7
Contracted conventional availability factor (%)(11)	**66.7**	43.2	97.4	98.5	97.7
WGL retail energy marketing - electricity sales volumes (GWh)	**3,125**	3,080	2,911	3,000	n/a

(1) Bcf is one billion cubic feet.

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

(3) A degree day 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.

(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) Energy export volumes represents propane volumes exported at RIPET since facility was placed into service in May 2019.

(10) Average propane price spread between Argus Far East Index and Mont Belvieu TET commercial index for May and June 2019.

(11) 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
MT	metric tonne
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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