News Release

AltaGas

ALTAGAS ANNOUNCES STRONG SECOND QUARTER RESULTS

Operating Performance Reflects AltaGas' Continued Focus on Optimizing the Platform to Generate Strong Value Creation and Drive Better Outcomes for all Stakeholders

Calgary, Alberta (July 29, 2021)

AltaGas Ltd. ("AltaGas" or the "Company") (TSX: ALA) today reported second quarter 2021 financial results and provided an update on the Company's operations.

HIGHLIGHTS

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

- Normalized EPS[1] of $0.08 in Q2 2021 compared to $0.06 in Q2 2020, demonstrating 33% Y/Y growth and alignment with AltaGas' focus on driving steady EPS growth and consistent earnings durability.
- Normalized FFO per share[1] of $0.56 in Q2 2021 compared to $0.51 in Q2 2020, demonstrating 10% Y/Y growth and continuing to provide the foundation for increased returns of capital and fund accretive expansion.
- Normalized EBITDA[1] of $230 million in Q2 2021, compared to $206 million in Q2 2020, representing a 12% Y/Y increase. Results reflected strong execution across all segments, partially offset by the negative effect of the unfavourable move in the CAD/USD exchange rate, the impact of AltaGas' rising share price on long-term incentive programs and asset sales.
- The Utilities segment reported normalized EBITDA of $99 million in Q2 2021 compared to $80 million in Q2 2020, representing a 24% Y/Y increase. On a local currency basis, Utilities normalized EBITDA was up 35% Y/Y and reflected ongoing regulatory, capital and cost discipline, as well as improvements in Retail performance.
- The Midstream segment reported normalized EBITDA of $142 million in Q2 2021 compared to $111 million in Q2 2020, representing a 28% Y/Y increase. Performance was driven by record global exports of 90,106 Bbls/d of liquified petroleum gases (LPGs) to Asia for the quarter, a 12% Y/Y increase in gas processing volumes, and a 35% Y/Y increase in fractionation volumes.
- On April 23, 2021, AltaGas completed the monetization of its non-core U.S. Transportation and Storage business, which significantly advanced the Company towards its goal of reducing leverage below 5.0x Net Debt[1] to Normalized EBITDA and providing an enhanced margin of safety moving forward.

CEO MESSAGE

"AltaGas delivered strong second quarter results, continued to execute on our strategic plan, and left the platform well-positioned to meet the Company's 2021 and longer-term growth plan" said Randy Crawford, President and Chief Executive Officer. "We grew normalized EPS by 33% year-over-year, reflecting the continued strong operational and financial performance of the business. During the quarter, the Utilities segment continued to drive strong execution, which was centered on providing safe, reliable, affordable and outstanding service to our customers. On a local currency basis, we grew Utilities normalized EBITDA 35% year-over-year, reflecting recent investments and upgrades across our network. New customer connects within the WGL footprint continued to track modestly ahead of our expectation in the second quarter and was in-line with the strong population growth seen in the D.C.-Maryland-Virginia region over the past decade, which has eclipsed the national average by nearly 25% since 2010. We were also pleased to make headway in promoting combined heat and power (CHP) to larger commercial and industrial customers during the quarter, which is advancing our lower-carbon focus that is part of our climate business plan.

1. Non-GAAP measure; see discussion in the advisories of this news release and reconciliation to US GAAP financial measures shown in AltaGas' Management's Discussion and Analysis (MD&A) as at and for the period ended June 30, 2021, which is available on www.sedar.com;.

“As the world focuses on decarbonization and a changing energy ecosystem, we look forward to continuing to progress our climate business plan. We will leverage the core building blocks of end-use energy efficiency and the adoption of lower and carbon-free fuels. Our commitment to ongoing system upgrades to improve AltaGas’ distribution and transmission network is priority one. During this evolution we will be focused on sustainability and be a tireless advocate for our customers and the best societal outcomes. Affordability underpins this evolution and we will carefully balance our competing priorities.

“For the second quarter, we continued to capitalize on the tremendous market opportunity to export cleaner energy to Asia from the world class Montney play due to the rising demand for lower-carbon and ethically-produced LPGs in the region. Our global exports business shipped a record 90,106 Bbls/d of combined propane and butane to Asia during the second quarter; further demonstrating the value of our expanded platform. This included exporting fifteen very large gas carriers (VLGCs) to Asia in the quarter with Ferndale exceeding 50,000 Bbls/d of exports in June, which was a new record for the terminal. We also realized strong volume growth across our gas processing and fractionation facilities, which were up 12% and 35% year-over-year, respectively.

“During the quarter Petrogas purchased a real property interest in approximately 1,600 acres of land adjacent to the Ferndale LPG export facility. The incremental land position will provide Petrogas with the enhanced logistical flexibility to support our existing lower-carbon LPG exports into Asia. The land will also provide optionality around pursuing other promising energy transition development projects that are under early-stage exploratory work, fall within our long-term strategic focus, and could represent further positive economic and employment opportunities for the region. During the quarter, AltaGas also entered into a seven-year time charter with a three-year optional extension for two new 91,000 cubic meter dual-fuel VLGCs with deliveries expected in late 2023 and early 2024. The agreement will extend our value chain reach into Asia. The vessels are 15% more fuel efficient, carry 8% larger loads and will reduce total shipping costs to Asia by approximately 25% compared to a standard VLGC. Their deployment will also remove pricing volatility for AltaGas and its customers on a long-term basis.

“We are enthusiastic about our long-term growth prospects and remain confident on being able to achieve the increased financial guidance that was set concurrent with the first quarter. We also remain acutely focused on maintaining our strong credit ratings and, most importantly, continuing to reliably deliver for our customers. Our continued focus on execution and strong performance will provide the foundation for ongoing dividend growth and profitable expansion that will uniquely position AltaGas to drive long-term shareholder value creation.”

BUSINESS PERFORMANCE

Utilities

Utilities second quarter normalized EBITDA of $99 million was up $19 million year-over-year, despite an unfavourable move in the CAD/USD foreign exchange rate that resulted in a $9 million headwind during the quarter. On a local currency basis, the Utilities segment normalized EBITDA increased by $28 million or 35% year-over-year. This growth was driven by continued rate base growth from ongoing capital investment across the network through accelerated replacement program (ARP) investments, the recent D.C. and Maryland rate cases, and marked improvements in Retail performance.

Our strong 8% forecasted rate base CAGR through 2025 is underpinned by disciplined investments across the network, which are focused on driving better customer outcomes through improved network safety and reliability, reduced leak rates, and lower operating costs. The Company continues to make progress towards closing the ROE gap at WGL through updating rates, capital discipline and acute cost management. During the quarter, the Maryland and D.C. rate cases became effective, which drove increased firm revenue of $8 million. On July 1, a rate case was filed at CINGSA requesting a US$1.9 million rate increase. Our rate case activity is focused on updating rates to reflect current operating costs and minimizing regulatory lag.

The Utilities segment also benefited from a stronger pricing environment and improved power and gas margins in the Retail business, higher returns on pension assets, customer growth and lower COVID-19 related costs and other tailwinds. These were partially offset by higher G&A and lower asset optimization revenue.

Midstream

The Midstream segment reported normalized EBITDA of $142 million in the second quarter of 2021, a 28% year-over-year increase. Strong growth was attributed to solid execution across all businesses, including global exports, fractionation & liquids handling, and gas processing. Performance was also reflective of the progress made on the integration of Petrogas, where AltaGas and its customers are realizing strong benefits from the combined platform.

Global exports contributed $70 million in normalized EBITDA during the quarter and achieved record volumes of 90,106 Bbls/d of LPGs shipped to Asia, across 15 VLGCs. This included Ferndale exceeding 50,000 Bbls/d in June, which is a new record for the terminal. Record export volumes were underpinned by strong operations and efficiencies across the two terminals, robust demand for North American LPGs within Asia and ongoing growth in throughput volumes in AltaGas' gas processing and fractionation facilities.

The strong underlying fundamentals of the current commodity price environment were again seen in the quarter. Total gas processing volumes were up 12% year-over-year while fractionation volumes were up 35% year-over-year. Similar to the first quarter, producers in the Montney region continue to execute on active drilling programs and ramp up production to meet take-or-pay commitments, driving increased throughput at our expanded Townsend and North Pine facilities. Within the Montney we continue to see the strongest acceleration in development activity north of the Peace River, which is in line with our core footprint in NEBC. Processing and fractionation volumes at AltaGas' non-Montney facilities also increased during the quarter, driven by improved commodity prices and resulting increased production volumes. The Midstream segment also benefited from stronger Alberta power prices, which generated higher earnings from the cogeneration plants at Harmattan during the quarter.

The average spot NGL frac spread for the second quarter of 2021 was $20.54/Bbl, however due to AltaGas' hedging program the Company's realized frac spread averaged approximately $11.59/Bbl (net of $13.41/Bbl in transportation costs), as 84% of AltaGas' frac exposed volumes were hedged at $25.00/Bbl. AltaGas remains well hedged through 2021 with approximately 98% of total expected frac exposed volumes realized or collectively hedged at approximately $25.70/Bbl and 79% of 2021 total expected global export volumes realized, tolled or collectively hedged. The latter includes an average FEI to North American financial hedge price average approximately US$10.79/Bbl, including both propane and butane for the hedged and non-tolled volumes.

2021 Midstream Hedge Program

	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Global Exports volume hedged (%)(1)	67	72	68	49
Average propane/butane FEI to North America Average hedge (US$/Bbl)(2)	10.21	10.79	11.04	14.29
Fractionation volume hedged (%)	97	84	98	95
Frac spread hedge rate - (CAD$/Bbl)(3)	26.07	25.00	25.86	25.67

(1) Approximate expected volume hedged, includes contracted tolling volumes and financial hedges; based on the assumption of average exports of 90 MBbls/d.
(2) Approximate average for the period; does not include physical differential to FSK for C3 volumes.
(3) Approximate average for the period.

Q2 2021 FINANCIAL RESULTS

	Three Months Ended June 30	
($ millions)	**2021**	2020
Segmented Normalized EBITDA[(1)]		
Utilities	**99**	80
Midstream	**142**	111
Sub-total: Operating Segments	**$ 241**	$ 191
Corporate/Other	**(11)**	15
Normalized EBITDA [(1)]	**$ 230**	$ 206
Add (deduct):		
Depreciation and amortization	**(108)**	(93)
Interest expense	**(69)**	(71)
Normalized Income Tax Expense	**(11)**	(6)
Preferred share dividends	**(13)**	(17)
Other [(3)]	**(6)**	(2)
Normalized net income [(1)]	**$ 23**	$ 17
Net income applicable to common shares	**$ 24**	$ 21

($ per share, except shares outstanding)	**2021**	2020
Shares outstanding - basic (millions)		
During the period [(2)]	**280**	279
End of period	**280**	279
Normalized net income - basic [(1)]	**0.08**	0.06
Normalized net income - diluted [(1)]	**0.08**	0.06
Net income per common share - basic	**0.09**	0.08
Net income per common share - diluted	**0.09**	0.08

(1) Non-GAAP financial measure; see discussion in Non-GAAP Financial Measures section at the end of this news release.
(2) Weighted average.
(3) "Other" includes non-controlling interest portion of non-GAAP adjustments, accretion expense, net income applicable to non-controlling interests, and foreign exchange gains (losses).

Normalized EBITDA for the second quarter of 2021 was $230 million, which represented an approximate 12% year-over-year increase compared to $206 million for the same quarter in 2020, reflecting strong performance across both Utilities and Midstream businesses. Year-over-year growth drivers in the Midstream segment included the consolidation of Petrogas and stronger performance in global exports, continued robust performance throughout AltaGas' NEBC platform due to higher volumes and volume commitment associated with previously developed NEBC expansion projects and stronger Alberta power prices. This was partially offset by the lack of Allowance for Funds Used During Construction (AFUDC) recorded on MVP, a blend and extend contract at Gordondale that was signed in 2018 with new rates taking effect in 2021, and the loss of contribution from the U.S. Transportation and Storage business following the monetization that took place during the quarter.

Strong results from the Utilities business were driven by higher revenue from a larger rate base that was underpinned by ongoing ARP investments focused on system upgrades, higher firm revenue from the D.C. and Maryland rate cases which took effect in the quarter, higher margins in the Retail business, and higher returns on pension assets. This was partially offset by the unfavourable CAD/USD exchange rate, which had a $9 million impact on Utilities normalized EBITDA.

The Corporate/Other segment reported normalized EBITDA loss of $11 million, compared to $15 million earned in the same quarter of 2020. The $26 million year-over-year decrease was mainly due to: 1) the mark-to-market impact that AltaGas' rising share price had on long-term incentive programs; 2) the impact of asset monetizations, including Pomona and Ripon in the third quarter of 2020; and 3) the unfavourable CAD/USD exchange rate impact of $2 million.

For the second quarter of 2021, the average Canadian/U.S. dollar exchange rate decreased to 1.23 from an average of 1.39 in the same quarter of 2020, resulting in a decrease in normalized EBITDA of approximately $14 million on a consolidated basis.

Normalized net income was $23 million or $0.08 per share for the second quarter of 2021, compared to normalized net income of $17 million or $0.06 per share reported for the same quarter of 2020. The increase is due to the same factors impacting normalized EBITDA and lower interest expense, partially offset by higher depreciation and amortization expense and higher normalized income tax expense.

Net income applicable to common shares for the second quarter of 2021 was $24 million or $0.09 per share, compared to $21 million or $0.08 per share for the second quarter of 2020. In addition to the factors impacting normalized EBITDA, the increase was mainly due to: 1) the partial reversal of a provision recorded in the first quarter of 2021 due to an increase in the fair value of net assets held for sale upon close of the sale of the U.S. Transportation and Storage business in April 2021; 2) higher foreign exchange gains; and 3) the gain on sale of the majority of the U.S. Transportation and Storage business, partially offset by higher unrealized losses on risk management contracts and higher depreciation and amortization expense.

Depreciation and amortization expense for the second quarter of 2021 was $108 million, compared to $93 million for the same quarter in 2020. The increase was mainly due to the absence of an amortization adjustment in the second quarter of 2020, new assets placed in-service, and amortization expense on Petrogas assets upon consolidation.

Interest expense for the second quarter of 2021 was $69 million, compared to $71 million for the same quarter in 2020. The decrease in interest expense was mainly due to lower average interest rates and a lower average Canadian/U.S. dollar exchange rate, partially offset by higher average debt balances.

AltaGas recorded income tax expense of $3 million for the second quarter of 2021, consistent with the same quarter of 2020. Current tax expense of $27 million was recorded in the second quarter of 2021, which included $18 million of tax on asset sales.

GUIDANCE AND FUNDING

AltaGas remains acutely focused on growing EPS and creating earnings durability in the years ahead and is reiterating the Company's 2021 increased guidance ranges that were provided in April 2021, including:

- 2021 Normalized EPS guidance is $1.65 - $1.80 per share.
- 2021 Normalized EBITDA guidance is $1.475 billion - $1.525 billion.

AltaGas' 2021 capital expenditure plan, which remains unchanged at approximately $910 million, excluding asset retirement obligations (ARO), is heavily weighted towards the lower-risk Utilities business and is comprised primarily of ARP and system betterment projects that are anticipated to deliver stable and transparent rate base growth and strong risk-adjusted returns. The Company is allocating approximately 38% of AltaGas' consolidated 2021 capital to ARPs in its Utilities business, representing approximately 46% of the total 2021 Utilities capital program.

MONTHLY COMMON SHARE DIVIDEND AND QUARTERLY PREFERRED SHARE DIVIDENDS

The Board of Directors approved the following schedule of Dividends:

Type	Dividend (per share)	Period	Payment Date	Record
Common Shares[1]	$0.0833	n.a.	15-Sep-21	25-Aug-21
Series A Preferred Shares	$0.19125	30-Jun-21 to 29-Sep-21	30-Sep-21	16-Sep-21
Series B Preferred Shares	$0.17448	30-Jun-21 to 29-Sep-21	30-Sep-21	16-Sep-21
Series C Preferred Shares	US$0.330625	30-Jun-21 to 29-Sep-21	30-Sep-21	16-Sep-21
Series E Preferred Shares	$0.337063	30-Jun-21 to 29-Sep-21	30-Sep-21	16-Sep-21
Series G Preferred Shares	$0.265125	30-Jun-21 to 29-Sep-21	30-Sep-21	16-Sep-21
Series H Preferred Shares	$0.19969	30-Jun-21 to 29-Sep-21	30-Sep-21	16-Sep-21
Series K Preferred Shares	$0.3125	30-Jun-21 to 29-Sep-21	30-Sep-21	16-Sep-21

(1) Eligible dividend for Canadian income tax purposes

CONSOLIDATED FINANCIAL REVIEW

($ millions, except normalized effective income tax rate)	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	**2021**	2020
Revenue	**2,009**	1,059	**5,094**	2,928
Normalized EBITDA [1]	**230**	206	**904**	705
Net income applicable to common shares	**24**	21	**361**	484
Normalized net income [1]	**23**	17	**384**	237
Total assets	**20,315**	20,003	**20,315**	20,003
Total long-term liabilities	**10,732**	10,083	**10,732**	10,083
Net additions (dispositions) of property, plant and equipment	**(136)**	188	**1**	388
Dividends declared [2]	**70**	67	**141**	134
Cash from operations	**81**	337	**686**	812
Normalized funds from operations [1]	**157**	141	**741**	562
Normalized effective income tax rate (%) [1]	**18.0**	13.3	**21.0**	23.4

($ per share, except shares outstanding)	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	**2021**	2020
Net income per common share - basic	**0.09**	0.08	**1.29**	1.73
Net income per common share - diluted	**0.09**	0.08	**1.28**	1.73
Normalized net income - basic [1]	**0.08**	0.06	**1.37**	0.85
Normalized net income - diluted [1]	**0.08**	0.06	**1.37**	0.85
Dividends declared [2]	**0.25**	0.24	**0.50**	0.48
Cash from operations	**0.29**	1.21	**2.45**	2.91
Normalized funds from operations [1]	**0.56**	0.51	**2.65**	2.01
Shares outstanding - basic (millions)				
During the period [3]	**280**	279	**280**	279
End of period	**280**	279	**280**	279

(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: $0.08 beginning on December 27, 2018, increased to $0.0833 per share beginning December 2020.
(3) Weighted average.

CONFERENCE CALL AND WEBCAST DETAILS

AltaGas will hold a conference call today, July 29, at 8:00 a.m. MT (10:00 a.m. ET and 14:00 BST) to discuss 2021 second quarter results and other corporate developments.

Members of the investment community and other interested parties may dial 1-416-764-8659 or toll free at 1-888-664-6392. 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 second quarter call, a replay will be available commencing at 10:00 a.m. MT (12:00 p.m. ET) on July 29, 2021 by dialing 416-764-8677 or toll free 1-888-390-0541. The passcode is 599580#. The replay will expire at 9:59 p.m. MT (11:59 p.m. ET) on August 5, 2021.

AltaGas' unaudited condensed interim Consolidated Financial Statements and accompanying notes for the second quarter ended June 30, 2021, 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 that connects NGLs and natural gas to domestic and global markets. The Company operates a diversified, lower-risk, high-growth Utilities and Midstream business that is focused on delivering resilient and durable value for its stakeholders.

For more information visit www.altagas.ca or reach out to one of the following:

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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: lower-carbon focus and climate business plan; plans for use of land acquired adjacent to the Ferndale facility; reduction in shipping costs expected from the VLGC time charter arrangement; expectation for ongoing dividend growth and profitable expansion; expected 2021 Normalized EPS guidance of $1.65 - $1.80 per share; expected 2021 Normalized EBITDA guidance of $1.475 billion - $1.525 billion; expected capital expenditure plan of approximately $910 million; planned segment allocation of 2021 capital expenditures;

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: number of ships and export levels from the Ferndale and RIPET facilities, current forward curves, effective tax rates, the U.S./Canadian dollar exchange rate, the impact of the COVID-19 pandemic, financing initiatives, propane price differentials, degree day variance from normal, pension discount rate, 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, planned and unplanned plant outages, timing of in-service dates of new projects and acquisition and divestiture activities, operational expenses, returns on investments, and dividend levels.

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: risk related to COVID -19; health and safety risks; risks related to the integration of Petrogas; operating risks; regulatory risks; cyber security, information, and control systems; litigation risk; climate-related risks, including carbon pricing; changes in law; political uncertainty and civil unrest; infrastructure risks; service interruptions; decommissioning, abandonment and reclamation costs; reputation risk; weather data; Indigenous land and rights claims; crown duty to consult with Indigenous peoples; capital market and liquidity risks; general economic conditions; internal credit risk; foreign exchange risk; debt financing, refinancing, and debt service risk; interest rates; technical systems and *processes incidents; dependence on certain partners; growth strategy risk; construction and development; transportation of petroleum products; impact of competition in AltaGas' businesses; counterparty credit risk; market risk; composition risk; collateral; rep agreements; delays in U.S. Federal Government budget appropriations; market value of common shares and other securities; variability of dividends; potential sales of additional shares; volume throughput; natural gas supply risk; risk management costs and limitations; underinsured and uninsured losses; commitments associated with regulatory approvals for the acquisition of WGL; securities class action suits and derivative suits; electricity and resource adequacy prices; cost of providing retirement plan benefits; labor relations; key personnel; failure of service providers; compliance with Section 404(a) of Sarbanes-Oxley Act; and the other factors discussed under the heading "Risk Factors" in the Corporation's Annual Information Form for the year ended December 31, 2020 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, 2021. 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 transaction costs related to acquisitions and dispositions, unrealized losses (gains) on risk management contracts, gains on sale of assets, restructuring costs, dilution loss on equity investment, COVID-19 related costs, provisions (reversal of provisions) on assets, foreign exchange gains, and accretion expenses related to asset retirement obligations. AltaGas presents normalized EBITDA as a supplemental measure. Normalized EBITDA is used by Management to enhance the understanding of AltaGas' earnings over periods. The metric 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 EPS is calculated as normalized net income divided by the average number of shares outstanding during the period.

Funds from operations is calculated from the Consolidated Statements of Cash Flows and is 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 dispositions, COVID-19 related costs, and restructuring costs. Normalized funds from operations is used to assist Management and investors in analyzing the liquidity of the Corporation. Management uses this measure to understand the ability to generate funds for capital investments, debt repayment, dividend payments, and other investing activities.*

Net debt is 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 and is presented to provide this perspective to analysts and investors. Net debt is defined as short-term debt (excluding third-party project financing obtained for the construction of certain energy management services projects), plus current and long-term portions of long-term debt, less cash and cash equivalents.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) dated July 28, 2021 is provided to enable readers to assess the results of operations, liquidity, and capital resources of AltaGas Ltd. ("AltaGas", the "Company" or the "Corporation") as at and for the three and six months ended June 30, 2021. 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, 2021 and the audited Consolidated Financial Statements and MD&A as at and for the year ended December 31, 2020.

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, 2020 or the Annual Information Form for the year ended December 31, 2020.

This MD&A contains forward-looking information (forward-looking statements). Words such as “expect”, “anticipate”, “will”, “continues”, “estimate”, “growth”, “plans”, "may" and similar expressions suggesting future events or future performance, as they relate to the Corporation or any affiliate of the Corporation, are intended to identify forward-looking statements. In particular, this MD&A contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities, and financial results. Specifically, such forward-looking statements included in this document include, but are not limited to, statements with respect to the following: expected spending under the SEMCO EWR Plan; expected annual consolidated normalized EBITDA of approximately $1.475 to $1.525 billion and expected 2021 normalized earnings per share of approximately $1.65 to $1.80 per share, expectation that Utilities will contribute 52 percent of 2021 normalized EBITDA; growth levels and drivers expected in the Utilities and Midstream segments; expectation for normalized EBITDA to be lower in the Corporate/Other segment in 2021; expectation that growth will offset lost EBITDA from a full year impact of asset sales completed in 2020 and impact of WGL's commodity business in 2021; estimate that an average of approximately 9,500 Bbls/d of natural gas liquids (NGL) will be exposed to frac spreads prior to hedging activities; plan to underpin a growing portion of annual capacity at RIPET by tolling arrangements over the next several years; expected net capital expenditures of $910 million in 2021; anticipated segment allocation of capital expenditures in 2021; expectation that growth capital will be funded through internally-generated cash flow and normal course borrowings on existing committed credit facilities; expected cost, completion, and in-service dates for growth capital projects; anticipated timing of applications, hearings, and decisions of rate cases before Utilities regulators; status and impact of COVID-19 regulatory orders in the Utilities segment; potential risks and impacts associated with the COVID-19 pandemic; expected sources of funding for working capital; payment of dividends; future changes in accounting policies and adoption of new accounting standards.

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: asset sales anticipated to close in 2021, effective tax rates, the U.S./Canadian dollar exchange rate, the impact of the COVID-19 pandemic, financing initiatives, propane price differentials, degree day variance from normal, pension discount rate, 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, planned and unplanned plant outages, timing of in-service dates of new projects and acquisition and divestiture activities, operational expenses, returns on investments, and dividend levels.

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: risk related to COVID -19; health and safety risks; risks related to the integration of Petrogas; operating risks; regulatory risks; cyber security, information, and control systems; litigation risk; climate-related risks, including carbon pricing; changes in law; political uncertainty and civil unrest; infrastructure risks; service interruptions; decommissioning, abandonment and reclamation costs; reputation risk; weather data; Indigenous land and rights claims; crown duty to consult with Indigenous peoples; capital market and liquidity risks; general economic conditions; internal credit risk; foreign exchange risk; debt financing, refinancing, and debt service risk; interest rates; technical systems and processes incidents; dependence on certain partners; growth strategy risk; construction and development; transportation of petroleum products; impact of competition in AltaGas' businesses; counterparty credit risk; market risk; composition risk; collateral; rep agreements; delays in U.S. Federal Government budget appropriations; market value of common shares and other securities; variability of dividends; potential sales of additional shares; volume throughput; natural gas supply risk; risk management costs and limitations; underinsured and uninsured losses; commitments associated with regulatory approvals for the acquisition of WGL; securities class action suits and derivative suits; electricity and resource adequacy prices; cost of providing retirement plan benefits; labor relations; key personnel; failure of service providers; compliance with Section 404(a) of Sarbanes-Oxley Act; and the other factors discussed under the heading "Risk Factors" in the Corporation's Annual Information Form for the year ended December 31, 2020 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 (Management) 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 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 Business Overview and Organization

AltaGas is a leading North American energy infrastructure company that connects natural gas and natural gas liquids (NGLs) to domestic and global markets. The Company operates a diversified, low-risk, high-growth Utilities and Midstream business that is focused on delivering resilient and durable value for its stakeholders.

Within the Company’s Utilities segment, AltaGas owns and operates rate regulated Utilities assets that provide natural gas to 1.7 million end-users across five U.S. jurisdictions (Virginia, Maryland, Michigan, the District of Columbia, and Alaska). The principal focus of the segment is to provide its customers with safe, reliable and affordable energy to heat and power their homes and places of work in order to carry out everyday life. The segment provides AltaGas with stable earnings and cash flow with approximately 70 percent of the Company’s Utilities customers being residential and the balance being commercial and industrial users.

Within AltaGas’ Midstream segment, the Company owns and operates a number of large energy infrastructure assets that are principally focused on: 1) gathering, processing, and fractionating raw natural gas production into pipeline quality natural gas and NGLs; and 2) connecting natural gas and NGLs to domestic and global downstream markets. This includes AltaGas operating two large LPG export terminals on the west coast of North America that ship propane and butane to key Asian markets.

The businesses of AltaGas are operated by the Company 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 regard to the Utilities business, Washington Gas Light Company (Washington Gas), Hampshire Gas Company, and SEMCO Energy, Inc. (SEMCO); in regard to the Midstream business, AltaGas Extraction and Transmission Limited Partnership, AltaGas Pipeline Partnership, AltaGas Processing Partnership, AltaGas Northwest Processing Limited Partnership, Harmattan Gas Processing Limited Partnership, and Ridley Island LPG Export Limited Partnership; and, in regard to remaining assets in the Corporate/Other segment, AltaGas Power Holdings (U.S.) Inc., WGL Energy Systems, Inc. (WGL Energy Systems), and Blythe Energy Inc. (Blythe). 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). Petrogas Energy Corporation (Petrogas) was also added as a subsidiary of AltaGas upon the close of a further approximately 37 percent interest in Petrogas on December 15, 2020 (the Petrogas Acquisition).

Second Quarter Highlights

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

- On April 23, 2021, AltaGas closed the sale of the majority of WGL Midstream's commodity business for cash proceeds of approximately US$275 million, including working capital adjustments;
- On April 9, 2021, the Maryland Public Service Commission (PSC of MD) issued a Final Order affirming the proposed order of the Public Utility Law Judge (PULJ) in Washington Gas' recent rate case, reflecting a base rate increase of approximately US$13 million. The revenue increase became effective on March 26, 2021;
- As the COVID-19 pandemic persists, AltaGas continues to take proactive steps to effectively prepare for and address the evolving risks and regulatory mandates in the jurisdictions in which it operates. While the Company is moving toward reintegration of its workplaces, AltaGas' approach has been, and will continue to be, risk-based and guided by its core values. The health and safety of AltaGas' employees, customers, contractors, and the communities in which it operates is the top priority and is integrated into each aspect of AltaGas' response efforts. To date, COVID-19 has had minimal disruption to AltaGas' operations;
- Normalized EBITDA was $230 million compared to $206 million in the second quarter of 2020;

- Cash from operations was $81 million ($0.29 per share) compared to $337 million ($1.21 per share) in the second quarter of 2020;
- Normalized funds from operations were $157 million ($0.56 per share) compared to $141 million ($0.51 per share) in the second quarter of 2020;
- Net income applicable to common shares was $24 million ($0.09 per share) compared to $21 million ($0.08 per share) in the second quarter of 2020;
- Normalized net income was $23 million ($0.08 per share) compared to $17 million ($0.06 per share) in the second quarter of 2020;
- Net debt was $7.6 billion as at June 30, 2021, compared to $8.2 billion at December 31, 2020; and
- Net debt-to-total capitalization ratio was 50 percent as at June 30, 2021, compared to 52 percent as at December 31, 2020.

Highlights Subsequent to Quarter End

- On July 1, 2021, CINGSA filed a rate case with the Regulatory Commission of Alaska (RCA) seeking approval for approximately US$1.9 million revenue increase based on US$105 million rate base, 11.9 percent ROE and 59.99 percent equity thickness; and
- On July 1, 2021, SEMCO submitted its 2022-2023 Energy Waste Reduction (EWR) Plan, a form of energy efficiency program for its customers, for MPSC approval. SEMCO proposes to spend approximately US$30 million on energy waste reduction over 2022 and 2023 to achieve a combined first year energy savings goal of approximately 10.1 million therms.

Consolidated Financial Review

	Three Months Ended June 30		Six Months Ended June 30	
($ millions, except normalized effective income tax rate)	**2021**	2020	**2021**	2020
Revenue	**2,009**	1,059	**5,094**	2,928
Normalized EBITDA [(1)]	**230**	206	**904**	705
Net income applicable to common shares	**24**	21	**361**	484
Normalized net income [(1)]	**23**	17	**384**	237
Total assets	**20,315**	20,003	**20,315**	20,003
Total long-term liabilities	**10,732**	10,083	**10,732**	10,083
Net additions (dispositions) of property, plant and equipment	**(136)**	188	**1**	388
Dividends declared [(2)]	**70**	67	**141**	134
Cash from operations	**81**	337	**686**	812
Normalized funds from operations [(1)]	**157**	141	**741**	562
Normalized effective income tax rate (%) [(1)]	**18.0**	13.3	**21.0**	23.4

	Three Months Ended June 30		Six Months Ended June 30	
($ per share, except shares outstanding)	**2021**	2020	**2021**	2020
Net income per common share - basic	**0.09**	0.08	**1.29**	1.73
Net income per common share - diluted	**0.09**	0.08	**1.28**	1.73
Normalized net income - basic (1)	**0.08**	0.06	**1.37**	0.85
Normalized net income - diluted (1)	**0.08**	0.06	**1.37**	0.85
Dividends declared (2)	**0.25**	0.24	**0.50**	0.48
Cash from operations	**0.29**	1.21	**2.45**	2.91
Normalized funds from operations (1)	**0.56**	0.51	**2.65**	2.01
Shares outstanding - basic (millions)				
During the period (3)	**280**	279	**280**	279
End of period	**280**	279	**280**	279

(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: $0.08 beginning on December 27, 2018, increased to $0.0833 per share beginning December 2020.
(3) Weighted average.

Three Months Ended June 30

Normalized EBITDA for the second quarter of 2021 was $230 million, compared to $206 million for the same quarter in 2020. Factors positively impacting AltaGas' normalized EBITDA in the second quarter of 2021 included impacts from the consolidation of Petrogas, higher gas and power margins from WGL's retail marketing business due to favourable pricing, higher returns on pension assets, the impact of Washington Gas' 2020 Maryland and District of Columbia rate cases, and higher revenues from the Northeast British Columbia (NEBC) facilities due to NEBC growth capital projects placed into service, partially offset by the impact of asset sales, including the sale of the majority of WGL Midstream's commodity business in April 2021 and the sale of Pomona Energy Storage Inc. (Pomona) and AltaGas Ripon Energy Inc. (Ripon) in the third quarter of 2020, cessation of Allowance for Funds Used During Construction (AFUDC) related to the Mountain Valley Pipeline (MVP), higher expenses related to employee incentive plans as a result of the increasing share price in 2021, and lower realized merchant margins at RIPET (inclusive of hedges). For the three months ended June 30, 2021, the average Canadian/U.S. dollar exchange rate decreased to 1.23 from an average of 1.39 in the same quarter of 2020, resulting in a decrease in normalized EBITDA of approximately $14 million.

Net income applicable to common shares for the second quarter of 2021 was $24 million ($0.09 per share), compared to $21 million ($0.08 per share) for the same quarter in 2020. The increase was mainly due to the same previously referenced factors impacting normalized EBITDA, the partial reversal of a provision recorded in the first quarter of 2021 due to an increase in the fair value of net assets held for sale upon close of the sale of the majority of WGL's commodity business in April 2021, higher foreign exchange gains, and the gain on sale of the majority of WGL Midstream's commodity business, partially offset by higher unrealized losses on risk management contracts and higher depreciation and amortization expense.

Normalized funds from operations for the second quarter of 2021 were $157 million ($0.56 per share), compared to $141 million ($0.51 per share) for the same quarter in 2020. The increase was mainly due to lower interest expense and the same previously referenced factors impacting normalized EBITDA, partially offset by higher current income tax expense.

In the second quarter of 2021, AltaGas recorded a pre-tax loss of $1 million on the last remaining U.S. distributed generation project which was sold in 2019 but transferred to the purchaser during the quarter, a pre-tax gain of $3 million on the sale of the majority of WGL Midstream's commodity business, and a pre-tax gain of $1 million on other minor Midstream asset sales. In addition, in the second quarter of 2021, AltaGas recorded a $19 million partial reversal of the provision recorded in the first quarter of 2021, as discussed above. In the second quarter of 2020, AltaGas recorded a pre-tax gain of $2 million on certain U.S. distributed generation projects which were sold in 2019 but transferred to the purchaser in 2020. In addition, in the second quarter of 2020, AltaGas recorded a pre-tax provision of approximately $3 million ($2 million after-tax) related to a remaining U.S. distributed generation project which had not yet transferred to the purchaser.

Operating and administrative expenses for the second quarter of 2021 were $347 million, compared to $311 million for the same quarter in 2020. The increase was mainly due to the inclusion of Petrogas' operating and administrative expenses upon consolidation, higher costs from the NEBC pipeline projects which were placed in service in the second and third quarters of 2020, and higher expenses related to employee incentive plans as a result of the increasing share price in 2021. Depreciation and amortization expense for the second quarter of 2021 was $108 million, compared to $93 million for the same quarter in 2020. The increase was mainly due to an amortization adjustment related to the derecognition of an intangible liability in the second quarter of 2020, new assets placed in-service, and amortization expense on Petrogas assets upon consolidation. Interest expense for the second quarter of 2021 was $69 million, compared to $71 million for the same quarter in 2020. The decrease in interest expense was mainly due to lower average interest rates and a lower average Canadian/U.S. dollar exchange rate, partially offset by higher average debt balances.

AltaGas recorded income tax expense of $3 million for the second quarter of 2021, consistent with the same quarter of 2020. Current tax expense of $27 million was recorded in the second quarter of 2021, which included $18 million of tax on asset sales.

Normalized net income was $23 million ($0.08 per share) for the second quarter of 2021, compared to $17 million ($0.06 per share) for the same quarter of 2020. The increase in normalized net income was due to the same previously referenced factors impacting normalized EBITDA, and lower interest expense, partially offset by higher depreciation and amortization expense. Normalizing items in the second quarter of 2021 reduced normalized net income by $1 million and included after-tax amounts related to transaction costs related to acquisitions and dispositions, reversal of provisions on assets, gains on sale of assets, non-controlling interest portion of non-GAAP adjustments, and unrealized losses on risk management contracts. Normalizing items in the second quarter of 2020 reduced normalized net income by $4 million and included after-tax amounts related to gains on sale of assets, transaction costs related to acquisitions and dispositions, provisions on assets, COVID-19 related costs, unrealized gains on risk management contracts, and gains 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 2021 was $904 million, compared to $705 million for the same period in 2020. Factors positively impacting normalized EBITDA included impacts from the consolidation of Petrogas, favorable storage and transportation margins and higher storage withdrawals at WGL Midstream in the first quarter of 2021, higher gas and power margins from WGL's retail marketing business due to favourable pricing, higher returns on pension assets, higher revenue from accelerated pipe replacement program spend, the impact of Washington Gas' 2020 Maryland and District of Columbia rate cases, higher export volumes at RIPET, and higher revenues from the NEBC facilities due to NEBC growth capital projects placed into service, partially offset by the impact of asset sales, including AltaGas Canada Inc. (ACI), the majority of WGL Midstream's commodity business, Pomona, and Ripon, as well as cessation of AFUDC related to MVP, higher expenses related to employee incentive plans as a result of the increasing share price in 2021, lower realized merchant margins at RIPET (inclusive of hedges), and lower NGL marketing margins. For the first half of 2021, the average Canadian/U.S. dollar exchange rate decreased to 1.25 from an average of 1.37 in the same period of 2020, resulting in a decrease in normalized EBITDA of approximately $32 million.

Net income applicable to common shares for the first half of 2021 was $361 million ($1.29 per share), compared to $484 million ($1.73 per share) for the same period in 2020. The decrease was mainly due the absence of the gain on the sale of ACI and the gain related to certain distributed generation projects which were transferred to the purchaser in the first quarter of

2020, provisions related to the sale of the majority of WGL Midstream's commodity business, lower unrealized gains on risk management contracts, and higher depreciation expense, partially offset by the same previously referenced factors impacting normalized EBITDA, higher net income applicable to non-controlling interests as a result of the consolidation of Petrogas, the absence of the dilution loss on equity investments, the gain on sale of the majority of WGL Midstream's commodity business, and lower income tax expense.

Normalized funds from operations for the first half of 2021 were $741 million ($2.65 per share), compared to $562 million ($2.01 per share) for the same period in 2020. The increase was mainly due to the same drivers as normalized EBITDA and lower interest expense, partially offset by higher current income tax expense.

In the first half of 2021, AltaGas recorded a pre-tax gain on dispositions of assets of approximately $4 million related to the previously mentioned gains and losses recorded in the second quarter of 2021. In addition, in the first half of 2021, AltaGas recorded pre-tax provisions of approximately $57 million ($46 million after-tax) primarily related to the sale of the majority of WGL Midstream's commodity business. In the first half of 2020, AltaGas recorded pre-tax gains on dispositions of assets of approximately $215 million. This was primarily comprised of the gain on the disposition of AltaGas' equity investment in ACI of $206 million, as well as approximately $9 million related to certain distributed generation projects which were transferred to the purchaser in the first half of 2020. In addition, in the first half of 2020, AltaGas recorded a pre-tax provision of approximately $5 million ($2 million after-tax) primarily related to the previously mentioned provisions recorded in the second quarter of 2020 and land parcels located near the Harmattan gas processing plant which were sold in the second quarter of 2020.

Operating and administrative expenses for the first half of 2021 were $713 million, compared to $649 million for the same period in 2020. The increase was mainly due to the inclusion of Petrogas' operating and administrative expenses upon consolidation, higher costs from increased activity at RIPET and the NEBC pipeline projects which were placed in service in the second and third quarters of 2020, and higher expenses related to employee incentive plans as a result of the increasing share price in 2021. Depreciation and amortization expense for the first half of 2021 was $206 million, compared to $198 million for the same period in 2020. The increase was mainly due to amortization expense on Petrogas assets upon consolidation, new assets placed in-service, and an amortization adjustment related to the derecognition of an intangible liability in the second quarter of 2020, partially offset by lower U.S. Midstream amortization and the amortization of purchase price allocation adjustments related to the Petrogas Acquisition. Interest expense for the first half of 2021 was $139 million, compared to $141 million for the same period in 2020. The decrease was predominantly due to lower average interest rates and a lower average Canadian/U.S. dollar exchange rate, partially offset by higher average debt balances.

AltaGas recorded income tax expense of $105 million for the first half of 2021 compared to $135 million in the same period of 2020. The decrease in tax expense was mainly due to lower income before income taxes in the first half of 2021. Current tax expense of approximately $57 million was recorded in the first half of 2021, which included $18 million of tax on asset sales.

Normalized net income was $384 million ($1.37 per share) for the first half of 2021, compared to $237 million ($0.85 per share) for the same period in 2020. The increase was mainly due to the same previously referenced factors impacting normalized EBITDA, partially offset by higher depreciation and amortization expense. Normalizing items in the first half of 2021 increased normalized net income by $23 million and included after-tax amounts related to gains on sale of assets, transaction costs related to acquisitions and dispositions, restructuring costs, provisions on assets, non-controlling interest portion of non-GAAP adjustments, and unrealized gains on risk management contracts. Normalizing items in the first half of 2020 reduced normalized net income by $247 million and included after-tax amounts related to gains on sale of assets, transaction costs related to acquisitions and dispositions, restructuring costs, provisions on assets, provisions on investments accounted for by the equity method, dilution loss on equity investment, COVID-19 related costs, unrealized gains on risk management contracts, and losses on investments. Please refer to the *Non-GAAP Financial Measures* section of this MD&A for further details on normalization adjustments.

2021 Outlook

In 2021, AltaGas expects to achieve annual consolidated normalized EBITDA of approximately $1.475 to $1.525 billion and normalized earnings per share of approximately $1.65 to $1.80 per share, assuming an effective tax rate of approximately 22 percent.

The Utilities segment is expected to contribute approximately 52 percent of normalized EBITDA, with growth driven primarily by revenue growth from previously settled rate cases, increased spend on accelerated capital replacement programs, the impact of new rates in the District of Columbia and Maryland, ongoing operational cost optimization activities, and modest customer growth. Expected growth in the Midstream segment, primarily driven by the integration and optimization of Petrogas operations, higher export volumes from RIPET, favorable first quarter storage prices and transportation margins at WGL Midstream, and increased volumes at NEBC facilities, is expected to be partially offset by the impacts of a blend and extend contract that was entered into in 2018 and took effect in 2021, and the impact of the sale of the majority of WGL Midstream's commodity business in April 2021. Midstream segment earnings are approximately 55 percent underpinned through take-or-pay, cost-of-service, and fee-for-service contracts at the extraction and processing facilities and tolling agreements at the export facilities. Normalized EBITDA from the Corporate/Other segment, which includes AltaGas' remaining power assets, is expected to be lower in 2021 mainly due to asset sales completed in 2020 and higher expenses related to employee incentive plans as a result of the increasing share price in 2021. Overall growth is expected to offset lost normalized EBITDA from a full year impact of asset sales completed in 2020 and the sale of WGL Midstream's commodity business in 2021.

The overall forecasted normalized EBITDA and normalized earnings per share include updated assumptions around the U.S./Canadian dollar exchange rate. The impact of the COVID-19 pandemic on AltaGas business segments is expected to be less pronounced than in 2020. 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 normalized earnings per share. Please refer to the *Risk Management* section of this MD&A for further discussions of the risks to AltaGas arising from the COVID-19 pandemic.

AltaGas estimates an average of approximately 9,500 Bbls/d of NGLs will be exposed to frac spreads prior to hedging activities. AltaGas plans to manage the 2021 frac exposed NGL volumes with an active hedging program and is currently approximately 95 percent hedged for 2021.

At RIPET and Ferndale, NGL price margins are protected through AltaGas' comprehensive hedging programs. For propane and butane volumes not expected to be contracted under tolling arrangements at RIPET and Ferndale, approximately 60 percent are currently financially hedged at FEI to North American indices, with propane and butane spreads averaging approximately US$14/Bbl. When combined with the tolling volumes at the facilities, this equates to approximately 70 percent of forecasted export volumes being tolled and/or financially hedged. As highlighted in past disclosures, AltaGas plans to manage the export facilities such that a growing portion 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 2021:

Factor	Increase or decrease	Approximate impact on normalized annual EBITDA *($ millions)*
Degree day variance from normal - Utilities (1)	5 percent	10
Change in Canadian dollar per U.S. dollar exchange rate	0.05	35
Propane and butane Far East Index to Mont Belvieu spreads (2)	US$1/Bbl	11
Pension discount rate	1 percent	20

(1) Degree days – Utilities relate to SEMCO Gas, ENSTAR, and District of Columbia service areas. Degree days are a measure of coldness determined daily as the number of degrees the average temperature during the day in question is below 65 degrees Fahrenheit. Degree days for a particular period are 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.

(2) The sensitivity is net of hedges currently in place. The impact on normalized 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 capital expenditures of approximately $910 million in 2021. The majority of capital expenditures are expected to focus on projects within the Utilities platform that are anticipated to deliver stable and transparent rate base growth and strong risk-adjusted returns. The Utilities segment is expected to account for approximately 80 to 85 percent of total capital expenditures, while the Midstream segment is expected to account for approximately 15 to 20 percent and the Corporate/Other segment is expected to account for any remainder. In 2021, AltaGas' capital expenditures for the Utilities segment will focus primarily on accelerated pipe replacement programs, customer growth, and system betterment. In the Midstream segment, capital expenditures are anticipated to primarily relate to the construction of the Nig Creek expansion, maintenance and administrative capital, optimization of existing assets, and new business development. Maintenance capital related to Midstream assets and remaining power assets in the Corporate/Other segment is expected to be approximately $30 to $40 million of the total capital expenditures in 2021. The Corporation continues to focus on capital efficient organic growth and disciplined capital allocation while improving balance sheet strength and flexibility.

AltaGas' 2021 committed capital program is expected to be funded through internally-generated cash flow and normal course borrowings on existing committed credit facilities.

Growth Capital Project Updates

The following table summarizes the status of AltaGas' significant growth projects.

Project	AltaGas' Ownership Interest	Estimated Cost (1)	Expenditures to Date (2)	Status	Expected In-Service Date
Midstream Projects					
Nig Creek Expansion	50%	$58 million	$37 million	The Nig Creek facility is being expanded in two phases. Phase one expanded designed capacity by 55 Mmcf/d gross (27.5 Mmcf/d net) by adding inlet compression, sales compression, and other plant equipment. Construction and commissioning was completed in early July and is now on stream. The second phase will increase capacity by an additional 25 Mmcf/d gross (12.5 Mmcf/d net) and will include a deep cut plant for additional liquids recoveries.	Phase I was in-service early Q3 and Phase II is scheduled for Q2 2022.
MVP	10%	US$352 million	US$352 million	As of June 30, 2021, approximately 92 percent of the project is complete, which includes construction of all original interconnects and compressor stations. On November 9, 2020, the 4th U.S. Circuit of Appeals granted a request from certain environmental groups and issued a stay pending litigation over the U.S. Army Corps of Engineers' (Army Corps) verification of water crossings for the project, under a general permit know as Nationwide Permit 12. In February 2021, MVP requested revocation of the Nationwide Permit 12 and initiated an individual permit application to the Army Corps and submitted related applications for Clean Water Act Section 401 water quality certifications with West Virginia and Virginia. On June 26, 2021, the Army Corps granted the Virginia Department of Environmental Quality a 120-day extension to December 31, 2021 for its review of the water quality permit applications. Given these challenges, MVP has now updated its targeted in-service date to the summer of 2022. Despite the delays, AltaGas' exposure is contractually capped to the original estimated contributions of approximately US$352 million.	Summer of 2022 due to ongoing legal and regulatory challenges.
MVP Southgate Project	5%	US$20 million	US$4 million	Construction is targeted to commence during 2022 with the project placed into service in the spring of 2023, despite the North Carolina Department of Environmental Quality's decision to deny MVP Southgate's request for state certification under the Clean Water Act Section 401. The decision is expected to be appealed. Expenditures to date relate to land surveys, land acquisition, and obtaining permits and regulatory approvals.	Spring of 2023 due to ongoing legal and regulatory challenges.

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$150 million over the period from January 2021 to December 2023, plus additional expenditures in subsequent periods.	US$18 million [(3)]	The second phase of the accelerated utility pipe replacement programs in the District of Columbia (PROJECT*pipes* 2) began in January 2021.	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$142 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$337 million [(3)]	The second phase of the accelerated pipe replacement programs in Virginia (SAVE 2.0) began in January 2018.	Individual assets are placed into service throughout the program.
Accelerated Mains Replacement Programs – ***Michigan***	100%	Estimated US$115 million over five year period from 2021 to 2026.	US$6 million [(3)]	A new Main Replacement Program (MRP) was agreed to in SEMCO's last rate case settled in December 2019. The new five-year MRP program begins in 2021 with a total spend of approximately US$60 million. In addition to the new MRP program, SEMCO was also granted a new Infrastructure Reliability Improvement Program (IRIP) which is also a five-year program with a total spend of approximately US$55 million beginning in 2021.	Individual assets are placed into service throughout the program.

(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, 2021.

(3) The utility accelerated replacement programs are long-term projects with multiple phases for which expenditures are approved by the regulators and managed in multi-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.

Non-GAAP Financial Measures

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

References to normalized EBITDA, normalized net income, normalized funds from operations, normalized income tax expense, normalized effective income tax rate, 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)	**2021**	2020	**2021**	2020
Net income after taxes (GAAP financial measure)	**$ 44**	$ 43	**$ 415**	$ 528
Add:				
Depreciation and amortization	**108**	93	**206**	198
Interest expense	**69**	71	**139**	141
Income tax expense	**3**	3	**105**	135
EBITDA	**$ 224**	$ 210	**$ 865**	$ 1,002
Add (deduct):				
Transaction costs related to acquisitions and dispositions	**3**	1	**10**	11
Unrealized losses (gains) on risk management contracts	**33**	(3)	**(22)**	(118)
Gains on sale of assets	**(4)**	(2)	**(4)**	(215)
Restructuring costs	**—**	—	**1**	2
Dilution loss on equity investment	**—**	—	**—**	16
COVID-19 related costs	**—**	1	**—**	2
Provisions (reversal of provisions) on assets	**(19)**	3	**57**	5
Accretion expenses	**1**	1	**1**	2
Foreign exchange gains	**(8)**	(4)	**(4)**	(4)
Normalized EBITDA	**$ 230**	$ 206	**$ 904**	$ 705

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 transaction costs related to acquisitions and dispositions, unrealized losses (gains) on risk management contracts, gains on sale of assets, restructuring costs, dilution loss on equity investment, COVID-19 related costs, provisions (reversal of provisions) on assets, foreign exchange gains, and accretion expenses related to asset retirement obligations. AltaGas presents normalized EBITDA as a supplemental measure. Normalized EBITDA is used by Management to enhance the understanding of AltaGas' earnings over periods. The metric is frequently used by analysts and investors in the evaluation of entities within the industry as it excludes items that can vary substantially between entities depending on the accounting policies chosen, the book value of assets, and the capital structure.

Normalized Net Income

($ millions)	Three Months Ended June 30 2021	2020	Six Months Ended June 30 2021	2020
Net income applicable to common shares (GAAP financial measure)	**$ 24**	$ 21	**$ 361**	$ 484
Add (deduct) after-tax:				
Transaction costs related to acquisitions and dispositions	**3**	1	**8**	9
Unrealized losses (gains) on risk management contracts	**27**	(2)	**(14)**	(89)
Non-controlling interest portion of non-GAAP adjustments	**(7)**	—	**(6)**	—
Losses (gains) on investments	**—**	(1)	**—**	1
Gains on sale of assets	**(12)**	(5)	**(12)**	(190)
Provisions (reversal of provisions) on assets	**(12)**	2	**46**	2
Restructuring costs	**—**	—	**1**	1
Dilution loss on equity investment	**—**	—	**—**	16
COVID-19 related costs	**—**	1	**—**	2
Provisions on investments accounted for by the equity method	**—**	—	**—**	1
Normalized net income	**$ 23**	$ 17	**$ 384**	$ 237

Normalized net income represents net income applicable to common shares adjusted for the after-tax impact of transaction costs related to acquisitions and dispositions, non-controlling interest portion of non-GAAP adjustments, unrealized losses (gains) on risk management contracts, losses (gains) on investments, gains on sale of assets, provisions (reversal of provisions) on assets, provisions on investments accounted for by the equity method, restructuring costs, dilution loss on equity investment, and COVID-19 related costs. Normalized net income is used by Management to enhance the comparability of AltaGas' earnings, as it reflects the underlying performance of AltaGas' business activities.

Normalized Funds from Operations

($ millions)	Three Months Ended June 30 2021	2020	Six Months Ended June 30 2021	2020
Cash from operations (GAAP financial measure)	**$ 81**	$ 337	**$ 686**	$ 812
Add (deduct):				
Net change in operating assets and liabilities	**53**	(198)	**23**	(259)
Asset retirement obligations settled	**2**	—	**3**	1
Funds from operations	**$ 136**	$ 139	**$ 712**	$ 554
Add (deduct):				
Transaction costs related to acquisitions and dispositions (1)	**3**	1	**10**	4
Restructuring costs	**—**	—	**1**	2
COVID-19 related costs	**—**	1	**—**	2
Current tax expense on asset sales	**18**	—	**18**	—
Normalized funds from operations	**$ 157**	$ 141	**$ 741**	$ 562

(1) Excluding non-cash amounts.

Normalized funds from operations is used to assist Management and investors in analyzing the liquidity of the Corporation. Management uses this measure to understand the ability to generate funds for capital investments, debt repayment, dividend payments, and other investing activities.

Funds from operations is calculated from the Consolidated Statements of Cash Flows and is 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 dispositions, COVID-19 related costs, and restructuring costs.

Funds from operations and normalized funds from operations as presented should not be viewed as an alternative to cash from operations or other cash flow measures calculated in accordance with GAAP.

Normalized Income Tax Expense

	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2021**	2020	**2021**	2020
Income tax expense (GAAP financial measure)	**$ 3**	$ 3	**$ 105**	$ 135
Add (deduct) tax impact of:				
Transaction costs related to acquisitions and dispositions	**—**	—	**2**	1
Unrealized losses (gains) on risk management contracts	**6**	(1)	**(8)**	(29)
Gains on sale of assets	**8**	3	**7**	(24)
Provisions (reversal of provisions) on assets	**(6)**	1	**12**	3
COVID-19 related costs	**—**	—	**—**	1
Provisions on investments accounted for by the equity method	**—**	—	**—**	(1)
Normalized income tax expense	**$ 11**	$ 6	**$ 118**	$ 86

Normalized income tax expense represents income tax expense adjusted for the tax impact of transaction costs related to acquisitions and dispositions, unrealized losses (gains) on risk management contracts, gains on sale of assets, provisions (reversal of provisions) on assets, and provisions on investments accounted for by the equity method. This measure is used by Management to enhance the comparability of the impact of income tax on AltaGas' earnings, as it reflects the underlying performance of AltaGas' business activities, and is presented to provide this perspective to analysts and investors.

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 and is presented to provide this perspective to analysts and investors. Net debt is defined as short-term debt (excluding third-party project financing obtained for the construction of certain energy management services projects), 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 Calculations

Reconciliation of Normalized EBITDA to Normalized Net Income

The below table provides a supplemental reconciliation of normalized EBITDA to normalized net income. 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 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)	**2021**	2020	**2021**	2020
Normalized EBITDA	**$ 230**	$ 206	**$ 904**	$ 705
Add (deduct):				
Depreciation and amortization	**(108)**	(93)	**(206)**	(198)
Interest expense	**(69)**	(71)	**(139)**	(141)
Income tax expense	**(3)**	(3)	**(105)**	(135)
Normalizing items impacting income taxes	**(7)**	(3)	**(13)**	48
Accretion expenses	**(1)**	(1)	**(1)**	(2)
Foreign exchange gains	**8**	4	**4**	4
Non-controlling interest portion of non-GAAP adjustments	**(7)**	—	**(6)**	—
Net income applicable to non-controlling interests	**(7)**	(5)	**(27)**	(11)
Preferred share dividends	**(13)**	(17)	**(27)**	(33)
Normalized net income	**$ 23**	$ 17	**$ 384**	$ 237

Calculation of Normalized Effective Income Tax Rate

The below table provides a calculation of normalized effective income tax rate from normalized net income and normalized income tax expense. Both of these non-GAAP measures have been previously reconciled to the relevant GAAP measures in the section above. This supplemental calculation is provided as additional information to assist analysts and investors in comparing normalized income tax expense to normalized net income 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 calculation.

	Three Months Ended June 30		Six Months Ended June 30	
($ millions, except normalized effective income tax rate)	**2021**	2020	**2021**	2020
Normalized net income	**$ 23**	$ 17	**$ 384**	$ 237
Add (deduct):				
Normalized income tax expense	**11**	6	**118**	86
Net income applicable to non-controlling interests	**7**	5	**27**	11
Non-controlling interest portion of non-GAAP adjustments	**7**	—	**6**	—
Preferred share dividends	**13**	17	**27**	33
Normalized net income before taxes	**$ 61**	$ 45	**$ 562**	$ 367
Normalized effective income tax rate (%) [1]	**18.0**	13.3	**21.0**	23.4

(1) Calculated as normalized income tax expense divided by normalized net income before taxes.

Results of Operations by Reporting Segment

Normalized EBITDA [1]		Three Months Ended June 30			Six Months Ended June 30		
($ millions)		2021		2020		2021		2020
Utilities	$	99	$	80	$	471	$	449
Midstream		142		111		446		231
Sub-total: Operating Segments	$	241	$	191	$	917	$	680
Corporate/Other		(11)		15		(13)		25
	$	230	$	206	$	904	$	705

(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)		2021		2020		2021		2020
Utilities	$	689	$	723	$	2,097	$	2,128
Midstream		1,298		298		2,949		748
Sub-total: Operating Segments	$	1,987	$	1,021	$	5,046	$	2,876
Corporate/Other		28		37		50		63
Intersegment eliminations		(6)		1		(2)		(11)
	$	2,009	$	1,059	$	5,094	$	2,928

Utilities

Operating Statistics

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Natural gas deliveries - end-use (Bcf) [1]	22.4	23.1	94.9	89.7
Natural gas deliveries - transportation (Bcf) [1]	25.3	24.1	68.4	64.6
Service sites (thousands) [2]	1,673	1,664	1,673	1,664
Degree day variance from normal - SEMCO Gas (%) [3]	(5.6)	20.2	(6.1)	(4.9)
Degree day variance from normal - ENSTAR (%) [3]	9.0	0.5	9.5	11.6
Degree day variance from normal - Washington Gas (%) [3] [4]	20.8	45.6	(4.1)	(9.5)
Retail energy marketing - gas sales volumes (Mmcf)	9,887	11,419	34,583	33,336
Retail energy marketing - electricity sales volumes (GWh)	3,201	3,151	6,449	6,662

(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.

During the second quarter of 2021, AltaGas' Utilities segment experienced warmer weather at SEMCO, colder weather at ENSTAR, and warmer weather at Washington Gas compared to the same quarter of 2020.

During the first half of 2021, AltaGas' Utilities segment experienced warmer weather at SEMCO and ENSTAR, and colder weather at Washington Gas compared to the same period in 2020.

Service sites at June 30, 2021 increased by approximately 9,000 sites compared to June 30, 2020 due to a growth in customer base.

In the second quarter of 2021, U.S. retail gas sales volumes were 9,887 Mmcf, compared to 11,419 Mmcf in the same quarter of 2020. The decrease was primarily due to lower utilization compared to the same quarter of 2020. U.S. retail electricity sales volumes were 3,201 GWh in the second quarter of 2021, compared to 3,151 GWh in the same quarter of 2020. The increase was primarily due to higher consumption and an increase in customers served by the business.

In the first half of 2021, U.S. retail gas sales volumes were 34,583 Mmcf, compared to 33,336 Mmcf in the same period in 2020. The increase was primarily due to colder weather in the first half of 2021 compared to the same period in 2020. U.S. retail electricity sales volumes were 6,449 GWh in the first half of 2021, compared to 6,662 GWh in the same period in 2020. The decrease was primarily due to COVID-19 impacts, partially offset by an increase in customers served by the business.

Three Months Ended June 30

The Utilities segment normalized EBITDA was $99 million in the second quarter of 2021, compared to $80 million in the same quarter of 2020. The increase in normalized EBITDA was mainly due to the impact of higher gas and power margins from WGL's retail marketing business due to favourable pricing, higher returns on pension assets, the impact of Washington Gas' 2020 Maryland and District of Columbia rate cases and the absence of the 2020 rate refund adjustments related to the 2019 Virginia rate case, higher revenue from accelerated pipe replacement program spend, continued collection of late fees, and colder weather in Alaska, partially offset by the weaker U.S. dollar, higher general and administrative expenses, and warmer weather in Michigan and the District of Columbia.

Six Months Ended June 30

The Utilities segment reported normalized EBITDA of $471 million in the first half of 2021, compared to $449 million in the same period in 2020. The increase in normalized EBITDA was mainly due to higher gas and power margins from WGL's retail marketing business due to favourable pricing, higher returns on pension assets, higher revenue from accelerated pipe replacement program spend, the impact of Washington Gas' 2020 Maryland and District of Columbia rate cases, colder weather in the District of Columbia, and customer growth, partially offset by the impact of the weaker U.S. dollar, Virginia rate refund adjustments in 2020, higher general and administrative expenses, the impact of the sale of ACI in 2020, and warmer weather in Alaska and Michigan.

In the first half of 2020, the Utilities segment recognized a pre-tax gain of $206 million on the disposition of ACI.

Rate Case Updates

Utility/ Jurisdiction	Date Filed	Request	Status	Expected Timing of Decision
Washington Gas - Maryland	August 2020	US$27 million increase in base rates, including US$6 million currently collected through the Strategic Infrastructure Development Enhancement Plan (STRIDE) surcharges for system upgrades. Therefore, the incremental amount of the base rate increase requested was approximately US$21 million.	Washington Gas filed this rate case on August 28, 2020. On February 12, 2021, the PULJ issued a Proposed Order in the Case and an ERRATA filing correcting of the Proposed Order on February 19, 2021. The Proposed Order, as corrected, authorizes Washington Gas to increase its Maryland natural gas distribution rates by approximately US$13 million (including US$5 million for the STRIDE surcharge), reflecting a return of equity of 9.70 percent. On April 9, 2021, after considering the appeals, the PSC of MD issued an order which affirmed the Proposed Order with one modification. The order authorized Washington Gas to increase its Maryland natural gas distribution rates by approximately US$13 million (including US$5 million currently collected through the STRIDE surcharge), reflecting a return on equity of 9.70 percent. The revenue increase became effective on March 26, 2021. On May 14, 2021, the Maryland Office of People's Counsel (MD OPC) filed a petition for re-hearing and on June 2, 2021, Washington Gas filed an opposition to the re-hearing. The PSC of MD has not taken action on MD OPC's petition.	Final order issued April 2021
CINGSA	July 2021	US$1.9 million revenue increase.	On July 1, 2021, CINGSA filed a rate case with the RCA seeking approval for approximately US$1.9 million revenue increase based on US$105 milion rate base, 11.9 percent ROE and 59.99 percent equity thickness.	Around Q3 2022

COVID-19 Related Orders

Utility/ Jurisdiction	Moratoriums	Customer Programs	Regulatory Assets Recorded as at June 30, 2021 ($USD)
Washington Gas - District of Columbia	There continues to be a moratorium on disconnections in the District of Columbia. In July, the D.C. Council voted to extend the moratorium on evictions and utility shutoffs, triggered by the pandemic, until October 12.	On April 19, 2021, Washington Gas filed an Arrearage Management Plan (AMP) proposal designed to help customers: 1) lower or eliminate existing COVID-19 related arrearages, 2) bring accounts current, 3) improve payment behavior on customers' new bills, and 4) avoid disconnection and allow customers to remain current in their payment obligations. Under the proposed AMP plan, each participating customer would be enrolled in the plan for approximately 12 months. After an eligible customer enrolls in the program and pays each new monthly amount due on a timely basis, Washington Gas will grant a pro-rated monthly arrearage reduction amount toward the goal of full arrearage elimination at the end of the 12 month period. The PSC of DC held a technical conference on July 15, 2021 to discuss Washington Gas' AMP proposal and Washington Gas is awaiting a decision from the Commission.	$1.4 million, and an additional $4.6 million of unrecorded late payment fees.
Washington Gas - Maryland	The shut-off moratorium on Tier 1 and 2 customers has been extended to November 1, 2021. The COVID related shut-off moratorium for Tier 3 customers ended in November 2020.	On February 15, 2021, the Maryland General Assembly passed the Recovery for the Economy, Livelihoods, Industries, Entrepreneurs and Families Act (RELIEF Act). The RELIEF Act includes approximately US$83 million in funds to help Maryland residential customers who are in arrears. On June 15, 2021, the PSC of MD issued an order allocating US$5.7 million to Washington Gas to be reflected on customer bills. The funds were received in July and Washington Gas is in the process of applying the amounts to customer accounts. Maryland utilities are required to report to the PSC of MD by October 1 to confirm whether all funds allocated to each utility have been fully expended.	$0.5 million, and an additional $1.5 million of unrecorded late payment fees.
Washington Gas - Virginia	The moratorium on disconnections ended on June 30, 2021. Washington Gas must wait 60 days before making customer disconnections and will not commence charging late fees during this period.	On December 8, 2020, Washington Gas was awarded US$7.7 million under the Virginia CARES Relief Funding Award, to use for customer arrearages. Virginia customers must meet the criteria established by the program to receive the funds. Any unused funds will be returned to the SCC of VA by December 10, 2021, however Washington Gas anticipates all funds will be applied.	$0.7 million, and an additional $2.9 million of unrecorded late payment fees.
SEMCO - Michigan	COVID-related disconnection moratorium ended June 2020.	The MPSC issued an order on February 18, 2021 following a MPSC staff report on energy accessibility and affordability. The order requires the MPSC staff to establish an Energy Accessibility and Affordability Collaborative to coordinate efforts and find efficiencies between the Energy Waste Reduction (EWR) Low-Income workgroup and the Monthly Energy Assistance Program workgroup. The Collaborative's first meeting occurred on April 8, 2021.	None, as bad debt expense is not expected to exceed the level approved in the last rate case proceeding.
ENSTAR - Alaska	COVID-related disconnection moratorium ended November 2020.	ENSTAR received approximately US$1.2 million of CARES Act funding from the Cities of Anchorage, Palmer, Wasilla and Mat-Su Borough, all of which has been applied toward ENSTAR customer accounts.	$0.3 million

Other Regulatory Updates

On July 1, 2021, SEMCO submitted its 2022-2023 Energy Waste Reduction (EWR) Plan, a form of energy efficiency program for its customers, for MPSC approval. SEMCO proposes to spend approximately US$30 million on energy waste reduction over 2022 and 2023 to achieve a combined first year energy savings goal of approximately 10.1 million therms.

Midstream

Operating Statistics

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	**2021**	2020
RIPET export volumes (Bbls/d) (1)	**44,973**	41,460	**47,828**	38,301
Ferndale export volumes (Bbls/d) (1)	**45,133**	—	**39,970**	—
Total inlet gas processed (Mmcf/d) (1)	**1,460**	1,300	**1,493**	1,346
Extracted ethane volumes (Bbls/d) (1)	**28,867**	26,699	**30,991**	28,316
Extracted NGL volumes (Bbls/d) (1) (2)	**37,070**	29,946	**37,545**	31,220
Fractionation volumes (Bbls/d) (1)	**27,900**	20,641	**28,243**	20,860
Frac spread - realized ($/Bbl) (1) (3)	**11.59**	16.61	**13.24**	13.96
Frac spread - average spot price ($/Bbl) (1) (4)	**20.54**	3.73	**22.58**	2.81
Propane Far East Index (FEI) to Mont Belvieu spread (US$/Bbl) (1) (5)	**8.98**	8.08	**9.56**	12.15
Butane FEI to Mont Belvieu spread (US$/Bbl) (1) (6)	**10.0**	—	**11.4**	—
Natural gas optimization inventory (Bcf)	**1.3**	49.1	**38.0**	49.1

(1) Average for the period.
(2) NGL volumes refer to propane, butane and condensate.
(3) Realized frac spread or NGL margin, expressed in dollars per barrel of NGL, is derived from sales recorded by the segment during the period for frac spread exposed volumes plus the settlement value of frac hedges settled in the period less extraction premiums, divided by the total frac exposed volumes produced during the period.
(4) Average spot frac spread or NGL margin, expressed in dollars per barrel of NGL, is indicative of the average sales price that AltaGas receives for propane, butane and condensate less extraction premiums, before accounting for hedges, divided by the respective frac spread exposed volumes for the period.
(5) Average propane price spread between FEI and Mont Belvieu TET commercial index.
(6) Average butane price spread between FEI and Mont Belvieu TET commercial index.

Propane volumes exported to Asia from RIPET for the three months ended June 30, 2021 averaged 44,973 Bbls/d compared to 41,460 Bbls/d for the same period in 2020. There were 7 full shipments in the second quarter of 2021 compared to 7 shipments in the same period of 2020. Higher RIPET export volumes were the result of an increase in average propane volumes per shipment. Propane and butane export volumes at Ferndale averaged 45,133 Bbls/d, with 8 shipments to Asia during the three months ended June 30, 2021.

Propane volumes exported to Asia from RIPET for the six months ended June 30, 2021 averaged 47,828 Bbls/d compared to 38,301 Bbls/d for the same period in 2020. There were 15 full shipments in the first half of 2021 compared to 13 shipments in the same period of 2020. Higher RIPET export volumes and shipments were the result of an increase in the amount of cargoes sold on the spot market. Propane and butane export volumes at Ferndale averaged 39,970 Bbls/d, with 14 shipments to Asia during the six months ended June 30, 2021.

Inlet gas processing volumes for the second quarter of 2021 increased by 160 Mmcf/d compared to the same quarter of 2020. Higher inlet gas processing volumes in the second quarter of 2021 were the result of additional volumes from the Townsend Deep Cut facility, which was placed in-service in May 2020, and higher inlet volumes at the extraction and Gordondale facilities.

Inlet gas processing volumes for the first half of 2021 increased by 147 Mmcf/d compared to the same period in 2020. Higher inlet gas processing volumes in the first half of 2021 were a result of additional volumes from the Townsend Deep Cut facility, and higher inlet volumes at the extraction and Gordondale facilities.

Average ethane volumes for the second quarter of 2021 increased by 2,168 Bbls/d, while average extracted NGL volumes increased by 7,124 Bbls/d compared to the same quarter of 2020. Higher ethane volumes were a result of additional contracted ethane volumes at the extraction facilities. Higher extracted NGL volumes were a result of additional extracted NGL volumes from the Townsend Deep Cut facility and higher inlet volumes at the extraction facilities.

Average ethane volumes for the first half of 2021 increased by 2,675 Bbls/d, while average extracted NGL volumes increased by 6,325 Bbls/d compared to the same period in 2020. Higher ethane volumes were a result of additional contracted ethane volumes at the extraction facilities. Higher extracted NGL volumes were a result of additional extracted NGL volumes from the Townsend Deep Cut facility and higher inlet volumes at the extraction facilities.

Fractionation volumes for the second quarter of 2021 increased by 7,259 Bbls/d compared to the same quarter of 2020. Higher fractionation volumes were a result of the North Pine expansion, additional liquids volumes from the Townsend Deep Cut facility, and higher fractionation volumes at Harmattan due to higher inlet.

Fractionation volumes for the first half of 2021 increased by 7,383 Bbls/d compared to the same period in 2020. Higher fractionation volumes were a result of the North Pine expansion and additional liquids volumes from the Townsend Deep Cut facility.

Natural gas optimization inventory as at June 30, 2021 was 1.3 Bcf (December 31, 2020 - 39.3 Bcf). The decrease was primarily due to the sale of the majority of WGL Midstream's commodity business in April 2021.

Three Months Ended June 30

The Midstream segment reported normalized EBITDA of $142 million in the second quarter of 2021, compared to $111 million in the same quarter of 2020. The increase in normalized EBITDA in the second quarter of 2021 was mainly due to impacts from the consolidation of Petrogas, increased earnings from the cogeneration plants at Harmattan due to higher Alberta power prices, higher export volumes at RIPET, higher fractionation and liquids handling revenues, and higher processed volumes at the NEBC facilities due to NEBC growth projects placed into service. These were partially offset by cessation of AFUDC related to MVP, lower realized merchant margins at RIPET (inclusive of hedges), amortization of a contract asset at Gordondale related to a blend and extend contract that was entered into in 2018 and took effect in 2021, and the impact of the sale of the majority of WGL's commodity business.

In the second quarter of 2021, the Midstream segment recognized a pre-tax gain of $3 million on the sale of the majority of WGL Midstream's commodity business and a pre-tax gain of $1 million on other minor asset sales. In addition, in the second quarter of 2021, the Midstream segment recorded a $19 million partial reversal of the provision recorded in the first quarter of 2021. This was due to an increase in the fair value of the net assets held for sale upon close of the WGL Midstream transaction in April 2021.

Six Months Ended June 30

The Midstream segment reported normalized EBITDA of $446 million in the first half of 2021, compared to $231 million in the same period in 2020. The increase in normalized EBITDA in the first half of 2021 was mainly due to impacts from the consolidation of Petrogas, which was consolidated upon completion of the Petrogas Acquisition, favorable storage and transportation margins and higher storage withdrawals at WGL Midstream in the first quarter of 2021, higher export volumes at RIPET, higher fractionation and liquids handling revenues and higher processed volumes at the NEBC facilities due to NEBC growth projects placed into service, increased earnings from the cogeneration plants at Harmattan due to higher Alberta power prices, higher realized frac spreads (inclusive of hedges), and additional contracted ethane volumes at the extraction facilities. These were partially offset by cessation of AFUDC related to MVP, lower realized merchant margins at RIPET (inclusive of hedges), amortization of a contract asset at Gordondale related to a blend and extend contract that was entered into in 2018 and took effect in 2021, unfavorable NGL marketing margins, and the impact of the sale of the majority of WGL's commodity business.

In the first half of 2021, the Midstream segment recognized pre-tax gains on dispositions of assets of approximately $4 million related to the previously mentioned sale of the majority of WGL Midstream's commodity business and other minor asset sales. In addition, in the first half of 2021, the Midstream segment recognized pre-tax provisions of approximately $57 million ($46 million after-tax) primarily related to the sale of the majority of WGL Midstream's commodity business. In the first half of 2020, the Midstream segment recognized a pre-tax provision of approximately $2 million related to land parcels located near the Harmattan gas processing plant.

Midstream Hedges

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	**2021**	2020
Frac spread exposed volumes (Bbls/d)	**9,828**	8,588	**10,584**	9,473
NGL volumes hedged (Bbls/d)	**8,285**	10,068	**9,652**	8,750
Average price of NGL volumes hedged ($/Bbl) (1)	**25**	28	**25**	31
Average export volumes hedged (Bbls/d)	**50,992**	29,585	**46,781**	27,951
Average FEI to North American NGL price spread for volumes hedged (US$/Bbl)	**11**	6	**11**	8

(1) Excludes basis differential.

Corporate/Other

Three Months Ended June 30

In the Corporate/Other segment, normalized EBITDA for the second quarter of 2021 was a loss of $11 million, compared to earnings of $15 million in the same quarter of 2020. The decrease was mainly due to higher expenses related to employee incentive plans as a result of the increasing share price in 2021.

In the second quarter of 2021, the Corporate/Other segment recognized a pre-tax loss of $1 million on the last remaining U.S. distributed generation project which was sold in 2019 but transferred to the purchaser during the quarter. In the second quarter of 2020, the Corporate/Other segment recognized a pre-tax gain of $2 million on certain U.S. distributed generation projects that were sold in 2019 but transferred to the purchaser in 2020. In addition, in the second quarter of 2020, the Corporate/Other segment recognized a pre-tax provision of approximately $3 million related to a remaining U.S. distributed generation project which had not yet transferred to the purchaser.

Six Months Ended June 30

In the Corporate/Other segment, normalized EBITDA for the first half of 2021 was a loss of $13 million, compared to earnings of $25 million in the same period in 2020. The decrease was mainly due to higher expenses related to employee incentive plans as a result of the increasing share price in 2021 and the impact of the disposition of Pomona in the third quarter of 2020.

In the first half of 2021, the Corporate/Other segment recognized a pre-tax loss of approximately $1 million on the previously mentioned sale of the last remaining U.S. distributed generation project. In the first half of 2020, the Corporate/Other segment recognized a pre-tax gain of $9 million on certain U.S. distributed generation projects which were sold in 2019 but transferred to the purchaser in the first half of 2020. In the first half of 2020, the Corporate/Other segment was also impacted by the previously mentioned provision recognized in the second quarter of 2020.

Invested Capital

				Three Months Ended June 30, 2021
($ millions)	**Utilities**	**Midstream**	**Corporate/ Other**	**Total**
Invested capital:				
Property, plant and equipment	$ **182**	$ **25**	$ **1**	$ **208**
Long-term investments	**—**	**4**	**—**	**4**
Other	**—**	**7**	**—**	**7**
Invested capital	**182**	**36**	**1**	**219**
Disposals:				
Property, plant and equipment	**—**	**(343)**	**(1)**	**(344)**
Invested capital, net of disposals	$ **182**	$ **(307)**	$ **—**	$ **(125)**

				Three Months Ended June 30, 2020
($ millions)	Utilities	Midstream	Corporate/ Other	Total
Invested capital:				
Property, plant and equipment	$ 162	$ 32	$ —	$ 194
Intangible assets	1	1	1	3
Contributions from non-controlling interest	—	(2)	—	(2)
Invested capital	163	31	1	195
Disposals:				
Property, plant and equipment	—	(3)	(3)	(6)
Invested capital, net of disposals	$ 163	$ 28	$ (2)	$ 189

During the second quarter of 2021, AltaGas' invested capital was $219 million, compared to $195 million in the same quarter of 2020. The increase in invested capital was primarily due to higher additions to property, plant and equipment due to higher spend on accelerated pipe replacement programs, customer growth, and system betterment programs at Washington Gas. The disposals of property, plant and equipment in the second quarter of 2021 primarily related to the sale of the majority of WGL Midstream's commodity business.

The invested capital in the second quarter of 2021 included maintenance capital of $3 million (2020 - $2 million), all within the Midstream segment. Midstream maintenance capital in the second quarter of 2021 was primarily related to the Townsend, Edmonton Ethane Extraction Plant (EEEP), and Ferndale facilities.

				Six Months Ended June 30, 2021
($ millions)	**Utilities**	**Midstream**	**Corporate/ Other**	**Total**
Invested capital:				
Property, plant and equipment	$ **293**	$ **46**	$ **6**	$ **345**
Intangible assets	**1**	**1**	**—**	**2**
Long-term investments	**—**	**7**	**—**	**7**
Contributions from non-controlling interest	**—**	**(1)**	**—**	**(1)**
Other	**—**	**7**	**—**	**7**
Invested capital	**294**	**60**	**6**	**360**
Disposals:				
Property, plant and equipment	**—**	**(343)**	**(1)**	**(344)**
Invested capital, net of disposals	$ **294**	$ **(283)**	$ **5**	$ **16**

Six Months Ended June 30, 2020				
($ millions)	Utilities	Midstream	Corporate/ Other	Total
Invested capital:				
Property, plant and equipment	$ 306	$ 74	$ 17	$ 397
Intangible assets	1	1	2	4
Long-term investments	—	64	—	64
Contributions from non-controlling interest	—	(5)	—	(5)
Invested capital	307	134	19	460
Disposals:				
Property, plant and equipment	—	(3)	(7)	(10)
Equity method investments	(369)	(7)	—	(376)
Invested capital, net of disposals	$ (62)	$ 124	$ 12	$ 74

In the first half of 2021, AltaGas' invested capital was $360 million, compared to $460 million in the same period of 2020. The decrease in invested capital was primarily due to lower additions to property, plant and equipment and the absence of a capital contribution made to AIJVLP related to a cash call in the first quarter of 2020.

The decrease in additions to property, plant and equipment in the first half of 2021 was mainly due to the absence of construction costs relating to the NEBC projects, most of which were completed in the first half of 2020, the impact of the weaker U.S. dollar on U.S. capital spend, and lower maintenance costs at the Blythe facility, partially offset by construction costs for the Nig Creek Expansion, capital invested at consolidated Petrogas facilities, and accelerated pipeline replacement program spend at Washington Gas and SEMCO. The disposals of property, plant and equipment in the first half of 2021 primarily related to proceeds received from the disposition of the sale of the majority of WGL Midstream's commodity business. The disposals of property, plant and equipment and equity method investments in the first half of 2020 primarily related to proceeds received from the disposition of the U.S. distributed generation assets and the disposition of ACI, respectively.

The invested capital in the first half of 2021 included maintenance capital of $6 million (2020 - $3 million) in the Midstream segment and $5 million (2020 - $14 million) related to remaining power assets in the Corporate/Other segment. The increase in Midstream maintenance capital was primarily due to maintenance costs at the Townsend, EEEP and Ferndale facilities. The decrease in maintenance capital in the Corporate/Other segment was primarily due to lower planned turnaround maintenance capital at the Blythe facility.

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 in 2018, 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)	**2021**	2020	**2021**	2020
Cash from operations	**$ 81**	$ 337	**$ 686**	$ 812
Investing activities	**212**	(205)	**21**	(78)
Financing activities	**(304)**	(407)	**(716)**	(745)
Decrease in cash, cash equivalents, and restricted cash	**$ (11)**	$ (275)	**$ (9)**	$ (11)

Cash From Operations

Cash from operations decreased by $126 million for the six months ended June 30, 2021 compared to the same period in 2020, primarily due to unfavorable variances in the net change in operating assets and liabilities and lower distributions from equity investments, partially offset by higher net income after taxes (after adjusting for non-cash items). The majority of the variance in net change in operating assets and liabilities was due to lower cash flow from accounts receivable and inventory due to fluctuations in commodity prices and sales volumes, and the addition of Petrogas' liabilities, partially offset by increased cash flows from accounts payable and accrued liabilities driven by fluctuations in volumes and prices, the addition of Petrogas' assets, and increased cash flows related to regulatory assets and regulatory liabilities due to warmer weather and the impact of Virginia rate refund adjustments in 2020.

Working Capital

($ millions, except working capital ratio)	**June 30, 2021**	December 31, 2020
Current assets	**$ 1,977**	$ 2,497
Current liabilities	**1,929**	2,607
Working capital (deficiency)	**$ 48**	$ (110)
Working capital ratio [(1)]	**1.02**	0.96

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

The increase in the working capital ratio was primarily due to decreases in accounts payable and accrued liabilities and short-term debt, partially offset by decreases in accounts receivable and inventory. AltaGas' working capital will fluctuate in the normal course of business.

Investing Activities

Cash from investing activities for the six months ended June 30, 2021 was $21 million, compared to cash used in investing activities of $78 million in the same period in 2020. Investing activities for the six months ended June 30, 2021 primarily included proceeds of approximately $344 million from the sale of the majority of WGL Midstream's commodity business and other minor asset sales, partially offset by expenditures of approximately $309 million for property, plant and equipment and intangible assets, approximately $7 million of contributions to equity investments, and $7 million for other changes in investing activities. Investing activities for the six months ended June 30, 2020 primarily included proceeds of approximately $376 million from the disposition of equity investments (which related primarily to the disposition of ACI), and $10 million of proceeds from asset sales, partially offset by expenditures of approximately $400 million for property, plant and equipment and intangible assets, and approximately $64 million of contributions to equity investments.

Financing Activities

Cash used in financing activities for the six months ended June 30, 2021 was $716 million, compared to $745 million in the same period in 2020. Financing activities for the six months ended June 30, 2021 were primarily comprised of net repayments of short-term debt and long-term debt of $200 million, net repayment under credit facilities of $894 million, dividends of $168 million, and distributions to non-controlling interests of $12 million, partially offset by issuance of long-term debt of $545 million, contributions from non-controlling interests of $1 million, and proceeds from shares issued on exercise of options of $12 million. Financing activities for the six months ended June 30, 2020 were primarily comprised of net repayments of short-term debt and long-term debt of $1.3 billion, net repayments under credit facilities of $354 million, dividends of $167 million, distributions to non-controlling interests of $17 million, partially offset by long-term debt issuances of $1.1 billion, contributions from non-controlling interests of $5 million, and proceeds from shares issued on exercise of options of $1 million. Total dividends paid to common and preferred shareholders of AltaGas for the six months ended June 30, 2021 were $168 million (2020 - $167 million).

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, except net debt-to-total capitalization)		**June 30, 2021**		December 31, 2020
Short-term debt [1]	**$**	**41**	$	236
Current portion of long-term debt		**361**		360
Long-term debt [2]		**7,197**		7,626
Total debt		**7,599**		8,222
Less: cash and cash equivalents		**(41)**		(32)
Net debt	**$**	**7,558**	$	8,190
Shareholders' equity		**7,018**		7,041
Non-controlling interests		**636**		620
Total capitalization	**$**	**15,212**	$	15,851
Net debt-to-total capitalization (%)		**50**		52

(1) For the purposes of the net debt calculation, short-term debt excludes third-party project financing obtained on behalf of the United States federal government to provide funds for the construction of certain energy management services projects. As this debt was obtained on behalf of the U.S. government, AltaGas would only need to repay in the event that the project is not completed or accepted by the government. At June 30, 2021, the project financing balance excluded from short-term debt in above table was $7 million (December 31, 2020 - $20 million).

(2) Net of debt issuance costs of $45 million as at June 30, 2021 (December 31, 2020 - $43 million).

As at June 30, 2021, AltaGas' total debt primarily consisted of outstanding medium term notes (MTNs) of $4.6 billion (December 31, 2020 - $4.0 billion), WGL and Washington Gas long-term debt of $2.1 billion (December 31, 2020 - $2.1 billion), reflecting fair value adjustments on acquisition, SEMCO long-term debt of $622 million (December 31, 2020 - $641 million), $nil drawn under the bank credit facilities (December 31, 2020 - $934 million) and short-term debt of $48 million

(December 31, 2020 - $256 million). In addition, AltaGas had $217 million of letters of credit outstanding (December 31, 2020 - $230 million).

As at June 30, 2021, AltaGas' total market capitalization was approximately $7.3 billion based on approximately 280 million common shares outstanding and a closing trading price on June 30, 2021 of $26.02 per common share.

AltaGas' earnings interest coverage for the rolling twelve months ended June 30, 2021 was 2.4 times (twelve months ended June 30, 2020 – 2.5 times).

Credit Facilities *($ millions)*	Borrowing capacity	**Drawn at June 30, 2021**	Drawn at December 31, 2020
AltaGas demand credit facilities [1] [2]	$ 70	**$ —**	$ —
AltaGas revolving credit facilities [1] [2] [3]	2,300	**—**	802
SEMCO Energy US$150 million credit facilities [1] [2]	186	**—**	80
WGL US$300 million revolving credit facility [1] [2] [4] [5]	372	**171**	132
Washington Gas US$450 million revolving credit facility [1] [2] [4]	558	**120**	363
Petrogas revolving credit facilities	256	**63**	57
	$ 3,742	**$ 354**	$ 1,434

(1) Amount drawn at June 30, 2021 converted at the month-end rate of 1 U.S. dollar = 1.2394 Canadian dollar (December 31, 2020 - 1 U.S. dollar = 1.2732 Canadian dollar).
(2) All US$ borrowing capacity was converted at the June 30, 2021 U.S./Canadian dollar month-end exchange rate.
(3) During the second quarter of 2021, AltaGas closed an amendment that caused all committed credit facilities in Canada to be consolidated into a $2.3 billion facility. The facility has a $2 billion five-year extendable committed revolving tranche and a $300 million two-year extendable side car liquidity revolving facility.
(4) Amounts drawn include commercial paper that is supported by the long term facilities. WGL and Washington Gas have the right to request additional borrowings of up to US$100 million with the bank's approval, for a total of US$400 million and US$550 million on their respective facilities.
(5) During the second quarter of 2021, WGL extended its credit facility by two years and increased the size of the facility to US$300 million. The amended facility matures in July 2024.

In addition to the facilities listed above, AltaGas has demand letter of credit facilities of $464 million (December 31, 2020 - $330 million). At June 30, 2021, there were letters of credit for $217 million (December 31, 2020 - $229 million) issued on these facilities and less than $1 million (December 31, 2020 - $1 million) issued on the Company's revolving credit facilities.

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, 2021, commercial paper outstanding totaled $291 million for WGL and Washington Gas (December 31, 2020 – $495 million).

All of the borrowing facilities have covenants customary for these types of facilities, which must be met at each quarter end. AltaGas and its subsidiaries have been in compliance with all financial covenants each quarter since the establishment of the facilities. AltaGas and its subsidiaries are also in compliance with trust indenture requirements for its MTNs as at June 30, 2021 and December 31, 2020.

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, 2021
Bank debt-to-capitalization [1] [2]	not greater than 65%	less than 51%
Bank EBITDA-to-interest expense [1] [2]	not less than 2.5x	greater than 4.0x
Bank debt-to-capitalization (SEMCO) [2] [3]	not greater than 60%	less than 41%
Bank EBITDA-to-interest expense (SEMCO) [2] [3]	not less than 2.25x	greater than 10.0x
Bank debt-to-capitalization (WGL) [2] [4]	not greater than 65%	less than 41%
Bank debt-to-capitalization (Washington Gas) [2] [4]	not greater than 65%	less than 45%
Funded debt-to-EBITDA (Petrogas) [2] [5]	not greater than 3.00x	less than 1.0x
Total debt-to-EBITDA (Petrogas) [2] [5]	not greater than 4.00x	less than 1.0x
Fixed charge coverage ratio (Petrogas) [2] [5]	not less than 1.25x	greater than 10.0x

(1) Calculated in accordance with the Corporation's $2.3 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 similarly 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.
(5) Calculated in accordance with the Petrogas credit facility agreement.

On February 22, 2021, a $2.5 billion base shelf prospectus for the issuance of certain types of future public debt and/or equity issuances was filed to replace the base shelf prospectus dated September 25, 2019. This enables AltaGas to access the Canadian capital markets on a timely basis during the 25-month period that the base shelf prospectus remains effective. As at June 30, 2021, approximately $2.0 billion was available under the base shelf prospectus.

On February 22, 2021, AltaGas filed a US$2.0 billion short form base shelf prospectus in both Alberta and the U.S. to replace the US$2.0 billion short form base shelf prospectus filed on January 21, 2020. 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, 2021, 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 2020 Annual Consolidated Financial Statements.

Risk Management

Risks Related to COVID-19

AltaGas, with its subsidiaries, activated its pandemic response team early in 2020 to monitor developments related to COVID-19 and to ensure the Corporation was responding swiftly and appropriately. Continuity plans and preparedness measures have been implemented at each of AltaGas' businesses, with safeguarding the well-being of its personnel as the primary concern. To date, AltaGas has been able to respond to the COVID-19 related challenges with minimal disruption to its operations and business. As the COVID-19 pandemic persists, AltaGas continues to take proactive steps to effectively prepare for and address the evolution of risks and regulatory mandates in the jurisdictions in which it operates, including the lifting of international travel restrictions, potential for higher incidents of colds and influenza in the upcoming winter season, slowing vaccination rates in certain localities, vaccine effectiveness, and the evolution of COVID-19 variants.

AltaGas has identified the following as potential continuing direct or indirect impacts to its business and operations from the pandemic:

- <u>COVID-19 Delta variant</u>: The emergence of the highly contagious COVID-19 Delta variant has resulted in several global jurisdictions resuming certain COVID-19 restrictions. Combined with lagging vaccination rates, the Delta variant has the potential to result in a fourth wave of the pandemic and, in such event, AltaGas could be forced to delay its reintegration efforts. Widespread inability of AltaGas' workforce or contractors to perform their duties as a result of pervasive incidence of the Delta variant would have an adverse impact on AltaGas' ability to continue normal operations;
- <u>Return to work</u>: As AltaGas reintegrates its personnel to its workplace, it may incur additional costs to adapt the workplace to meet applicable health and safety requirements. The occurrence of additional waves of the virus or its variants, or insufficient vaccination levels may require AltaGas to revise or delay such integration plans. To the extent that it is unable to effectively protect its workforce against the transmission of the virus, AltaGas may be forced to slow or reverse its reintegration efforts and could face allegations of liability;
- <u>IT infrastructure, privacy and cyber security</u>: Increased volume and sophistication of targeted cyber-attacks have been seen since the declaration of the global pandemic. Pandemic-adjusted operations, such as work from home arrangements and remote access to the Corporation's systems, may pose heightened risk of cyber security and privacy breaches and may put additional stress on the Corporation's IT infrastructure. A failure of such infrastructure could severely limit AltaGas' ability to conduct ordinary operations. To date, AltaGas' systems have functioned capably, and it has not experienced a material impact to its operations as a result of an IT infrastructure issue; and
- <u>Counterparty and supplier risk</u>: Increased exposure that contract counterparties and suppliers could fail to meet their obligations to AltaGas. Such non-performance by a significant counterparty or supplier could adversely affect AltaGas' operations and financial results. To date, any cases of force majeure invoked by counterparties related to the AltaGas' assets as a result of COVID-19 have not been material.

To the extent these risks materialize, the Corporation's ability to carry out its business plans for the remainder of 2021 may be adversely impacted.

Political Uncertainty and Civil Unrest

Uncertainty exists with regard to the political climate in the jurisdictions where AltaGas operates. Changes in social, political, regulatory, or economic conditions, or in laws and policies governing environment, development, tax, foreign trade, investment or energy could materially adversely affect AltaGas' business and operations.

Recently there have been significant incidents of civil unrest in areas where AltaGas operates. To the extent that civil unrest is accompanied by disruption to transportation routes, damage to infrastructure, violence or destruction, AltaGas' personnel, physical facilities, and operations may be placed at risk and financial and operational results may be adversely impacted.

Other

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, 2021 and December 31, 2020, the fair values of the Corporation's derivatives were as follows:

($ millions)		**June 30, 2021**		December 31, 2020
Natural gas	**$**	**(109)**	$	(69)
Energy exports		**48**		(31)
NGL frac spread		**(36)**		(6)
Power		**(5)**		(29)
Crude oil and NGLs		**(11)**		1
Foreign exchange		**9**		23
Net derivative liability	**$**	**(104)**	$	(111)

Summary of Risk Management Contracts

Commodity Price Contracts

- The average indicative spot NGL frac spread for the six months ended June 30, 2021 was approximately $23/Bbl (2020 - $3/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, 2021 was approximately $13/Bbl inclusive of basis differentials (2020 - $14/Bbl).
- For 2021, AltaGas estimates an average of approximately 9,500 Bbls/d of NGL will be exposed to frac spreads prior to hedging activities. Hedges are in place for approximately 95 percent of frac exposed NGL volumes including internal hedges.
- At RIPET and Ferndale, NGL price margins are protected through AltaGas' comprehensive hedging programs. For propane and butane volumes not expected to be contracted under tolling arrangements at RIPET and Ferndale, approximately 60 percent are currently financially hedged at FEI to North American indices, with propane and butane spreads averaging approximately US$14/Bbl. When combined with tolling volumes at the facilities, this equates to approximately 70 percent of forecasted export volumes being tolled and/or financially hedged. As highlighted in past

disclosures, AltaGas plans to manage the export facilities such that a growing portion of annual capacity will be underpinned by tolling arrangements, and expects to reach this objective over the next several years.

Foreign Exchange Contracts

The following foreign exchange forward contracts are outstanding as at June 30, 2021:

Foreign exchange forward contract	**Notional Amount *(US$ millions)***	**Duration**	**Weighted average foreign exchange rate**		**Fair Value**
Forward USD sales	US$9	Less than one year	1.3368	$	1
Forward USD purchases	US$172	Less than one year	1.27579	$	(6)
Foreign exchange swaps (sales)	US$164	Less than one year	1.3236	$	14

For the six months ended June 30, 2021, AltaGas recorded an after-tax realized gain of $16 million on all foreign exchange forward contracts. There were no foreign exchange contracts in place during the first half of 2020.

Weather Instruments

- For the six months ended June 30, 2021, no pre-tax gains or losses (2020 - pre-tax losses of $3 million) 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)	**2021**	2020	**2021**	2020
Natural gas	**$ (3)**	$ 13	**$ (10)**	$ 29
Energy exports	**(21)**	(9)	**57**	77
Crude oil and NGLs	**(4)**	—	**2**	—
NGL frac spread	**(14)**	(3)	**(30)**	11
Power	**16**	2	**18**	1
Foreign exchange	**(7)**	—	**(15)**	—
	$ (33)	$ 3	**$ 22**	$ 118

Please refer to Note 23 of the 2020 Annual Consolidated Financial Statements and Note 15 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and six months ended June 30, 2021 for further details regarding AltaGas' risk management activities.

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:

Common Share Dividends

Year ended December 31		
($ per common share)	**2021**	2020
First quarter	**$ 0.249900**	$ 0.240000
Second quarter	**0.249900**	0.240000
Third quarter	**—**	0.240000
Fourth quarter	**—**	0.243300
Total	**$ 0.499800**	$ 0.963300

Series A Preferred Share Dividends

Year ended December 31		
($ per preferred share)	**2021**	2020
First quarter	**$ 0.191250**	$ 0.211250
Second quarter	**0.191250**	0.211250
Third quarter	**—**	0.211250
Fourth quarter	**—**	0.191250
Total	**$ 0.382500**	$ 0.825000

Series B Preferred Share Dividends

Year ended December 31		
($ per preferred share)	**2021**	2020
First quarter	**$ 0.170690**	$ 0.268030
Second quarter	**0.170360**	0.267160
Third quarter	**—**	0.183180
Fourth quarter	**—**	0.176520
Total	**$ 0.341050**	$ 0.894890

Series C Preferred Share Dividends

Year ended December 31		
(US$ per preferred share)	**2021**	2020
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)	**2021**	2020
First quarter	**$ 0.337063**	$ 0.337063
Second quarter	**0.337063**	0.337063
Third quarter	**—**	0.337063
Fourth quarter	**—**	0.337063
Total	**$ 0.674126**	$ 1.348252

Series G Preferred Share Dividends

Year ended December 31				
($ per preferred share)		**2021**		2020
First quarter	**$**	**0.265125**	$	0.265125
Second quarter		**0.265125**		0.265125
Third quarter		**—**		0.265125
Fourth quarter		**—**		0.265125
Total	**$**	**0.530250**	$	1.060500

Series H Preferred Share Dividends

Year ended December 31				
($ per preferred share)		**2021**		2020
First quarter	**$**	**0.195349**	$	0.292890
Second quarter		**0.195295**		0.292020
Third quarter		**—**		0.208320
Fourth quarter		**—**		0.201660
Total	**$**	**0.390644**	$	0.994890

Series I Preferred Share Dividends (1)

Year ended December 31				
($ per preferred share)		**2021**		2020
First quarter	**$**	**—**	$	0.328125
Second quarter		**—**		0.328125
Third quarter		**—**		0.328125
Fourth quarter		**—**		0.328125
Total	**$**	**—**	$	1.312500

(1) On December 31, 2020, AltaGas redeemed all of its outstanding Series I preferred shares.

Series K Preferred Share Dividends

Year ended December 31				
($ per preferred share)		**2021**		2020
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

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 2020 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, impairment assessments, inventory valuation, 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 2020 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, 2021.

Adoption of New Accounting Standards

Effective January 1, 2021, AltaGas adopted the following Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU):

- In December 2019, FASB issued ASU No. 2019-12 "Income Taxes: Simplifying the Accounting for Income Taxes". The amendments in this ASU simplify the accounting for income taxes by clarifying certain aspects of current guidance and removing some exceptions to the general principles in ASC 740. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements;

- In January 2020, FASB issued ASU No. 2020-01 "Derivatives and Hedging: Clarifying the Interactions between Topic 321, Topic 323, and Topic 815". The amendments in this ASU clarify the application of the measurement alternative for equity instruments and the measurement of non-derivative forward contracts or purchased call options used to acquire equity securities. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements; and

- In March 2020, FASB issued ASU No. 2020-04 "Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The amendments in this ASU provide optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships affected by reference rate reform if certain criteria are met. These apply only to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform. Certain of AltaGas' credit facilities, lessee vehicle finance leases, and carrying charges in certain derivative commodity sale arrangements reference LIBOR. The discontinuation of LIBOR will require these arrangements to be modified to replace LIBOR with an alternative interest rate. As such, AltaGas has made a policy election to adopt the contract modification optional expedients related to these arrangements on January 1, 2021 on a prospective basis. As a result of electing these optional expedients, contract modifications due to LIBOR are not expected to have a material effect on AltaGas' consolidated financial statements. AltaGas will continue to monitor the activities of regulators and financial institutions to transition to an alternative reference rate and continue to review additional arrangements for references to LIBOR. Accordingly, AltaGas may make additional optional elections in the future.

Future Changes in Accounting Principles

In August 2020, FASB issued ASU No. 2020-06 "Debt with Conversion and Other Options and Topic 815-40 - Derivatives and Hedging - Contracts in Entity's Own Equity: Accounting for Convertible Instruments and Contract in an Entity's Own Equity." The amendments in this ASU simplify the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. The amendments in this ASU are effective for public business entities that meet the definition of a Securities and Exchange Commission (SEC) filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

Off-Balance Sheet Arrangements

AltaGas did not enter into any material off-balance sheet arrangements during the six months ended June 30, 2021. Reference should be made to the audited Consolidated Financial Statements and MD&A as at and for the year ended December 31, 2020 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).

Management has designed the existing framework to result in both a complete and accurate consolidation of related information. During the period covered by this MD&A, other than changes in ICFR related to the Petrogas Acquisition, there were no changes made to AltaGas' ICFR that materially affected, or are reasonably likely to materially affect, its ICFR or DCP. AltaGas does not believe that process changes adopted in connection with the COVID-19 pandemic have materially affected ICFR.

Limitation on Scope

In accordance with the provisions under National Instrument 52-109, and consistent with SEC-related guidance, the scope of the evaluation does not include ICFR related to Petrogas, which was acquired on December 15, 2020. These provisions allow an issuer to exclude a business which was acquired not more than 365 days before the issuer's financial year-end from the scope of its certifications. As such, the controls, policies, and procedures related to the Petrogas Acquisition were excluded from Management's evaluation of the design of AltaGas' ICFR as at June 30, 2021. AltaGas continues to assess the effectiveness of its DCP quarterly and ICFR annually. Summary financial information of Petrogas included in the audited Consolidated Financial Statements as at and for the six month period ended June 30, 2021 includes total assets of approximately $2.7 billion and revenues of approximately $2.0 billion.

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.

Share Information

	As at July 23, 2021
Issued and outstanding	
Common shares	280,143,141
Preferred Shares	
Series A	6,746,679
Series B	1,253,321
Series C	8,000,000
Series E	8,000,000
Series G	6,885,823
Series H	1,114,177
Series K	12,000,000
Issued	
Share options	9,305,018
Share options exercisable	4,326,252

Summary of Consolidated Results for the Eight Most Recent Quarters (1)

($ millions)	**Q2-21**	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19
Total revenue	**2,009**	3,085	1,689	969	1,059	1,869	1,534	888
Normalized EBITDA (2) (3)	**230**	674	392	213	206	499	436	173
Net income (loss) applicable to common shares	**24**	337	48	(47)	21	464	(103)	22
($ per share)	**Q2-21**	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19
Net income (loss) per common share								
Basic	**0.09**	1.21	0.17	(0.17)	0.08	1.66	(0.37)	0.08
Diluted	**0.09**	1.20	0.17	(0.17)	0.08	1.66	(0.37)	0.08
Dividends declared	**0.25**	0.25	0.24	0.24	0.24	0.24	0.24	0.24

(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.
(3) Beginning in 2020, Management no longer adjusts normalized EBITDA for changes in the fair value of natural gas optimization inventory. Prior periods have been adjusted to reflect the impact of this change.

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:

- The seasonally colder weather experienced at several of the utilities in the second and third quarters of 2020;
- RIPET entering commercial service in the second quarter of 2019;
- The impact of the sale of the U.S. distributed generation assets in the third quarter of 2019;
- The impact of the sale of AltaGas Pomona Energy Storage Inc. and AltaGas Ripon Energy Inc. in the third quarter of 2020;
- The impact of the acquisition of additional equity interest in Petrogas in the fourth quarter of 2020; and
- The impact of the sale of the majority of WGL Midstream's commodity business in the second quarter of 2021.

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:

- Lower depreciation and amortization expense due to the impact of asset sales, partially offset by new assets placed into service;
- The impact of the sale of the U.S. distributed generation assets in the third quarter of 2019;
- The impact of the sale of WGL Midstream's indirect non-operating interest in Central Penn in the fourth quarter of 2019;
- After-tax provisions of approximately $319 million recognized in the fourth quarter of 2019, primarily related to power assets;
- The impact of the sale of AltaGas Canada Inc. in the first quarter of 2020;
- The impact of the sale of AltaGas Pomona Energy Storage Inc. and AltaGas Ripon Energy Inc. in the third quarter of 2020;
- After-tax transaction costs of approximately $18 million incurred in 2020 due to acquisitions and dispositions;
- The after-tax provision of approximately $79 million recognized in the fourth quarter of 2020 related to the Alton Natural Gas Storage Project;
- The impact of the change in accounting principle relating to Washington Gas' net periodic pension and other post-retirement benefit plan costs in the third quarter of 2020;
- The impact of the acquisition of additional equity interest in Petrogas in the fourth quarter of 2020;
- The after-tax provision of approximately $46 million recognized in the first half of 2021 related to the sale of the majority of WGL Midstream's commodity business; and
- The impact of the sale of the majority of WGL Midstream's commodity business in the second quarter of 2021.

CONSOLIDATED BALANCE SHEETS

(condensed and unaudited)

As at *($ millions)*		June 30, 2021		December 31, 2020
ASSETS				
Current assets				
Cash and cash equivalents *(note 21)*	**$**	**41**	$	32
Accounts receivable *(net of credit losses of $42 million) (note 15)*		**1,090**		1,444
Inventory *(note 7)*		**548**		636
Restricted cash holdings from customers *(note 21)*		**3**		3
Regulatory assets		**22**		46
Risk management assets *(note 15)*		**115**		98
Prepaid expenses and other current assets *(note 21)*		**158**		234
Assets held for sale *(note 5)*		**—**		4
		1,977		2,497
Property, plant and equipment		**10,848**		10,888
Intangible assets		**197**		539
Operating right of use assets		**336**		372
Goodwill *(note 8)*		**4,906**		5,039
Regulatory assets		**352**		444
Risk management assets *(note 15)*		**26**		47
Restricted cash holdings from customers *(note 21)*		**—**		2
Prepaid post-retirement benefits		**563**		572
Long-term investments and other assets *(net of credit losses of $1 million) (notes 9, 15, and 21)*		**238**		245
Investments accounted for by the equity method *(note 11)*		**872**		887
	$	**20,315**	$	21,532
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**1,179**	$	1,561
Dividends payable		**23**		22
Short-term debt		**48**		256
Current portion of long-term debt *(notes 12 and 15)*		**361**		360
Customer deposits		**51**		73
Regulatory liabilities		**41**		90
Risk management liabilities *(note 15)*		**124**		111
Operating lease liabilities		**86**		95
Other current liabilities *(note 15)*		**16**		38
Liabilities associated with assets held for sale *(note 5)*		**—**		1
		1,929		2,607
Long-term debt *(notes 12 and 15)*		**7,197**		7,626
Asset retirement obligations		**375**		379
Unamortized investment tax credits		**2**		3
Deferred income taxes		**1,153**		1,118
Regulatory liabilities		**1,321**		1,381
Risk management liabilities *(note 15)*		**121**		145
Operating lease liabilities		**265**		304
Other long-term liabilities		**150**		153
Future employee obligations		**148**		155
	$	**12,661**	$	13,871

As at *($ millions)*		**June 30, 2021**		December 31, 2020
Shareholders' equity				
Common shares, no par values, unlimited shares authorized; 2021 - 280.1 million and 2020 - 279.5 million issued and outstanding *(note 17)*	**$**	**6,734**	$	6,723
Preferred shares *(note 17)*		**1,077**		1,077
Contributed surplus		**385**		383
Accumulated deficit		**(972)**		(1,192)
Accumulated other comprehensive income (AOCI) *(note 13)*		**(206)**		50
Total shareholders' equity		**7,018**		7,041
Non-controlling interests		**636**		620
Total equity	**$**	**7,654**	$	7,661
	$	**20,315**	$	21,532

Variable interest entities (note 10)

Commitments, guarantees, and contingencies (note 19)

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)	**2021**	2020	**2021**	2020
REVENUE *(note 14)*	**$ 2,009**	$ 1,059	**$ 5,094**	$ 2,928
EXPENSES				
Cost of sales, exclusive of items shown separately	**1,487**	576	**3,504**	1,540
Operating and administrative	**347**	311	**713**	649
Accretion expenses	**1**	1	**1**	2
Depreciation and amortization	**108**	93	**206**	198
Provisions (reversal of provisions) on assets *(note 6)*	**(19)**	3	**57**	5
	1,924	984	**4,481**	2,394
Income from equity investments *(note 11)*	**2**	23	**5**	33
Other income	**21**	15	**37**	233
Foreign exchange gains	**8**	4	**4**	4
Interest expense	**(69)**	(71)	**(139)**	(141)
Income before income taxes	**47**	46	**520**	663
Income tax expense (recovery)				
Current	**27**	(5)	**57**	4
Deferred	**(24)**	8	**48**	131
Net income after taxes	**44**	43	**415**	528
Net income applicable to non-controlling interests	**7**	5	**27**	11
Net income applicable to controlling interests	**37**	38	**388**	517
Preferred share dividends	**(13)**	(17)	**(27)**	(33)
Net income applicable to common shares	**$ 24**	$ 21	**$ 361**	$ 484
Net income per common share *(note 18)*				
Basic	**$ 0.09**	$ 0.08	**$ 1.29**	$ 1.73
Diluted	**$ 0.09**	$ 0.08	**$ 1.28**	$ 1.73
Weighted average number of common shares outstanding (millions) *(note 18)*				
Basic	**279.9**	279.4	**279.7**	279.4
Diluted	**281.7**	279.5	**281.0**	279.7

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(condensed and unaudited)

($ millions)	Three Months Ended June 30 **2021**	Three Months Ended June 30 2020	Six Months Ended June 30 **2021**	Six Months Ended June 30 2020
Net income after taxes	**$ 44**	$ 43	**$ 415**	$ 528
Other comprehensive income (loss), net of taxes				
Gain (loss) on foreign currency translation	**(139)**	(339)	**(257)**	366
Unrealized gain (loss) on net investment hedge	**—**	23	**—**	(18)
Reclassification of actuarial gains and prior service credits on defined benefit (DB) and post-retirement benefit plans (PRB) to net income *(notes 13 and 20)*	**—**	—	**1**	3
Other comprehensive income from equity investees	**—**	5	**—**	5
Total other comprehensive income (loss) (OCI), net of taxes *(note 13)*	**(139)**	(311)	**(256)**	356
Comprehensive income (loss) attributable to controlling interests and non-controlling interests, net of taxes	**$ (95)**	$ (268)	**$ 159**	$ 884
Comprehensive income (loss) attributable to:				
Non-controlling interests	**$ 7**	$ 5	**$ 27**	$ 11
Controlling interests	**(102)**	(273)	**132**	873
	$ (95)	$ (268)	**$ 159**	$ 884

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF EQUITY

(condensed and unaudited)

Six months ended June 30 *($ millions)*		2021		2020
Common shares *(note 17)*				
Balance, beginning of period	**$**	**6,723**	$	6,719
Shares issued for cash on exercise of options		**12**		1
Shares issued under DRIP [(1)]		**—**		6
Deferred taxes on share issuance costs		**(1)**		(2)
Balance, end of period	**$**	**6,734**	$	6,724
Preferred shares *(note 17)*				
Balance, beginning of period	**$**	**1,077**	$	1,277
Balance, end of period	**$**	**1,077**	$	1,277
Contributed surplus				
Balance, beginning of period	**$**	**383**	$	377
Share options expense		**3**		3
Exercise of share options		**(1)**		—
Balance, end of period	**$**	**385**	$	380
Accumulated deficit				
Balance, beginning of period	**$**	**(1,192)**	$	(1,403)
Net income applicable to controlling interests		**388**		517
Common share dividends		**(141)**		(134)
Preferred share dividends		**(27)**		(33)
Adoption of ASU 2016-13		**—**		(7)
Balance, end of period	**$**	**(972)**	$	(1,060)
AOCI *(note 13)*				
Balance, beginning of period	**$**	**50**	$	245
Other comprehensive income (loss)		**(256)**		356
Balance, end of period	**$**	**(206)**	$	601
Total shareholders' equity	**$**	**7,018**	$	7,922
Non-controlling interests				
Balance, beginning of period	**$**	**620**	$	154
Net income applicable to non-controlling interests		**27**		11
Contributions from non-controlling interests to subsidiaries		**1**		5
Distributions by subsidiaries to non-controlling interests		**(12)**		(17)
Balance, end of period	**$**	**636**	$	153
Total equity	**$**	**7,654**	$	8,075

(1) The Dividend Reinvestment and Optional Cash Purchase Plan was suspended in December 2019, with the December dividend (payable January 2020) being the last dividend payment eligible for reinvestment by participating shareholders under the DRIP.

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	
($ millions)	**2021**	2020	**2021**	2020
Cash from operations				
Net income after taxes	**$ 44**	$ 43	**$ 415**	$ 528
Items not involving cash:				
Depreciation and amortization	**108**	93	**206**	198
Provisions (reversal of provisions) on assets *(note 6)*	**(19)**	3	**57**	5
Accretion expenses	**1**	1	**1**	2
Share-based compensation *(note 17)*	**1**	1	**3**	3
Deferred income tax (recovery) expense	**(24)**	8	**48**	131
Gains on sale of assets	**(4)**	(3)	**(4)**	(215)
Income from equity investments *(note 11)*	**(2)**	(23)	**(5)**	(33)
Unrealized losses (gains) on risk management contracts *(note 15)*	**33**	(3)	**(22)**	(118)
Losses (gains) on investments	**—**	(1)	**—**	2
Amortization of deferred financing costs	**2**	2	**3**	4
Provision for doubtful accounts	**3**	7	**11**	16
Change in pension and other post-retirement benefits	**(6)**	2	**(12)**	5
Other	**(4)**	3	**4**	11
Asset retirement obligations settled	**(2)**	—	**(3)**	(1)
Distributions from equity investments	**3**	6	**7**	15
Changes in operating assets and liabilities *(note 21)*	**(53)**	198	**(23)**	259
	$ 81	$ 337	**$ 686**	$ 812
Investing activities				
Capital expenditures - property, plant and equipment	**(121)**	(204)	**(305)**	(391)
Capital expenditures - intangible assets	**—**	(7)	**(4)**	(9)
Contributions to equity investments	**(4)**	—	**(7)**	(64)
Proceeds from disposition of equity investments	**—**	—	**—**	376
Proceeds from disposition of assets, net of transaction costs *(note 4)*	**344**	6	**344**	10
Other changes in investing activities	**(7)**	—	**(7)**	—
	$ 212	$ (205)	**$ 21**	$ (78)
Financing activities				
Net issuance (repayment) of short-term debt	**40**	(14)	**(195)**	(361)
Issuance (repayment) of long-term debt, net of debt issuance costs	**(1)**	1,120	**545**	1,119
Repayment of long-term debt	**(1)**	(617)	**(5)**	(977)
Net repayment under credit facilities	**(262)**	(808)	**(894)**	(354)
Dividends - common shares	**(70)**	(67)	**(141)**	(134)
Dividends - preferred shares	**(13)**	(17)	**(27)**	(33)
Distributions to non-controlling interests	**(5)**	(7)	**(12)**	(17)
Contributions from non-controlling interests	**—**	2	**1**	5
Net proceeds from shares issued on exercise of options *(note 17)*	**8**	1	**12**	1
Net proceeds from issuance of common shares	**—**	—	**—**	6
	$ (304)	$ (407)	**$ (716)**	$ (745)
Change in cash, cash equivalents, and restricted cash	**(11)**	(275)	**(9)**	(11)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	**—**	(5)	**(1)**	6
Cash, cash equivalents, and restricted cash, beginning of period	**75**	397	**74**	122
Cash, cash equivalents, and restricted cash, end of period *(note 21)*	**$ 64**	$ 117	**$ 64**	$ 117

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 the Company 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 regard to the Utilities business, Washington Gas Light Company (Washington Gas), Hampshire Gas Company, and SEMCO Energy, Inc. (SEMCO); in regard to the Midstream business, AltaGas Extraction and Transmission Limited Partnership, AltaGas Pipeline Partnership, AltaGas Processing Partnership, AltaGas Northwest Processing Limited Partnership, Harmattan Gas Processing Limited Partnership, and Ridley Island LPG Export Limited Partnership; and, in regard to remaining assets in the Corporate/Other segment, AltaGas Power Holdings (U.S.) Inc., WGL Energy Systems, Inc. (WGL Energy Systems), and Blythe Energy Inc. (Blythe). 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). Petrogas Energy Corporation (Petrogas) was also added as a subsidiary of AltaGas upon the close of a further approximately 37 percent interest in Petrogas on December 15, 2020 (the Petrogas Acquisition).

AltaGas, a Canadian corporation, is a leading North American energy infrastructure company that connects natural gas liquids (NGLs) and natural gas to domestic and global markets. 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 the West Coast of North America via the Corporation's footprint in the Montney region. In the Utilities business, the Corporation seeks to grow through rate base investment and the use of accelerated rate recovery programs, while providing effective and cost-efficient service for customers.

AltaGas' operating segments include the following:

- Utilities, which serves approximately 1.7 million customers with a rate base of approximately US$4.4 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, as well as the affiliated retail energy marketing business, which serves approximately 0.5 million customers;

- Midstream, which includes a 70 percent interest in the Ridley Island Propane Export Terminal (RIPET) and an approximate 74 percent interest in the Ferdale terminal, allowing AltaGas to leverage its assets along the energy value chain in Western Canada and the Western United States including natural gas gathering and processing, NGL extraction and fractionation, and natural gas and NGL marketing. The Midstream segment also includes transmission, storage, an interest in a regulated pipeline in the Marcellus/Utica gas formation in the northeastern United States, and an approximate 74 percent interest in Petrogas' other operations, which includes LPG exports and distribution, domestic terminals, wellsite fluids and fuels, and trucking and liquids handling.

The Corporate/Other segment consists of AltaGas' corporate activities and a small portfolio of remaining power assets.

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 2020 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 January 21, 2020, 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 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 is an SEC issuer and is 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, but not control over are accounted for using the equity method.

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; valuation of inventory at the lower of cost or net realizable value; fair value of property, plant and equipment and goodwill for impairment assessments; fair value of financial instruments; measurement of credit losses; provisions for income taxes; assumptions used to measure employee future benefits; provisions for contingencies; purchase price allocations; 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 2020 annual audited Consolidated Financial Statements.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2021, AltaGas adopted the following Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU):

- In December 2019, FASB issued ASU No. 2019-12 "Income Taxes: Simplifying the Accounting for Income Taxes". The amendments in this ASU simplify the accounting for income taxes by clarifying certain aspects of current guidance and removing some exceptions to the general principles in ASC 740. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements;

- In January 2020, FASB issued ASU No. 2020-01 "Derivatives and Hedging: Clarifying the Interactions between Topic 321, Topic 323, and Topic 815". The amendments in this ASU clarify the application of the measurement alternative for equity instruments and the measurement of non-derivative forward contracts or purchased call options used to acquire equity securities. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements; and

- In March 2020, FASB issued ASU No. 2020-04 "Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The amendments in this ASU provide optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships affected by reference rate reform if certain criteria are met. These apply only to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform. Certain of AltaGas’ credit facilities, lessee vehicle finance leases, and carrying charges in certain derivative commodity sale arrangements reference LIBOR. The discontinuation of LIBOR will require these arrangements to be modified to replace LIBOR with an alternative interest rate. As such, AltaGas has made a policy election to adopt the contract modification optional expedients related to these arrangements on January 1, 2021 on a prospective basis. As a result of electing these optional expedients, contract modifications due to LIBOR are not expected to have a material effect on AltaGas' consolidated financial statements. AltaGas will continue to monitor the activities of regulators and financial institutions to transition to an alternative reference rate and continue to review additional arrangements for references to LIBOR. Accordingly, AltaGas may make additional optional elections in the future.

FUTURE CHANGES IN ACCOUNTING PRINCIPLES

In August 2020, FASB issued ASU No. 2020-06 "Debt with Conversion and Other Options and Topic 815-40 - Derivatives and Hedging - Contracts in Entity's Own Equity: Accounting for Convertible Instruments and Contract in an Entity's Own Equity." The amendments in this ASU simplify the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. The amendments in this ASU are effective for public business entities that meet the definition of a Securities and Exchange Commission (SEC) filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

3. Acquisition of Petrogas Energy Corporation

On December 15, 2020, following the receipt of all required approvals, AltaGas acquired an additional 37 percent of Petrogas Energy Corp. for total cash consideration upon close of approximately $715 million. Additional post-acquisition contingent payments of up to $16 million may be paid no later than 2022 based on certain criteria, including earnings targets being met (note 19). AltaGas funded the transaction through draws on its existing credit facilities. As a result of the transaction, AltaGas' ownership in Petrogas has increased to approximately 74 percent with Idemitsu Kosan Co., Ltd. (Idemitsu) owning the remaining approximately 26 percent. Subsequent to the transaction, AltaGas controls Petrogas and as such, Petrogas results have been consolidated for the period subsequent to close.

This acquisition is consistent with AltaGas' global export strategy, growing Midstream operations, and corporate focus on building a diversified, low-risk, high-growth Utilities and Midstream business. The transaction provides AltaGas with operational responsibility of strategic assets that, along with the Ridley Island Propane Export Terminal and existing Midstream assets, position the Company to capture efficiencies that are expected to accrue to shareholders and customers.

AltaGas accounted for the acquisition as a business combination achieved in stages and re-measured it's previously held 37 percent equity investment in Petrogas at an acquisition date fair value of $631 million. The fair value of assets and liabilities acquired were determined using a combination of income and cost approach. The fair value of the previously held interest and non-controlling interests were derived from the valuation of the assets and liabilities including considerations for expected synergies. Prior to the acquisition, AltaGas' indirect non-controlling interest in Petrogas was accounted for as an investment accounted for by the equity method.

The following table summarizes the preliminary purchase price allocation representing the consideration paid and the estimated fair value of the net assets acquired as at December 15, 2020. The purchase price allocation is preliminary and reflects Management's current best estimate of the fair value of Petrogas' assets and liabilities based on the analysis of information obtained to date. Management is continuing to obtain specific information to support the valuation of property, plant and equipment, intangibles, investments accounted for by the equity method, non-controlling interest, contingencies, income taxes, environmental matters and asset retirement obligations. As additional information becomes available, the purchase price allocation may differ materially from the preliminary purchase price allocation below. The offset to any adjustments made to the aforementioned financial statement captions during the measurement period are expected to be recorded in goodwill. Any adjustments to the purchase price allocation will be made as soon as practicable but no later than one year from the date of acquisition. In the first half of 2021, adjustments to the purchase price allocation resulted in a net increase to goodwill of approximately $6 million (note 8).

Fair value of previously held interest in AltaGas Idemitsu Joint Venture LP (AIJVLP) on the acquisition date	**$**	**631**
Less: Carrying value of previously held interest in AIJVLP		**(609)**
Gain on re-measurement of previously held interest	**$**	**22**

Purchase consideration for an additional 37 percent of Petrogas	**$**	**715**
Deemed settlement of intercompany debt		**120**
Fair value of previously held interest on the acquisition date		**631**
Less: Fair value assigned to net assets		
Current assets		544
Property, plant and equipment		527
Intangible assets		8
Operating right-of-use assets		197
Investments accounted for by the equity method		125
Current liabilities		(383)
Long-term debt		(48)
Asset retirement obligations		(10)
Deferred income taxes		(23)
Operating lease liabilities		(155)
Other long-term liabilities		(26)
Fair value of net assets acquired	**$**	**756**
Fair value of AIJVLP's non-controlling interest in Petrogas on the acquisition date		**467**
Goodwill	**$**	**1,177**

4. Dispositions

WGL Midstream Assets

On April 23, 2021, AltaGas completed the sale of the majority of WGL Midstream's commodity business for cash proceeds of approximately $341 million (US$275 million). AltaGas recognized a pre-tax gain on disposition of approximately $3 million in the Consolidated Statements of Income under the line item "other income".

Distributed Generation Assets

In the second quarter of 2021, all consents and approvals were obtained and AltaGas transferred ownership of the last remaining distributed generation project that was previously classified as held for sale. AltaGas recognized a pre-tax loss on disposition of approximately $1 million in the Consolidated Statements of Income under the line item "other income" related to the project transferred in 2021.

Other Midstream Asset Sales

In the second quarter of 2021, additional minor asset sales within the Midstream segment were completed for cash proceeds of approximately $3 million. AltaGas recognized a pre-tax gain on disposition of approximately $1 million in the Consolidated Statements of Income under the line item "other income".

5. Assets Held For Sale

As at		June 30, 2021		December 31, 2020
Assets held for sale				
Property, plant and equipment	**$**	**—**	$	4
	$	**—**	$	4
Liabilities associated with assets held for sale				
Unamortized investment tax credits	**$**	**—**	$	1
	$	**—**	$	1

Petrogas Propane Distribution Assets

In the second quarter of 2021, AltaGas entered into an agreement for the sale of certain Petrogas propane distribution assets for expected proceeds of less than $1 million. The assets have a book value of less than $1 million.

Distributed Generation Assets

Assets held for sale and liabilities associated with assets held for sale at December 31, 2020 related to the last remaining distributed generation project. This project transferred to the purchaser in the second quarter of 2021 (note 4) and as such, there are no longer any distributed generation assets held for sale at June 30, 2021.

6. Provisions on Assets

Six Months Ended June 30		2021		2020
Midstream	**$**	**57**	$	2
Corporate/Other		**—**		3
	$	**57**	$	5

Midstream

For the six months ended June 30, 2021, AltaGas recorded a pre-tax provision of $57 million related to the sale of the majority of WGL Midstream's commodity business. In the first quarter of 2021, AltaGas originally recorded a provision of $76 million related to this sale, however due to an increase in the fair value of the net assets held for sale upon close of the transaction in April 2021, a $19 million partial reversal of the provision was subsequently recorded in the second quarter of 2021. The pre-tax provisions were recorded against intangible assets. For the six months ended June 30, 2020, AltaGas recorded a pre-tax provision of $2 million related to land parcels located near the Harmattan gas processing plant which were sold in the second quarter of 2020. The pre-tax provisions were recorded against property, plant and equipment.

Corporate/Other

For the six months ended June 30, 2020, AltaGas recorded a pre-tax provision of $3 million related to a U.S. distributed generation project which had not yet transferred to the purchaser and was classified as held for sale as at June 30, 2020 (note 5). The pre-tax provision was recorded against property, plant and equipment.

7. Inventory

As at		June 30, 2021		December 31, 2020
Natural gas held in storage [(a)]	**$**	**185**	$	309
Natural gas liquids		**122**		116
Materials and supplies		**62**		61
Renewable energy credits and emission compliance instruments		**85**		80
Crude oil and condensate		**88**		66
Processed finished products		**6**		4
	$	**548**	$	636

(a) As at June 30, 2021, $168 million of the natural gas held in storage was held by rate-regulated utilities (December 31, 2020 - $193 million).

8. Goodwill

As at		June 30, 2021		December 31, 2020
Balance, beginning of period	**$**	**5,039**	$	3,942
Business acquisition *(note 3)*		**—**		1,171
Adjustment to goodwill on business acquisition *(note 3)*		**6**		—
Goodwill included in dispositions *(note 4)*		**(13)**		—
Foreign exchange translation		**(126)**		(74)
Balance, end of period	**$**	**4,906**	$	5,039

9. Long-Term Investments and Other Assets

As at		June 30, 2021		December 31, 2020
Deferred lease receivable	**$**	**23**	$	12
Debt issuance costs associated with credit facilities		**8**		3
Refundable deposits		**9**		9
Prepayment on long-term service agreements		**69**		70
Deferred information technology costs		**4**		4
Cash calls from joint venture partners [(a)]		**25**		26
Contract asset *(net of credit losses of $1 million) (notes 14 and 15)*		**47**		50
Rabbi trust *(notes 20 and 21)*		**17**		19
Other long-term receivables		**—**		18
Capitalized contract costs		**5**		5
Financial transmission rights		**11**		12
Other		**20**		17
	$	**238**	$	245

(a) Represents a cash advance to a joint venture partner as part of a construction, ownership and operation (CO&O) agreement.

10. Variable Interest Entities

Consolidated VIEs

AltaGas consolidates a variable interest entity (VIE) 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 VIE:

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 provide 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 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's operating costs by AltaGas LPG in accordance with the terms set out in the agreement.

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

As at	**June 30, 2021**	December 31, 2020
Current assets	**$ 15**	$ 7
Property, plant and equipment	**356**	358
Long-term investments and other assets	**49**	50
Current liabilities	**(11)**	(2)
Asset retirement obligations	**(2)**	(2)
Net assets	**$ 407**	$ 411

Unconsolidated VIE

Strathcona Storage Limited Partnership (SSLP)

Upon the acquisition of Petrogas on December 15, 2020, AltaGas acquired an indirect interest in SSLP, a partnership formed with ATCO Energy Solutions Ltd. to construct, operate, and maintain underground NGL storage caverns at Fort Saskatchewan, Alberta. The facility currently has four underground NGL storage salt caverns in service, with a fifth cavern under development.

As at June 30, 2021, AltaGas held an indirect 30 percent equity investment in SSLP with a carrying value of $129 million (December 31, 2020 - $124 million), inclusive of fair value adjustments on acquisition date (note 3). SSLP is not consolidated by Petrogas and instead is accounted for by the equity method of accounting. Petrogas is not the primary beneficiary of SSLP and it does not have the power to direct the activities most significant to the economic performance of SSLP. The maximum financial exposure to loss as a result of the involvement with this VIE is equal to AltaGas' net investment in SSLP.

11. Investments Accounted for by the Equity Method

			Carrying value as at	
	Location	Ownership Percentage	**June 30, 2021**	December 31, 2020
Eaton Rapids Gas Storage System	United States	**50**	**$ 25**	$ 26
Mountain Valley Pipeline, LLC (MVP) [(a)]	United States	**10**	**699**	718
Sarnia Airport Storage Pool LP	Canada	**50**	**18**	18
Petrogas Terminals Penn LLC [(b)]	United States	**37**	**1**	1
Strathcona Storage LP [(b)]	Canada	**30**	**129**	124
			$ 872	$ 887

(a) The equity method is considered appropriate because Mountain Valley is an LLC with specific ownership accounts and ownership between five and fifty percent, resulting in WGL Midstream exercising a more than minor influence over the investee's operating and financing policies.

(b) Acquired on December 15, 2020 as part of the Petrogas Acquisition (note 3).

			Equity income for the three months ended June 30		Equity income (loss) for the six months ended June 30	
	Location	Ownership Percentage	**2021**	2020	**2021**	2020
AltaGas Canada Inc. (ACI) [(a)]	Canada	**—**	**$ —**	$ —	**$ —**	$ 3
AltaGas Idemitsu Joint Venture LP (AIJVLP) [(b)]	Canada	**—**	**—**	3	**—**	(7)
Eaton Rapids Gas Storage System	United States	**50**	**1**	1	**1**	1
MVP [(c)]	United States	**10**	**—**	16	**—**	30
Sarnia Airport Storage Pool LP	Canada	**50**	**—**	—	**1**	—
Petrogas Preferred Shares [(d)]	Canada	**—**	**—**	3	**—**	6
Strathcona Storage LP [(e)]	Canada	**30**	**1**	—	**3**	—
			$ 2	$ 23	**$ 5**	$ 33

(a) ACI was acquired by the Public Sector Pension Investment Board and the Alberta Teachers' Retirement Fund Board on March 31, 2020.

(b) Upon consolidation of Petrogas on December 15, 2020 (note 3), AltaGas no longer has an equity investment in AIJVLP.

(c) The equity method is considered appropriate because Mountain Valley is an LLC with specific ownership accounts and ownership between five and fifty percent, resulting in WGL Midstream exercising a more than minor influence over the investee's operating and financing policies.

(d) Petrogas' preferred shares ceased to be an investment accounted for by the equity method after AltaGas acquired a controlling interest in Petrogas on December 15, 2020 (note 3).

(e) Acquired on December 15, 2020 as part of the Petrogas Acquisition (note 3).

The carrying amount of certain equity investments differs from the amount of the underlying equity in net assets. These basis differences include amounts related to purchase accounting adjustments, capitalized interest, and a contractual cap on contributions to Mountain Valley.

12. Long-Term Debt

As at	Maturity date	June 30, 2021	December 31, 2020
Credit facilities			
$2 billion unsecured extendible revolving facility [(a)] [(b)]	4-May-2026	**$ —**	$ 802
US$150 million unsecured extendible revolving facility	20-Dec-2023	**—**	81
Commercial paper [(c)]	Various	**291**	260
$175 million secured extendible revolving facility [(d)]	18-Jun-2022	**—**	51
AltaGas Ltd. medium-term notes (MTNs)			
$350 million Senior unsecured - 3.72 percent	28-Sep-2021	**350**	350
$500 million Senior unsecured - 2.61 percent	16-Dec-2022	**500**	500
$300 million Senior unsecured - 3.57 percent	12-Jun-2023	**300**	300
$200 million Senior unsecured - 4.40 percent	15-Mar-2024	**200**	200
$350 million Senior unsecured - 1.23 percent	18-Mar-2024	**350**	—
$300 million Senior unsecured - 3.84 percent	15-Jan-2025	**300**	300
$500 million Senior unsecured - 2.16 percent	10-Jun-2025	**500**	500
$350 million Senior unsecured - 4.12 percent	7-Apr-2026	**350**	350
$200 million Senior unsecured - 2.17 percent	16-Mar-2027	**200**	—
$200 million Senior unsecured - 3.98 percent	4-Oct-2027	**200**	200
$500 million Senior unsecured - 2.08 percent	30-May-2028	**500**	500
$200 million Senior unsecured - 2.48 percent	30-Nov-2030	**200**	200
$100 million Senior unsecured - 5.16 percent	13-Jan-2044	**100**	100
$300 million Senior unsecured - 4.50 percent	15-Aug-2044	**300**	300
$250 million Senior unsecured - 4.99 percent	4-Oct-2047	**250**	250
WGL and Washington Gas MTNs			
US$20 million Senior unsecured - 6.65 percent	20-Mar-2023	**25**	25
US$41 million Senior unsecured - 5.44 percent	11-Aug-2025	**50**	52
US$53 million Senior unsecured - 6.62 to 6.82 percent	Oct 2026	**66**	67
US$72 million Senior unsecured - 6.40 to 6.57 percent	Feb - Sep 2027	**89**	92
US$52 million Senior unsecured - 6.57 to 6.85 percent	Jan - Mar 2028	**64**	66
US$9 million Senior unsecured - 7.50 percent	1-Apr-2030	**11**	11
US$50 million Senior unsecured - 5.70 to 5.78 percent	Jan - Mar 2036	**62**	64
US$75 million Senior unsecured - 5.21 percent	3-Dec-2040	**93**	95
US$75 million Senior unsecured - 5.00 percent	15-Dec-2043	**93**	95
US$300 million Senior unsecured - 4.22 to 4.60 percent	Sep - Nov 2044	**372**	382
US$450 million Senior unsecured - 3.80 percent	15-Sep-2046	**558**	573
US$400 million Senior unsecured - 3.65 percent [(e)]	15-Sep-2049	**516**	530
SEMCO long-term debt			
US$82 million CINGSA Senior Secured - 4.48 percent [(f)]	2-Mar-2032	**64**	69
US$225 million First Mortgage Bonds - 2.45 percent	21-Apr-2050	**279**	286
US$225 million First Mortgage Bonds - 3.15 percent	21-Apr-2030	**279**	286
Fair value adjustment on WGL Acquisition		**76**	80
Finance lease liabilities		**15**	12
		$ 7,603	$ 8,029
Less debt issuance costs		**(45)**	(43)
		$ 7,558	$ 7,986
Less current portion		**(361)**	(360)
		$ 7,197	$ 7,626

(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) During the second quarter of 2021, AltaGas closed an amendment that caused all committed credit facilities in Canada to be consolidated into a $2.3 billion facility. The facility has a $2 billion five-year extendable committed revolving tranche and a $300 million two-year extendable side car liquidity revolving facility.

(c) Commercial paper is supported by the availability of long-term committed credit facilities with maturity dates ranging from 2022 to 2024. Commercial paper intended to be repaid within the next year is recorded as short-term debt.

(d) At June 30, 2021, Petrogas had drawn approximately $37 million under this facility. The amount was recorded within short-term debt on the Consolidated Balance Sheets as it was repaid in full in July 2021.

(e) On December 10, 2020, Washington Gas issued MTNs with an aggregate principal amount of US$100 million. This offering constituted the reopening of its US$300 million MTNs originally issued in 2019. The total includes a US$17 million premium which will be amortized as a reduction to interest expense over the term of the note.

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

13. Accumulated Other Comprehensive Income (Loss)

	Defined benefit pension and PRB plans	Hedge net investments	Translation foreign operations	Equity investee	Total
Opening balance, January 1, 2021	**$ (12)**	**$ (158)**	**$ 220**	**$ —**	**$ 50**
OCI before reclassification	**—**	**—**	**(257)**	**—**	**(257)**
Amounts reclassified from OCI	**2**	**—**	**—**	**—**	**2**
Current period OCI (pre-tax)	**2**	**—**	**(257)**	**—**	**(255)**
Income tax on amounts reclassified to earnings	**(1)**	**—**	**—**	**—**	**(1)**
Net current period OCI	**1**	**—**	**(257)**	**—**	**(256)**
Ending balance, June 30, 2021	**$ (11)**	**$ (158)**	**$ (37)**	**$ —**	**$ (206)**
Opening balance, January 1, 2020	$ (6)	$ (149)	$ 395	$ 5	$ 245
OCI before reclassification	—	(21)	366	5	350
Amounts reclassified from AOCI	4	—	—	—	4
Current period OCI (pre-tax)	4	(21)	366	5	354
Income tax on accounts retained in AOCI	—	3	—	—	3
Income tax on amounts reclassified to earnings	(1)	—	—	—	(1)
Net current period OCI	3	(18)	366	5	356
Ending balance, June 30, 2020	$ (3)	$ (167)	$ 761	$ 10	$ 601

Reclassification From Accumulated Other Comprehensive Income (loss)

For the three months ended June 30, 2021 and June 30, 2020, no AOCI amounts were reclassified to the Consolidated Statements of Income.

AOCI components reclassified	Income statement line item	**Six Months Ended June 30, 2021**	Six Months Ended June 30, 2020
Defined benefit pension and PRB plans	Other income	**$ 2**	$ 4
Deferred income taxes	Income tax expense – deferred	**(1)**	(1)
		$ 1	$ 3

14. Revenue

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

	Three Months Ended June 30, 2021			
	Utilities	Midstream	Corporate/ Other	Total
Revenue from contracts with customers				
Commodity sales contracts	$ 270	$ 889	$ —	$ 1,159
Midstream service contracts	—	230	—	230
Gas sales and transportation services	432	—	—	432
Storage services	6	—	—	6
Other	3	—	1	4
Total revenue from contracts with customers	**$ 711**	**$ 1,119**	**$ 1**	**$ 1,831**
Other sources of revenue				
Revenue from alternative revenue programs [(a)]	$ 10	$ —	$ —	$ 10
Leasing revenue [(b)]	—	41	26	67
Risk management and trading activities [(c) (d)]	(31)	126	(1)	94
Other	(1)	6	2	7
Total revenue from other sources	**$ (22)**	**$ 173**	**$ 27**	**$ 178**
Total revenue	**$ 689**	**$ 1,292**	**$ 28**	**$ 2,009**

(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 Corporate/Other 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. A portion of revenue generated by the Utilities segment is from the physical sale and delivery of natural gas and power to end users.

(d) Trading margins in the Midstream segment are reported in risk management and trading activities. AltaGas 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, including unrealized gains and losses on derivative instruments, are netted within revenues. Gross revenues for the three months ended June 30, 2021 of $32 million associated with the GAIL Global (USA) LNG LLC (GAIL) contract and an Asset Management Agreement (AMA), which are in scope of ASC 606, are reported within risk management and trading activities. While the GAIL contract and AMA are individually not accounted for as derivatives, they are inseparable from the overall trading portfolio. Revenue from the GAIL contract 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. Revenue from the AMA is recognized based on the amount WGL Midstream has the right to invoice the customer in accordance with ASC 606. WGL executed the AMA in April 2020. In the first quarter of 2021, AltaGas entered into an agreement for the sale of the majority of WGL Midstream's commodity business, including the GAIL contract and the AMA. The sale was completed on April 23, 2021.

	Three Months Ended June 30, 2020			
	Utilities	**Midstream**	**Corporate/ Other**	**Total**
Revenue from contracts with customers				
Commodity sales contracts	$ 302	$ 200	$ 1	$ 503
Midstream service contracts	—	34	—	34
Gas sales and transportation services	441	—	—	441
Storage services	7	—	—	7
Other	2	—	6	8
Total revenue from contracts with customers	$ 752	$ 234	$ 7	$ 993
Other sources of revenue				
Revenue from alternative revenue programs [(a)]	$ (1)	$ —	$ —	$ (1)
Leasing revenue [(b)]	—	38	26	64
Risk management and trading activities [(c) (d)]	(23)	25	1	3
Other	(5)	2	3	—
Total revenue from other sources	$ (29)	$ 65	$ 30	$ 66
Total revenue	$ 723	$ 299	$ 37	$ 1,059

(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 Corporate/Other 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. A portion of revenue generated by the Utilities segment is from the physical sale and delivery of natural gas and power to end users.

(d) Trading margins in the Midstream segment are reported in risk management and trading activities. AltaGas 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, including unrealized gains and losses on derivative instruments, are netted within revenues. Gross revenues for the three months ended June 30, 2020 of $91 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. 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, 2021			
	Utilities	**Midstream**	**Corporate / Other**	**Total**
Revenue from contracts with customers				
Commodity sales contracts	$ 638	$ 1,928	$ —	$ 2,566
Midstream service contracts	—	831	—	831
Gas sales and transportation services	1,447	—	—	1,447
Storage services	12	—	—	12
Other	5	—	3	8
Total revenue from contracts with customers	$ 2,102	$ 2,759	$ 3	$ 4,864
Other sources of revenue				
Revenue from alternative revenue programs [(a)]	$ 37	$ —	$ —	$ 37
Leasing revenue [(b)]	—	83	46	129
Risk management and trading activities [(c) (d)]	(34)	91	(2)	55
Other	(8)	14	3	9
Total revenue from other sources	$ (5)	$ 188	$ 47	$ 230
Total revenue	$ 2,097	$ 2,947	$ 50	$ 5,094

(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 Corporate/Other 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. A portion of revenue generated by the Utilities segment is from the physical sale and delivery of natural gas and power to end users.

(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, 2021 of $172 million associated with the GAIL Global (USA) LNG LLC (GAIL) contract and an Asset Management Agreement (AMA), which are in scope of ASC 606, are reported within risk management and trading activities. While the GAIL contract and AMA are individually not accounted for as derivatives, they are inseparable from the overall trading portfolio. Revenue from the GAIL contract 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. Revenue from the AMA is recognized based on the amount WGL Midstream has the right to invoice the customer in accordance with ASC 606. WGL executed the AMA in April 2020. In the first quarter of 2021, AltaGas entered into an agreement for the sale of the majority of WGL Midstream's commodity business, including the GAIL contract and the AMA. The sale was completed on April 23, 2021.

	Six Months Ended June 30, 2020			
	Utilities	**Midstream**	**Corporate/ Other**	**Total**
Revenue from contracts with customers				
Commodity sales contracts	$ 686	$ 440	$ 1	$ 1,127
Midstream service contracts	—	73	—	73
Gas sales and transportation services	1,391	—	—	1,391
Storage services	13	—	—	13
Other	4	—	9	13
Total revenue from contracts with customers	$ 2,094	$ 513	$ 10	$ 2,617
Other sources of revenue				
Revenue from alternative revenue programs [(a)]	$ 54	$ —	$ —	$ 54
Leasing revenue [(b)]	—	67	46	113
Risk management and trading activities [(c) (d)]	(10)	151	—	141
Other	(10)	6	7	3
Total revenue from other sources	$ 34	$ 224	$ 53	$ 311
Total revenue	$ 2,128	$ 737	$ 63	$ 2,928

(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 Corporate/Other 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. A portion of revenue generated by the Utilities segment is from the physical sale and delivery of natural gas and power to end users.

(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, 2020 of $197 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.

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.

Commodity Sales

Commodity sales include gas and 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 the amount of energy delivered to the customer. Revenue is recognized based on the amount the Corporation is entitled to invoice the customer.

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 and 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 RIPET and Ferndale generate revenue from the sale and delivery of LPGs to customers in Asia shipped from offshore export terminals. Revenue is recognized when LPGs are loaded onto transport vessels, which is the delivery point. AltaGas has the right to consideration in an amount that directly corresponds to the volumes of LPGs loaded on a vessel. Petrogas' commodity sales also include the sale of upgraded crude oil, processed finished products, and various fuels. Delivery takes place when there is a sales contract in place, specifying delivery volumes and sales prices. The consideration received under these contracts is variable based on commodity prices.

Midstream Service Contracts

AltaGas earns revenue from its field gathering and processing facilities, extraction facilities, storage facilities, truck hauling services, rail and truck loading and unloading terminalling, 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.

Petrogas' storage fees are typically recognized in revenue ratably over the term of the contract and rail and truck loading and unloading fees are recognized when the volumes are delivered or received.

Corporate/Other Segment

For the Corporate/Other segment, the majority of revenue relates to remaining power assets, from which revenue is primarily earned 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 and normal sales scope exception, the sales contract is accounted for under ASC 606.

Contract Balances

As at June 30, 2021, a contract asset of $48 million ($47 million net of credit losses) has been recorded within long-term investments and other assets on the Consolidated Balance Sheets (December 31, 2020 – $50 million net of credit losses). 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 was recognized at the pre-modification rate until December 31, 2020, with the excess revenue recorded as a contract asset. The contract asset is now being drawn down over the remaining term of the modified contract.

In addition, at June 30, 2021 there is a contract asset of $9 million (December 31, 2020 - $21 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. At June 30, 2021 and December 31, 2020 no contract liabilities have been recorded on the Consolidated Balance Sheets. 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, 2021**		December 31, 2020
Balance, beginning of period	**$**	**71**	$	89
Additions		**1**		30
Amortization (a)		**(2)**		—
Transfers to accounts receivable (b)		**(14)**		(49)
Foreign exchange translation		**—**		1
Balance, end of period	**$**	**56**	$	71

(a) Represents the drawdown of a contract asset under a blend-and-extend contract modification.
(b) Amounts included in contract assets are transferred to accounts receivable when AltaGas' right to consideration becomes unconditional.

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, 2021:

	Remainder of 2021	2022	2023	2024	2025	> 2025	Total
Midstream service contracts	$ 61	$ 130	$ 128	$ 128	$ 124	$ 1,041	**$ 1,612**
Storage services	12	22	22	22	22	138	**238**
Other	1	2	2	2	2	9	**18**
	$ 74	$ 154	$ 152	$ 152	$ 148	$ 1,188	**$ 1,868**

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

15. Financial Instruments and Financial Risk Management

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

Fair Value Hierarchy

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

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

Level 2 - fair values are determined based on valuation models and techniques where inputs other than quoted prices included within Level 1 are observable for the asset or liability either directly or indirectly. AltaGas enters into derivative instruments in the futures, over-the-counter, and retail markets to manage fluctuations in commodity prices and foreign exchange rates. The fair values of power, natural gas, NGL, LPG, ocean freight, and crude oil 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. 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. A significant change to any one of these inputs in isolation could result in a significant upward or downward fluctuation in the fair value measurement.

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.

Risk management assets and liabilities - the fair values of power, natural gas, NGL, and crude oil 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.

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, 2021				
	Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Financial assets					
Fair value through net income [(a)]					
Risk management assets - current	$ 113	$ —	$ 94	$ 19	$ 113
Risk management assets - non-current	19	—	10	9	19
Fair value through regulatory assets/liabilities [(a)]					
Risk management assets - current	2	—	1	1	2
Risk management assets - non-current	7	—	1	6	7
	$ 141	$ —	$ 106	$ 35	$ 141
Financial liabilities					
Fair value through net income [(a)]					
Risk management liabilities - current	$ 104	$ —	$ 80	$ 24	$ 104
Risk management liabilities - non-current	44	—	3	41	44
Fair value through regulatory assets/liabilities [(a)]					
Risk management liabilities - current	20	—	4	16	20
Risk management liabilities - non-current	77	—	—	77	77
Amortized cost					
Current portion of long-term debt	361	—	361	—	361
Long-term debt	7,197	—	7,744	—	7,744
Other current liabilities [(b)]	16	—	16	—	16
	$ 7,819	$ —	$ 8,208	$ 158	$ 8,366

(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) Excludes non-financial liabilities.

As at	December 31, 2020				
	Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Financial assets					
Fair value through net income [(a)]					
Risk management assets - current	$ 94	$ —	$ 73	$ 21	$ 94
Risk management assets - non-current	38	—	2	36	38
Fair value through regulatory assets/liabilities [(a)]					
Risk management assets - current	4	—	1	3	4
Risk management assets - non-current	9	—	—	9	9
	$ 145	$ —	$ 76	$ 69	$ 145
Financial liabilities					
Fair value through net income [(a)]					
Risk management liabilities - current	$ 102	$ —	$ 78	$ 24	$ 102
Risk management liabilities - non-current	66	—	15	51	66
Fair value through regulatory assets/liabilities [(a)]					
Risk management liabilities - current	9	—	—	9	9
Risk management liabilities - non-current	79	—	1	78	79
Amortized cost					
Current portion of long-term debt	360	—	360	—	360
Long-term debt	7,626	—	8,451	—	8,451
Other current liabilities [(b)]	37	—	37	—	37
	$ 8,279	$ —	$ 8,942	$ 162	$ 9,104

(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) Excludes non-financial liabilities.

Financial assets and liabilities not included in the fair value hierarchy table include money market funds, short-term debt, and commercial paper. The carrying value of these financial instruments approximate their fair value, which reflects the short-term maturity and/or normal credit terms of these financial instruments.

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, 2021:

	Net Fair Value	Valuation Technique	Unobservable Inputs	Range		Weighted Average [(a)]
Natural gas	$ (108)	Discounted Cash Flow	Natural Gas Basis Price (per Dth)	$ (1.97) -	$ 3.17	$ (0.53)
Natural gas	$ (1)	Option Model	Natural Gas Basis Price (per Dth)	$ (1.97) -	$ 3.53	$ 0.01
			Annualized Volatility of Spot Market Natural Gas	7 % -	108 %	22 %
Electricity	$ (14)	Discounted Cash Flow	Electricity Congestion Price (per MWh)	$ (6.12) -	$ 74.70	$ 13.60

(a) Unobservable inputs were weighted by transaction volume.

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:

Three Months Ended	June 30, 2021			June 30, 2020		
	Natural Gas	**Electricity**	**Total**	Natural Gas	Electricity	Total
Balance, beginning of period	**$ (96)**	**$ (21)**	**$ (117)**	$ (62)	$ 2	$ (60)
Realized and unrealized gains (losses):						
Recorded in income	**(5)**	**16**	**11**	9	10	19
Recorded in regulatory assets	**(14)**	**—**	**(14)**	9	—	9
Purchases	**—**	**(9)**	**(9)**	—	—	—
Settlements	**4**	**—**	**4**	(7)	(12)	(19)
Foreign exchange translation	**2**	**—**	**2**	2	—	2
Balance, end of period	**$ (109)**	**$ (14)**	**$ (123)**	$ (49)	$ —	$ (49)

Six Months Ended	June 30, 2021			June 30, 2020		
	Natural Gas	**Electricity**	**Total**	Natural Gas	Electricity	Total
Balance, beginning of period	**$ (74)**	**$ (19)**	**$ (93)**	$ (85)	$ —	$ (85)
Realized and unrealized gains (losses):						
Recorded in income	**—**	**12**	**12**	32	20	52
Recorded in regulatory assets	**(20)**	**—**	**(20)**	21	—	21
Disposed *(note 4)*	**(28)**	**—**	**(28)**	—	—	—
Transfers out of Level 3	**—**	**—**	**—**	1	—	1
Purchases	**—**	**(7)**	**(7)**	—	—	—
Settlements	**10**	**—**	**10**	(14)	(20)	(34)
Foreign exchange translation	**3**	**—**	**3**	(4)	—	(4)
Balance, end of period	**$ (109)**	**$ (14)**	**$ (123)**	$ (49)	$ —	$ (49)

Transfers out of Level 3 financial instruments are due to an increase in valuations using observable market inputs.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	**2021**	2020
Natural gas	**$ (3)**	$ 13	**$ (10)**	$ 29
Energy exports	**(21)**	(9)	**57**	77
Crude oil and NGLs	**(4)**	—	**2**	—
NGL frac spread	**(14)**	(3)	**(30)**	11
Power	**16**	2	**18**	1
Foreign exchange	**(7)**	—	**(15)**	—
	$ (33)	$ 3	**$ 22**	$ 118

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, 2021			
	Gross amounts of recognized assets/liabilities	Gross amounts offset in balance sheet	Netting of collateral	Net amounts presented in balance sheet
Risk management assets [a]				
Natural gas	**$ 69**	**$ (16)**	**$ (27)**	**$ 26**
Energy exports	**169**	**(152)**	**55**	**72**
Crude oil and NGLs	**4**	**(3)**	**—**	**1**
NGL frac spread	**9**	**(9)**	**—**	**—**
Power	**63**	**(30)**	**—**	**33**
Foreign exchange	**15**	**(6)**	**—**	**9**
	$ 329	**$ (216)**	**$ 28**	**$ 141**
Risk management liabilities [b]				
Natural gas	**$ 155**	**$ (16)**	**$ (4)**	**$ 135**
Energy exports	**176**	**(152)**	**—**	**24**
Crude oil and NGLs	**3**	**(3)**	**12**	**12**
NGL frac spread	**45**	**(9)**	**—**	**36**
Power	**66**	**(30)**	**2**	**38**
Foreign exchange	**6**	**(6)**	**—**	**—**
	$ 451	**$ (216)**	**$ 10**	**$ 245**

(a) Net amount of risk management assets on the Balance Sheet is comprised of risk management assets (current) balance of $115 million and risk management assets (non-current) balance of $26 million.

(b) Net amount of risk management liabilities on the Balance Sheet is comprised of risk management liabilities (current) balance of $124 million and risk management liabilities (non-current) balance of $121 million.

As at	December 31, 2020			
	Gross amounts of recognized assets/liabilities	Gross amounts offset in balance sheet	Netting of collateral	Net amounts presented in balance sheet
Risk management assets [a]				
Natural gas	$ 104	$ (38)	$ (3)	$ 63
Energy exports	86	(86)	36	36
Crude oil and NGLs	1	—	—	1
Power	30	(8)	—	22
Foreign exchange	27	(3)	(1)	23
	$ 248	$ (135)	$ 32	$ 145
Risk management liabilities [b]				
Natural gas	$ 173	$ (38)	$ (3)	$ 132
Energy exports	153	(86)	—	67
NGL frac spread	6	—	—	6
Power	58	(8)	1	51
Foreign exchange	3	(3)	—	—
	$ 393	$ (135)	$ (2)	$ 256

(a) Net amount of risk management assets on the Balance Sheet is comprised of risk management assets (current) balance of $98 million and risk management assets (non-current) balance of $47 million.

(b) Net amount of risk management liabilities on the Balance Sheet is comprised of risk management liabilities (current) balance of $111 million and risk management liabilities (non-current) balance of $145 million.

Cash Collateral

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

As at		June 30, 2021		December 31, 2020
Collateral posted with counterparties	$	**3**	$	4
Cash collateral held representing an obligation	$	**—**	$	—

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, 2021 and December 31, 2020, AltaGas has not posted any collateral related to its derivative liabilities that contained credit-related contingent features. The following table shows the aggregate fair value of all derivative instruments with credit-related contingent features that are in a liability position, as well as the maximum amount of collateral that would be required if specific credit-risk-related contingent features underlying these agreements were triggered:

As at		June 30, 2021		December 31, 2020
Risk management liabilities with credit-risk-contingent features	$	**17**	$	32
Maximum potential collateral requirements	$	**5**	$	26

Notional Summary

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

As at	June 30, 2021		December 31, 2020
Natural Gas			
Sales	**261,325,175**	**GJ**	590,054,996 GJ
Purchases	**853,864,405**	**GJ**	1,522,958,497 GJ
Swaps	**110,853,417**	**GJ**	288,613,586 GJ
Crude Oil and NGLs			
Sales	**860,000**	**Bbl**	680,000 Bbl
Purchases	**302,000**	**Bbl**	221,000 Bbl
Energy Exports			
Swaps	**22,969,276**	**Bbl**	37,425,488 Bbl
NGL Frac Spread			
Propane swaps	**1,794,137**	**Bbl**	1,270,350 Bbl
Butane swaps	**361,033**	**Bbl**	307,784 Bbl
Crude oil swaps	**193,276**	**Bbl**	123,120 Bbl
Natural gas swaps	**11,827,060**	**GJ**	7,281,570 GJ
Power			
Sales	**4,879,480**	**MWh**	5,482,242 MWh
Purchases	**7,496,859**	**MWh**	8,848,007 MWh
Swaps	**27,784,623**	**MWh**	24,081,519 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.

AltaGas may designate its U.S. dollar-denominated debt as a net investment hedge of its U.S. subsidiaries. As at June 30, 2021, and December 31, 2020, AltaGas has not designated any outstanding debt as a net investment hedge.

The following foreign exchange forward contracts are outstanding as at June 30, 2021:

Foreign exchange forward contract	Notional Amount *(US$ millions)*	Duration	Weighted average foreign exchange rate		Fair Value
Forward USD sales	US$9	Less than one year	1.3368	$	1
Forward USD purchases	US$172	Less than one year	1.27579	$	(6)
Foreign exchange swaps (sales)	US$164	Less than one year	1.3236	$	14

The following foreign exchange forward contracts were outstanding as at December 31, 2020:

Foreign exchange forward contract	Notional Amount *(US$ millions)*	Duration	Weighted average foreign exchange rate		Fair Value
Forward USD sales	US$29	Less than one year	1.3591	$	3
Forward USD purchases	US$356	Less than one year	1.2824	$	(3)
Foreign exchange swaps (sales)	US$410	Less than one year	1.3322	$	23

For the three and six months ended June 30, 2021, AltaGas recorded an after-tax realized gain of $6 million and $16 million, respectively, on all foreign exchange forward contracts (three and six months ended June 30, 2020 - $nil).

Allowance for Credit Losses

The following table presents changes to the allowance for credit losses by segment and major type:

	Three Months Ended June 30, 2021					
		Accounts Receivable		Contract Assets [a]		Total
Utilities						
Balance, beginning of period	$	47	$	—	$	47
Foreign exchange translation		(1)		—		(1)
Adjustments to allowance [b]		(3)		—		(3)
Written off		(3)		—		(3)
Recoveries collected		1		—		1
Balance, end of period	$	41	$	—	$	41
Midstream						
Balance, beginning of period	$	1	$	1	$	2
Balance, end of period	$	1	$	1	$	2
Total	$	42	$	1	$	43

(a) An allowance for credit loss is assessed quarterly and is recorded based on historical default rates published by external credit rating agencies and a rate associated with the estimated time frame that the contract asset will be billed to the customer.

(b) Includes $1 million recorded to a regulatory asset relating to the impact of COVID-19 on uncollectible accounts.

Three Months Ended June 30, 2020				
	Accounts Receivable	Contract Assets [a]	Other long-term investments and other assets [b]	Total
Utilities				
Balance, beginning of period	$ 32	$ —	$ —	$ 32
Foreign exchange translation	(1)	—	—	(1)
Adjustments to allowance [c]	11	—	—	11
Written off	(6)	—	—	(6)
Recoveries collected	1	—	—	1
Balance, end of period	$ 37	$ —	$ —	$ 37
Midstream				
Balance, beginning of period	$ 1	$ 1	$ 3	$ 5
Balance, end of period	$ 1	$ 1	$ 3	$ 5
Corporate/Other				
Balance, beginning of period	$ 2	$ —	$ 1	$ 3
Written off	(1)	—	—	(1)
Balance, end of period	$ 1	$ —	$ 1	$ 2
Total	$ 39	$ 1	$ 4	$ 44

(a) An allowance for credit loss is assessed quarterly and is recorded based on historical default rates published by external credit rating agencies and a rate associated with the estimated time frame that the contract asset will be billed to the customer.

(b) Included a loan to an affiliate and other long-term receivables. An allowance for credit loss is assessed quarterly and is recorded based on historical default rates published by external credit rating agencies and a rate commensurate with the period in which the receivable is expected to be collected.

(c) Includes $4 million recorded to a regulatory asset relating to the impact of COVID-19 on uncollectible accounts.

Six Months Ended June 30, 2021				
	Accounts Receivable	**Contract Assets [a]**	**Other long-term investments and other assets**	**Total**
Utilities				
Balance, beginning of period	**$ 40**	**$ —**	**$ —**	**$ 40**
Foreign exchange translation	**(1)**	**—**	**—**	**(1)**
Adjustments to allowance [b]	**7**	**—**	**—**	**7**
Written off	**(7)**	**—**	**—**	**(7)**
Recoveries collected	**2**	**—**	**—**	**2**
Balance, end of period	**$ 41**	**$ —**	**$ —**	**$ 41**
Midstream				
Balance, beginning of period	**$ 1**	**$ 1**	**$ 2**	**$ 4**
Adjustments to allowance	**—**	**—**	**(2)**	**(2)**
Balance, end of period	**$ 1**	**$ 1**	**$ —**	**$ 2**
Total	**$ 42**	**$ 1**	**$ —**	**$ 43**

(a) An allowance for credit loss is assessed quarterly and is recorded based on historical default rates published by external credit rating agencies and a rate associated with the estimated time frame that the contract asset will be billed to the customer.

(b) Includes $1 million recorded to a regulatory asset relating to the impact of COVID-19 on uncollectible accounts.

	Six Months Ended June 30, 2020			
	Accounts Receivable	Contract Assets (a)	Other long-term investments and other assets (b)	Total
Utilities				
Balance, beginning of period	$ 31	$ —	$ —	$ 31
Adjustment upon adoption of ASC 326 (c)	2	—	—	2
Foreign exchange translation	1	—	—	1
Adjustments to allowance (d)	21	—	—	21
Written off	(20)	—	—	(20)
Recoveries collected	2	—	—	2
Balance, end of period	$ 37	$ —	$ —	$ 37
Midstream				
Balance, beginning of period	$ 1	$ —	$ —	$ 1
Adjustment upon adoption of ASC 326	—	1	3	4
Balance, end of period	$ 1	$ 1	$ 3	$ 5
Corporate/Other				
Balance, beginning of period	$ 2	$ —	$ —	$ 2
Adjustment upon adoption of ASC 326	—	—	1	1
Written off	(1)	—	—	(1)
Balance, end of period	$ 1	$ —	$ 1	$ 2
Total	$ 39	$ 1	$ 4	$ 44

(a) An allowance for credit loss is assessed quarterly and is recorded based on historical default rates published by external credit rating agencies and a rate associated with the estimated time frame that the contract asset will be billed to the customer.

(b) Included a loan to an affiliate and other long-term receivables. An allowance for credit loss is assessed quarterly and is recorded based on historical default rates published by external credit rating agencies and a rate commensurate with the period in which the receivable is expected to be collected.

(c) Based on previous collection experience, AltaGas did not record an allowance for credit losses for its contract assets associated with its energy management services projects with the U.S. federal government.

(d) Includes $4 million recorded to a regulatory asset relating to the impact of COVID-19 on uncollectible accounts.

With the exception of accounts receivable which are due in one year or less, AltaGas does not have any past due receivables as at June 30, 2021.

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, 2021, no pre-tax gains or losses were recorded related to these instruments (three and six months ended June 30, 2020 - pre-tax losses of nil and $3 million, respectively).

16. Leases

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. Revenue from these arrangements have been disclosed in Note 14.

17. 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 consisted of two components: a Dividend Reinvestment component and an Optional Cash Purchase component. The Premium Dividend™ component of the plan was suspended in December 2018. The Dividend Reinvestment and Optional Cash Purchase component was suspended in December 2019, with the December dividend (paid January 2020) being the last dividend payment eligible for reinvestment by participating shareholders under the DRIP. The Plan in its entirety will remain suspended until further notice.

Common Shares Issued and Outstanding	Number of shares		Amount
January 1, 2020	279,074,685	$	6,719
Shares issued for cash on exercise of options	88,082		1
Deferred taxes on share issuance cost	—		(3)
Shares issued under DRIP	331,532		6
December 31, 2020	279,494,299	$	6,723
Shares issued for cash on exercise of options	642,727		12
Deferred taxes on share issuance cost	—		(1)
Issued and outstanding at June 30, 2021	**280,137,026**	**$**	**6,734**

Preferred Shares

As at	June 30, 2021		December 31, 2020	
Issued and Outstanding	**Number of shares**	**Amount**	Number of shares	Amount
Series A	**6,746,679**	**$ 169**	6,746,679	$ 169
Series B	**1,253,321**	**31**	1,253,321	31
Series C	**8,000,000**	**206**	8,000,000	206
Series E	**8,000,000**	**200**	8,000,000	200
Series G	**6,885,823**	**172**	6,885,823	172
Series H	**1,114,177**	**28**	1,114,177	28
Series K	**12,000,000**	**300**	12,000,000	300
Share issuance costs, net of taxes		**(29)**		(29)
	44,000,000	**$ 1,077**	44,000,000	$ 1,077

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, 2021, 13,915,160 shares were listed and reserved for issuance under the plan.

As at June 30, 2021, 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, 2021, the unexpensed fair value of share option compensation cost associated with future periods was $7 million (December 31, 2020 - $4 million).

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

As at	June 30, 2021		December 31, 2020	
	Number of options	**Exercise price (a)**	Number of options	Exercise price (a)
Share options outstanding, beginning of period	**8,362,211**	**$ 21.06**	7,043,956	$ 22.49
Granted	**1,874,657**	**18.75**	2,501,755	19.46
Exercised	**(642,727)**	**17.40**	(88,082)	14.89
Forfeited	**(128,321)**	**28.35**	(631,549)	26.00
Expired	**(157,500)**	**40.35**	(463,869)	27.69
Share options outstanding, end of period	**9,308,320**	**$ 20.42**	8,362,211	$ 21.06
Share options exercisable, end of period	**4,332,367**	**$ 22.51**	3,607,391	$ 23.59

(a) Weighted average.

As at June 30, 2021, the aggregate intrinsic value of the total share options exercisable was $23 million (December 31, 2020 - $5 million), the total intrinsic value of share options outstanding was $60 million (December 31, 2020 - $9 million) and the total intrinsic value of share options exercised was $4 million (December 31, 2020 - less than $1 million).

The following table summarizes the employee share option plan as at June 30, 2021:

	Options outstanding			Options exercisable		
Price range	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life	Number exercisable	Weighted average exercise price	Weighted average remaining contractual life
$14.52 to $18.00	2,158,071	$ 15.30	3.59	1,261,692	$ 15.32	3.56
$18.01 to $25.08	5,410,999	19.29	4.72	1,423,507	19.60	4.18
$25.09 to $37.86	1,739,250	30.32	1.49	1,647,168	30.52	1.41
	9,308,320	**$ 20.42**	**3.85**	**4,332,367**	**$ 22.51**	**2.94**

Phantom Unit Plan (Phantom Plan) and Deferred Share Unit Plan (DSUP)

AltaGas has a Phantom Plan 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 *(number of units)*	**June 30, 2021**	December 31, 2020
Balance, beginning of year	**5,732,134**	6,484,831
Granted	**1,294,553**	1,158,547
Vested and paid out	**(22,383)**	(681,841)
Forfeited	**(114,278)**	(1,342,832)
Units in lieu of dividends	**63,134**	113,429
Outstanding, end of period	**6,953,160**	5,732,134

For the three and six months ended June 30, 2021, the compensation expense recorded for the Phantom Plan and DSUP was $25 million and $36 million respectively (three and six months ended June 30, 2020 – $6 million and $5 million respectively). As at June 30, 2021, the unrecognized compensation expense relating to the remaining vesting period for the Phantom Plan was $34 million (December 31, 2020 - $23 million) and is expected to be recognized over the vesting period.

18. 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	
	2021	2020	**2021**	2020
Numerator:				
Net income applicable to controlling interests	**$ 37**	$ 38	**$ 388**	$ 517
Less: Preferred share dividends	**(13)**	(17)	**(27)**	(33)
Net income applicable to common shares	**$ 24**	$ 21	**$ 361**	$ 484
Denominator:				
(millions of shares)				
Weighted average number of common shares outstanding	**279.9**	279.4	**279.7**	279.4
Dilutive equity instruments [(a)]	**1.8**	0.1	**1.3**	0.3
Weighted average number of common shares outstanding - diluted	**281.7**	279.5	**281.0**	279.7
Basic net income per common share	**$ 0.09**	$ 0.08	**$ 1.29**	$ 1.73
Diluted net income per common share	**$ 0.09**	$ 0.08	**$ 1.28**	$ 1.73

(a) Determined using the treasury stock method.

For the three and six months ended June 30, 2021, 1.8 million and 1.9 million share options, respectively, (three and six months ended June 30, 2020 – 7.2 million) were excluded from the diluted net income per common share calculation as their effects were anti-dilutive.

19. Commitments, Guarantees, and Contingencies

Commitments

AltaGas has long-term natural gas purchase and transportation arrangements, LPG purchase agreements, crude oil and condensate purchase agreements, electricity purchase arrangements, service agreements, pipeline and storage service contracts, capital commitments, environmental commitments, merger commitments, and operating leases for office space, office equipment, vehicles, rail cars, land, storage, aquatic surface use, and other 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 2021 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.

In connection with the acquisition of WGL in 2018, 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, 2021, the total amount of merger commitments which have been expensed but are not yet paid is approximately US$9 million. In addition, there are certain additional merger commitments that were and will be expensed as costs are incurred in the future, including the investment of up to US$70 million over a ten year period to further extend natural gas service, investment of US$8 million for leak mitigation within three years of the merger, which has been paid as of June 30, 2021, hiring damage prevention trainers in each jurisdiction for a total of US$2 million over 5 years, and developing 15 megawatts of either electric grid energy storage or Tier 1 renewable resources within five years after the merger closed.

In the second quarter of 2021, AltaGas closed the disposition of the majority of WGL Midstream's commodity business. As a result of the sale, AltaGas' natural gas purchase and pipelines commitments have decreased by approximately $17 billion.

In 2020, as part of the Petrogas Acquisition (note 3), AltaGas acquired commodity contracts to purchase LPGs, crude oil and condensates. These contracts are used to ensure that there is an adequate supply of certain commodities to meet shipping commitments, the needs of customers, and to minimize exposure to market price fluctuations. Commodity commitments are valued based on forward prices, which may fluctuate significantly from period to period. AltaGas also acquired a commitment to purchase land as part of an agreement for its continued use of the Ferndale terminal. As at June 30, 2021, AltaGas has fulfilled this land purchase commitment, with the only remaining commitment being undiscounted cash flows of less than US$1 million associated with a finance lease. AltaGas also acquired a commitment to pay post-acquisition contingent payments of up to $16 million, which may be paid no later than 2022 based on certain criteria, including earnings targets being met. As at June 30, 2021, no post-acquisition contingent payments have been made.

In 2017, AltaGas entered into a 12-year service agreement for tug services to support the marine operations of RIPET. As at June 30, 2021, AltaGas is obligated to pay fixed fees of approximately $21 million over the remainder 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 $861 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, 2021, approximately $148 million is expected to be paid over the next 16 years, of which $44 million is expected to be paid over the next five years.

At June 30, 2021, AltaGas has US$150 million in future undiscounted cash flows associated with operating leases not yet commenced. The leases are for the use of two Very Large Gas Carriers (VLGCs) that are anticipated to commence in the fourth quarter of 2023 and first quarter of 2024. The lessor is primarily involved in the design and construction of both VLGCs.

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. With the sale of WGL Midstream in the second quarter of 2021, as at June 30, 2021, a US$25 million WGL performance guarantee to a former WGL Midstream wholesale counterparty remained in effect for a maximum of nine months post close, or until the purchaser can transfer the credit support. In return, the purchaser provided a US$25 million third-party bank letter of credit in which WGL is the beneficiary. AltaGas had no guarantees issued on behalf of 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.

20. 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 $20 million as at June 30, 2021 have been funded to satisfy the employee benefit obligations associated with WGL's various pension plans (December 31, 2020 - $28 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, 2021					
	Canada		**United States**		**Total**	
	Defined Benefit	**Post-retirement Benefits**	**Defined Benefit**	**Post-retirement Benefits**	**Defined Benefit**	**Post-retirement Benefits**
Current service cost [a]	**$ 1**	**$ —**	**$ 6**	**$ 2**	**$ 7**	**$ 2**
Interest cost [b]	**—**	**—**	**12**	**3**	**12**	**3**
Expected return on plan assets [b]	**—**	**—**	**(19)**	**(8)**	**(19)**	**(8)**
Amortization of past service credit [b]	**—**	**—**	**—**	**(4)**	**—**	**(4)**
Amortization of net actuarial loss (gain) [b]	**—**	**—**	**2**	**(2)**	**2**	**(2)**
Net benefit cost (income) recognized	**$ 1**	**$ —**	**$ 1**	**$ (9)**	**$ 2**	**$ (9)**

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

	Three Months Ended June 30, 2020					
	Canada		United States		Total	
	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits
Current service cost [a]	$ —	$ —	$ 6	$ 3	$ 6	$ 3
Interest cost [b]	1	—	16	4	17	4
Expected return on plan assets [b]	—	—	(19)	(9)	(19)	(9)
Amortization of past service credit [b]	—	—	—	(5)	—	(5)
Amortization of net actuarial loss [b]	—	—	5	—	5	—
Net benefit cost (income) recognized	$ 1	$ —	$ 8	$ (7)	$ 9	$ (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” on the Consolidated Statements of Income.

Six Months Ended June 30, 2021						
	Canada		United States		Total	
	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits
Current service cost [(a)]	$ 2	$ —	$ 12	$ 5	$ 14	$ 5
Interest cost [(b)]	—	—	24	6	24	6
Expected return on plan assets [(b)]	—	—	(38)	(17)	(38)	(17)
Amortization of past service credit [(b)]	—	—	—	(9)	—	(9)
Amortization of net actuarial loss (gain) [(b)]	—	—	3	(3)	3	(3)
Amortization of regulatory asset [(b)]	—	—	1	—	1	—
Plan settlements [(b)]	—	—	1	—	1	—
Net benefit cost (income) recognized	$ 2	$ —	$ 3	$ (18)	$ 5	$ (18)

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

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

Six Months Ended June 30, 2020						
	Canada		United States		Total	
	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits
Current service cost [(a)]	$ 1	$ —	$ 13	$ 5	$ 14	$ 5
Interest cost [(b)]	1	—	31	8	32	8
Expected return on plan assets [(b)]	—	—	(38)	(18)	(38)	(18)
Amortization of past service credit [(b)]	—	—	—	(9)	—	(9)
Amortization of net actuarial loss [(b)]	—	—	10	—	10	—
Amortization of regulatory asset [(b)]	—	—	1	—	1	—
Plan settlements [(b)]	—	—	1	—	1	—
Net benefit cost (income) recognized	$ 2	$ —	$ 18	$ (14)	$ 20	$ (14)

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

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

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	
	2021	2020	**2021**	2020
Source (use) of cash:				
Accounts receivable	**$ 83**	$ 300	**$ 83**	$ 492
Inventory	**(57)**	(105)	**20**	90
Risk management assets - current	**(8)**	(3)	**(6)**	(8)
Other current assets	**18**	53	**55**	70
Regulatory assets - current	**3**	18	**23**	(20)
Accounts payable and accrued liabilities	**(86)**	(10)	**(163)**	(258)
Customer deposits	**4**	(4)	**(21)**	(23)
Regulatory liabilities - current	**(40)**	(64)	**(48)**	(93)
Risk management liabilities - current	**(1)**	(1)	**1**	(2)
Other current liabilities	**9**	8	**(21)**	2
Other operating assets and liabilities	**22**	6	**54**	9
Changes in operating assets and liabilities	**$ (53)**	$ 198	**$ (23)**	$ 259

The following table details the changes in non-cash investing and financing activities:

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	**2021**	2020
Decrease (increase) of balance:				
Common shares issued under DRIP	**$ —**	$ —	**$ —**	$ (6)
Exercise of stock options	**$ 1**	$ —	**$ 1**	$ —
Net right-of-use assets obtained in exchange for new operating lease liabilities	**$ —**	$ (16)	**$ (4)**	$ (25)
Net right-of-use assets obtained in exchange for new finance lease liabilities	**$ (4)**	$ —	**$ (4)**	$ (2)
Capital expenditures included in accounts payable and accrued liabilities	**$ (76)**	$ 24	**$ (18)**	$ 12

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

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	**2021**	2020
Interest paid (net of capitalized interest)	**$ 66**	$ 62	**$ 144**	$ 145
Income taxes paid	**$ 16**	$ 9	**$ 21**	$ 18

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

As at June 30		2021		2020
Cash and cash equivalents	**$**	**41**	$	59
Restricted cash holdings from customers - current		**3**		4
Restricted cash holdings from customers - non-current		**—**		2
Restricted cash included in prepaid expenses and other current assets [(a)]		**3**		15
Restricted cash included in long-term investments and other assets [(a)]		**17**		37
Cash, cash equivalents, and restricted cash per Consolidated Statements of Cash Flows	**$**	**64**	$	117

(a) The restricted cash balances included in "prepaid expenses and other current assets" and "long-term investments and other assets" relate to Rabbi trusts associated with WGL's pension plans (note 20).

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. The retail business within the Utilities segment is also 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 reportable 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 ▪ sale of natural gas and power to residential, commercial, and industrial customers in Washington D.C., Maryland, Virginia, Delaware, Pennsylvania, and Ohio.
Midstream	▪ NGL processing and extraction plants; ▪ natural gas storage facilities; ▪ liquefied petroleum gas (LPG) terminals; ▪ transmission pipelines to transport natural gas and NGL; ▪ natural gas gathering lines and field processing facilities; ▪ purchase and sale of natural gas; ▪ natural gas and NGL marketing; ▪ marketing, storage and distribution of wellsite fluids and fuel, crude oil and condensate diluents; and ▪ interest in a regulated gas pipeline in the Marcellus/Utica basins.
Corporate/Other	▪ 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; and ▪ a small portfolio of remaining power assets.

The following table provides a reconciliation of segment revenue to the disaggregated revenue table disclosed under Note 14:

	Three Months Ended June 30, 2021			
	Utilities	**Midstream**	**Corporate/ Other**	**Total**
External revenue *(note 14)*	**$ 689**	**$ 1,292**	**$ 28**	**$ 2,009**
Intersegment revenue	**—**	**6**	**—**	**6**
Segment revenue	**$ 689**	**$ 1,298**	**$ 28**	**$ 2,015**

	Three Months Ended June 30, 2020			
	Utilities	Midstream	Corporate/ Other	Total
External revenue *(note 14)*	$ 723	$ 299	$ 37	$ 1,059
Intersegment revenue	—	(1)	—	(1)
Segment revenue	$ 723	$ 298	$ 37	$ 1,058

	Six Months Ended June 30, 2021			
	Utilities	**Midstream**	**Corporate/ Other**	**Total**
External revenue *(note 14)*	**$ 2,097**	**$ 2,947**	**$ 50**	**$ 5,094**
Intersegment revenue	**—**	**2**	**—**	**2**
Segment revenue	**$ 2,097**	**$ 2,949**	**$ 50**	**$ 5,096**

	Six Months Ended June 30, 2020			
	Utilities	Midstream	Corporate/ Other	Total
External revenue *(note 14)*	$ 2,128	$ 737	$ 63	$ 2,928
Intersegment revenue	—	11	—	11
Segment revenue	$ 2,128	$ 748	$ 63	$ 2,939

The following tables show the composition by segment:

	Three Months Ended June 30, 2021				
	Utilities	**Midstream**	**Corporate/ Other**	**Intersegment Elimination [a]**	**Total**
Segment revenue *(note 14)*	**$ 689**	**$ 1,298**	**$ 28**	**$ (6)**	**$ 2,009**
Cost of sales	**(362)**	**(1,124)**	**(7)**	**6**	**(1,487)**
Operating and administrative	**(206)**	**(110)**	**(31)**	**—**	**(347)**
Accretion expenses	**—**	**(1)**	**—**	**—**	**(1)**
Depreciation and amortization	**(69)**	**(31)**	**(8)**	**—**	**(108)**
Provisions (reversal of provisions) on assets *(note 6)*	**—**	**19**	**—**	**—**	**19**
Income from equity investments *(note 11)*	**—**	**2**	**—**	**—**	**2**
Other income	**16**	**5**	**—**	**—**	**21**
Foreign exchange gains (losses)	**—**	**(4)**	**12**	**—**	**8**
Interest expense	**—**	**—**	**(69)**	**—**	**(69)**
Income (loss) before income taxes	**$ 68**	**$ 54**	**$ (75)**	**$ —**	**$ 47**
Net additions (reductions) to:					
Property, plant and equipment [b]	**$ 182**	**$ (318)**	**$ —**	**$ —**	**$ (136)**

(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, 2020				
	Utilities	Midstream	Corporate/ Other	Intersegment Elimination [a]	Total
Segment revenue *(note 14)*	$ 723	$ 298	$ 37	$ 1	$ 1,059
Cost of sales	(409)	(159)	(7)	(1)	(576)
Operating and administrative	(230)	(63)	(18)	—	(311)
Accretion expenses	—	(1)	—	—	(1)
Depreciation and amortization	(76)	(10)	(7)	—	(93)
Provisions on assets *(note 6)*	—	—	(3)	—	(3)
Income from equity investments *(note 11)*	—	23	—	—	23
Other income	9	—	6	—	15
Foreign exchange gains (losses)	—	(17)	21	—	4
Interest expense	—	—	(71)	—	(71)
Income (loss) before income taxes	$ 17	$ 71	$ (42)	$ —	$ 46
Net additions (reductions) to:					
Property, plant and equipment [b]	$ 162	$ 29	$ (3)	$ —	$ 188
Intangible assets	$ 1	$ 1	$ 1	$ —	$ 3

(a) Intersegment transactions are recorded at market value.

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

Six Months Ended June 30, 2021		Utilities		Midstream		Corporate / Other		Intersegment Elimination [a]		Total
Segment revenue *(note 14)*	$	**2,097**	$	**2,949**	$	**50**	$	**(2)**	$	**5,094**
Cost of sales		**(1,166)**		**(2,330)**		**(10)**		**2**		**(3,504)**
Operating and administrative		**(447)**		**(215)**		**(51)**		**—**		**(713)**
Accretion expenses		**—**		**(2)**		**1**		**—**		**(1)**
Depreciation and amortization		**(143)**		**(47)**		**(16)**		**—**		**(206)**
Provisions on assets *(note 6)*		**—**		**(57)**		**—**		**—**		**(57)**
Income from equity investments *(note 11)*		**1**		**4**		**—**		**—**		**5**
Other income		**32**		**6**		**(1)**		**—**		**37**
Foreign exchange gains (losses)		**—**		**(17)**		**21**		**—**		**4**
Interest expense		**—**		**—**		**(139)**		**—**		**(139)**
Income (loss) before income taxes	$	**374**	$	**291**	$	**(145)**	$	**—**	$	**520**
Net additions (reductions) to:										
Property, plant and equipment [b]	$	**293**	$	**(297)**	$	**5**	$	**—**	$	**1**
Intangible assets	$	**1**	$	**1**	$	**—**	$	**—**	$	**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.

Six Months Ended June 30, 2020		Utilities		Midstream		Corporate/ Other		Intersegment Elimination [a]		Total
Segment revenue *(note 14)*	$	2,128	$	748	$	63	$	(11)	$	2,928
Cost of sales		(1,194)		(346)		(11)		11		(1,540)
Operating and administrative		(492)		(124)		(33)		—		(649)
Accretion expenses		—		(2)		—		—		(2)
Depreciation and amortization		(150)		(34)		(14)		—		(198)
Provisions on assets *(note 6)*		—		(2)		(3)		—		(5)
Income from equity investments *(note 11)*		3		30		—		—		33
Other income		221		1		11		—		233
Foreign exchange gains (losses)		—		13		(9)		—		4
Interest expense		—		—		(141)		—		(141)
Income (loss) before income taxes	$	516	$	284	$	(137)	$	—	$	663
Net additions to:										
Property, plant and equipment [b]	$	306	$	71	$	10	$	—	$	387
Intangible assets	$	1	$	1	$	2	$	—	$	4

(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		Corporate/ Other		Total
As at June 30, 2021								
Goodwill	**$**	**3,608**	**$**	**1,298**	**$**	**—**	**$**	**4,906**
Segmented assets	**$**	**13,134**	**$**	**6,575**	**$**	**606**	**$**	**20,315**
As at December 31, 2020								
Goodwill	$	3,706	$	1,333	$	—	$	5,039
Segmented assets	$	13,675	$	7,320	$	537	$	21,532

24. Subsequent Events

Subsequent events have been reviewed through July 28, 2021, the date on which these unaudited condensed interim Consolidated Financial Statements were issued.

SUPPLEMENTAL QUARTERLY OPERATING INFORMATION

	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20
OPERATING HIGHLIGHTS					
UTILITIES					
Natural gas deliveries - end use (Bcf) (1)	**22.4**	72.6	50.0	14.2	23.1
Natural gas deliveries - transportation (Bcf) (1)	**25.3**	43.1	35.6	28.3	24.1
Service sites (thousands) (2)	**1,673**	1,675	1,672	1,667	1,664
Degree day variance from normal - SEMCO Gas (%) (3)	**(5.6)**	(6.2)	(4.4)	1.8	20.2
Degree day variance from normal - ENSTAR (%) (3)	**9.0**	9.7	0.2	(13.3)	0.5
Degree day variance from normal - Washington Gas (%) (3) (4)	**20.8**	(7.1)	(10.6)	233.0	45.6
WGL retail energy marketing - gas sales volumes (Mmcf)	**9,887**	24,696	18,053	8,393	11,419
WGL retail energy marketing - electricity sales volumes (GWh)	**3,201**	3,249	3,257	3,688	3,151
MIDSTREAM					
RIPET export volumes (Bbls/d) (5)	**44,973**	50,714	37,782	42,736	41,460
Ferndale export volumes (Bbls/d) (5) (6)	**45,133**	34,750	33,979	—	—
Total inlet gas processed (Mmcf/d) (5)	**1,460**	1,526	1,409	1,328	1,300
Extracted ethane volumes (Bbls/d) (5)	**28,867**	33,138	30,766	24,681	26,699
Extracted NGL volumes (Bbls/d) (5) (7)	**37,070**	38,026	34,199	32,165	29,946
Fractionation volumes (Bbls/d) (5)	**27,900**	28,591	27,026	25,430	20,641
Frac spread - realized ($/Bbl) (5) (8)	**11.59**	14.69	13.95	15.90	16.61
Frac spread - average spot price ($/Bbl) (5) (9)	**20.54**	24.35	9.33	7.11	3.73
Propane Far East Index (FEI) to Mont Belvieu spread (US$/Bbl) (5) (10)	**8.98**	10.14	15.01	8.00	8.08
Butane FEI to Mont Belvieu spread (US$/Bbl) (5) (11)	**10.0**	12.74	12.84	—	—
Natural gas optimization inventory (Bcf)	**1.3**	23.9	39.3	51.1	49.1

(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) Represents propane and butane volumes exported at Ferndale for the period after close of the Petrogas Acquisition on December 15, 2020.
(7) NGL volumes refer to propane, butane and condensate.
(8) 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 spread 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.
(9) 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 spread exposed volumes for the period.
(10) Average propane price spread between FEI and Mont Belvieu TET commercial index.
(11) Average butane price spread between FEI and Mont Belvieu TET commercial index.

OTHER INFORMATION

DEFINITIONS

Bbls/d	barrels per day
Bcf	billion cubic feet
Dth	dekatherm
GJ	gigajoule
GWh	gigawatt-hour
Mcf	thousand cubic feet
Mmcf/d	million cubic feet per day
MW	megawatt
MWh	megawatt-hour
US$	United States dollar

ABOUT ALTAGAS

AltaGas is an energy infrastructure company with a focus on regulated Utilities and Midstream. 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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