AltaGas - **News Release**

AltaGas Generates Record First Quarter Earnings of $11.0 million

CALGARY, Alberta – May 12, 2004 - TSX: ALA.UN

FIRST QUARTER 2004 HIGHLIGHTS

(All financial figures are in Canadian dollars unless otherwise stated.)

- AltaGas Services Inc. delivered record first quarter net income of $11.0 million or $0.24 per share, compared to $10.2 million or $0.23 per share for the same period of 2003. Net income growth for the first quarter of 2004 reflects increased throughput in the Gathering and Processing and Energy Services segments, partially offset by lower margins in the Energy Services segment and warmer weather and regulatory adjustments in the Natural Gas Distribution segment.

- Funds generated from operations for the first quarter of 2004 were $21.6 million compared to $21.9 million the first quarter of 2003. These cash flows were used to fund investment of $18.4 million, dividends of $5.1 million and reduce AltaGas Services Inc.'s total debt by $2.6 million during the quarter. As a result of the debt reduction, AltaGas Services Inc.'s debt to total capitalization ratio decreased to 51.5 percent from 52.2 percent at December 31, 2003.

- Commenting on the quarter, David Cornhill, Chairman and Chief Executive Officer, said "We had a very solid first quarter in all of our businesses. Producers have been extremely active in many of AltaGas' operating areas and we have seen the result of this activity in record tie-in rates for the quarter." Mr. Cornhill added, "We expect pricing and operations to improve in all of our segments and that, looking forward, every quarter this year will surpass last year."

- On April 29, 2004, the securityholders of AltaGas Services Inc. voted 99.9 percent in favour of a plan of arrangement to reorganize the business of AltaGas Services Inc. into an income trust called AltaGas Income Trust (Trust). The plan of arrangement was approved by the Court of Queen's Bench of Alberta on April 30, 2004, and was effected on May 1, 2004. The Plan of Arrangement allowed for securityholders to receive either Trust Units or limited partnership units (Exchangeable Units) that are exchangeable into Trust Units on a one-for-one basis. The Trust currently has approximately 33.7 million Trust Units and 12.2 million Exchangeable Units issued and outstanding. The income trust structure will allow the Trust to reduce future cash tax liability at the corporate level thereby increasing the amount of cash available for distribution to unitholders.

- The Trust will commence monthly distributions on June 15, 2004 to holders of Trust Units and Exchangeable Units of record on May 25, 2004. The amount of the distribution on that date will be $0.15 for each Trust Unit and each Exchangeable Unit. The Trust's Units began trading on May 5, 2004 on the Toronto Stock Exchange (TSX) under the trading symbol ALA.UN. The Exchangeable Units do not trade on the TSX.

- Commenting on the re-organization, David Cornhill, Chairman and Chief Executive Officer, said, "On April 1, 2004, AltaGas Services Inc. celebrated its tenth anniversary as an operating company. We are very proud of the value we have created over the past ten years and we are confident that our change in structure will enhance the value creation opportunities that AltaGas is pursuing. As AltaGas Income Trust, our discipline will continue and our fundamental business strategy will remain the same, based on the acquisition and expansion of infrastructure-based midstream assets. We expect to continue to be efficiently managed by the same qualified team of professionals that has grown AltaGas into a leader in the Canadian midstream industry. We will remain financially conservative, focused on operational excellence, and we will continue to grow our business."

- On March 18, 2004, AltaGas Services Inc. announced that it has entered into a purchase and sale agreement with BP Canada Energy Resources Company (BP) to acquire BP's 48 2/3 percent interest in the Edmonton Ethane Extraction Plant located at Edmonton, Alberta for approximately $46 million. The acquisition, expected to close during the second quarter of 2004, will increase AltaGas' net extraction processing capacity to 539 Mmcf/d.

CONSOLIDATED FINANCIAL HIGHLIGHTS

	Three Months Ended March 31	
($ millions)	**2004**	2003[(4)]
Revenue	**193.5**	203.4
Net revenue [(1)]	**57.2**	54.4
EBITDA [(2)]	**31.2**	30.7
Net income	**11.0**	10.2
Funds generated from operations	**21.6**	21.9

	Three Months Ended March 31	
Results per share (dollars except number of shares)	**2004**	2003[(4)]
EBITDA [(2)]	**0.68**	0.68
Net income	**0.24**	0.23
Funds generated from operations	**0.47**	0.48
Dividends paid per share	**0.11**	0.08
Basic shares outstanding for the period (millions) [(3)]	**45.9**	45.3
Shares outstanding at period end (millions)	**45.9**	45.3

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

(1) Net revenue is gross revenue less the costs of the purchase of natural gas for resale and the costs to purchase power under power purchase arrangements.
(2) Earnings before interest expense, income taxes, and amortization. EBITDA is provided to assist investors in determining the ability of AltaGas to generate cash from operations. This measure does not have any standardized meaning prescribed by generally accepted accounting principles and may not be comparable to similar measures presented by other companies.
(3) Based on the weighted average number of shares outstanding for the period.
(4) Prior periods have been restated for the impacts of the adoption of CICA Handbook requirement for accounting for asset retirement obligations

CONFERENCE CALL

AltaGas will hold a conference call on May 13, 2004 at 9:00 a.m. (ET) to comment on its 2004 first quarter results. The discussion will be followed by a question and answer period.

To participate in the conference call, you may dial 416-913-8746 or 1-800-814-4860 toll-free. Shortly after the conclusion of the live call, the replay will be available by dialing 416-640-1917 or 1-877-289-8525. The pass code is 21047496 followed by the pound key. The replay will expire at midnight (ET) on May 20, 2004.

ABOUT ALTAGAS

AltaGas moves energy from its source to the end user, adding value through the process. AltaGas has over $900 million of assets and a market capitalization of approximately $950 million. Its steadily expanding asset base today includes natural gas gathering and processing facilities, interests in ethane and natural gas liquids extraction plants, and transmission pipelines. AltaGas distributes natural gas to Alberta customers through AltaGas Utilities Inc., to customers in the Northwest Territories through the Ikhil Gas Project and distributes gas in Nova Scotia through its interest in Heritage Gas Limited. AltaGas provides energy services to customers, including marketing of natural gas and natural gas liquids and sale of power from its power purchase based arrangements.

For further information contact:

Media
Dennis Dawson (403) 691-7534
dennis_dawson@altagas.ca

Investment Community
Marilyn Pfaefflin (403) 691-7540
marilyn_pfaefflin@altagas.ca

Website: www.altagas.ca

When used in this press release, the words "anticipate," "estimate," and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated in the forward looking statements. These risks and uncertainties include operating performance, regulatory and environmental issues, weather and economic conditions, competition and financing availability. For additional information on these and other factors see the reports filed by AltaGas with Canadian securities regulators. AltaGas disclaims any intention or obligation to update or revise any forward looking information whether as a result of new information or future event.

REPORT TO SHAREHOLDERS
FOR THE THREE MONTHS ENDED MARCH 31, 2004

MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion and analysis dated May 12, 2004 should be read in conjunction with the accompanying unaudited consolidated financial statements of AltaGas Services Inc. (AltaGas or the Company) for the three months ended March 31, 2004 and the notes thereto and with the Management's Discussion and Analysis contained in the Company's annual report for the year ended December 31, 2003.

Prospective data, comments and analysis are also provided wherever appropriate to assist existing and new investors to see the business from a corporate management viewpoint. Such disclosure is subject to the reasonable constraints of maintaining the confidentiality of certain information which, if published would probably have an adverse impact on the competitive position of the Corporation.

On April 29, 2004, AltaGas' shareholders voted in favor of reorganizing AltaGas' business into an income trust. The Plan of Arrangement received court approval on April 30, 2004 and was effective May 1, 2004. The AltaGas Income Trust (the Trust) began trading on the Toronto Stock Exchange on May 5, 2004 under the trading symbol ALA.UN.

CONSOLIDATED FINANCIAL RESULTS

CONSOLIDATED OPERATING RESULTS	**Three months ended March 31**	
($ millions)	**2004**	2003[1]
Revenue	**193.5**	203.4
Net revenue[2]	**57.2**	54.4
Net income	**11.0**	10.2
Funds generated from operations[2]	**21.6**	21.9
Net additions to capital assets	**14.3**	7.5

[1] Prior periods have been restated for the impacts of the adoption of CICA Handbook requirement for accounting for asset retirement obligations
[2] Non-GAAP financial measure. See discussion below

COMMON SHARE STATISTICS	**Three months ended March 31**	
(dollars except number of shares)	**2004**	2003
Net income per share[1]	**$ 0.24**	$ 0.23
Dividends per share[1]	**$ 0.11**	$ 0.08
Common and preferred shares outstanding (millions)		
Basic	**45.9**	45.3
End of period	**45.9**	45.3

[1] Per share amounts are based on the basic number of shares outstanding during the period.

AltaGas' first quarter 2004 net income is the highest the Company has earned in a first quarter of a year since formation and continues the growth trend achieved throughout the Corporation's 10 year history.

Revenue for the first quarter of 2004 is 5 percent lower than the same period last year due mainly to the lower average prices received for natural gas and power sold in the Natural Gas Distribution and Energy Services segments.

Net revenue, which is gross revenue less cost of sales, increased 5 percent for the first quarter 2004 compared to first quarter 2003. In the extraction component and the Natural Gas Distribution and Energy Services segments, net revenue better reflects performance than does revenue, as changes in the market price of natural gas and power purchased for resale affect both revenue and the cost of goods sold.

Volumes in the Gathering and Processing segment increased in all operating components. In the Energy Services segment, power component volumes were higher quarter over quarter, due to the addition on April 1, 2003 of volumes from the Genesee energy contract. Natural Gas Distribution volumes at AltaGas Utilities Inc. declined slightly year over year due to warmer average weather in 2004 versus 2003, offsetting an increase in the customer base. Heritage Gas activated its natural gas distribution system on December 20, 2003 and served its first customer on December 23, 2003. AltaGas' 24.9 percent share of Heritage Gas' net earnings did not have a material impact on the consolidated results in the first quarter of 2004.

AltaGas' earnings before, interest, taxes and amortization increased 2 percent for the quarter ended March 31, 2004 compared to the same quarter of 2003. Amortization expense was up 2 percent due mainly to Gathering and Processing segment acquisitions and expansions during 2003 and the first quarter of 2004.

Lower average debt levels and higher interest rates resulted in effectively flat interest expense when compared to the same period in 2003.

Income tax expense for the first quarter of 2004 is less than reported for the same period of 2003 even though income before tax was higher. The income of the company is subject to a variety of tax rates and rate reductions currently and in the future. The consolidated income tax rate varies from quarter to quarter depending on the mix and the anticipated timing of the income stream being subject to taxation. The lower first quarter 2004 income tax rate is a result of federal reductions mid-year 2003, a provincial rate reduction arising out of the March 19, 2004 Alberta Budget and a higher relative proportion of income arising from the Gathering and Processing segment, which attracts a lower current rate.

Financial results for the balance of 2004 are expected to continue to strengthen in the Gathering and Processing segment. Drilling activity in the majority of the company's operating areas is expected to remain strong given the favorable commodity pricing environment. In addition, the pursuit of exploitation opportunities in existing operating areas and improved processes are all expected to increase processed volumes. In the Energy Services segment, power prices are expected to be higher providing improved results on the unhedged portion of the company's power portfolio.

NON-GAAP FINANCIAL MEASURES

The company provides certain financial measures in this Management Discussion and Analysis that do not have any standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP). These non-GAAP financial measures may not be comparable to similar measures presented by other companies.

The purpose of these financial measures and their reconciliation to GAAP financial measures is shown below. All of the measures have been calculated in accordance with previous disclosures by the Company. All amounts are in millions of dollars unless otherwise noted.

	Three months ended March 31		
FUNDS GENERATED FROM OPERATIONS	**2004**	2003	% Change
Non-GAAP financial measure	**21.6**	21.9	(1)
Add (deduct): Net change in non-cash working capital	**2.6**	8.8	(70)
Cash from operations (GAAP financial measure)	**24.2**	30.7	(21)

Funds generated from operations is provided to assist in determining the ability of AltaGas to generate cash from operations after interest and taxes without regard to changes in the Corporation's working capital in the period.

NET REVENUE	**Three months ended March 31** **2004**	2003	% Change
Non-GAAP financial measure	**57.2**	54.4	5
Add: Cost of goods sold	**136.3**	149.0	(9)
Revenue (GAAP financial measure)	**193.5**	203.4	(5)

Net revenue is provided in the extraction component and the Natural Gas Distribution and Energy Services segments as net revenue better reflects organic growth in the business than does revenue, as changes in the market price of natural gas and power purchased for resale affect both revenue and the cost of goods sold. This reconciliation shows the difference between revenue and net revenue amounts in the table for Financial and Operating Results for the Gathering and Processing segment.

RESULTS OF OPERATIONS BY SEGMENT

OPERATING INCOME ($ millions, unless otherwise noted)	**Three months ended March 31** **2004**	2003[1]	% Change
Gathering and Processing	**12.0**	9.7	24
Energy Services	**5.3**	6.0	(12)
Natural Gas Distribution	**3.9**	5.2	(25)
	21.2	20.9	1

[1] Prior periods have been restated for the impacts of the adoption of CICA Handbook requirements on accounting for asset retirement obligations

Operating income in the Gathering and Processing segment in the first quarter 2004 showed significant improvement when compared to the same period in 2003, while operating income from the Energy Services and Natural Gas Distribution segments was lower than in the same quarter of the prior year. Key drivers for the business results of each segment are discussed at the component level in the information below.

GATHERING AND PROCESSING

The Gathering and Processing segment includes the field gathering and processing, extraction, and transmission components, and in the "other" component, AltaGas' investments in businesses ancillary to the gathering and processing business.

FINANCIAL RESULTS ($ millions, unless otherwise noted)	**Three months ended March 31** **2004**	2003[1]	% Change
Revenue	**44.7**	43.3	3
Net revenue	**37.8**	34.2	11
Operating and administrative	**19.5**	18.4	6
Amortization expense	**6.3**	6.1	3
Operating income	**12.0**	9.7	24

[1] Prior periods have been restated for the impacts of the adoption of CICA Handbook requirements on accounting for asset retirement obligations

OPERATING STATISTICS	Three months ended March 31		
	2004	2003	% Change
Field gathering and processing			
Capacity (Mmcf/d)	**901**	847	6
Throughput (gross Mmcf/d)(2)	**560**	535	5
Capacity utilization (percent) (2)	**62**	63	(2)
Average working interest (percent) (1)	**87**	88	(1)
Extraction			
Inlet capacity (Mmcf/d)	**349**	349	-
Production (Bbls/d)	**9,047**	6,416	41
Transmission volumes (Mmcf/d) (2)(3)	**396**	319	24

(1) As at March 31
(2) First quarter average
(3) Excludes condensate pipeline volumes

AltaGas' natural gas processing capacity ranks it as one of the top ten Canadian processors of natural gas and one of the top four largest Canadian midstream processors. The Gathering and Processing segment includes more than 6000 kilometers of gathering lines, 69 processing facilities, interests in four extraction facilities and six transmission pipelines. These long-life assets provide service to a diverse customer base under arrangements which include a significant portion of cost of service, fixed fee and recovery of operating cost contracts. Commodity price exposure is minimal and revenues are generally volume driven. Future opportunities derive from the requirement that all natural gas must be processed to meet downstream pipeline specifications en route to the end user. With its extensive gathering infrastructure and the ability to quickly redeploy assets due to the mobile nature of its field gathering and processing plant, the Company is well positioned to offer producers quick access to markets for their natural gas.

For the three months ended March 31, 2004 net revenue for AltaGas' Gathering and Processing segment was $37.8 million, compared to $34.2 million for the first quarter of 2003. Net revenue growth in this segment was the result of increased volumes in the field gathering and processing, extraction and transmission components.

Volumes processed in the field gathering and processing component in the first quarter of 2004 rose due to the December, 2003 acquisition of the Rainbow Lake facilities in northwestern Alberta and from the record number of well tie-ins experienced during the quarter. Gas drilling activity in the Western Canadian Sedimentary Basin continued to strengthen during the first quarter of 2004. A record 155 wells were tied in to AltaGas' field gathering and processing facilities compared with 85 during the same period in 2003. Previous strong tie-in activity, along with the new volumes from the Rainbow Lake facility acquisition more than offset normal natural production declines and increased AltaGas' gross average throughput to 560 Mmcf/d during the first quarter of 2004 compared to 535 Mmcf/d during the first quarter of 2003. These volume increases resulted in field gathering and processing net revenue of $26.5 million in the first quarter of 2004 compared to $24.3 million during the same period in 2003.

During the first quarter of 2004, AltaGas continued its program of internal expansion, completing three development projects in its field gathering and processing areas. At Martin Creek, booster compression was installed, which will increase throughput by 5 Mmcf/d. At the company's Doris facilities, construction of a pipeline was completed that will open up new access to processing areas and increase throughput by 4 Mmcf/d, with the potential to double by year-end. During the quarter, AltaGas also purchased the remaining 25 percent of its Namaka facility bringing its ownership to 100 percent. All three development projects are supported by producer commitments designed to minimize AltaGas' financial exposure to throughput declines.

In the extraction component, processed volumes for the first quarter of 2004 increased to 9,047 Bbls/d of ethane and natural gas liquids (NGLs) compared to an average of 6,416 Bbls/d for the same period in 2003. The higher average production for the first three months of 2004 is a result of modifications to the Empress EnCana extraction facility that increased ethane production effective the fourth quarter of 2003 and the full quarter impact of the Joffre ethane extraction plant commissioning,which was commissioned during the first quarter of 2003. As a result of the higher volumes, net revenue for the extraction component grew 18 percent during the first quarter of 2004 compared to the first quarter of 2003, reaching $3.5 million.

Extraction continues to be a vital link in AltaGas' midstream energy value chain and AltaGas is committed to growing its extraction asset portfolio. Late in the first quarter of 2004, AltaGas entered into a purchase and sale agreement with BP Canada Energy Resources Company (BP) for BP's 48 2/3 percent interest in the Edmonton Ethane Extraction Plant (EEEP) located at Edmonton, Alberta. The plant has a licensed inlet capacity of 390 Mmcf/d of natural gas and gross natural gas liquids production of approximately 15,000 Bbls/d of specification ethane and 6,000 Bbls/d of propane-plus product. The $46.0 million acquisition, expected to close during the second quarter of 2004, increases AltaGas' net extraction processing capacity to 539 Mmcf/d. AltaGas' share of plant products will be sold under long term contracts and a long term gas supply contract provides secure feedstock supply to EEEP.

During the first quarter of 2004, net revenue in AltaGas' transmission component grew 13 percent to $7.0 million from $6.2 million in the first quarter of 2003. AltaGas' total average transmission volumes increased to 396 Mmcf/d for the first quarter of 2004 from 319 Mmcf/d for the same period in 2003. This is primarily a result of increased drilling and completion activities in the Suffield area.

Net additions to capital assets in the Gathering and Processing segment were $10.9 million during the first quarter of 2004, up from $5.3 million in 2003. In 2004 $8.7 million was invested in acquisitions and expansions, including approximately $7.0 million for a deposit on BP Canada Energy Resources Company's 48 2/3 percent interest in EEEP. The balance of $2.2 million in 2004 was spent to maintain throughput at existing field gathering and processing, extraction and transmission facilities and pipelines.

ENERGY SERVICES

The Energy Services segment is comprised of the power services, gas services and oil and gas production components. The financial results of the power services component account for 94 percent of overall segment financial results and as such the commentary in this section will be restricted to the contributions from power services.

FINANCIAL RESULTS	**Three months ended March 31**		
($ millions, unless otherwise noted)	**2004**	2003	% Change
Revenue	**133.4**	148.8	(10)
Net revenue[1]	**9.8**	9.7	1
Operating income[2]	**5.3**	6.0	(12)

[1] Gross revenue less cost of sales
[2] Gross revenue less costs of sales less operating and general and administration expense and amortization

OPERATING STATISTICS	**Three months ended March 31**		
	2004	2003	% Change
Volume of power sold (thousands of MWh)	**863**	660	31
Average price received on the sale of power ($/MWh)[1]	**45.78**	46.07	(1)
Alberta Power Pool average spot price ($/MWh) [1]	**48.78**	83.85	(42)

[1] Average for the period

The Energy Services segment generated net revenue of $9.8 million for the first quarter of 2004 compared to $9.7 million for the same period in 2003. In the first quarter of 2004 AltaGas had 453 megawatts of power capacity which represents approximately 6 percent of Alberta's power capacity. Power supply was 100 megawatts higher than first quarter of 2003 as a result of the addition of the Genesee energy contract volumes on April 1, 2003.

Increases in revenues in this segment resulting from the additional volumes were partially offset by higher transmission and interconnection charges from Sundance B, outages at both the Sundance and Genesee plants during the first quarter of 2004 and to true ups on transmission charges by the Alberta Electric System Operator (AESO or the Operator - formerly the Transmission Authority). AESO is entitled to recover or refund variances between revenues collected through transmission charges and expenses incurred by the Operator through true up adjustments calculated quarterly. For first quarter of 2004, the adjustment resulted in a charge to income while in the first quarter of 2003 the adjustment was in AltaGas' favour.

AltaGas does not engage in speculative trading of power but reduces its exposure to power price volatility by using a balanced portfolio of contracts to lock in power margins. The average price AltaGas received from power sales in the first quarter of 2004 was $45.78 per MWh compared to $46.07 per MWh in the first quarter of 2003. Average Alberta Power Pool spot prices were $48.78 per MWh and $83.85 per MWh in the first quarters 2004 and 2003 respectively.

In this segment, the Corporation also reports the results of the oil and gas production component and the gas services component. AltaGas is not in the business of exploration and development of natural gas reserves. However, associated with certain of its facility acquisitions, AltaGas has accumulated a portfolio of oil and natural gas reserves that it continues to hold and produce.

NATURAL GAS DISTRIBUTION

The Natural Gas Distribution segment includes AltaGas Utilities Inc. (AltaGas Utilities or AUI), AltaGas' one-third interest in Inuvik Gas Ltd. (Inuvik Gas) and its 24.9 percent interest in Heritage Gas Limited (Heritage Gas).

FINANCIAL RESULTS	**Three months ended March 31**		
($ millions, unless otherwise noted)	**2004**	2003	% Change
Revenue	**48.1**	58.3	(17)
Net revenue[1]	**9.7**	10.6	(8)
Operating income[2]	**3.9**	5.2	(25)

[1] Gross revenue less cost of sales
[2] Gross revenue less costs of sales less operating and general and administration expense and amortization

OPERATING STATISTICS [1]	**Three months ended March 31**		
	2004	2003	% Change
Volume of natural gas distributed			
Sales (Bcf)	**5.5**	5.9	(7)
Transportation (Bcf)	**3.0**	1.9	58
Degree day variance (percent)[2]	**2.0**	9.2	(78)
Number of customers[3]	**59,528**	58,700	1

[1] AUI only
[2] Variance from 20 year average. Positive variances are favorable
[3] At March 31

In the first quarter of 2004, net revenue in AltaGas' Natural Gas Distribution segment was $9.7 million compared to $10.6 million for the same period in 2003. This decrease is due partially to warmer weather in 2004 compared to the first quarter of 2003 and to the impact of completion of negotiations on AUI's general rate application filed with the Alberta utilities regulator. AUI and Heritage Gas are provincially regulated as to natural gas rates and terms and conditions of service. Customer rates are based on anticipated sales as well as the revenue required to recover estimated cost of service and an allowed return on rate base. Rate base generally consists of the aggregate of the utility's approved investment in plant, property and equipment in service, less accumulated deprecation plus an allowance for working capital. Return on rate base is comprised of regulatory allowed financing costs and return on common equity. The recent negotiations resulted in final allowable rates for interest expense and return on equity lower than AUI anticipated and a charge to net income of $0.5 million in the first quarter of 2004 related to previously recorded 2003 results.

The natural gas distribution business is highly seasonal with the majority of natural gas deliveries occurring during the winter heating season. Gas sales during the winter typically account for approximately two-thirds of annual distribution net revenue, resulting in strong first and fourth quarter results and second and third quarters that show either small profits or losses.

Net additions to capital assets in the Natural Gas Distribution segment were $1.8 million during the quarter ended March 31, 2004 compared to $1.4 million for the same period in 2003. Of the additions in 2004, $1.0 million were related to costs associated with routine system betterment projects and new business development.

LIQUIDITY

Funds generated from operations were $21.6 million in the first quarter of 2004 compared to $21.9 million for the same period in 2003.

In the first quarter of 2004 $16.5 million of the funds generated from operations were used to acquire and expand facilities, up slightly from $9.1 million in the first quarter of 2003. AltaGas invested $2.2 million in the first quarter of 2004 to acquire additional Taylor NGL Limited Partnership units. Dividend payments in first quarter 2004 of $5.1 million were higher than the first quarter 2003 payments of $3.6 million due to the strength and sustainability of AltaGas earnings.

AltaGas reduces financing costs and minimizes the effect of future interest rate movements on its cash flows through the use of interest rate swaps. The total amount of debt with variable interest rates that was fixed through interest rate swaps at March 31, 2004 was $230.0 million. At March 31, 2004 interest rates had been fixed on approximately 84 percent of the Corporation's total debt, including the swaps and AltaGas' $100.0 million of medium term notes.

CONTRACTUAL OBLIGATIONS

There have been no material changes to AltaGas' contractual obligations, including payments due for each of the next five years and thereafter, since December 31, 2003. For further information on these contractual obligations, refer to Management's Discussion and Analysis in AltaGas' 2003 Annual Report.

CAPITAL RESOURCES

AltaGas believes that its access to debt and equity markets, unutilized bank credit facilities and cash generated from operations will provide it with sufficient capital resources and liquidity to fund existing operations, future AltaGas Income Trust distributions, and certain acquisition and expansion opportunities in 2004. A description of the AltaGas' credit facilities can be found in Notes 7 and 8 to the consolidated financial statements included in AltaGas' 2003 Annual Report.

The use of debt or equity funding is determined on the basis of capital structure. AltaGas' capital structure is determined by considering the norms and risks associated with each of its business components and segments. AltaGas funds all subsidiary borrowings.

At March 31, 2004, AltaGas had total debt outstanding of $394.3 million, compared to $396.9 million at December 31, 2003. This $2.6 million debt reduction, after investing activities of $18.4 million and dividends of $5.1 million demonstrates the cash flow generation capability of AltaGas' assets. AltaGas' debt to total capitalization ratio decreased to 51.5 percent at March 31, 2004 from 52.2 percent at December 31, 2003. As an income trust, AltaGas will continue to decrease debt as a proportion of its capital structure and will target a debt to total capitalization ratio between 45 percent and 50 percent.

OFF BALANCE SHEET ARRANGEMENTS

The Corporation is not party to any contractual arrangement under which an unconsolidated entity may have any obligation under certain guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets. The Corporation has no obligation under derivative instruments, nor under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the registrant, or engages in leasing, hedging or research and development services with the registrant.

RELATED PARTIES

On March 19, 2004 AltaGas purchased 320,000 units of Taylor NGL Limited Partnership (Taylor) at a cost of $2.2 million. Taylor's business is the ownership and operatorship of facilities in the midstream sector of the Western Canadian natural gas industry including a fifty percent interest in the Joffre ethane extraction plant. AltaGas owns the other 50 percent interest in that plant. AltaGas' interest in Taylor after this purchase is 18.5 percent.

PROPOSED TRANSACTIONS

On April 29, 2004, AltaGas' shareholders voted in favour of reorganizing AltaGas' business into an income trust. The Plan of Arrangement received court approval on April 30, 2004 and was effective May 1, 2004. The AltaGas Income Trust began trading on the Toronto Stock Exchange on May 5, 2004 under the trading symbol ALA.UN. As a mutual fund trust, AltaGas Income Trust owns AltaGas' business and will make regular monthly cash distributions to unitholders.

On March 18, 2004, AltaGas announced that it had entered into a purchase and sale agreement with BP Canada Energy Resources Company (BP) to acquire BP's 48 2/3 percent interest in the Edmonton Ethane Extraction Plant located at Edmonton, Alberta for approximately $46 million. The transaction is expected to close during the second quarter of 2004 after the receipt of provincial government approval of the transfer of operator licenses to AltaGas.

CHANGES IN ACCOUNTING POLICY

Effective January 1, 2004, the Company prospectively adopted the provisions of the CICA's new Accounting Guideline "Hedging Relationships" that specifies the circumstances in which hedge accounting is appropriate, including the identification, documentation, designation and effectiveness of hedges, and the discontinuance of hedge accounting. The Company has determined the effectiveness of the hedges are well above thresholds required in the provisions and therefore there has been no impact on the consolidated financial statements.

Also effective January 1, 2004, AltaGas retroactively adopted the provisions of the CICA Handbook Section 3870 regarding stock based compensation and other stock based payments, which results in expensing of stock options granted to employees. Implementation of this Section resulted in a decrease to the first quarter 2004 net income of $0.1 million and an adjustment to shareholders' equity accounts of $0.5 million.

CRITICAL ACCOUNTING ESTIMATES

Since a determination of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of the Company's consolidated financial statements requires the use of estimates and assumptions which have been made using careful judgment. AltaGas' critical accounting estimates continue to be amortization expense, asset retirement obligations and asset impairment assessment. For further information on these critical accounting estimates, refer to Management's Discussion and Analysis in AltaGas' 2003 Annual Report.

FINANCIAL INSTRUMENTS

AltaGas enters into financial derivative contracts such as swaps and collars to manage exposure to fluctuations in commodity prices, particularly in the power component and interest rates on debt. These contracts are designed as hedges and gains and losses relating to such contracts are deferred and recognized in the same period and financial statement category as the corresponding hedged transaction.

The most significant impact of these contracts on 2004 business has been to provide revenue stability in the power component. Power Pool monthly average spot prices ranged in the first quarter of 2004 from $45.46 per MWh to $56.51 per MWh. Through the use of financial hedges on the portion of its portfolio deemed optimal by management, AltaGas moderated the impact of this volatility.

OUTSTANDING SHARE DATA

AltaGas common and preferred shares outstanding at March 31, 2004 were 45,927,793, up from 45,716,844 at December 31, 2003. The most significant change during the period related to the issue of shares for cash on the exercise of options. At March 31, 2003 45,331,342 common and preferred shares were outstanding.

Under the terms of the restructuring of AltaGas into an Income Trust effective May 1, 2004, AltaGas securityholders exchanged their shares in the company for mutual fund trust units and eligible securityholders also received exchangeable units that are exchangeable into mutual fund trust units on a one for one basis. At May 1, 2004 a total of 45,928,293 units were outstanding comprising 3,394,216 Limited Partnership #1 exchangeable units, 8,866,009 Limited Partnership #2 exchangeable units and 33,668,068 mutual fund trust units. The mutual fund trust units trade on the TSX under the symbol ALA.UN. The exchangeable units do not trade on the TSX.

Holders of limited partnership units issued under the reorganization are reminded that in order to obtain tax-deferred treatment (in full or in part) with respect to the transfer of your common shares of AltaGas Services Inc., there is a requirement to complete the applicable income tax election form(s) and submit that form (or those forms) to Computershare Trust Company of Canada within 90 days of May 1, 2004, as more particularly set forth in Section 2.4 of the Plan of Arrangement attached as Schedule A to Appendix C to the Information Circular and Proxy Statement of AltaGas Services Inc. dated March 26, 2004.

ALTAGAS SERVICES INC.
CONSOLIDATED BALANCE SHEETS

($ thousands)

	March 31 2004 (unaudited)	December 31 2003
ASSETS		
Current assets		
Accounts receivable	**$ 86,046**	$ 88,463
Inventory	**321**	1,879
Other	**1,569**	5,806
	87,936	96,148
Capital assets	**683,741**	677,911
Energy services arrangements and contracts	**99,541**	101,035
Goodwill	**18,860**	18,860
Future income taxes	**207**	208
Investments and other assets	**26,991**	25,098
	$ 917,276	$ 919,260
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 65,946**	$ 74,726
Short-term debt	**10,582**	4,493
Other	**8,491**	7,857
	85,019	87,076
Long-term debt	**383,732**	392,358
Asset retirement obligations	**14,230**	13,962
Future income taxes	**63,058**	62,537
	461,020	468,857
Shareholders' equity		
Share capital (note 3)	**269,826**	268,040
Contributed surplus (note 2)	**468**	-
Retained earnings	**100,943**	95,287
	371,237	363,327
	$ 917,276	$ 919,260

See accompanying notes to the consolidated financial statements

ALTAGAS SERVICES INC.
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
(unaudited)

($ thousands except per share amounts)

	Three months ended March 31	
	2004	2003 (restated, note 6)
REVENUE		
Operating	**$ 193,129**	$ 203,456
Other	**390**	22
	193,519	203,478
EXPENSES		
Cost of sales	**136,329**	149,112
Operating and administrative	**26,048**	23,727
Amortization	**9,990**	9,762
	172,367	182,601
Operating income	**21,152**	20,877
Interest expense		
Short-term debt	**107**	697
Long-term debt	**5,428**	4,853
Income before income taxes	**15,617**	15,327
Income taxes	**4,578**	5,087
Net income	**11,039**	10,240
Retained earnings, beginning of period	**95,287**	74,256
Change in accounting policy (note 2)	**(332)**	
Dividends	**(5,051)**	(3,627)
Retained earnings, end of period	**$ 100,943**	$ 80,869
Net income per share (note 3)		
Basic	**$ 0.24**	$ 0.23
Diluted	**$ 0.24**	$ 0.22

See accompanying notes to the consolidated financial statements

ALTAGAS SERVICES INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
(unaudited)

($ thousands)

	Three months ended March 31	
	2004	2003 (restated, note 6)
Cash from operations		
Net income	**$ 11,039**	$ 10,240
Items not involving cash:		
Amortization	**9,990**	9,762
Accretion of asset retirement obligations	**183**	219
Stock option compensation (note 2)	**136**	-
Future income taxes	**521**	1,603
Loss on sale of assets and investments	**77**	2
Equity income	**(453)**	(24)
Other	**65**	136
Funds generated from operations	**21,558**	21,938
Decrease in deferred revenue and other	**-**	7
Net change in non-cash working capital	**2,613**	8,792
	24,171	30,737
Investing activities		
Acquisition of capital assets	**(16,483)**	(9,074)
Disposition of capital assets	**-**	196
Acquisition of energy services arrangements and contracts	**(12)**	(14)
Acquisition of investments and other assets	**(2,173)**	(425)
Disposition of investments and other assets	**300**	1,480
	(18,368)	(7,837)
Financing activities		
Decrease in operating loans	**(2,538)**	(19,945)
Dividends	**(5,051)**	(3,627)
Net proceeds from issuance of common shares (note 3)	**1,786**	672
	(5,803)	(22,900)
Change in cash	**-**	-
Cash, beginning of period	**-**	-
Cash, end of period	**$ -**	$ -

See accompanying notes to the consolidated financial statements

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
($ thousands except per share amounts or where otherwise noted)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements of AltaGas Services Inc. (the Company) have been prepared by management in accordance with Canadian generally accepted accounting principles. The accounting policies applied are consistent with those outlined in the Company's annual consolidated financial statements for the fiscal year ended December 31, 2003, except as noted below in note 2. These interim consolidated financial statements for the quarter ending March 31, 2004 do not include all of the disclosures required in the annual financial statements, and should be read in conjunction with the audited consolidated financial statements included in AltaGas' 2003 Annual Report.

2. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2004, the Company adopted the new Canadian Institute of Chartered Accountants standard for accounting for stock-based compensation ("Section 3870"), which requires the use of the fair value method to account for stock options. Based on the Black-Scholes option valuation model, stock options are valued at the date of the grant and recognized as compensation expense over their expected life.

This change in accounting policy has been adopted retroactively without prior period restatement. In accordance with Section 3870, only stock options issued on, or after, the initial adoption date of the section are recognized in the financial statements. No compensation expense is recorded for stock options issued and outstanding prior to January 1, 2002. This change in accounting policy resulted in a reduction of opening retained earnings for 2004 and a charge to income in the first quarter of 2004 as presented below as increases (decreases) in the affected categories of the Consolidated Balance Sheets and Consolidated Statements of Income and Retained Earnings.

		March 31 2004
Consolidated Balance Sheet		
Contributed surplus	**$**	**468**
Opening retained earnings		**(332)**
Consolidated Income Statement		
Operating and administrative	**$**	**136**

3. SHARE CAPITAL

Authorized:

- an unlimited number of common shares without nominal or par value.
- an unlimited number of preferred shares without nominal or par value.

Common Shares Issued:	Number of Shares	Amount
December 31, 2003	36,716,844	$ 179,076
Issued for cash on exercise of options	208,949	1,747
Issued for compensation	2,000	39
March 31, 2004	**36,927,793**	**$ 180,862**

Preferred Shares Issued:	Number of Shares	Amount
December 31, 2003 and March 31, 2004	**9,000,000**	**$ 88,964**
Total shares issued	**45,927,793**	**$ 269,826**

The Company has an employee stock option plan under which both employees and directors are eligible to receive grants. At March 31, 2004 3,800,000 common shares were reserved for issuance under the plan. To March 31, 2004 options granted under the plan generally had a term of ten years to expiry and vested no longer than over a four year period. Options outstanding under the plan have a weighted average exercise price of $9.31 and a weighted average remaining contractual life of 8.29 years.

	Number of Options	Weighted Average Exercise Price
Stock options outstanding, December 31, 2003	1,506,362	$ 8.74
Granted	107,000	15.07
Exercised	(208,949)	8.37
Cancelled	(19,925)	7.24
Stock options outstanding, March 31, 2004	**1,384,488**	**$ 9.31**
Exercisable at March 31, 2004	**451,025**	**$ 7.53**

The basic number of shares outstanding for the three months ended March 31, 2004 was 45.9 million (March 31, 2003 - 45.3 million) and the diluted number of shares outstanding for the three months ended March 31, 2004 was 46.6 million (March 31, 2003 - 45.7 million).

4. RELATED PARTY TRANSACTIONS

During 2003, AltaGas acquired a 19.2 percent interest in the outstanding limited partnership units of Taylor NGL Limited Partnership ("Taylor") for total consideration of $18.1 million.

On March 18, 2004, AltaGas purchased an additional 320,000 limited partnership units of Taylor for $2.2 million. The purchase resulted in a dilution of AltaGas' ownership in Taylor to 18.5 percent and an unrealized dilutive gain of $192 thousand.

5.

5. SEGMENTED INFORMATION

AltaGas is a midstream energy company with a portfolio of assets and services used to move energy from the source to the end-user. The Company has three reportable segments:

Gathering and Processing – natural gas gathering and processing, natural gas transmission, and ethane and natural gas liquids extraction.

Energy Services – power services, gas services and oil and natural gas production.

Natural Gas Distribution – natural gas distribution to end users and related services.

For the three months ended March 31, 2004	**Gathering and Processing**	**Energy Services**	**Natural Gas Distribution**	**Intersegment Elimination**	**Total**
Revenue	**$ 44,692**	**$ 133,409**	**$ 48,129**	**$ (32,711)**	**$ 193,519**
Cost of sales	**(6,900)**	**(123,649)**	**(38,387)**	**32,607**	**(136,329)**
Operating and administrative expenses	**(19,545)**	**(2,332)**	**(4,275)**	**104**	**(26,048)**
Amortization	**(6,276)**	**(2,132)**	**(1,582)**	**-**	**(9,990)**
Operating income	**$ 11,971**	**$ 5,296**	**$ 3,885**	**$ -**	**$ 21,152**
Net additions to capital assets	**$ 12,107**	**$ 302**	**$ 1,845**		**$ 14,254**
Segment assets	**$ 629,007**	**$ 154,126**	**$ 134,143**		**$ 917,276**

For the three months ended March 31, 2003 (restated, note 6)	**Gathering and Processing**	**Energy Services**	**Natural Gas Distribution**	**Intersegment Elimination**	**Total**
Revenue	$ 43,367	$ 148,803	$ 58,274	$ (46,966)	$ 203,478
Cost of sales	(9,133)	(139,121)	(47,710)	46,852	(149,112)
Operating and administrative expenses	(18,515)	(1,551)	(3,775)	114	(23,727)
Amortization	(6,052)	(2,168)	(1,542)	-	(9,762)
Operating income	$ 9,667	$ 5,963	$ 5,247	$ -	$ 20,877
Net additions to capital assets	$ 5,270	$ 859	$ 1,395		$ 7,524
Segment assets	$ 596,220	$ 176,680	$ 145,754		$ 918,654

6. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current financial statement presentation. Prior periods have been restated for the impacts of the December 31, 2003 adoption of CICA Handbook Section on accounting for asset retirement obligations.

7. SEASONALITY

The natural gas distribution business is highly seasonal with the majority of natural gas deliveries occurring during the winter heating season. Gas sales during the winter typically account for approximately two-thirds of annual gas distribution revenue, resulting in strong first and fourth quarter results and second and third quarters that show either small profits or losses.

8. SUBSEQUENT EVENTS

On April 29, 2004, AltaGas' shareholders voted in favour of reorganizing AltaGas' business into an income trust. The Plan of Arrangement received regulatory and court approvals on April 30, 2004 and the Trust began trading on the Toronto Stock Exchange on May 5, 2004 under the trading symbol ALA.UN. As a new open-ended investment trust, AltaGas Income Trust owns AltaGas' existing business and will make regular monthly cash distributions to unitholders.

On March 18, 2004, AltaGas announced that it entered into a purchase and sale agreement with BP Canada Energy Resources Company ("BP") to acquire BP's 48 2/3 percent interest in the Edmonton Ethane Extraction Plant located at Edmonton, Alberta for approximately $46 million. The transaction is expected to close during the second quarter of 2004 after the receipt of provincial government approval of the transfer of operator licenses to AltaGas.

OTHER INFORMATION

FINANCIAL SUMMARY BY BUSINESS SEGMENT

($ millions)	**Q1/04**	Q4/03	Q3/03	Q2/03	Q1/03
Revenue					
Gathering and Processing					
Field gathering and processing	**27.8**	29.0	26.5	24.8	25.1
Extraction	**10.4**	10.3	8.8	8.6	12.1
Transmission	**7.0**	6.7	6.7	6.4	6.2
Intercomponent elimination	**(0.5)**	(0.5)	(0.9)	(0.5)	(0.1)
Energy Services	**133.4**	125.1	114.1	121.1	148.8
Natural Gas Distribution(1)	**48.1**	34.7	12.9	23.5	58.3
Intersegment elimination	**(32.7)**	(26.3)	(10.2)	(15.3)	(47.0)
	193.5	179.0	157.9	168.6	203.4
Net revenue					
Gathering and Processing					
Field gathering and processing	**27.8**	29.0	26.5	24.8	25.1
Extraction	**3.5**	3.6	2.2	2.3	3.0
Transmission	**7.0**	6.7	6.7	6.4	6.2
Intercomponent elimination	**(0.5)**	(0.5)	(0.9)	(0.5)	(0.1)
Energy Services	**9.8**	13.1	14.0	12.5	9.7
Natural Gas Distribution(1)	**9.7**	9.2	4.9	5.8	10.6
Intersegment elimination	**(0.1)**	(0.1)	(0.1)	(0.1)	(0.1)
	57.2	61.0	53.3	51.2	54.4
Operating income					
Gathering and Processing	**12.0**	13.5	10.2	9.0	9.7
Energy Services	**5.3**	8.7	9.5	8.3	6.0
Natural Gas Distribution(1)	**3.9**	3.7	(0.5)	0.3	5.2
	21.2	25.9	19.2	17.6	20.9

(1) Q2 and Q3 2003 financial results and natural gas distributed (Bcf) reflect the normal lower seasonal demand for natural gas in the Natural Gas Distribution segment.
Notes: Certain comparative figures have been reclassified to conform to the current financial statement presentation.
AltaGas adopted CICA Handbook guidelines on asset retirement obligations in 2003. Prior year information has been restated for the effect of this adoption.

OPERATING SUMMARY BY BUSINESS SEGMENT

	Q1/04	Q4/03	Q3/03	Q2/03	Q1/03
Gathering and Processing					
Field gathering and processing					
Processing capacity (gross Mmcf/d) (1)	**901**	861	835	838	847
Processed throughput (gross Mmcf/d) (2)	**560**	523	514	510	535
Capacity utilization (percent) (1)	**62**	61	62	61	63
Average working interest (percent) (1)	**87**	90	88	88	88
Extraction					
Inlet capacity (Mmcf/d) (1)	**349**	349	349	349	349
Production (Bbls/d) (2)	**9,047**	8,182	5,440	6,195	6,416
Transmission volumes (Mmcf/d) (2) (4)	**396**	403	347	321	319
Energy Services					
Volume of power sold (thousands of MWh)	**863**	873	872	861	660
Price received on the sale of power ($/MWh) (2)	**45.78**	46.97	48.28	46.55	46.07
Average Alberta Power Pool prices ($/MWh) (2)	**48.78**	54.78	62.39	50.88	83.85
Natural Gas Distribution(5)					
Customers	**59,528**	59,543	58,941	58,671	58,700
Volume of natural gas distributed					
Sales (Bcf) (6)	**5.5**	4.5	1.3	2.1	5.9
Transportation (Bcf)	**3.0**	3.0	2.6	2.2	1.9
Degree day variance (percent) (3)	**2.0**	3.4	(5.9)	15.4	9.2

(1) At period end.
(2) Quarter average.
(3) Variance from 20-year average. Positive variances are favourable.
(4) Excludes condensate transmission volumes.
(5) Excludes Inuvik Gas Ltd. and Heritage Gas Limited operating statistics.
(6) Q2 and Q3 2003 financial results and natural gas distributed (Bcf) reflect the normal lower seasonal demand for natural gas in the Natural Gas Distribution segment.

DIVIDENDS

On January 11, 2001 the Corporation declared its first quarterly cash dividend per fully paid common share and participating share in the capital stock of the Company, which was paid on March 31, 2001. No dividends were paid on any shares of AltaGas from the date of its incorporation to the end of December 2000. The following table summarizes AltaGas' dividend history.

(dollars)	**2004**	2003	2002	2001
First quarter	**$ 0.11**	$ 0.08	$ 0.06	$ 0.03
Second quarter	not applicable	0.08	0.06	0.03
Third quarter	not applicable	0.11	0.08	0.06
Fourth quarter	not applicable	0.11	0.08	0.06
	$ 0.11	$ 0.38	$ 0.28	$ 0.18

On April 29, 2004, AltaGas announced that AltaGas Income Trust will commence monthly distributions on June 15, 2004 to holders of Trust Units and holders of Exchangeable Units of record on May 25, 2004. The amount of the distribution will be $0.15 for each Trust Unit and each Exchangeable Unit.

Distribution levels will be reviewed periodically by the Board of Directors giving consideration to AltaGas' growth-related initiatives, financial position, financing requirements, cash flow and other relevant factors.

EARNINGS COVERAGE RATIO

The following table sets forth AltaGas Services Inc.'s earnings coverage ratio which is provided in connection with its continuous offering of medium term notes. The financial ratio has been calculated based on Canadian generally accepted accounting principles.

	March 31 2004	December 31 2003
Earnings coverage on short and long term debt	**3.8 x**	3.8x

DEFINITIONS

Bbls/d	barrels per day
Bcf	billion cubic feet
Mmcf/d	million cubic feet per day
MW	megawatt
MWh	megawatt-hour
Net revenue	gross revenue less the costs of the purchase of natural gas for resale and the costs to purchase power under power purchase arrangements

When used in this report, the words "outlook", "anticipate," "estimate," and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated in the forward-looking statements. These risks and uncertainties include operating performance, regulatory and environmental issues, weather and economic conditions, competition and financing availability. For additional information on these and other factors see the reports filed by AltaGas with Canadian securities regulators. AltaGas disclaims any intention or obligation to update or revise any forward looking information whether as result of new information or future events.