



NEWS RELEASE

ALTAGAS INCOME TRUST PROPOSES TO SPIN OUT NATURAL GAS DISTRIBUTION BUSINESS

Calgary, Alberta (May 25, 2005) -- AltaGas Income Trust (AltaGas) (TSX:ALA.UN) announced today that the Board of Directors has approved in principle the disposition of the natural gas distribution business of AltaGas as a public corporation separate from AltaGas Income Trust and its subsidiaries.

AltaGas' natural gas distribution business assets totaled \$144.1 million as at March 31, 2005 comprising interests in natural gas distribution utility companies operating in Alberta, Nova Scotia and the Northwest Territories. AltaGas Utilities Inc., 100 percent owned by AltaGas, serves over 60,000 customers in 90 communities in Alberta. Heritage Gas Limited, 24.9 percent owned by AltaGas, has the franchise rights to develop distribution systems in six counties in Nova Scotia, and began deliveries to customers in December 2003. Inuvik Gas Ltd., 33.33 percent owned by AltaGas, owns and operates the natural gas distribution system serving the town of Inuvik, Northwest Territories.

As part of the transaction it is anticipated that AltaGas unitholders would receive a distribution of shares of a newly formed corporation that would indirectly own the assets of the natural gas distribution business. The disposition would be subject to various regulatory approvals and is expected to be implemented in the third quarter of 2005.

David Cornhill, Chairman and CEO of AltaGas remarked "The new company will generate solid performance from its utility businesses, and the build out to new natural gas users in Heritage Gas' franchise areas provides future growth for the new corporation." He went on to say that "The separation of the investment in AltaGas Income Trust into two investments is expected to enhance unitholder value."

AltaGas moves energy from its source to the end user, adding value through the process. AltaGas has consolidated assets totaling over \$1 billion and a market capitalization of approximately \$1.2 billion. 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 Inuvik Gas Ltd. and in Nova Scotia through its interest in Heritage Gas Limited. The Trust provides energy services to customers, including marketing of natural gas and natural gas liquids, sale of power from its power purchase based arrangements and, as a leading energy agency business, specializes in the procurement and supply of energy to end users.

AltaGas' Trust Units are listed on the Toronto Stock Exchange under the symbol ALA.UN. AltaGas is included in the S&P/TSX Capped Income Trust Index and the S&P/TSX Capped Energy Trust Index.

When used in this news 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.

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