AltaGas

NEWS RELEASE

ALTAGAS INCOME TRUST REPORTS RECORD EARNINGS OF $37.6 MILLION IN FIRST QUARTER 2008

Calgary, Alberta (May 7, 2008) – AltaGas Income Trust (AltaGas or the Trust) (TSX: ALA.UN) today announced record net income of $37.6 million ($0.58 per unit) for the three months ended March 31, 2008, compared to $24.6 million ($0.43 per unit) for the same period of 2007 – an increase of 53 percent quarter-over-quarter.

“Our record first quarter results are solid proof that our growth strategy is working," said David Cornhill, Chairman and CEO of AltaGas. " With the contribution of the Taylor assets, our earnings have exceeded market expectations. We continue to actively create opportunities to further enhance the value of these assets, while acquiring and growing other infrastructure assets in our gas and power businesses.”

AltaGas announced the successful completion of the acquisition of Taylor NGL Limited Partnership (Taylor) on January 10, 2008. The newly acquired assets are low-risk and long-life and complementary to AltaGas' existing businesses. They significantly enhance AltaGas' Extraction and Transmission (E&T) segment, improving the balance in earnings between the Trust's gas and power businesses.

Further, AltaGas recently announced $55 million in projects at its Harmattan natural gas extraction complex that will increase volumes and enhance efficiency, thereby reducing operating costs at the complex.

“Looking ahead to the rest of 2008, we now expect to deliver mid to high-single digit growth in earnings per unit,” commented Cornhill. “Earnings growth is expected despite significant turnarounds in our gas business planned for the second and third quarters of 2008, as our assets continue to perform strongly. This growth in earnings is expected to continue in 2009 and 2010 as we add to and enhance our base business and projects such as the Bear Mountain Wind Park and Sarnia Airport Storage Pool Project start adding to earnings.”

Also contributing to AltaGas' record first quarter earnings were the results from effective commodity hedging and risk mitigation strategies, complemented by strong power prices and frac spreads - which AltaGas continues to lock in at favourable rates.

The Trust also declared a distribution of $0.175 per trust unit and exchangeable unit payable on June 16, 2008 to holders of record on May 26, 2008. AltaGas declared total distributions of $0.525 per unit in first quarter 2008.

FINANCIAL HIGHLIGHTS [(1)]

- Earnings before interest, taxes, depreciation and amortization were $63.6 million ($0.98 per unit) this quarter compared to $41.2 million ($0.73 per unit) in the same quarter in 2007.
- Cash from operations was $37.0 million ($0.57 per unit) for first quarter 2008 compared to $46.1 million ($0.81 per unit) for the same period in 2007.
- Funds from operations were $56.3 million ($0.87 per unit) for first quarter 2008 compared to $38.2 million ($0.67 per unit) for the same period in 2007.
- Total debt at March 31, 2008 was $639.8 million, compared to $220.7 million at December 31, 2007 due to the acquisition of Taylor. The Trust’s debt-to-total capitalization ratio was 45.1 percent, versus 27.4 percent at the end of 2007.

[(1)] *Includes non-GAAP financial measures. Please see discussion in the Non-GAAP Financial Measures section of the Trust's first quarter Management's Discussion and Analysis.*

IN THE FIRST QUARTER:

- AltaGas announced the successful completion of the acquisition of Taylor on January 10, 2008 for the aggregate purchase price of approximately $600 million.
- In February AltaGas acquired four additional run-of-river hydroelectric projects ranging from 6.5 MW to 24 MW for 180,433 special warrants that are exchangeable into AltaGas trust units on January 1, 2010. At the time of their issue, the warrants had a value of $4.5 million. The projects provide AltaGas with the potential to develop approximately 50 MW of hydroelectric power generation in British Columbia.
- DBRS confirmed AltaGas' medium-term note (MTN) and stability ratings at BBB (low) and STA-3 (middle) respectively, with a stable outlook.
- AltaGas secured a new $250 million credit facility with a syndicate of banks. The credit facility was used to retire $130 million of credit facilities held by Taylor that were to mature on June 28, 2008. The new facility has an 18-month term expiring on September 28, 2009 and will provide additional liquidity to the Trust.
- AltaGas announced the appointment of Richard M. Alexander as President and Chief Operating Officer and Deborah S. Stein as Vice President Finance and Chief Financial Officer. David R. Wright was appointed Executive Vice President Strategy and Corporate Development, and Massimiliano (Max) Fantuz was appointed Executive Vice President. All appointments were effective January 21, 2008. David W. Cornhill remains as Chairman and Chief Executive Officer.

SUBSEQUENT TO THE FIRST QUARTER:

- AltaGas announced plans to spend approximately $55 million on projects to increase volumes and boost efficiency at its Harmattan Complex. When the projects are completed in fourth quarter 2008, processing volumes at the Complex are expected to increase by 30 to 40 Mmcf/d and will increase AltaGas' extraction volumes by 1,800 to 2,400 Bbls/d.
- On April 3, 2008, the Trust filed a prospectus supplement to the Short Form Base Shelf prospectus dated August 8, 2007. The supplement establishes AltaGas' MTN program and prepares AltaGas to access the Canadian MTN market.

AltaGas will hold a teleconference today at 2:00 p.m. Mountain time (4:00 p.m. Eastern) to discuss the first quarter 2008 financial and operating results and other general issues and developments concerning the Trust. Members of the media, investment community and other interested parties may dial (416) 406-6419 or call toll-free at 1 888 575 8232. No passcode is required. Please note that the conference call will also be webcast. To listen, please connect here:
http://events.onlinebroadcasting.com/altagas/050708/index.php?page=launch.

Shortly after the conclusion of the call, a replay will be available by dialing (416) 695 5800 or 1 800 408 3053. The passcode is 3258969. The replay will expire at midnight (Eastern) on May 14, 2008. The webcast will be archived for one year.

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) of operations and unaudited interim Consolidated Financial Statements presented herein are provided to enable readers to assess the results of operations, liquidity and capital resources of the Trust as at and for the three ended March 31, 2008 compared to the three ended March 31, 2007. This MD&A dated May 8, 2008 should be read in conjunction with the accompanying unaudited Consolidated Financial Statements and notes thereto of the Trust as at and for the three ended March 31, 2008 and with the audited Consolidated Financial Statements and MD&A contained in the Trust's annual report for the year ended December 31, 2007.

This MD&A contains forward looking statements. When used in this MD&A the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to the Trust or an affiliate of the Trust, are intended to identify forward-looking statements. In particular, this MD&A contains forward-looking statements with respect to, among others things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect the Trust's current views with respect to future events based on certain material factors and assumptions and are subject to certain risks and uncertainties including without limitation, changes in market competition, governmental or regulatory developments, changes in tax legislation, general economic conditions and other factors set out in the Trust's public disclosure documents. Many factors could cause the Trust's actual results, performance or achievements to vary from those described in this MD&A, including without limitation those listed above. 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 or expected, and such forward-looking statements included in this MD&A herein should not be unduly relied upon. These statements speak only as of the date of this MD&A. The Trust 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 as cautionary statements.

Additional information relating to AltaGas can be found on its website at www.altagas.ca. The continuous disclosure materials of the Trust, including its annual MD&A and audited financial statements, Annual Information Form, Information Circular, Business Acquisition Report and Proxy Statement, material change reports and press releases issued by the Trust, are also available through the Trust's website or directly through the SEDAR system at www.sedar.com.

ALTAGAS INCOME TRUST

The material businesses of the Trust are operated by AltaGas Ltd., AltaGas Operating Partnership, AltaGas Limited Partnership and AltaGas Pipeline Partnership, Taylor NGL Limited Partnership (Taylor), as well as PremStar Energy Canada Limited Partnership (PremStar) and ECNG Energy L.P. (collectively the operating subsidiaries). The cash flow of the Trust is solely dependent on the results of the operating subsidiaries and is derived from operating income earned from partnership interests held by AltaGas Holding Limited Partnership No. 1 (AltaGas LP #1), from interest earned on loans to the operating subsidiaries and from dividends or returns of capital from equity interests held within the Trust structure.

AltaGas General Partner Inc., through its Board of Directors, the members of which are elected by the Trust at the direction of the holders of the units, has been delegated by the trustee of the Trust to manage or supervise the business and affairs of the Trust. AltaGas Ltd. provides all management, administrative and operating services to the Trust and its subsidiaries.

CONSOLIDATED FINANCIAL RESULTS

($ millions)	Three months ended March 31 **2008**	2007
Revenue	**444.5**	428.1
Unrealized gains on risk management	**0.6**	0.1
Net revenue[1]	**110.7**	79.3
EBITDA[1]	**63.6**	41.2
EBITDA before unrealized gains on risk management[1]	**63.0**	41.1
Operating income[1]	**47.6**	29.0
Operating income before unrealized gains on risk management[1]	**47.0**	28.9
Net income	**37.6**	24.6
Net income before tax-adjusted unrealized gains on risk management[1]	**37.3**	25.1
Net income before tax[1]	**40.6**	26.0
Total assets	**1,995.7**	1,213.9
Total long-term liabilities	**898.8**	392.8
Net additions to capital assets	**647.8**	5.2
Distributions declared[2]	**34.6**	28.9
Cash flows		
Cash from operations	**37.0**	46.1
Funds from operations[1]	**56.3**	38.2

($ per unit)	Three months ended March 31 **2008**	2007
EBITDA[1]	**0.98**	0.73
EBITDA before unrealized gains on risk management[1]	**0.97**	0.73
Net income - basic	**0.58**	0.43
Net income - diluted	**0.57**	0.43
Net income before tax-adjusted unrealized gains on risk management[1]	**0.57**	0.44
Net income before tax[1]	**0.62**	0.46
Distributions declared[2]	**0.525**	0.51
Cash flows		
Cash from operations	**0.57**	0.81
Funds from operations[1]	**0.87**	0.67
Units outstanding - basic (millions)		
During the period[3]	**65.1**	56.7
End of period	**66.2**	56.9

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

(2) *Distributions declared of $0.175 per unit per month commencing in August 2007. From January 2007 to July 2007 distributions of $0.17 per unit per month were declared.*

(3) *Weighted average.*

CONSOLIDATED FINANCIAL REVIEW

Net income for the three months ended March 31, 2008 was $37.6 million ($0.58 per unit - basic) compared to $24.6 million ($0.43 per unit - basic) for the same period in 2007. Net income increased primarily due to the larger energy infrastructure asset base as a result of the Taylor acquisition, higher frac spreads, and higher frac spread-exposed volumes which were partially offset by lower throughput in some of the field gathering and processing operating areas. In the power business, net income increased due to a higher average price received on the sale of power partially offset by higher costs related to the power purchase arrangements (PPAs) and higher environmental compliance costs. Net income also increased due to an unrealized gain in the fair value of risk management contracts and was negatively impacted by higher administrative costs, higher interest expense and higher income taxes.

Operating income from the gas business was $28.9 million in first quarter 2008 compared to $13.2 million in same quarter 2007. In the power business, operating income was $25.9 million in first quarter 2008 compared to $22.1 million in first quarter 2007. In first quarter 2008 operating income from the gas and power businesses were 53 percent and 47 percent respectively of total operating income compared to 37 percent and 63 percent respectively for the same quarter in 2007. The improved balance between the gas and power businesses reflects the impact of the Trust's strategy to have a more balanced portfolio of assets.

On a consolidated basis, net revenue for the quarter ended March 31, 2008 was $110.7 million compared to $79.3 million in the same quarter of 2007. In the gas business net revenue increased in first quarter 2008 due to additional processing and transmission facilities, higher frac spreads, higher frac spread-exposed volumes and higher rates in Field Gathering and Processing (FG&P). These increases were partially offset by lower throughput at some of the FG&P facilities, the sale of oil and gas properties in mid-2007 and lower fixed-price gas and transport sales and lower volumes in the Energy Services segment. In the power business, net revenue increased due to higher average price received on the sale of power partially offset by higher costs related to the power purchase arrangements and environmental compliance costs. In addition, an unrealized gain on the fair value of risk management contracts increased net revenue.

Operating and administrative expense for first quarter 2008 was $47.1 million up from $38.1 million in the same quarter of 2007. The increase was primarily due to new and expanded facilities in the gas business and increased costs to support the growth of the Trust.

Amortization expense for first quarter 2008 was $16.0 million compared to $12.2 million in the same quarter last year. The increase was due to the Taylor acquisition partially offset by the sale of oil and gas properties in mid-2007.

Interest expense for first quarter 2008 was $7.0 million compared to $3.0 million in the same quarter of 2007. The increase was due to higher average debt balances of $577.2 million compared to $256.0 million for the same period in 2007. The average borrowing rate was 5.1 percent in first quarter 2008 and 2007.

In first quarter 2008 the Trust reported an income tax expense of $3.0 million compared an income tax expense of $1.4 million in the same quarter last year. The higher income tax expense was due to more income subject to tax offset by lower federal corporate income tax rates enacted in the fourth quarter of 2007 compared to rates in effect in first quarter 2007.

CAPITAL OUTLOOK

AltaGas’ strategy is to maximize the profitability of its existing assets and grow its energy infrastructure to create long-term value and enhance returns for its investors. In order to execute its strategy, AltaGas expects capital expenditures to be approximately $150 million and $250 million in 2008 and 2009 respectively and to be split approximately 60 percent gas and 40 percent power in both years. This estimate is based on projects that are in various stages of development.

Run-of-River Hydroelectric Plants Under Development

AltaGas has under development six run-of-river hydroelectric projects with approximate capacity of 70 MW of renewable energy. The projects are at various stages of development with the 14 MW Rainy River project located near Gibson, B.C. in the advanced development stage. Subject to the outcome of B.C. Hydro's Clean Power Call process, AltaGas anticipates the Rainy River generated power will be sold to B.C. Hydro. Rainy River could be operational as early as 2010 and is expected to cost approximately $40 to $45 million which is not included in the capital expenditure estimates disclosed above. The run-of-river projects under development will be subject to various regulatory and environmental approvals.

Harmattan Complex Projects

AltaGas will invest $24 million to construct off-site facilities and build a 30-kilometre pipeline between its Harmattan Complex and a gas plant in the Carstairs area of southern Alberta. It will also commission a new gathering system to the West and extend an existing gathering system to the North, for an estimated cost of $7 million. A further $24 million will be directed to efficiency enhancements to reduce operating costs and increase reliability at the complex. These costs are included in the $150 million capital expenditure estimate already announced for 2008 and the initiatives are expected to be in service in fourth quarter 2008.

Pouce Coupe Project

AltaGas plans to invest approximately $25 million on a sour gas expansion at its Pouce Coupe facility. The expansion is expected to add approximately 20 Mmcf/d of sour gas processing capability to the existing facility, which is currently processing 7 Mmcf/d of sweet gas. The development is currently at the regulatory approval stage. The costs are included in the $150 million capital expenditure estimate for 2008.

The above disclosed projects are first quarter updates. For information on all outstanding AltaGas projects, please see the 2007 Annual Report. All projects in the 2007 Annual Report which have not been updated above are on track for timing of completion and on budget.

NON-GAAP FINANCIAL MEASURES

This MD&A contains references to certain financial measures that do not have a standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) and may not be comparable to similar measures presented by other entities. The non-GAAP measures and their reconciliation to GAAP financial measures are shown below. All of the measures have been calculated consistent with previous disclosures.

Net Revenue		Three months ended March 31	
($ millions)		**2008**	2007
Net revenue		**110.7**	79.3
Add:	Cost of sales	**333.8**	348.8
Revenue (GAAP financial measure)		**444.5**	428.1

Net revenue, which is revenue less the cost of commodities purchased for sale and shrinkage, is a better reflection of performance than revenue, as changes in the market price of natural gas and power affect both revenue and cost of sales.

Operating Income		Three months ended March 31	
($ millions)		**2008**	2007
Operating income		**47.6**	29.0
Deduct:	Interest expense	**(7.0)**	(3.0)
	Income tax expense	**(3.0)**	(1.4)
Net income (GAAP financial measure)		**37.6**	24.6

Operating income is a measure of the Trust's profitability from its principal business activities prior to how these activities are financed or how the results are taxed. Operating income is calculated from the Consolidated Statements of Income and Accumulated Earnings and is defined as net revenue less operating and administrative expenses and amortization.

Operating Income Before Unrealized Gains on Risk Management

		Three months ended March 31	
($ millions)		**2008**	2007
Operating income before unrealized gains on risk management		**47.0**	28.9
Add (deduct):	Unrealized gains on risk management	**0.6**	0.1
	Interest expense	**(7.0)**	(3.0)
	Income tax expense	**(3.0)**	(1.4)
Net income (GAAP financial measure)		**37.6**	24.6

Operating income before unrealized gains on risk management is a measure of the Trust's profitability from its principal business activities prior to accounting for how these activities are financed, how the results are taxed, and how the impact of gains (losses) from risk management activities affected operations. Operating income before unrealized gains on risk management is calculated from the Consolidated Statements of Income and Accumulated Earnings and is defined as net revenue adjusted for unrealized gains on risk management less operating and administrative expenses and amortization.

EBITDA

		Three months ended March 31	
($ millions)		**2008**	2007
EBITDA		**63.6**	41.2
Deduct:	Amortization	**(16.0)**	(12.2)
	Interest expense	**(7.0)**	(3.0)
	Income tax expense	**(3.0)**	(1.4)
Net income (GAAP financial measure)		**37.6**	24.6

EBITDA is a measure of the Trust's operating profitability. EBITDA provides an indication of the results generated by the Trust's principal business activities prior to accounting for how these activities are financed, assets are amortized or how the results are taxed. EBITDA is calculated from the Consolidated Statements of Income and Accumulated Earnings and is defined as net revenue less operating and administrative expenses.

EBITDA Before Unrealized Gains on Risk Management

		Three months ended March 31	
($ millions)		**2008**	2007
EBITDA before unrealized gains on risk management		**63.0**	41.1
Add (deduct):	Unrealized gains on risk management	**0.6**	0.1
	Amortization	**(16.0)**	(12.2)
	Interest expense	**(7.0)**	(3.0)
	Income tax expense	**(3.0)**	(1.4)
Net income (GAAP financial measure)		**37.6**	24.6

EBITDA before unrealized gains on risk management is a measure of the Trust's operating profitability. EBITDA before unrealized gains on risk management provides an indication of the results generated by the Trust's principal business activities prior to accounting for the impact of unrealized gains (losses) from risk management activities and how business activities are financed, assets are amortized or how the results are taxed. EBITDA before gains on risk management is calculated from the Consolidated Statements of Income and Accumulated Earnings and is defined as net revenue adjusted for unrealized gains on risk management less operating and administrative expenses.

Net Income Before Tax-Adjusted Unrealized Gains on Risk Management		Three months ended March 31	
($ millions)		**2008**	2007
Net income before tax-adjusted unrealized gains on risk management		**37.3**	25.1
Add (deduct):	Unrealized gains on risk management	**0.6**	0.1
	Income tax expense on risk management	**(0.3)**	(0.6)
Net income (GAAP financial measure)		**37.6**	24.6

Net income before tax-adjusted unrealized gains (losses) on risk management is a better reflection of performance than net income, as changes related to risk management are based on estimates relating to commodity prices and foreign exchange rates over time.

Net Income Before Tax		Three months ended March 31	
($ millions)		**2008**	2007
Net income before tax		**40.6**	26.0
Deduct:	Income tax expense	**(3.0)**	(1.4)
Net income (GAAP financial measure)		**37.6**	24.6

Net income before tax is a better reflection of performance because it is not dependent on how those results are taxed which can change from year-to-year. Net income before tax is calculated from the Consolidated Statements of Income and Accumulated Earnings and is defined as net income less income tax expense.

Funds from Operations		Three months ended March 31	
($ millions)		**2008**	2007
Funds from operations		**56.3**	38.2
Add (deduct):	Net change in non-cash working capital	**(19.3)**	8.0
	Asset retirement obligations settled	**-**	(0.1)
Cash from operations (GAAP financial measure)		**37.0**	46.1

Funds from operations is used to assist management and investors in analyzing operating performance without regard to changes in the Trust's non-cash working capital in the period. 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. Funds from operations is calculated from the Consolidated Statements of Cash Flows and is defined as cash provided by operating activities before changes in non-cash working capital and expenditures incurred to settle asset retirement obligations.

References to net revenue, operating income, operating income before unrealized gains on risk management, EBITDA, EBITDA before unrealized gains on risk management, net income before tax-adjusted unrealized gains on risk management, net income before tax, and funds from operations throughout this document have the meanings set out in this section.

RESULTS OF OPERATIONS BY SEGMENT

Operating Income	Three months ended March 31	
($ millions)	**2008**	2007
Extraction and Transmission	**24.8**	8.5
Field Gathering and Processing	**4.3**	4.2
Energy Services	**(0.2)**	0.5
Power Generation	**25.9**	22.1
Corporate	**(7.2)**	(6.3)
	47.6	29.0
Operating income before unrealized gains on risk management	**47.0**	28.9

EXTRACTION AND TRANSMISSION

The Extraction and Transmission (E&T) segment consists of interests in six ethane and NGL extraction plants, five natural gas and three NGL transmission systems. As a result of the Taylor acquisition in January 2008, AltaGas added interests in the Younger Extraction Plant in British Columbia, acquired the Harmattan Complex, the Ethane Delivery System (EDS) and Joffre Feedstock Pipeline (JFP) in Alberta and increased its ownership in the Joffre extraction plant to 100 percent from 50 percent.

Financial Results	Three months ended March 31	
($ millions)	**2008**	2007
Revenue	**109.0**	37.4
Net revenue	**45.6**	15.8
Operating and administrative expense	**14.6**	5.3
Amortization expense	**6.2**	2.0
Operating income	**24.8**	8.5

Operating Statistics	Three months ended March 31	
	2008	2007
Extraction inlet gas processed (Mmcf/d)[1]	**872**	472
Extraction ethane volumes (Bbls/d)[1]	**28,377**	15,643
Extraction NGL volumes (Bbls/d)[1]	**13,422**	6,979
Total extraction volumes (Bbls/d)[1]	**41,799**	22,622
Frac spread - realized ($/Bbl)[1][3]	**$ 27.02**	$ 11.75
Transmission volumes (Mmcf/d)[1][2]	**379**	408

(1) *Average for the period.*

(2) *Excludes natural gas liquids pipeline volumes.*

(3) *AltaGas reports an indicative frac spread or NGL margin, expressed in dollars per barrel of NGL, which is derived from Edmonton postings for propane, butane and condensate and the daily AECO natural gas price.*

In first quarter 2008 operating income in the E&T segment accounted for approximately 45 percent of operating income from the operating segments compared to 24 percent in first quarter 2007. Operating income in first quarter 2008 was $24.8 million, almost triple the $8.5 million reported for the same period in 2007. The primary contributor to the increase in operating income was the addition of new extraction and transmission facilities with the Taylor acquisition. Operating income also increased due to higher frac spreads and higher volumes of NGLs exposed to frac spread in first quarter 2008 compared to the same period in 2007.

Average ethane and NGL volumes in the extraction business increased 85 percent in first quarter 2008 compared to same quarter 2007, mainly due to the addition of the Harmattan Complex, Younger Extraction Plant and the remaining

50 percent ownership in the Joffre plant. Natural gas volumes transported in first quarter 2008 were lower than the same quarter in 2007 due to maintenance activities on the Suffield system. In the transmission business, pipeline throughput has minimal overall impact on the financial results due to cost-of-service and take-or-pay contractual arrangements in place.

Net revenue in first quarter 2008 almost tripled to $45.6 million, up from $15.8 million in the same period in 2007. Net revenue increased by $26.5 million primarily as a result of the extraction and transmission assets acquired with Taylor or approximately 90 percent of this increase. Net revenue also increased by approximately $3.0 million due to higher frac spreads and $0.6 million due to higher volumes of NGLs exposed to frac spread in first quarter 2008 compared to the same period in 2007 for the facilities owned prior to January 10, 2008 when Taylor was acquired.

Operating and administrative expense in first quarter 2008 was $14.6 million compared to $5.3 million for the same period in 2007. The increase was mainly due to the costs incurred to operate the new facilities acquired in January 2008.

Amortization expense in first quarter 2008 was $6.2 million compared to $2.0 million for the same period in 2007. The increase was due to the Taylor facilities purchased in January 2008.

E&T Outlook

Results in the E&T segment are expected to increase materially in 2008. The addition of new extraction facilities with the acquisition of Taylor has added approximately 1 Bcf/d of inlet processing capacity, 23,500 Bbls/d of NGL production and 140,000 Bbls/d of NGL transportation capacity. Operating income in the E&T segment as a percentage of total operating income from all business segments is expected to increase from 25 percent in 2007 to approximately 40 percent in 2008. Beginning in fourth quarter 2008, volumes processed are expected to increase as a result of projects under way to consolidate extraction facilities and optimize and upgrade the Harmattan Complex resulting in increased utilization and lower operating costs.

Approximately 12 percent (5,000 Bbls/d) of extraction volumes are sold at market price and approximately 40 to 45 percent of those volumes have been hedged at over $20/Bbl for the remainder of 2008 and over $25/Bbl for 2009. The current forward curve for frac spread remains strong for the remainder of 2008 in the low to mid-$20 range.

In second quarter 2008 a major maintenance turnaround is planned at one of the facilities and is expected to last 23 days and cost approximately $4.1 million in direct costs and lost operating income. In third quarter 2008 there are planned turnarounds for a total of 48 days at three facilities which are expected to cost approximately $1.8 million in direct costs and lost operating income.

In the transmission business, the addition of the EDS and JFP pipelines in January 2008 and full year results from the Cold Lake expansion are also expected to contribute to increased earnings compared to 2007. AltaGas expects to pursue other projects similar to the Cold Lake expansion, which may further enhance returns in the segment. An arrangement to utilize an unused portion of the EDS has been completed and will contribute to earnings beginning second quarter 2008.

FIELD GATHERING AND PROCESSING

The Field Gathering and Processing segment includes natural gas gathering pipelines and processing facilities. In January 2008 AltaGas added three interconnected processing facilities, Retlaw, Enchant and Turin and related gathering systems (RET) as a result of the Taylor acquisition with processing capacity of 150 Mmcf/d.

Financial Results	Three months ended March 31	
($ millions)	**2008**	2007
Revenue	**34.4**	33.2
Net revenue	**31.6**	31.6
Operating and administrative expense	**20.4**	20.9
Amortization expense	**6.9**	6.5
Operating income	**4.3**	4.2

Operating Statistics	Three months ended March 31	
	2008	2007
Capacity (Mmcf/d)(1)	**1,178**	1,021
Throughput (gross Mmcf/d)(2)	**542**	552
Capacity utilization (%)(2)	**46**	54
Average working interest (%)(1)	**90**	92

(1) *As at March 31.*

(2) *Average for the period.*

Operating income in the FG&P segment for first quarter 2008 was $4.3 million compared to $4.2 million for the same quarter of 2007. The increase was due to the addition of the RET, Acme and Corbett Creek facilities, lower operating expenses and higher rates offset by the impact of lower throughput.

Processing capacity increased by 157 Mmcf/d as a result of the addition of the RET, Acme and Corbett Creek facilities; both the Acme and Corbett Creek facilities are dedicated to coal bed methane (CBM) gas processing. The increase was offset by the sale of the Ikhil Joint Venture and the redeployment of the Del Bonita assets in 2007. Utilization reported in first quarter 2008 was 46 percent compared to 54 percent reported in first quarter 2007. The decrease in utilization was due to volume declines and lower utilization at the RET facility.

Throughput in first quarter 2008 averaged 542 Mmcf/d compared to 552 Mmcf/d in first quarter 2007. The 2 percent decrease was primarily due to natural declines, lower producer activity and unscheduled plant shutdowns at Princess and Clear Hills plants partially offset by new facilities. In first and second quarter 2007, AltaGas volumes declined 3 percent and 4 percent respectively and since then have remained relatively flat at facilities owned prior to the acquisition of the RET facility with the exception of the unscheduled plant shutdowns at Clear Hills and Princess.

Net revenue for the FG&P segment was $31.6 million for first quarter 2008 and 2007. Net revenue increased due to $3.6 million from new facilities and $1.1 million from higher rates. These increases were offset by $2.1 million due to lower throughput, $1.3 million due to the sale of the Ikhil Joint Venture and $1.3 million in unscheduled plant shutdowns at the Princess and Clear Hills plants.

Operating and administrative expense in first quarter 2008 was $20.4 million compared to $20.9 million for the same quarter in 2007. The decrease was a result of lower operating costs partially offset by operating costs from new facilities including approximately $0.5 million related to a 7 day turnaround at the RET facility.

Amortization expense for the FG&P segment in first quarter 2008 was $6.9 million compared to $6.5 million for the same period in 2007. The increase was due to additional facilities partially offset by lower amortization due to the sale of Ikhil Joint Venture.

FG&P Outlook

FG&P expects to report higher results in 2008 than in 2007. The increase is due to the addition of the RET facilities, a full year of operations at Acme and Corbett Creek, recontracting at higher rates, optimization of facilities and a strong focus on increasing throughput and continued operating and administration expense cost control. A major turnaround is scheduled for the second quarter at Rainbow Lake; the majority of the costs are expected to be recovered through contractual arrangements. Gas currently shut-in because of the unscheduled plant shutdowns at Princess and Clear Hills is scheduled to come back on-line during second quarter.

AltaGas is working with customers to optimize underutilized assets. The underutilized Sedgewick facility is expected to be connected to the fully utilized Killam and Iron Creek facilities to allow gas to be diverted to Sedgewick and allow increased combined processing for the three facilities. This project is expected to be completed at the end of May 2008. AltaGas expects to increase its gas gathering and processing infrastructure in 2008 through acquisition and development of new facilities as producers reallocate capital from processing to their core activity of exploration and production. Increased drilling activity and producer activity in CBM areas, northwest Alberta and northeast British Columbia is also expected to provide opportunities for expansions, acquisitions and development of gas gathering and processing infrastructure. AltaGas expects to spend approximately $50 million to grow and optimize its gathering and processing infrastructure in 2008, including gathering systems, capacity expansions and enhancements to its sour gas processing facilities including the planned expansion at the Pouce Coupe facility.

ENERGY SERVICES

The Energy Services segment consists of two main businesses: an energy management business providing energy consulting and supply management services and arranging gas and power contracts for non-residential end-users; and a gas services business buying and reselling natural gas, transportation and storage. The segment included a small portfolio of oil and natural gas production assets which were sold effective May 31, 2007.

Financial Results	Three months ended March 31	
($ millions)	**2008**	2007
Revenue	**266.1**	335.6
Net revenue	**3.4**	6.0
Operating and administrative expense	**3.1**	4.3
Amortization expense	**0.5**	1.2
Operating income	**(0.2)**	0.5

Operating Statistics	Three months ended March 31	
	2008	2007
Energy management service contracts[(1)]	**1,499**	1,413
Average volumes transacted (GJ/d)[(2)]	**324,758**	407,272

(1) Active energy management service contracts at the end of the reporting period.

(2) Average for the period. Includes volumes marketed directly, volumes transacted on behalf of other operating segments, and volumes sold in gas exchange transactions.

The operating loss in the Energy Services segment in first quarter 2008 was $0.2 million compared to an operating income of $0.5 million for the same quarter in 2007. Operating income decreased as a result of lower fixed-price gas and transport sales and a one-time cost of $0.4 million related to commissions paid to a trade association related to 2007. These decreases were partially offset by lower compensation costs.

Net revenue in first quarter 2008 was $3.4 million compared to $6.0 million for the same period in 2007. Gas services net revenue decreased $1.5 million reflecting the sale of the oil and natural gas assets in second quarter 2007 and $1.1 million due to lower fixed-price gas and transport sales and lower volumes.

Energy Services Outlook

AltaGas expects results in the Energy Services segment in 2008 to be slightly lower than 2007 results, excluding the gain on sale of the oil and gas production assets in 2007. However, the recent increase in natural gas prices and market volatility may lead to increased interest in locking-in longer-term fixed-price gas deals. The acquisition of Taylor is expected to increase opportunities to enhance unitholder value due to the increased geographic footprint and energy infrastructure.

POWER GENERATION

The Power Generation segment comprises 378 MW of total power generation capacity in Alberta through a 50 percent ownership interest in the Sundance B power purchase arrangements and a capital lease for 25 MW of gas-fired power peaking capacity. Construction is underway for an additional 14.4 MW of gas-fired peaking capacity at the Bantry and Parkland gas processing facilities. Upon connection to the electricity grid, the new gas-fired peaking plants will increase the Trust's peaking capacity by 58 percent and total power generation capacity to 392.4 MW. The segment also includes a 25 percent interest in a 7 MW run-of-river hydroelectric generation facility in British Columbia acquired in January 2008 with the Taylor acquisition.

Financial Results	Three months ended	
		March 31
($ millions)	**2008**	2007
Revenue	**51.6**	44.3
Net revenue	**28.4**	24.5
Operating and administrative expense	**0.7**	0.5
Amortization expense	**1.8**	1.9
Operating income	**25.9**	22.1

Operating Statistics	Three months ended	
		March 31
	2008	2007
Volume of power sold (GWh)	**660**	666
Average price received on the sale of power ($/MWh)[1]	**78.24**	66.54
Alberta Power Pool average spot price ($/MWh)[1]	**76.69**	63.62

[1] *Average for the period.*

Operating income in the Power Generation segment in first quarter 2008 was $25.9 million compared to $22.1 million for the same quarter in 2007. Operating income increased primarily as a result of a higher average price received on sale of power. This increase was partially offset by higher PPA costs due to an unfavourable 30-day rolling average power price (RAPP), higher environmental compliance costs and higher transmission costs.

Net revenue in first quarter 2008 was $28.4 million compared to $24.5 million for the same period in 2007. Net revenue increased by $4.2 million due to a higher average spot power prices and $3.5 million due to higher hedge prices. The increases were partially offset by $2.2 million higher PPA costs due to an unfavourable RAPP, $1.2 million incurred to comply with Alberta's Specified Gas Emitters Regulation (SGER) and $0.9 million as a result of higher transmission costs.

Operating and administrative expense was $0.7 million in first quarter 2008 compared to $0.5 million for the same period in 2007. In March 2007 AltaGas began providing operating and maintenance services to the leased peaking plants. These services have not materially impacted operating income, however it has resulted in slightly lower cost of sales offset by higher operating expenses.

Amortization expense of $1.8 million in first quarter 2008 compared to $1.9 million for the same period in 2007.

Power Generation Outlook

Operating income in the Power Generation segment is expected to be higher in 2008 than in 2007 due to the contribution from hedged power volumes as a result of average hedge prices of approximately $76/MWh in 2008 compared to $66/MWh in 2007. Approximately two-thirds of the power available from the Sundance B PPAs has been hedged and the remainder is exposed to the spot price of power in Alberta. In second quarter 2008, a contract which requires AltaGas to sell power during a force majeure outage event at another generation facility in Alberta was triggered whereby AltaGas is required to sell 50 MW from Sundance B for a fixed price that is above AltaGas' average hedge price but well below current spot prices. The event is expected to end towards the end of May 2008. Including this sale, AltaGas' percentage of hedged power increases to approximately 79 percent for the quarter. This contract is a reciprocal arrangement and in the event the Sundance B facility experiences a force majeure outage, the contract obligates the counterparty to reciprocate and sell power to AltaGas at a preset price.

The forward market for power prices indicates that prices will remain relatively strong, in the mid to high-$80/MWh range for the remainder of 2008. PPA costs are expected to be higher in 2008 due to higher power generated. The price for coal purchased through the PPAs is based on pre-defined formulae tied to inflation rather than the prevailing market price of coal and therefore is not expected to have a significant impact on PPA costs in 2008.

New gas-fired peaking generation facilities totalling 14.4 MW are being installed at the Bantry and Parkland FG&P locations with access to natural gas supply and the electrical grid. The facilities will be integrated into ongoing operations and are expected to be operational in late second quarter 2008. Installation of the generating capacity is estimated to cost approximately $12 million and is expected to be accretive to net income and cash flow once operational.

CORPORATE

The Corporate segment includes the cost of providing corporate services and general corporate overhead, investments in public and private entities and the effects of changes in the value of risk management assets and liabilities. Management makes operating decisions and assesses performance of its operating segments based on realized results and key financial metrics such as return on equity, return on capital and operating income as a percentage of net revenue without the impact of the volatility in commodity prices and foreign exchange rates. Management monitors the impact of mark-to-market accounting as part of the consolidated entity as risk is managed on a portfolio basis. Consequently, the impact of mark-to-market accounting on net income is reported and monitored in the Corporate segment.

Financial Results

($ millions)	Three months ended March 31 2008	2007
Revenue	**1.4**	1.9
Unrealized gains (losses) on risk management	**0.6**	0.1
Net revenue	**2.0**	2.0
Operating and administrative expense	**8.6**	7.7
Amortization expense	**0.6**	0.6
Operating loss	**(7.2)**	(6.3)
Operating loss before unrealized gains (losses) on risk management	**(7.8)**	(6.4)

The operating loss before unrealized gains on risk management for first quarter 2008 was $7.8 million compared to $6.4 million for the same period in 2007. The increased loss was due to higher compensation and administrative costs and lower investment income from Taylor which is now reported in the operating segments.

Net revenue was $2.0 million for the first quarter in 2008 and 2007. Net revenue increased by $0.6 million primarily due to unrealized gains on risk management which was offset by lower investment income. AltaGas is no longer reporting Taylor investment income in the Corporate segment.

Operating and administrative expense for first quarter 2008 was $8.6 million compared to $7.7 million for the same period last year. The increase was attributable to higher compensation and administrative costs due to the acquisition of Taylor as well as general escalating costs to support the growth of the Trust.

Amortization expense for first quarter 2008 was $0.6 million for first quarter 2008 and 2007.

Corporate Outlook

The operating loss for 2008 is expected to be higher than in 2007 due primarily to the acquisition of Taylor and activities to support AltaGas' growth strategy. In 2007 Taylor recorded approximately $8 million in corporate costs on a normalized basis. To date of the $8 million, AltaGas has identified approximately $2 million in cost savings which is expected to be realized in 2008. The segment's revenue will decrease as AltaGas will no longer report investment income from its investment in Taylor in the Corporate segment. Revenue is also expected to decrease due to a reduction in ownership of AltaGas Utility Group Inc. from 26.7 percent to 19.6 percent.

The effects of financial instruments are based on estimates relating to commodity prices and foreign exchange rates over time. The actual amounts will vary based on these drivers and management is therefore unable to predict the impact of financial instruments. However, the impact of the accounting standards is expected to be relatively low as the Trust uses financial instruments to manage exposure to commodity price fluctuations and to buy and sell gas and power with locked-in margins. The Trust does not execute financial instruments for speculative purposes.

INVESTED CAPITAL

During first quarter 2008 AltaGas acquired capital assets, long-term investments and other assets of $654.0 million compared to $6.9 million in first quarter 2007. The increase was primarily due to the Taylor acquisition.

Net Invested Capital - Investment Type — Three months ended March 31, 2008

($ millions)	Extraction and Transmission	Field Gathering and Processing	Energy Services	Power Generation	Corporate	Total
Invested capital:						
Capital assets	**562.4**	**28.5**	**1.1**	**60.1**	**1.9**	**654.0**
Long-term investments and other assets	**-**	**-**	**-**	**-**	**-**	**-**
	562.4	**28.5**	**1.1**	**60.1**	**1.9**	**654.0**
Disposals:						
Capital assets	**-**	**-**	**-**	**-**	**(48.2)**	**(48.2)**
Net invested capital	**562.4**	**28.5**	**1.1**	**60.1**	**(46.3)**	**605.8**

Net Invested Capital - Investment Type — Three months ended March 31, 2007

($ millions)	Extraction and Transmission	Field Gathering and Processing	Energy Services	Power Generation	Corporate	Total
Invested capital:						
Capital assets	2.4	3.2	0.5	-	0.6	6.7
Long-term investments and other assets	-	-	-	0.1	0.1	0.2
	2.4	3.2	0.5	0.1	0.7	6.9
Disposals:						
Capital assets	(0.3)	(1.2)	-	-	-	(1.5)
Net invested capital	2.1	2.0	0.5	0.1	0.7	5.4

The Trust categorizes its invested capital into maintenance, growth and administration.

Maintenance capital projects totalled $1.1 million in first quarter 2008 compared to $1.2 million in the same period in 2007. Of the $650.9 million in growth capital spent in first quarter 2008 (first quarter 2007 - $4.5 million), $592.0 million was for the Taylor acquisition, $34.7 million for the Bear Mountain Wind project, $8.1 million for extraction and transmission facilities, $7.6 million for gathering and processing facilities in the FG&P segment, $4.5 million for hydroelectric power projects under development in British Columbia, $2.7 million on the installation of the new peaking equipment in the Power Generation segment, and $1.0 million for the development of projects in the Energy Services segment. Administrative capital was $2.0 million, primarily due to expenditures for computer hardware and software.

Invested Capital - Use

Three months ended March 31, 2008

($ millions)	Extraction and Transmission	Field Gathering and Processing	Energy Services	Power Generation	Corporate	Total
Invested capital:						
Maintenance	**3.8**	**(2.7)**	**-**	**-**	**-**	**1.1**
Growth	**558.6**	**31.0**	**1.1**	**60.1**	**0.1**	**650.9**
Administrative	**-**	**0.2**	**-**	**-**	**1.8**	**2.0**
Invested capital	**562.4**	**28.5**	**1.1**	**60.1**	**1.9**	**654.0**

Invested Capital - Use

Three months ended March 31, 2007

($ millions)	Extraction and Transmission	Field Gathering and Processing	Energy Services	Power Generation	Corporate	Total
Invested capital:						
Maintenance	0.2	1.0	-	-	-	1.2
Growth	2.2	2.1	-	0.1	0.1	4.5
Administrative	-	0.1	0.5	-	0.6	1.2
Invested capital	2.4	3.2	0.5	0.1	0.7	6.9

FINANCIAL INSTRUMENTS

The Trust is exposed to market risk and potential loss from changes in the value of financial instruments. AltaGas enters into financial derivative contracts to manage exposure to fluctuations in commodity prices, interest rates and foreign exchange rates, particularly in the Power Generation segment and with respect to interest rates on debt. During the three-month period ended March 31, 2008, the Trust had positions in the following types of derivatives:

- Commodity forward contracts: The Trust executes gas, power, and other commodity forward contracts to manage its asset portfolio and lock in margin from back-to-back purchase and sale agreements. In a forward contract, one party agrees to deliver a specified amount of an underlying asset to the other party at a future date at a specified price. The Energy Services segment transacts primarily on this basis.

- Commodity swap contracts: The Trust executes fixed-for-floating power price swaps to manage its power asset portfolio. A fixed-for-floating price swap is an agreement between two counterparties to exchange a fixed price for a floating price. The Power Generation segment's results are significantly affected by the price of electricity in Alberta. AltaGas employs derivative commodity instruments for the purpose of managing the Trust's exposure to power price volatility. The Alberta Power Pool settles power prices on an hourly basis and prices ranged from $12.12/MWh to $999.99/MWh in first quarter 2008. The average spot price was $76.69/MWh for the first quarter 2008. AltaGas moderated the impact of this volatility on its business through the use of financial hedges on a portion of its power portfolio that management deemed optimal. The average price received for power by the Trust was $78.24/MWh in first quarter 2008.

- NGL frac spread hedges: The Trust executes fixed-for-floating frac spread swaps to manage its NGL frac spreads. The Extraction and Transmission segment's results are affected by frac spreads. In the fourth quarter of 2007, the Trust entered into NGL frac spread agreements for 1,400 Bbls/d at $25.50/Bbl for the first quarter of 2008 and for 700 Bbls/d at $21.50/Bbl from April 1 to December 31, 2008. With the acquisition of Taylor, AltaGas has assumed frac spread hedges for an additional 1,200 Bbls/d with a combined average price of $20.00/Bbl for January 1 through December 31, 2008. The Trust has also entered into three NGL frac spread agreements for 2009 for a total of 2,100 Bbls/d at an average frac spread of approximately $25.30/Bbls.

- Interest rate forward contracts: The Trust enters into interest rate swaps where cash flows of a fixed rate are exchanged for those of a floating rate. At March 31, 2008 the Trust had interest rate swaps with varying terms to maturity of $205 million. Including AltaGas' MTNs and capital leases, the rate was fixed on 67 percent of AltaGas' debt.

- Foreign exchange forward contracts: Foreign exchange exposure created by transacting commercial arrangements in foreign currency is managed through the use of foreign exchange forward contracts where a fixed rate is locked in against a floating rate.

LIQUIDITY AND CAPITAL RESOURCES

The Trust historically has used debt and equity financing to the extent that funds from operations and proceeds from the Distribution Reinvestment Plan (DRIP) were insufficient to fund capital expenditures, acquisitions and working capital changes from financing and investing activities. Should larger investments require financing beyond existing sources, management is confident that equity and debt capital markets could be accessed to provide additional financing.

At this time AltaGas does not reasonably expect any currently known trend or uncertainty to affect the Trust's ability to access its historical sources of cash, except that cash from operations may be impacted by the proposed tax on the taxable component of the Trust's distribution effective in the 2011 taxation year.

Cash Flows	Three months ended March 31	
($ millions)	**2008**	2007
Cash from operations	**37.0**	46.1
Investing activities	**(305.9)**	(10.9)
Financing activities	**266.0**	(26.1)
Change in cash	**(2.9)**	9.1

Cash from Operations

Cash from operations reported on the Consolidated Statements of Cash Flows decreased by 20 percent to $37.0 million in first quarter 2008 from $46.1 million in the same period 2007. Although funds from operations increased in first quarter 2008 ($56.3 million) compared to the same period in 2007 ($38.2 million), the increase was more than offset by a use of cash for non-cash working capital resulting from the timing of cash flows and commodity pricing. (See Non-GAAP Financial Measures section of this MD&A for description of funds from operations.)

Working Capital	Three months ended March 31	
($ millions)	**2008**	2007
Current assets	**323.2**	298.4
Current liabilities	**319.4**	286.0
Working capital	**3.8**	12.4
Current ratio	**1.01**	1.04

Working capital was $3.8 million at the end of first quarter 2008 compared to $12.4 million at March 31, 2007. The working capital ratio remained similar at 1.01 for the end of first quarter 2008 and 1.04 for the same quarter 2007.

Investing Activities

Cash used for investing activities in first quarter 2008 was $305.9 million compared to $10.9 million in the same period in 2007. The increase in cash used for investing activities was due to the acquisition of Taylor and acquisition of capital assets in first quarter 2008 partially offset by a decrease in customer deposits. A description of the acquisitions and investments comprising these amounts is in the Invested Capital section of this MD&A.

Financing Activities

Cash provided by financing activities in first quarter 2008 was $266.0 million compared to cash used for financing activities of $26.1 million in the same period in 2007. The increase was primarily due to the increase of long-term debt as a result of financing required for the purchase of Taylor.

Capital Resources

The use of debt or equity funding is based on AltaGas' capital structure determined by considering the norms and risks associated with each of its business segments. At March 31, 2008 AltaGas had total debt outstanding of $622.4 million, up from $220.7 million as at December 31, 2007. At March 31, 2008 the Trust had $200.0 million in MTNs outstanding and had access to prime loans, bankers' acceptances and letters of credit through bank lines totaling $750.0 million. At March 31, 2008 the Trust had drawn bank debt of $411.7 million and letters of credit outstanding of $65.9 million.

In first quarter 2008 AltaGas secured a new $250 million credit facility with a syndicate of banks. The credit facility was used to retire an existing $130 million credit facility held by Taylor that was to mature on June 28, 2008. The new facility has an 18-month term expiring on September 28, 2009 and provides additional liquidity to the Trust.

The Trust acquired convertible debentures through the Taylor acquisition of a face value of $22.1 million. During first quarter 2008, $4.8 million were converted into Trust units. The fair value of the outstanding convertible debentures at March 31, 2008 was $18.2 million which had a face value of $17.3 million.

All of the borrowing facilities have financial tests and other covenants customary for these types of facilities, which must be met at each quarter end. AltaGas has been in compliance with these covenants each quarter since the establishment of the facilities.

AltaGas' target debt-to-total capitalization ratio is 40 to 45 percent. The Trust's debt-to-total capitalization ratio at March 31, 2008 was 45.1 percent, up from 27.4 percent at December 31, 2007. The Trust's earnings interest coverage for the rolling 12 months ended March 31, 2008 was 8.77 times.

On April 3, 2008, the Trust filed a prospectus supplement to the Short Form Base Shelf prospectus dated August 8, 2007. The supplement establishes AltaGas' MTN program and prepares AltaGas to access the Canadian MTN market.

CONTRACTUAL OBLIGATIONS

There have been no material changes to AltaGas' contractual obligations from those included in the MD&A included in the Trust's 2007 Annual Report.

RELATED PARTIES

The Trust sold $42.2 million of natural gas to, and incurred transportation costs of $0.1 million charged by Utility Group in first quarter 2008. The Trust also paid management fees of $0.1 million to, and received management fees of $0.1 million from Utility Group for administrative services. In addition, the Trust provided $0.1 million of operating services to Utility Group.

The Trust pays rent under a lease for office space and equipment to 2013761 Ontario Inc., which is owned by an employee. Payments of $21,900 were made in first quarter 2008 (first quarter 2007 - $21,171). The lease expires at the end of 2008. (See note 16 of the interim Consolidated Financial Statements.)

SUMMARY OF CONSOLIDATED RESULTS FOR THE EIGHT MOST RECENT QUARTERS

($ millions)	**Q1-08**	Q4-07	Q3-07	Q2-07	Q1-07	Q4-06	Q3-06	Q2-06
Net revenue[1]	**110.7**	76.4	88.2	80.1	79.3	84.6	82.5	72.8
Operating income[1]	**47.6**	28.9	37.5	31.2	29.0	32.0	33.7	26.0
Net income	**37.6**	31.8	31.4	21.1	24.6	27.3	28.8	29.9

($ per unit)	**Q1-08**	Q4-07	Q3-07	Q2-07	Q1-07	Q4-06	Q3-06	Q2-06
Net income								
Basic	**0.58**	0.55	0.54	0.37	0.43	0.49	0.52	0.54
Diluted	**0.57**	0.55	0.54	0.37	0.43	0.49	0.52	0.54
Distributions declared[2]	**0.525**	0.525	0.52	0.51	0.51	0.51	0.505	0.495

(1) *Non-GAAP financial measure. See Non-GAAP Financial Measures in this MD&A.*

(2) *Excludes the special distribution issuance of one common share of Utility Group for every 100 trust units held on August 27, 2007, valued at $0.076 per unit.*

Identifiable trends in AltaGas' business in the past eight quarters reflect: the organization's internal growth, acquisitions, a favourable business environment including generally increasing power prices in Alberta, higher frac spreads and asset dispositions.

Significant items that impacted individual quarterly earnings were as follows:

- In second quarter 2006 a $6.6 million non-cash future income tax benefit was recorded as a result of a reduction in the federal and Alberta corporate income tax rates.

- In fourth quarter 2006 the Trust reported a $0.6 million goodwill impairment and deferred $0.8 million in revenue in the transmission business.

- In second quarter 2007 the Trust recorded a $6.5 million future tax expense as a result of new tax legislation included in Bill C-52, specified investment flowthrough tax (SIFT), which was substantially enacted by the Government of Canada. This non-cash charge to earnings relates to the temporary differences between the accounting and tax basis of AltaGas' assets and liabilities.

- In fourth quarter 2007 a $6.1 million non-cash future income tax benefit was recorded as a result of the substantive enaction of a reduction in the federal corporate income tax rates.

- In first quarter 2008 the Taylor acquisition was completed with total consideration of $455.2 of which $256.3 cash consideration and $198.9 units were issued.

TRUST UNIT INFORMATION

Under the terms of the restructuring of AltaGas into an income trust effective May 1, 2004, ASI security holders exchanged their shares in ASI for Trust units and eligible security holders also received exchangeable units that are exchangeable into Trust units on a one-for-one basis. The exchangeable units are not listed for trading on an exchange.

Units Outstanding

At March 31, 2008 the Trust had 64.0 million trust units and 2.2 million exchangeable units outstanding and a market capitalization of $1.6 billion based on a closing trading price on March 31, 2008 of $24.32 per trust unit. At March 31, 2008 there were 1.6 million options outstanding and 393,092 options exercisable under the terms of the unit option plan.

DISTRIBUTIONS

AltaGas distributions are determined giving consideration to the ongoing sustainable cash flow as impacted by the consolidated net income, maintenance and growth capital and debt repayment requirements of the Trust. AltaGas has been able to sustain its distributions through cash from operations. In the three months ended March 31, 2008 the Trust declared distributions of $34.6 million and had cash from operations of $37.0 million (same period 2007 - $28.9 million and $46.1 million respectively). AltaGas has a target payout ratio between 65 and 75 percent of funds from operations.

The following table summarizes AltaGas' distribution declaration history since 2006:

Distributions

($ per unit)	**2008**	2007	2006
First quarter	**0.525**	0.510	0.485
Second quarter	**-**	0.510	0.495
Third quarter	**-**	0.520	0.505
Fourth quarter	**-**	0.525	0.510
Distribution of shares[(1)]	**-**	0.076	-
	0.525	2.141	1.995

[(1)] *On September 17, 2007, one share of Utility Group was issued for every 100 trust units and exchangeable units held on August 27, 2007.*

CHANGES IN ACCOUNTING POLICIES

2008 Changes

Section 1535 Capital Disclosures

Effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2007, the new CICA Handbook Section 1535 Capital Disclosures requires the disclosure of qualitative and quantitative information about the Trust's objectives, policies and processes for managing capital. This new section is effective and has been applied to the Trust beginning January 1, 2008 (Note 9).

Section 3031 Inventories

Effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2008, the new CICA Handbook Section 3031 "Inventories" provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. This new section is effective and has been applied to the Trust beginning January 1, 2008.

Section 3862 Financial Instruments – Disclosures and Section 3863 – Financial Instruments – Presentation

Effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2007, the new CICA Handbook Sections 3862 and 3863 replaced Section 3861 to prescribe the requirements for presentation and disclosure of financial instruments. The objective of Section 3862 is to provide users with information to evaluate the significance of the financial instruments on the entity's financial position and performance, the nature and extent of risks arising from financial instruments, and how the entity manages those risks. The provisions of Section 3863 deal with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. These new sections are effective for the Trust beginning January 1, 2008 (Note 10) .

Future Accounting Changes

Section 3064 Goodwill and Intangible Assets

Effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008, the new CICA Handbook Section 3064 will replace Section 3062 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs". This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets including internally generated intangible assets. This new section is effective for the Trust beginning January 1, 2009.

International Financial Reporting Standards (IFRS)

In 2006 the Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements in Canada. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transition period. While AltaGas has begun assessing the adoption of IFRS for 2011, the financial impact of the transition to IFRS cannot be reasonably estimated at this time.

SIGNIFICANT ACCOUNTING POLICIES

AltaGas' significant accounting policies remain unchanged from December 31, 2007 except as disclosed in the notes to the interim Consolidated Financial Statements for the three months ended March 31, 2008. For further information regarding these policies refer to the notes to the audited Consolidated Financial Statements in AltaGas' 2007 Annual Report.

CRITICAL ACCOUNTING ESTIMATES

Since a determination of the value of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of the Trust's interim Consolidated Financial Statements requires the use of estimates and assumptions which have been made using careful judgment. AltaGas' significant accounting policies are described in the notes to the interim Consolidated Financial Statements for the three months ended March 31, 2008 and in the notes to the 2007 audited Consolidated Financial Statements included in the Trust's 2007 Annual Report. 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 are risk management assets and liabilities, amortization expense, asset retirement obligations, asset impairment assessment and future tax liability. For a full discussion of these accounting estimates, refer to the MD&A in AltaGas' 2007 Annual Report and the notes to the interim Consolidated Financial Statements for the three months ended March 31, 2008.

OFF-BALANCE-SHEET ARRANGEMENTS

The Trust 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 Trust has no obligation under derivative instruments, or a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support or engages in leasing, hedging or research and development services with the Trust.

DISCLOSURE CONTROLS AND PROCEDURES

The Trust maintains disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under applicable securities legislation is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management of the Trust is responsible for establishing and maintaining internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be designed effectively can provide only reasonable assurance with respect to financial statement preparation and presentation. During first quarter 2008 there were no material changes to the Trust's internal controls over financial reporting.

Consolidated Balance Sheets

(unaudited)

($ thousands)	March 31 2008	December 31 2007
ASSETS		
Current assets		
Cash and cash equivalents	**$ 9,563**	$ 12,451
Accounts receivable	**216,326**	191,879
Inventory	**839**	130
Customer deposits	**17,993**	24,369
Risk management *(note 10)*	**68,503**	66,811
Other current assets	**9,977**	9,714
	323,201	305,354
Capital assets *(note 5)*	**1,316,650**	682,322
Energy service arrangements, contracts and relationships *(note 6)*	**177,231**	95,716
Goodwill	**124,873**	18,260
Risk management *(note 10)*	**31,261**	33,640
Long-term investments and other assets	**22,436**	64,509
	$ 1,995,652	$ 1,199,801
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 198,747**	$ 177,802
Distributions payable to unitholders	**11,580**	10,167
Short-term debt	**6,663**	655
Current portion of long-term debt *(note 7)*	**1,250**	1,234
Customer deposits	**17,993**	24,369
Deferred revenue	**2,318**	1,718
Risk management *(note 10)*	**76,037**	60,848
Other current liabilities	**4,850**	9,321
	319,438	286,114
Long-term debt *(note 7)*	**614,505**	218,845
Asset retirement obligations	**34,118**	18,811
Future income taxes	**200,885**	58,229
Risk management *(note 10)*	**26,190**	30,166
Convertible debentures *(note 8)*	**17,400**	-
Other long-term liabilities	**5,708**	2,948
	1,218,244	615,113
Unitholders' equity *(notes 11 and 12)*	**777,408**	584,688
	$ 1,995,652	$ 1,199,801

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statements of Income and Accumulated Earnings

(unaudited)

For the three months ended *($ thousands except per unit amounts and number of units)*	**March 31 2008**	March 31 2007
REVENUE		
Operating	**$ 442,462**	$ 426,042
Unrealized gains on risk management	**628**	62
Other	**1,361**	1,961
	444,451	428,065
EXPENSES		
Cost of sales	**333,703**	348,773
Operating and administrative	**47,147**	38,061
Amortization:		
Capital assets	**13,517**	10,430
Energy services arrangements, contracts and relationships	**2,484**	1,762
	396,851	399,026
Operating income	**47,600**	29,039
Interest expense		
Short-term debt	**784**	60
Long-term debt	**6,215**	3,017
Income before income taxes	**40,601**	25,962
Income tax expense	**3,022**	1,382
Net income	**37,579**	24,580
Accumulated earnings, beginning of period	**510,412**	401,618
Accumulated earnings, end of period	**$ 547,991**	$ 426,198
Net income per unit *(notes 12 and 13)*		
Basic	**$ 0.58**	$ 0.43
Diluted	**$ 0.57**	$ 0.43
Weighted average number of units outstanding (thousands) *(notes 12 and 13)*		
Basic	**65,064**	56,660
Diluted	**66,006**	56,693

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income and Accumulated Other Comprehensive Income

(unaudited)

For the three months ended *($ thousands)*		**March 31 2008**		March 31 2007
Net income	**$**	**37,579**	$	24,580
Other comprehensive income, net of tax				
Unrealized net gain (loss) on available for sale financial assets		**(17,873)**		17
Unrealized net gain (loss) on derivatives designated as cash flow hedges		**(3,386)**		4,799
Reclassification to net income of net loss on derivatives designated as cash flow hedges pertaining to prior periods		**(2,900)**		(4,535)
		(24,159)		281
Comprehensive income	**$**	**13,420**	$	24,861
Accumulated other comprehensive income, beginning of period	**$**	**27,169**		-
Adjustment resulting from adoption of new financial instrument accounting standards		**-**		(2,634)
Other comprehensive income, net of tax		**(24,159)**		281
Accumulated other comprehensive income, end of period	**$**	**3,010**	$	(2,353)

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(unaudited)

For the three months ended *($ thousands)*	**March 31 2008**	March 31 2007
Cash from operations		
Net income	**$ 37,579**	$ 24,580
Items not involving cash:		
Amortization	**16,001**	12,192
Accretion of asset retirement obligations	**457**	426
Unit-based compensation	**100**	174
Future income tax expense	**3,003**	1,382
Gain on sale of assets	**(7)**	(73)
Equity income	**(469)**	(1,376)
Distributions from equity investments	**-**	755
Unrealized gain on risk management	**(628)**	(62)
Other	**280**	248
Funds from operations	**56,316**	38,246
Asset retirement obligations settled	**(56)**	(120)
Net change in non-cash working capital *(note 14)*	**(19,282)**	7,999
	36,978	46,125
Investing activities		
Decrease in customer deposits	**6,376**	104
Acquisition of capital assets	**(51,688)**	(11,013)
Disposition of capital assets	**-**	417
Acquisition of long-term investments and other assets	**(260,606)**	(379)
	(305,918)	(10,871)
Financing activities		
Increase in short-term debt	**6,008**	7,500
Increase (decrease) in long-term debt	**281,031**	(17,219)
Distributions to unitholders	**(33,198)**	(28,851)
Net proceeds from issuance of units *(note 12)*	**7,711**	12,470
Net proceeds from issuance of warrants *(note 11)*	**4,500**	-
	266,052	(26,100)
Change in cash and cash equivalents	**(2,888)**	9,154
Cash and cash equivalents, beginning of period	**12,451**	13,226
Cash and cash equivalents, end of period	**$ 9,563**	$ 22,380

See accompanying notes to the Consolidated Financial Statements.

Selected Notes to the Consolidated Financial Statements

(unaudited)

(Tabular amounts in thousands of dollars unless otherwise indicated.)

1. BASIS OF PRESENTATION

The interim Consolidated Financial Statements of AltaGas Income Trust (AltaGas or the Trust) include the accounts of the Trust and all of its wholly owned subsidiaries, and its proportionate interests in various partnerships and joint ventures.

The interim Consolidated Financial Statements have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). The accounting policies applied are consistent with those outlined in the Trust's annual Consolidated Financial Statements for the year ended December 31, 2007, except as described below in Notes 2 and 3. These interim Consolidated Financial Statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the 2007 audited Consolidated Financial Statements included in the Trust's Annual Report.

2. CHANGES IN ACCOUNTING POLICIES

Changes For 2008

Effective January 1, 2008 the Trust adopted the new CICA Handbook accounting requirements for Section 1535 “Capital Disclosures”, Section 3031 "Inventories", Section 3862 “Financial Instruments - Disclosures” and Section 3863 “Financial Instruments - Presentation”. In accordance with the transitional provisions for these new standards, these policies were adopted prospectively without restatement of prior periods.

Capital Disclosures

CICA Handbook Section 1535 "Capital Disclosures" requires the disclosure of qualitative and quantitative information about the Trust's objectives, policies and processes for managing capital , which have been provided in Note 9.

Inventory

Inventory consists of materials and supplies and natural gas liquids (NGL) product held for sale. All inventory is valued at the lower of cost and net realizable value. Cost is assigned using a weighted average cost formula.

Financial Instruments

CICA Handbook Section 3862 "Financial Instruments - Disclosure" and Section 3863 "Financial Instruments - Presentation" replace Section 3861 "Financial Instruments - Disclosure and Presentation" effective January 1, 2008 for the Trust. Section 3862 requires the disclosure of information to allow users to evaluate the significance of the financial instruments on the entity's financial position and performance and the nature and extent of risks arising from financial instruments and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The additional information to comply with these standards is disclosed in Note 10.

Future Accounting Changes

Section 3064 "Goodwill and Intangible Assets"

Effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008, the new CICA Handbook Section 3064 will replace Section 3062 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets including internally generated intangible assets. This new section is effective for the Trust beginning January 1, 2009.

International Financial Reporting Standards (IFRS)

In 2006 the Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements in Canada. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over a five-year transition period with adoption required effective January 1, 2011. While AltaGas has begun assessing the adoption of IFRS for 2011, the financial impact of the transition to IFRS cannot be reasonably estimated at this time.

3. UPDATE TO SUMMARY OF ACCOUNTING POLICIES

As a result of the acquisition of Taylor NGL Limited Partnership (Taylor) and AltaGas' issuance of warrants, the Trust has updated the following significant accounting policies.

Energy Services Arrangements, Contracts, Relationships and Amortization

Energy services arrangements, contracts and relationships are recorded at cost, which was fair value at the time of purchase, and are amortized on a straight-line basis over their term or estimated useful life:

Sundance B Power Purchase Arrangements (PPAs)	19 years
Natural gas and power marketing contracts	18 - 49 months
Energy services relationships	15 years
Extraction and transmission contracts (E&T)	10 - 30 years

AltaGas owns 50 percent of two Sundance B PPAs through its interest in the ASTC Power Partnership (ASTC). ASTC is committed to purchase all of the power from the two 353-megawatt (MW) capacity Sundance B generating units. The investment in the PPAs and the corresponding revenue and expenses thereunder are recorded on a proportionate basis. The Sundance B PPAs required a capital outlay to acquire. The Trust is obligated to make payments to the owners of the underlying generating units over the remaining terms of the PPAs to December 31, 2020. Such amounts are recorded as cost of sales as incurred. Revenue from the sale of the committed power is recorded when delivered.

The natural gas and power marketing contracts are the rights and obligations to buy and sell fixed volumes of natural gas and power at contracted prices. Revenue and expenses are recorded when product is delivered.

Energy services relationships were purchased along with substantially all of the assets and liabilities of iQ2 Power Corp. (iQ2), PremStar Energy Canada Ltd., ECNG Canada Ltd. and Energistics Group Inc. and are recorded at fair value and amortized on a straight-line basis commencing with the expiration of the related short-term marketing contracts over the 15-year expected useful life of the relationships.

The E&T contracts were acquired through the acquisition of Taylor and are recorded at fair value and amortized on a straight-line basis over the term of the contracts.

Per Unit Information

Basic net income per unit is calculated on the basis of the weighted average number of trust and exchangeable units outstanding during the period. Diluted net income per unit is calculated as if the proceeds obtained upon exercise of options were used to purchase units at the average market price during the period plus the trust units issuable on conversion of outstanding convertible debentures and warrants. Diluted net income is increased by the interest on the convertible debentures and decreased by the accretion on the convertible debentures.

Convertible Debentures

Convertible debentures are recorded at fair value upon acquisition, less the amount attributed to the conversion feature, which is included as part of unitholders' equity. The difference between the fair value and the principal amount is charged to income on an effective yield basis.

Warrants

Warrants are recorded at fair value, deemed to be the gross proceeds upon issue, and are included as part of unitholders' equity.

4. BUSINESS ACQUISITION

On January 10, 2008 AltaGas Holding Limited Partnership No. 1 (AltaGas LP #1) acquired all of the outstanding limited partnership units of Taylor (other than the Taylor units already owned by AltaGas and its affiliates). Taylor participated in the energy business through ownership of natural gas liquids extraction plants, natural gas processing assets and two natural gas liquids pipelines. It also had an interest in a 7 MW run-of-river hydroelectric generation plant.

AltaGas offered Taylor unitholders $11.20 in cash or 0.42 units of AltaGas per unit of Taylor, subject to maximum aggregate limits of $245.0 million in cash and 8.0 million Trust units, including up to approximately 1.9 million exchangeable units. Prior to closing the acquisition, $27.9 million of Taylor convertible debentures were redeemed, increasing Taylor units outstanding by 2.7 million. The aggregate purchase price was $598.7 million, including $256.3 million of cash and 7.7 million Trust units (including 0.2 million exchangeable units) valued at $198.9 million for all the outstanding units not previously owned by AltaGas, assumed debt and convertible debentures for $132.5 million and approximately $11 million in transaction costs. The value of the Trust units issued was determined based on the weighted average market price between two days preceding and two days subsequent to November 11, 2007, the date the offer had been agreed upon and announced.

The following table summarizes the total consideration and the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition. Any final adjustments may significantly change the allocation of the purchase price and could affect the fair value assigned to assets and liabilities. The preliminary allocation of the purchase price is as follows:

Total consideration for 100% of Taylor:			
Cost of 8.9% investment in Taylor originally owned by AltaGas			24,672
Purchase price for the remaining 91.1% of Taylor units			
Cash consideration	256,281		
Units	198,861		
Estimated transaction costs	11,000		
Equity portion of Taylor convertible debentures	2,127		468,269
Total consideration		$	492,941
Purchase price allocation for 100% of Taylor:			
Assets acquired			
Current assets	30,804		
Capital assets	592,030		
Energy service arrangements, contracts and relationships	84,000		
Goodwill	106,613		
Long-term investments and other assets	4,640		818,087
Less liabilities assumed			
Current liabilities	31,202		
Long-term debt	110,241		
Convertible debentures	22,171		
Asset retirement obligations	14,350		
Future income taxes	144,616		
Future employee obligations	2,542		
Risk management	24		325,146
		$	492,941

Until the date of acquisition, AltaGas accounted for its investment in Taylor using the cost method. As a result, the investment in Taylor was designated as available for sale and was measured at fair value with the changes in fair value recorded in other comprehensive income (OCI). As of January 10, 2008 Taylor has been included in AltaGas' Consolidated Financial Statements.

AltaGas drew on its available credit facility to finance the cash consideration of $256.3 million for the Taylor acquisition.

5. CAPITAL ASSETS

			March 31 2008			December 31 2007
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Extraction and Transmission						
Extraction and transmission assets	**$ 818,228**	**$ (51,705)**	**$ 766,523**	$ 255,810	$ (46,078)	$ 209,732
Field Gathering and Processing						
Field gathering and processing assets	**598,284**	**(154,924)**	**443,360**	569,944	(148,297)	421,647
Other assets	**4,541**	**(2,390)**	**2,151**	4,416	(2,161)	2,255
Energy Services						
Energy services assets	**9,791**	**(1,024)**	**8,767**	9,693	(896)	8,797
Other assets	**2,982**	**(207)**	**2,775**	2,018	(156)	1,862
Power Generation						
Capital lease *(note 7)*	**13,798**	**(4,939)**	**8,859**	13,798	(4,596)	9,202
Power generation assets	**77,265**	**-**	**77,265**	22,013	-	22,013
Corporate						
Other assets	**19,863**	**(12,913)**	**6,950**	19,230	(12,416)	6,814
	$ 1,544,752	**$ (228,102)**	**$ 1,316,650**	$ 896,922	$ (214,600)	$ 682,322

Interest capitalized on long-term capital construction projects for the period ended March 31, 2008 was $0.4 million (December 31, 2007 - $0.8 million). At March 31, 2008 the Trust had spent approximately $93.6 million (December 31, 2007 - $42.6 million) on capital projects under construction that were not yet subject to amortization.

In January 2008, the Trust completed the acquisition of Taylor (Note 4) which resulted in the increase to the extraction and transmission and field gathering and processing assets.

6. ENERGY SERVICES ARRANGEMENTS, CONTRACTS AND RELATIONSHIPS

			March 31 2008			December 31 2007
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Energy services arrangements and contracts	**$ 199,070**	**$ (39,853)**	**$ 159,217**	$ 115,071	$ (37,717)	$ 77,354
Energy services relationships	**20,892**	**(2,878)**	**18,014**	20,892	(2,530)	18,362
	$ 219,962	**$ (42,731)**	**$ 177,231**	$ 135,963	$ (40,247)	$ 95,716

The amortization of the energy services relationships began in 2006 upon expiration of the corresponding short-term marketing contracts.

In January 2008, the Trust completed the acquisition of Taylor (Note 4) which resulted in the majority of additions since December 31, 2007.

7. LONG-TERM DEBT

		March 31 2008		December 31 2007
Operating loans	**$**	**406,020**	$	10,045
Medium-term notes		**200,000**		200,000
Capital lease obligations		**9,735**		10,034
		615,755		220,079
Less current portion		**1,250**		1,234
	$	**614,505**	$	218,845

Operating Loans

At March 31, 2008 the Trust held a $375.0 million (December 31, 2007 - $300.0 million) unsecured extendible revolving three-year credit facility with a syndicate of Canadian chartered banks. Borrowings on the facility can be by way of prime loans, U.S. base rate loans, LIBOR loans, bankers' acceptances or documentary credits. Borrowings on the facility have fees and interest at rates relevant to the nature of the draw. On September 30, 2007 AltaGas negotiated the extension of the maturity date of this facility to September 30, 2010.

On March 31, 2008 the Trust negotiated a new $250.0 million unsecured 18 month credit facility with a syndicate of Canadian chartered banks. Borrowings on the facility can be by way of prime loans, U.S. base rate loans, LIBOR loans, bankers' acceptances. Borrowings on the facility bear fees and interest rates relevant to the nature of the draw and the facility matures on September 28, 2009.

At March 31, 2008 the Trust had drawn $406.0 million (December 31, 2007 - $10.0 million) against the facilities. The prime lending rate at March 31, 2008 was 5.25 percent (December 31, 2007 - 6.0 percent). The average rate on the Trust's bankers' acceptances at March 31, 2008 was 4.4 percent (December 31, 2007 - 5.2 percent).

Medium-Term Notes

On August 30, 2005 $100.0 million of 4.41 percent senior unsecured MTNs were issued. The notes mature on September 1, 2010, with interest payable semi-annually. The proceeds of the issue were used to repay bank debt.

On January 19, 2007 AltaGas issued a further $100.0 million of senior unsecured MTNs. The notes carry a coupon rate of 5.07 percent and mature on January 19, 2012. The net proceeds were used to pay down existing bank indebtedness and for general corporate purposes.

Letter of Credit Facility

At March 31, 2008 the Trust held a $75.0 million (December 31, 2007 - $75.0 million) unsecured three-year extendible revolving-term letter of credit facility with a Canadian chartered bank maturing on September 30, 2010. AltaGas may borrow up to $25.0 million by way of prime loans, U.S. base rate loans, LIBOR loans or bankers' acceptances on the letter of credit facility. Borrowings on the facility bear fees and interest at rates relevant to the nature of the draw made. At March 31, 2008 the Trust had letters of credit of $63.1 million (December 31, 2007 - $61.7 million) outstanding against the extendible revolving-term letter of credit facility.

8. CONVERTIBLE DEBENTURES

On January 10, 2008 AltaGas assumed a principal amount of $22.1 million of 5.85 percent convertible debentures through the acquisition of Taylor. The debentures mature on September 10, 2010, with interest payable semi-annually on September 10 and March 10 of each year. Prior to maturity, the debentures may be converted into trust units at the option of the holder at a conversion price of $24.64 per trust unit.

The Trust may redeem the convertible debentures after September 10, 2008 and prior to September 10, 2009 in whole or in part at a price equal to their principal amount plus accrued and unpaid interest, if any, provided the current market price of the trust units on the date notice is given is not less than 125 percent of the conversion price, subject to adjustment in certain events. After September 10, 2009 and prior to the convertible debentures' maturity, the Trust may redeem the convertible debentures at a price equal to their principal amount plus accrued and unpaid interest, if any. The Trust can elect to pay interest on the debentures by issuing trust units.

Balance, December 31, 2007	$	-
Fair value of convertible debentures *(note 4)*		22,171
Accretion		(5)
Conversion to Trust units		(612)
Redeemed for cash		(4,154)
Balance, March 31, 2008	**$**	**17,400**

9. CAPITAL DISCLOSURE

The Trust's objective for managing capital is to maintain its investment-grade credit rating and allow the Trust to maximize the profitability of its existing assets and grow its energy infrastructure to create long-term value and enhance returns for its investors. The Trust considers Unitholders' Equity (including Accumulated Other Comprehensive Income), short-term and long-term debt (including current portion) less cash and cash equivalents to be part of its capital structure. The Trust's overall strategy remained unchanged from 2007.

The use of debt or equity funding is based on AltaGas' capital structure, which is determined by considering the norms and risks associated with each of its business segments. AltaGas' target debt-to-total-capitalization ratio is 40 to 45 percent. The Trust's debt-to-total capitalization ratio as at March 31, 2008 was 45.1 percent (December 31, 2007 - 27.4 percent).

All of the borrowing facilities have financial tests and other covenants customary for the types of facilities which must be met at each quarter-end. AltaGas has been in compliance with these covenants each quarter since the issuance of the facilities.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

In the course of normal operations the Trust purchases and sells natural gas, natural gas liquids and power commodities and issues short and long-term debt. The Trust uses derivative instruments to reduce exposure to fluctuations in commodity prices, interest rates and foreign currency exchange rates that arise from these activities. The Trust does not make use of derivative instruments for speculative purposes.

Fair Values of Financial Instruments

At March 31, 2008 all derivatives, other than those that meet the expected purchase, sale or usage requirements exception, were carried on the balance sheet at fair value. The fair value of power and natural gas derivatives was calculated using estimated forward prices for the relevant period. The calculation of fair value of the interest rate derivatives used quoted market rates.

The fair value of long-term debt has been estimated based on discounted future interest and principal payments using estimated interest rates. The fair value of the convertible debentures was estimated using a Black Scholes model.

The fair values of the Trust's financial assets and liabilities were as follows:

Summary of Fair Values

($ thousands)	**March 31 2008 Carrying amount**	**March 31 2008 Fair value**	December 31 2007 Carrying amount	December 31 2007 Fair value
Financial assets				
Held for trading				
Cash and cash equivalents [(2)]	**9,563**	**9,563**	12,451	12,451
Risk management - derivatives [(1)]	**86,258**	**86,258**	83,200	83,200
Cash flow hedges				
Risk management [(1)]	**13,506**	**13,506**	17,251	17,251
Loans and receivables				
Accounts receivable and other assets [(2)]	**205,040**	**205,040**	184,212	184,212
Customer deposits [(2)]	**17,993**	**17,993**	24,369	24,369
Available for sale				
Long-term investments and other assets	-	-	44,746	44,746
Total	**$ 332,360**	**$ 332,360**	$ 366,229	$ 366,229
Financial liabilities				
Held for trading				
Risk management - derivatives [(1)]	92,709	92,709	86,799	86,799
Cash flow hedges				
Risk management [(1)]	9,518	9,518	4,215	4,215
Other financial liabilities				
Accounts payable and other liabilities [(2)]	160,845	160,845	142,221	142,221
Customer deposits [(2)]	17,993	17,993	24,369	24,369
Short-term debt	6,663	6,663	655	655
Long-term debt	608,502	600,415	214,842	204,844
Convertible debentures	17,400	18,195	-	-
Total	$ 913,630	$ 906,338	$ 473,101	$ 463,103

(1) *Fair value is equal to the carrying value for derivatives and hedged items/*

(2) *Due to the nature and/or short maturity of these financial instruments the carrying amount approximates the fair value.*

Market Risk on Financial Instruments

The Trust is exposed to market risk and potential loss from changes in the values of financial instruments. AltaGas enters into financial derivative contracts to manage exposure to fluctuations in commodity prices, interest rates and foreign exchange rates.

Commodity Price Risk Management

Natural Gas

The Trust purchases and sells natural gas to its customers. The fixed-price and market-price contracts for both the purchase and sale of natural gas extend to 2012.

The Trust had the following contracts outstanding:

As at March 31, 2008			**Notional volume (GJ)**		
Derivative Instruments	**Fixed price (per GJ)**	**Period (months)**	**Sales**	**Purchases**	**Fair value**
Commodity forward	**$2.16 to $10.37**	**1 - 53**	**89,055,376**	**-**	**$ (76,888)**
Commodity forward	**$2.16 to $10.37**	**1 - 53**	**-**	**89,055,376**	**$ 74,222**

As at December 31, 2007			**Notional volume (GJ)**		
Derivative Instruments	Fixed price (per GJ)	Period (months)	Sales	Purchases	Fair value
Commodity forward	$2.16 to $10.37	1 - 55	105,375,003	-	$ (17,775)
Commodity forward	$2.16 to $10.37	1 - 55	-	105,375,003	$ 14,754

In first quarter 2008 the Trust recognized an unrealized gain of $0.4 million (March 31, 2007 - $0.2 million) from the Trust's natural gas risk management activities.

Natural Gas Liquids

The Trust entered into a series of swaps to lock in a portion of the margin exposed to NGL frac spread.
The Trust had the following contracts outstanding:

As at March 31, 2008			**Notional volume**		
Product	**Fixed price**	**Period (months)**	**Sales**	**Purchases**	**Fair value**
Propane	**$1.2825 to $1.4725 US/gallon**	**1 - 21**	**31,104,675 gallon**	**-**	**$ (4,248)**
Normal butane	**$1.4950 to $1.7000 US/gallon**	**1 - 21**	**9,798,075 gallon**	**-**	**(1,756)**
WTI	**$83.20 to $99.05 US/Bbl**	**1 - 21**	**105,200 Bbls**	**-**	**(1,040)**
Natural gas	**$6.54 to $8.30/GJ**	**1 - 21**	**-**	**4,609,375 GJ**	**$ 6,769**

As at December 31, 2007			**Notional volume**		
Product	Fixed price	Period (months)	Sales	Purchases	Fair value
Propane	$1.2825 to $1.4725 US/gallon	1 - 12	9,677,178 gallon	-	$ (1,156)
Normal butane	$1.4950 to $1.7000 US/gallon	1 - 12	2,612,064 gallon	-	(685)
WTI	$83.20 to $89.10 US/Bbl	1 - 12	27,489 Bbls	-	(143)
Natural gas	$6.455 to $6.550/GJ	1 - 12	-	1,382,591 GJ	$ 159

In first quarter 2008 the Trust recognized an unrealized gain of $2.8 million (March 31, 2007 - nil) from the Trust's NGL risk management activities.

Power

Under the power purchase arrangements AltaGas has an obligation to buy power at agreed terms and prices to December 31, 2020. The Trust sells the power to the Alberta Electric System Operator at market prices and uses swaps and collars to fix the prices over time on a portion of the volumes. AltaGas' strategy is to lock in margins to provide predictable earnings. Certain contracts met the expected purchase, sale or usage requirements exception and have not been included in risk management assets or liabilities. At March 31, 2008 the Trust had no intention to terminate any contracts prior to maturity.

The Trust had no contracts outstanding at March 31, 2008.

As at December 31, 2007			**Notional volume (MWh)**		
Derivative Instruments	Fixed price (per MWh)	Period (months)	Sales	Purchases	Fair value
Commodity forward	$79.00 to $80.60	1 - 3	2,160	-	$ (28)
Commodity forward	$63.25 to $68.00	1 - 3	-	2,160	$ 31

The Trust's power risk management activities from financial contracts not included in the hedging program had an unrealized gain of $0.1 million (March 31, 2007 - nil).

The Trust had the following commodity swaps and collars outstanding:

As at March 31, 2008			**Notional volume (MWh)**		
Derivative Instruments	**Fixed price (per MWh)**	**Period (months)**	**Sales**	**Purchases**	**Fair value**
Swaps and collars	**$65.00 to $88.00**	**1 to 21**	**1,787,040**	**-**	**$ (3,066)**
Swaps and collars	**$56.50**	**1 to 117**	**-**	**279,564**	**$ 6,265**

As at December 31, 2007			**Notional volume (MWh)**		
Derivative Instruments	Fixed price (per MWh)	Period (months)	Sales	Purchases	Fair value
Swaps and collars	$65.00 to $88.00	1 to 24	1,626,624	-	$ 10,932
Swaps and collars	$56.50	1 to 120	-	263,016	$ 3,339

The Trust had no heat rate hedges outstanding at March 31, 2008.

The Trust had the following heat rate hedges outstanding as at December 31, 2007:

As at December 31, 2007			**Notional volume (GJ or MWh)**		
Derivative Instruments	Fixed price (per GJ or MWh)	Period (months)	Sales	Purchases	Fair value
Natural gas (per GJ)	$6.08 to $6.17	1	-	79,050	$ 17,968
Power (per MWh)	$89.00 to $138.00	1	6,510	-	$ 170,019

In first quarter 2008 the Trust recognized an unrealized loss of $0.2 million (March 31, 2007 - nil) in the corporate segment from the Trust's heat rate hedging activities.

Interest Rate Risk Management

To hedge against the effect of future interest rate movements, the Trust enters into interest rate swap agreements to fix the interest rate on a portion of its bankers' acceptances issued under credit facilities. The interest rate swaps have an average remaining term of 9 to 24 months and a weighted average interest rate of 3.76 percent. The Trust's target is to have approximately 70 to 75 percent of its debt at fixed interest rates.

At March 31, 2008 the Trust’s interest rate risk management activities resulted in an unrealized loss of $1.9 million (March 31, 2007 - $0.3 million) and fair market value position of $1.8 million.

Foreign Exchange Risk Management

To manage the risk of fluctuating cash flows due to variations in foreign exchange rates, the Trust enters into foreign exchange forward contracts. At March 31, 2008 the Trust's foreign exchange risk management activities had an unrealized loss of $0.5 million (March 31, 2007 - $0.2 million) and fair market value position of $0.9 million.

Sensitivity Analysis

The following table illustrates potential effects of changes in relevant risk variables on AltaGas' net income and OCI for the three months ended March 31, 2008:

Factor Share	Increase or decrease	Increase or decrease in net income	Increase or decrease in OCI
Alberta electricity prices	$1/MWh	-	1,197
Natural gas liquids fractionation spread	$1 per Bbl	2,508	489
Interest rate swaps	25 bps	513	-
Foreign exchange	$0.05	123	-

Credit Risk on Financial Instruments

Credit risk results from the possibility that a counterparty to a financial instrument in which the Trust has an amount owing from fails to fulfill its obligations in accordance with the terms of the contract.

AltaGas' credit policy details the parameters used to grant, measure, monitor and report on credit provided to counterparties. AltaGas minimizes counterparty risk by conducting credit reviews on counterparties in order to establish specific credit limits on clients, both prior to providing products or services and on a recurring basis. In addition, most contracts include credit mitigation clauses which allow for AltaGas to obtain financial or performance assurances from counterparties under certain circumstances. AltaGas provides an allowance for doubtful accounts in the normal course of its business.

The Trust's maximum credit exposure consists primarily of the carrying value of the non-derivative financial assets and the fair value of derivative financial assets. At March 31, 2008 AltaGas did not have a significant concentration of credit risk with any single counterparty to financial instruments.

Liquidity Risk on Financial Instruments

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. The Trust manages this risk through its extensive budgeting and monitoring process to ensure it has sufficient cash and credit facilities to meet its obligations. The Trust's objective is to maintain its investment-grade ratings to ensure it has access to debt and equity funding as required (see Note 9).

At March 31, 2008 the Trust has the following contractual maturities with respect to non-derivative financial liabilities:

		Payments Due by period				
	Total	2008	2009	2010	2011	Thereafter
Short-term debt	6,663	6,663	-	-	-	-
Long-term debt[(1)]	608,502	-	100,000	407,147	-	101,355
Total	$ 615,165	$ 6,663	$ 100,000	$ 407,147	$ -	$ 101,355

[(1)] Comprised of operating loans and medium-term notes excluding deferred financing costs and capital leases (Note 7).

11. UNITHOLDERS' EQUITY

	March 31 2008	December 31 2007
Unitholders' capital *(note 12)*	**$ 713,187**	$ 505,544
Contributed surplus	**3,974**	3,875
Accumulated earnings	**547,991**	510,412
Convertible debentures	**1,668**	-
Warrants	**4,500**	-
Accumulated dividends	**(41,114)**	(41,114)
Accumulated unitholders' distributions declared[(1)]	**(425,713)**	(391,103)
Distributions of common shares of Utility Group	**(29,848)**	(29,848)
Transition adjustment resulting from adopting new financial instruments accounting standards	**(247)**	(247)
Accumulated other comprehensive income	**3,010**	27,169
	$ 777,408	$ 584,688

[(1)] *Accumulated unitholders' distributions paid by the Trust as at March 31, 2008 were $414.2 million (as at December 31, 2007 - $380.9 million).*

In 2007 the holders of trust units of the Trust and holders of exchangeable partnership units of AltaGas Holding Limited Partnership No. 1 received one common share of AltaGas Utility Group Inc. (Utility Group) for every 100 trust or exchangeable units held on August 27, 2007. As part of the distribution plan, any unitholder allocated fewer than 50 common shares of Utility Group received cash. The number of common shares of Utility Group distributed to unitholders was 577,416, which reduced unitholders equity by $4.2 million. This distribution resulted in a 27 percent reduction of the Trust's interest in Utility Group to 19.6 percent.

12. UNITHOLDERS' CAPITAL

Trust Units Issued and Outstanding:	**Number of units**	**Amount**
December 31, 2007	**56,057,438**	**$ 493,866**
Units issued for cash on exercise of options	**1,000**	**25**
Units issued under DRIP[(1)]	**329,476**	**7,687**
Units issued for exchangeable units	**21,357**	**154**
Units issued on business acquisition	**7,553,174**	**194,645**
Units issued on conversion of convertible debentures	**24,835**	**1,070**
March 31, 2008	**63,987,280**	**697,447**
Exchangeable Units Issued and Outstanding:		
December 31, 2007 issued by AltaGas LP #1	**2,040,456**	**11,678**
AltaGas LP #1 units redeemed for trust units	**(21,357)**	**(154)**
Units issued in business acquisition	**163,607**	**4,216**
March 31, 2008	**2,182,706**	**15,740**
Issued and outstanding at March 31, 2008	**66,169,986**	**$ 713,187**

[(1)] *Premium Distribution™, Distribution Reinvestment and Optional Unit Purchase Plan*

Units Outstanding [1]	Three months ended March 31	
	2008	2007
Number of units - Basic[2]	**65,064,354**	56,659,961
Dilutive stock options	**942,050**	33,319
Number of units - diluted[2]	**66,006,404**	56,693,280

(1) *Includes exchangeable units.*

(2) *Weighted average.*

The Trust has an employee unit option plan under which both employees and directors are eligible to receive grants. At March 31, 2008, 10 percent of units outstanding were reserved for issuance under the plan. To March 31, 2008 options granted under the plan generally had a term of 10 years to expiry and vested no longer than over a four-year period.

At March 31, 2008 outstanding options were exercisable at various dates to the year 2018 (December 31, 2007 - 2017). Options outstanding under the plan have a weighted average exercise price of $25.76 (December 31, 2007 - $26.36) and a weighted average remaining term of 8.79 years (December 31, 2007 - 8.76 years). As at March 31, 2008 the unexpensed fair value of unit option compensation cost associated with future periods was $0.6 million (December 31, 2007 - $0.7 million).

The following table summarizes information about the Trust's unit options:

	Options outstanding		
	Number of options		Exercise price[1]
Unit options outstanding, December 31, 2007	1,310,400	$	26.36
Granted	339,250		23.56
Exercised	(1,000)		9.55
Cancelled	(33,250)		27.45
Unit options outstanding, March 31, 2008	**1,615,400**	**$**	**25.76**
Unit options exercisable, March 31, 2008	**393,092**	**$**	**25.48**

(1) *Weighted average*

A summary of the plan as at March 31, 2008:

	Options outstanding				Options exercisable		
	Number outstanding [1]		Exercise price [2]	Remaining contractual life [3]	Number exercisable [1]		Exercise price [2]
$5.00-$7.00	9,000	$	6.10	2.20	9,000	$	6.10
$7.01-$15.50	27,500		10.29	4.91	27,500		10.29
$15.51-$25.08	743,650		24.23	9.37	70,967		24.30
$25.09-$29.50	835,250		27.84	8.48	285,625		27.85
	1,615,400	**$**	**25.76**	**8.79**	**393,092**	**$**	**25.48**

(1) *As at March 31, 2008.*

(2) *Weighted average.*

(3) *Weighted average number of years.*

In 2004 AltaGas implemented a unit-based compensation plan which awards phantom units to certain employees. The phantom units are valued on distributions declared and the trading price of the Trust's units. The units vest on a graded vesting schedule. The compensation expense recorded in first quarter 2008 in respect of this plan was $1.3 million (first quarter 2007 - $1.6 million). As at March 31, 2008 the unexpensed fair value of unit-based compensation costs associated with future periods was $15.9 million (December 31, 2007 - $14.2 million).

13. INCOME PER UNIT

The following table summarizes the computation of net income per unit:

	Three months ended March 31 2008	2007
Numerator:		
Numerator for basic income per unit	**$ 37,579**	$ 24,580
Numerator for diluted income per unit	**$ 37,839**	$ 24,580
Denominator:		
Weighted-average number of units	**65,064**	56,660
Dilutive unit options	**942**	33
Denominator for diluted income per unit	**66,006**	56,693
Basic income per unit	**$ 0.58**	$ 0.43
Diluted income per unit	**$ 0.57**	$ 0.43

14. NET CHANGE IN NON-CASH WORKING CAPITAL

The net change in the following non-cash working capital items increased (decreased) cash flows from operations as follows:

	Three months ended March 31 2008	2007
Accounts receivable	**$ 8,939**	$ 32,229
Inventory	**(709)**	(50)
Other current assets	**(263)**	6,778
Accounts payable and accrued liabilities	**(13,451)**	(30,698)
Customer deposits	**(6,376)**	(104)
Deferred revenue	**600**	198
Other current liabilities	**(4,471)**	(5,593)
	(15,731)	2,760
Less decrease (increase) in capital costs payable	**(3,551)**	5,239
Net change in non-cash working capital related to operations	**$ (19,282)**	$ 7,999

Specific line items may not tie to net change in Balance Sheet due to acquisition.

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

	Three months ended March 31 2008	2007
Interest paid	**$ 5,242**	$ 3,083
Income taxes paid	**$ 318**	$ 81

15. PENSION PLANS AND RETIREE BENEFITS

During the quarter the Trust assumed two defined benefit pension plans with the acquisition of Taylor. These plans are in relation to the unionized employees at the Younger Extraction Plant and certain employees at the Harmattan Complex. The cost of the defined 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 and other factors affecting the payment of future benefits. Atlagas has adjusted the actuarial liability of these plans to follow the same assumptions used under its existing pension plans.

The net pension expense by plan for the period was as follows:

	Three months ended March 31 2008		2007
Defined contribution plan	$	**521**	$ 382
Defined benefit plan		**225**	3
Supplemental executive retirement plan		**209**	258
	$	**955**	$ 643

16. RELATED PARTY TRANSACTIONS

In the normal course of business, the Trust and its affiliates transact with related parties. These transactions are recorded at their exchange amounts and are as follows:

		Three months ended March 31 2008		2007
Fees for administration, management and other services paid by:				
Utility Group to the Trust	**$**	**49**	$	8
The Trust to Utility Group	**$**	**47**	$	138
Natural gas sales by the Trust to Utility Group subsidiaries	**$**	**42,172**	$	38,916
Fees for operating services paid by Utility Group subsidiaries	**$**	**68**	$	66
Transportation services provided by Utility Group subsidiaries	**$**	**120**	$	124
Office space and furniture rental payments made by the Trust to a corporation owned by an employee	**$**	**22**	$	21

The resulting amounts due from and to related parties are non-interest bearing and are related to transactions in the normal course of business.

Included in accounts receivable at March 31, 2008 was $12.4 million (December 31, 2007 - $13.5 million) due to the Trust from related parties. Included in accounts payable at March 31, 2008 was $2,000 (December 31, 2007 - $50,000) due from the Trust to related parties.

During third quarter 2007 AltaGas sold its 33.3335 percent interest in the Ikhil Joint Venture to Utility Group for $9.0 million to execute the divestiture of non-core production assets.

17. SEGMENTED INFORMATION

AltaGas is an integrated energy trust with a portfolio of assets and services used to move energy from the source to the end-user. Transactions among the reporting segments are recorded at fair value. The following describes the Trust's five reporting segments:

Extraction and Transmission	– ethane and natural gas liquids extraction plants and natural gas and natural gas liquids transmission pipelines;
Field Gathering and Processing	– natural gas gathering lines and processing facilities;
Energy Services	– energy management and gas services for natural gas and electricity;
Power Generation	– coal-fired and gas-fired power output under power purchase arrangements and other agreements, as well wind and run-of-river power projects under development; and
Corporate	– the costs of providing corporate services and general corporate overhead, investments in public and private entities, corporate assets and the effects of changes in the fair value of risk management assets and liabilities.

The following tables show the composition by segment:

Three months ended March 31, 2008	Extraction and Transmission	Field Gathering and Processing	Energy Services	Gas Subtotal	Power Generation	Corporate	Intersegment Elimination	Total
Revenue	**$ 108,960**	**$ 34,353**	**$ 266,134**	**$ 409,447**	**$ 51,634**	**$ 1,361**	**$ (18,619)**	**$ 443,823**
Unrealized gains on risk management	**-**	**-**	**-**	**-**	**-**	**628**	**-**	**628**
Cost of sales	**(63,412)**	**(2,747)**	**(262,704)**	**(328,863)**	**(23,203)**	**-**	**18,363**	**(333,703)**
Operating and administrative	**(14,649)**	**(20,428)**	**(3,078)**	**(38,155)**	**(653)**	**(8,595)**	**256**	**(47,147)**
Amortization	**(6,208)**	**(6,856)**	**(527)**	**(13,591)**	**(1,838)**	**(572)**	**-**	**(16,001)**
Operating income (loss)	**$ 24,691**	**$ 4,322**	**$ (175)**	**$ 28,838**	**$ 25,940**	**$ (7,178)**	**-**	**$ 47,600**
Operating income (loss) before unrealized gains (losses) on risk management	**$ 24,691**	**$ 4,322**	**$ (175)**	**$ 28,838**	**$ 25,940**	**$ (7,806)**	**-**	**$ 46,972**
Net additions (reductions) to:								
Capital assets	**$ 562,419**	**$ 28,465**	**$ 1,062**	**$ 591,946**	**$ 55,253**	**$ 633**	**-**	**$ 647,832**
Energy services arrangements, contracts and relationships	**66,000**	**-**	**-**	**-**	**18,000**	**-**	**-**	**84,000**
Long-term investment and other assets	**-**	**-**	**-**	**-**	**4,861**	**(46,935)**	**-**	**(42,074)**
Goodwill	**$ 124,658**	**$ 215**	**-**	**$ 124,873**	**-**	**-**	**-**	**$ 124,873**
Segmented assets	**$ 998,297**	**$ 549,419**	**$ 108,442**	**$1,656,158**	**$ 215,677**	**$ 123,817**	**-**	**$1,995,652**

Three months ended March 31, 2007	Extraction and Transmission	Field Gathering and Processing	Energy Services	Gas Subtotal	Power Generation	Corporate	Intersegment Elimination	Total
Revenue	$ 37,321	$ 33,230	$ 335,584	$ 406,135	$ 44,293	$ 1,961	$ (24,386)	$ 428,003
Unrealized gains on risk management	-	-	-	-	-	62	-	62
Cost of sales	(21,494)	(1,619)	(329,540)	(352,653)	(19,833)	-	23,713	(348,773)
Operating and administrative	(5,346)	(20,893)	(4,279)	(30,518)	(455)	(7,761)	673	(38,061)
Amortization	(2,001)	(6,520)	(1,242)	(9,763)	(1,861)	(568)	-	(12,192)
Operating income (loss)	$ 8,480	$ 4,198	$ 523	$ 13,201	$ 22,144	$ (6,306)	-	$ 29,039
Operating income (loss) before unrealized gains on risk management	$ 8,480	$ 4,198	$ 523	$ 13,201	$ 22,144	$ (6,368)	-	$ 28,977
Net additions to:								
Capital assets	$ 2,105	$ 1,961	$ 538	$ 4,604	-	$ 594	-	$ 5,198
Long-term investment and other assets	-	-	-	-	$ 154	$ 72	-	$ 226
Goodwill	$ 18,045	$ 215	-	$ 18,260	-	-	-	$ 18,260
Segmented assets	$ 239,208	$ 528,054	$ 126,197	$ 893,459	$ 120,930	$ 199,555	-	$1,213,944

Supplementary Quarterly Financial and Operating Information

($ millions unless otherwise indicated)	**Q1-08**	Q4-07	Q3-07	Q2-07	Q1-07
FINANCIAL HIGHLIGHTS[(1)]					
Net Revenue[(2)]					
Extraction and Transmission	**45.6**	19.3	17.0	15.3	15.8
Field Gathering and Processing	**31.6**	29.4	31.6	34.9	31.6
Energy Services	**3.4**	4.0	3.9	6.9	6.0
Power Generation	**28.4**	22.9	33.9	22.9	24.5
Corporate	**2.0**	1.1	1.9	1.1	2.0
Intersegment Elimination	**(0.3)**	(0.3)	-	(1.0)	(0.6)
	110.7	76.4	88.3	80.1	79.3
EBITDA[(2)]					
Extraction and Transmission	**31.0**	13.8	12.0	10.8	10.5
Field Gathering and Processing	**11.2**	10.9	9.7	12.9	10.7
Energy Services	**0.3**	0.6	0.3	2.7	1.7
Power Generation	**27.7**	22.3	33.4	22.5	24.0
Corporate	**(6.6)**	(7.3)	(6.3)	(5.8)	(5.7)
	63.6	40.3	49.1	43.1	41.2
Operating Income[(2)]					
Extraction and Transmission	**24.8**	11.9	9.9	8.8	8.5
Field Gathering and Processing	**4.3**	4.5	3.1	6.4	4.2
Energy Services	**(0.2)**	**-**	(0.2)	1.7	0.5
Power Generation	**25.9**	20.4	31.5	20.6	22.1
Corporate	**(7.2)**	(7.9)	(6.8)	(6.3)	(6.3)
	47.6	28.9	37.5	31.2	29.0
OPERATING HIGHLIGHTS					
Extraction and Transmission					
Extraction inlet gas processed (Mmcf/d)[(4)]	**872**	463	394	416	472
Extraction volumes (Bbls/d)[(4)]	**41,799**	21,179	16,859	19,822	22,622
Transmission volumes (Mmcf/d)[(4) (5)]	**379**	403	407	407	408
Frac spread ($/Bbl)[(6)]	**27.02**	29.03	25.24	17.77	11.75
Field Gathering and Processing					
Capacity (gross Mmcf/d)[(3)]	**1,178**	1,023	1,008	1,021	1,021
Throughput (gross Mmcf/d)[(4)]	**542**	511	510	534	552
Capacity utilization (%)[(4)]	**46**	50	51	52	54
Energy Services					
Energy management service contracts[(3)]	**1,499**	1,466	1,451	1,442	1,413
Average volumes transacted (GJ/d)[(4)]	**324,758**	393,936	342,143	356,380	407,272
Power Generation					
Volume of power sold (GWh)[(4)]	**660**	673	673	650	666
Average price received on sale of power ($/MWh)[(4)]	**78.24**	68.07	76.92	62.62	66.54
Alberta Power Pool average spot price ($/MWh)[(4)]	**76.69**	61.75	92.00	49.97	63.62

(1) *Columns may not add due to rounding.*

(2) *Non-GAAP financial measure.*

(3) *As at period end.*

(4) *Average for the period.*

(5) *Excludes natural gas liquids pipeline volumes.*

(6) *AltaGas reports an indicative frac spread or NGL margin, expressed in dollars per barrel of NGL, which is derived from Edmonton postings for propane, butane and condensate and the daily AECO natural gas price.*

Other Information

DEFINITIONS

Bbls/d	barrels per day
Bcf	billion cubic feet
GJ	gigajoule
GWh	gigawatt-hour
Mcf	thousand cubic feet
Mmcf/d	million cubic feet per day
MW	megawatt
MWh	megawatt-hour

ABOUT ALTAGAS

AltaGas Income Trust is one of Canada's largest and fastest growing integrated energy infrastructure organizations. The Trust creates value by growing and optimizing gas and power infrastructure, including a focus on renewable energy sources.

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

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