



## NEWS RELEASE

# ALTAGAS REPORTS SECOND QUARTER EARNINGS AND ON TRACK TO ADD \$1.8 BILLION OF NEW ASSETS IN 2012

**Calgary, Alberta (July 26, 2012)** – AltaGas Ltd. (AltaGas) (TSX:ALA) (TSX:ALA.PR.A) (TSX:ALA.PR.U) (TSX:ALA.R) today reported net income applicable to common shares of \$25.8 million (\$0.29 per share) for the three months ended June 30, 2012, compared to \$13.3 million (\$0.16 per share) for the same period 2011. Normalized net income applicable to common shares was \$10.4 million (\$0.12 per share) for the three months ended June 30, 2012, compared to \$16.3 million (\$0.20 per share) for the same period 2011.

Normalized net income for the six months ended June 30, 2012 was \$50.6 million, a 12 percent increase compared to \$45.3 million for the same period 2011. Normalized earnings per share for the six months ended June 30, 2012 was \$0.56, up from \$0.55 in the same period 2011. Given the power and frac spread hedges in place for the remainder of 2012, approximately five percent of AltaGas' expected EBITDA is exposed to commodity prices. The addition of new assets underpinned by long-term contracts and regulated returns adds stable cash flows and more predictability to earnings.

"We continue to deliver solid earnings so far in 2012, despite weaker gas and power markets. We continue to execute our significant capital investment plan and are on track to add approximately \$1.8 billion in new assets in 2012 that will add over \$200 million in EBITDA on an annualized basis", said David Cornhill, Chairman and CEO of AltaGas. "With our recent announcements to acquire an interest in a gas plant and construct a pipeline to connect to our Joffre extraction facility as well as a feasibility study related to the transportation of natural gas in BC for LNG export, we continue to be well positioned for long-term earnings, cash flow and sustainable dividend growth into the future."

The acquisition of SEMCO Holding Corporation (SEMCO) is expected to close on August 30, 2012, subject to the approval of the Regulatory Commission of Alaska. Approval of the transaction was received from the Michigan Public Service Commission on May 24, 2012. On February 1, 2012, AltaGas announced the acquisition of SEMCO for US\$1.135 billion including the assumption of US\$355 million debt. The addition of SEMCO will add approximately US\$725 million in rate base, is expected to be accretive to earnings and cash flow per share by more than 10 percent and is expected to add approximately \$130 million in incremental earnings before interest, taxes, depreciation and amortization (EBITDA), in 2013, the first full year of ownership.

The 15 megawatt (MW) gas-fired Cogeneration II facility at the Harmattan Complex was commissioned and in commercial operation on June 7, 2012 with the project completed on time and on budget. During the recent seasonal high temperatures experienced in Alberta, all natural gas fired facilities were operating at or near full capacity.

The expansion at the Blair Creek facility is in the commissioning phase and adds approximately 50 Mmcf/d of processing capacity. The expansion is underpinned by long-term contracts with three producers.

The 195 MW Forrest Kerr run-of-river project (Forrest Kerr Project) is progressing well and is ahead of schedule and on budget. Forrest Kerr Project construction is expected to be completed by March 2014, with commission to follow based on the availability of the Northwest Transmission Line. AltaGas has a 60-year Electricity Purchase Agreement (EPA) with BC Hydro which is fully indexed to the Canadian Consumer Price Index (CPI) as well as an Impact Benefit Agreement (IBA) with the Tahltan First Nation.

The Harmattan Co-stream project (Co-stream Project), which will use 250 Mmcf/d of existing spare capacity is expected to be in service third quarter 2012. The Co-stream Project will recover ethane and other NGLs from natural gas sourced in the NOVA Gas Transmission Ltd. (NGTL) Western System. The project is underpinned by a 20-year cost-of-service

contract with NOVA Chemicals Corporation. On July 19, 2012, the Alberta Court of Appeal dismissed the third party appeal of the decision of the Energy Resources Conservation Board (ERCB) which approved the Co-stream Project.

AltaGas' 120 Mmcf/d Gordondale deep-cut, natural gas processing facility is currently on track to be in service in late 2012. The plant is located in the Montney resource area, one of the largest, low cost, liquid-rich resource plays in the Western Canadian Sedimentary Basin. This plant will allow AltaGas to provide a midstream solution to a number of producers in the area and is underpinned by a long-term natural gas supply contract with Encana Corporation.

AltaGas announced the acquisition of Quatro Resources Inc.'s (Quatro) midstream assets and the construction of a 70-kilometre pipeline to connect the Gilby Gas Plant and AltaGas' 30 Mmcf/d Sylvan Lake Gas Plant to AltaGas' deep-cut, turbo expander facility at the Joffre Ethane Extraction Plant (JEEP). Increased volumes processed at the plant are expected to fully utilize JEEP's excess capacity. This project is another example of AltaGas' ability to integrate key assets and leverage existing capacity.

AltaGas' wholly owned subsidiary, Pacific Northern Gas Ltd. (PNG), and LNG Partners, LLC (LNG Partners) amended their agreement to extend it by six months for 80 MMcf/d of firm gas transportation service on PNG's Western B.C. system. PNG and LNG Partners also executed an agreement under which LNG Partners will fund the cost of a feasibility study for expansion of PNG's western transmission system to provide an additional 170 to 195 MMcf/d of firm capacity for LNG Partners.

### **Monthly Common Share Dividend and Quarterly Preferred Share Dividend**

- AltaGas announced that the August dividend will be paid on September 17, 2012, to holders of record on August 27, 2012, of common shares. The ex-dividend date is August 23, 2012. The amount of the dividend will be \$0.115 for each common share. This dividend is an eligible dividend for Canadian income tax purposes.
- The Board approved a dividend of \$0.3125 per share for the period commencing July 1, 2012, and ending September 30, 2012, on AltaGas' outstanding Series A Preferred Shares. The dividend will be paid on September 28, 2012, to shareholders of record on September 14, 2012. The ex-dividend date is September 12, 2012.
- The Board also approved a dividend of US\$0.3473 per share for the period commencing June 6, 2012, and ending September 30, 2012, on AltaGas' outstanding Series C Preferred Shares. The dividend will be paid on October 1, 2012, to shareholders of record on September 17, 2012. The ex-dividend date is September 13, 2012.

### **Financial Highlights<sup>(1)</sup>**

Effective January 1, 2012, AltaGas follows United States Generally Accepted Accounting Principles (US GAAP). All prior comparative information has been restated to US GAAP.

- EBITDA were \$51.6 million for second quarter 2012, compared to \$54.8 million for same quarter 2011.
- Funds from operations were \$39.9 million (\$0.44 per share) for second quarter 2012, compared to \$46.5 million (\$0.56 per share) for same quarter 2011.
- Net debt as at June 30, 2012 was \$1,496.6 million, compared to \$1,003.3 million as at June 30, 2011 and \$1,337.1 million as at December 31, 2011. AltaGas' debt-to-total capitalization ratio as at June 30, 2012 was 48.5 percent, versus 45.1 percent as at June 30, 2011 and 49.6 percent as at December 31, 2011.
- AltaGas closed a preferred share offering of 8,000,000 Cumulative Redeemable Five-Year Fixed Rate Reset Preferred Shares, Series C, at a price of US\$25.00 for aggregate gross proceeds of US\$200 million. Holders of the Series C Preferred Shares will be entitled to receive a cumulative quarterly fixed dividend for the initial period ending on but excluding September 30, 2017 at an annual rate of 4.40%, payable on the last day of March, June, September and December as and when declared by the Board of Directors of AltaGas.
- On April 13, 2012 AltaGas issued \$200 million of senior unsecured medium-term notes. The notes carry a coupon rate of 4.07 percent and mature on June 1, 2020.

<sup>(1)</sup> Includes Non-GAAP financial measures. See public disclosures available at [www.altagas.ca](http://www.altagas.ca) or [www.sedar.com](http://www.sedar.com) for definitions.

## IN THE SECOND QUARTER, ALTAGAS:

- Entered into an agreement with Quatro to acquire 50 percent interest of Quatro's Midstream Assets, including its 87 percent interest in the 75 Mmcfd Gilby Gas Plant for approximately \$20 million. The acquisition is expected to close in third quarter 2012. In addition, AltaGas will construct a 70-kilometre pipeline to connect the Gilby Gas Plant and AltaGas' 30 Mmcfd Sylvan Lake Gas Plant to AltaGas' deep-cut, turbo expander facility at JEEP. Increased volumes processed at the plant are expected to fully utilize JEEP's excess capacity.
- On May 24, AltaGas received final approval from the Michigan Public Service Commission for the SEMCO Acquisition. Closing of the transaction is expected on August 30, 2012.
- On June 12, 2012 AltaGas received an environmental assessment certificate for its 66 MW McLymont Creek run-of-river facility. Construction of the McLymont Creek Project is scheduled to start in the third quarter subject to receipt of detailed provincial and federal authorizations and permits required for construction.
- AltaGas commissioned the 15 MW gas-fired Cogeneration II facility at the Harmattan Complex. The commercial operation date of the 15 MW gas-fired Cogeneration II facility at the Harmattan Complex was June 7, 2012. The project was completed on time and on budget.

## CONSOLIDATED FINANCIAL RESULTS

| (unaudited)<br>(\$ millions)                    | Three Months Ended |                               | Six Months Ended |                               |
|---|--------------------|-------------------------------|------------------|-------------------------------|
|   | 2012               | June 30<br>2011<br>(restated) | 2012             | June 30<br>2011<br>(restated) |
| Revenue   | 271.7              | 322.8                         | 648.2            | 707.3                         |
| Net revenue <sup>(1)</sup>                      | 144.9              | 107.2                         | 312.4            | 243.4                         |
| Normalized operating income <sup>(1)</sup>      | 30.4               | 38.0                          | 99.7             | 92.9                          |
| Normalized EBITDA <sup>(1)</sup>                | 52.6               | 58.6                          | 144.9            | 134.2                         |
| Net income applicable to common shares          | 25.8               | 13.3                          | 67.1             | 40.0                          |
| Normalized net income <sup>(1)</sup>            | 10.4               | 16.3                          | 50.6             | 45.3                          |
| Total assets                                    | 3,844.8            | 2,878.0                       | 3,844.8          | 2,878.0                       |
| Total long-term liabilities                     | 1,897.3            | 1,290.5                       | 1,897.3          | 1,290.5                       |
| Net additions to property, plant and equipment  | 175.7              | 76.6                          | 323.8            | 129.2                         |
| Dividends declared <sup>(2)</sup>               | 31.1               | 27.5                          | 62.0             | 54.8                          |
| Cash flows                                      |                    |                               |                  |                               |
| Normalized funds from operations <sup>(1)</sup> | 41.3               | 46.5                          | 116.8            | 108.1                         |

  

| (\$ per share)                                  | Three Months Ended |                               | Six Months Ended |                               |
|---|--------------------|-------------------------------|------------------|-------------------------------|
|   | 2012               | June 30<br>2011<br>(restated) | 2012             | June 30<br>2011<br>(restated) |
| Normalized EBITDA <sup>(1)</sup>                | 0.58               | 0.70                          | 1.61             | 1.62                          |
| Net income - basic                              | 0.29               | 0.16                          | 0.75             | 0.48                          |
| Net income - diluted                            | 0.28               | 0.16                          | 0.74             | 0.48                          |
| Normalized net income <sup>(1)</sup>            | 0.12               | 0.20                          | 0.56             | 0.55                          |
| Dividends declared <sup>(2)</sup>               | 0.345              | 0.33                          | 0.69             | 0.66                          |
| Cash flows                                      |                    |                               |                  |                               |
| Normalized funds from operations <sup>(1)</sup> | 0.46               | 0.56                          | 1.30             | 1.30                          |
| Shares outstanding - basic (millions)           |                    |                               |                  |                               |
| During the period <sup>(3)</sup>                | 90.0               | 83.2                          | 89.8             | 83.0                          |
| End of period                                   | 90.3               | 83.4                          | 90.3             | 83.4                          |

<sup>(1)</sup> Non-GAAP financial measure; see discussion in Non-GAAP Financial Measures section of the second quarter 2012 MD&A.

<sup>(2)</sup> Dividends declared of \$0.115 per common share per month commencing October 27, 2011.

<sup>(3)</sup> Weighted average.

## CONFERENCE CALL AND WEBCAST DETAILS:

AltaGas will hold a conference call today at 9:00 a.m. MT (11:00 a.m. ET) to discuss second quarter 2012 financial and operating results and other general issues and developments concerning AltaGas.

Members of the media, investment communities and other interested parties may dial (416)-340-2216 or call toll free at 1-866-226-1792. No pass code is required. Please note that the conference call will also be webcast. To listen, please go to [http://www.altagas.ca/investors/presentations\\_and\\_webcasts](http://www.altagas.ca/investors/presentations_and_webcasts). The webcast will be archived for one year.

Shortly after the conclusion of the call, a replay will be available by dialing (905)-694-9451 or 1-800-408-3053. The passcode is 6935447. The replay expires at midnight (Eastern) on August 2, 2012.

The complete second quarter report for 2012, including Management's Discussion and Analysis and unaudited financial statements, is available on [www.altagas.ca](http://www.altagas.ca) in the Investors/Financial Reporting section of its website.

AltaGas is an energy infrastructure business with a focus on natural gas, power and regulated utilities. The Corporation creates value by acquiring, growing and optimizing its energy infrastructure, including a focus on renewable energy sources. For more information visit: [www.altagas.ca](http://www.altagas.ca).

*This news release contains forward-looking statements. When used in this news release, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to AltaGas or an affiliate of AltaGas, are intended to identify forward-looking statements. In particular, this news release contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. 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 AltaGas' 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, general economic conditions and other factors set out in AltaGas' public disclosure documents. Many factors could cause AltaGas' actual results, performance or achievements to vary from those described in this news release, 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 news release as intended, planned, anticipated, believed, sought, proposed, estimated or expected, and such forward-looking statements included in, or incorporated by reference in this news release, should not be unduly relied upon. Such statements speak only as of the date of this news release. AltaGas does not intend, and does not assume any obligation, to update these forward-looking statements. The forward-looking statements contained in this news release are expressly qualified by this cautionary statement.*

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