NEWS RELEASE

ALTAGAS REPORTS 67 PERCENT INCREASE IN THIRD QUARTER NET INCOME

CALGARY, November 8, 2006 (TSX: ALA.UN) AltaGas Income Trust (AltaGas or the Trust) today announced net income of $28.8 million ($0.52 per unit) for the three months ended September 30, 2006, up from $17.2 million ($0.32 per unit) for the same period of 2005, an increase of 67 percent. Net income for the nine months ended September 30, 2006 increased 36 percent to $87.2 million ($1.58 per unit) from $63.9 million ($1.19 per unit) for the same period last year.

AltaGas Income Trust also declared a distribution of $0.17 per trust unit and exchangeable unit payable on December 15, 2006 to holders of record on November 27, 2006. AltaGas total distributions declared in third quarter 2006 were $0.505 per unit.

“We are again pleased to report another quarter of solid financial performance,” said David Cornhill, Chairman, President and CEO of the Trust. He added, “Our Power Generation and Extraction and Transmission segments continued to benefit from the strong power and natural gas liquids markets.”

“On October 31, 2006 the Government of Canada announced the reversal of its long held public position not to directly tax income trusts. We are very disappointed with the reversal of the government’s policy and the significant disruption to the capital market caused by this action,” Mr Cornhill added, “AltaGas has always operated with the discipline of a corporation by focusing on net income, return on equity and creation of long-term unitholder value. Our business is strong and we will continue to execute our growth strategy of creating long-term unitholder value. We will continue to evaluate the proposed taxation change and will work to minimize the impact to our investors.”

“I would like to thank John Breen for his strong support and commitment to AltaGas throughout his tenure on our Board. John resigned in order to pursue other professional opportunities and we wish him all the best in his new position.”

Net income in third quarter 2006 was higher than in the same quarter last year due to higher power prices received and lower power transmission costs, higher natural gas liquids fractionation spreads and lower interest expense due to reduced debt and interest rates. These increases were partially offset by higher administrative and compensation expenses and the impact of the expiry of the Genesee contract.

Year-to-date, net income was impacted by the same factors as the third quarter, in addition to a $6.6 million non-cash future income tax benefit as a result of a reduction in the federal and Alberta corporate income tax rates reported in second quarter 2006. Results in the first nine months of 2005 included a one-time after-tax gain of $7.9 million on the sale of Taylor NGL Partnership (Taylor) units and a non-recurring loss from the Taylor investment of $0.4 million. Third quarter and first nine months of 2005 results also included contributions from the Natural Gas Distribution (NGD) segment, which was spun-out into a separate publicly traded entity in November 2005.

FINANCIAL HIGHLIGHTS (1)

- Funds generated from operations were $42.9 million ($0.77 per unit) for third quarter 2006, compared to $31.0 million ($0.57 per unit) for the same period in 2005. Funds generated from operations for the first nine months of 2006 were $119.8 million ($2.17 per unit), up from $92.6 million ($1.72 per unit) in the first nine months of 2005. In the first nine months of 2005, funds generated from operations included the NGD business, and excluded proceeds from the Taylor unit disposition.

- Earnings before interest, taxes, depreciation and amortization were $45.1 million ($0.81 per unit) this quarter, compared to $35.2 million ($0.65 per unit) in the same quarter in 2005. EBITDA for the first nine months of 2006 was $128.6 million ($2.33 per unit), up from $115.7 million ($2.15 per unit) in the first nine months of 2005. EBITDA in the first nine months of 2005 included $9.2 million related to the gain on disposition of Taylor units and $1.5 million and $11.0 million in the third quarter and first nine months of 2005, respectively, related to the NGD business.

- Total debt was $277.1 million, compared to $269.0 million at December 31, 2005. The Trust's debt-to-total capitalization ratio was 34.9 percent, versus 36.0 percent at the end of 2005.

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

IN THE THIRD QUARTER, ALTAGAS:

- Closed the acquisition of the new 10 Mmcf/d Clear Hills sour gas processing facility and an associated 16 kilometre sour gas gathering line in Northwest Alberta for approximately $15 million. The pipeline will connect a number of existing producers' wells east of the plant, in what is expected to be an active drilling area.

- Acquired an increased interest in the Pouce Coupe processing plant and related assets for approximately $1 million, increasing AltaGas' interest in the plant and related facilities to 75 percent.

- And Aeolis Wind Power Corporation (Aeolis) announced that Bear Mountain Wind Limited Partnership (BMWLP) was one of the winning bidders in the BC Hydro Fiscal 2006 Open Call for Power. The proposed 120 MW Bear Mountain Wind Park is located in northeast British Columbia, near Dawson Creek.

- Announced that BMWLP had signed a 25-year electricity purchase agreement with BC Hydro for the Bear Mountain Wind Park. AltaGas, on behalf of BMWLP, posted a letter of credit in the amount of $7.2 million with BC Hydro as performance security. The project is subject to various regulatory and environmental approvals.

SUBSEQUENT TO THE THIRD QUARTER, ALTAGAS:

- Announced the resignation of John Breen from the Board of Directors of AltaGas General Partner Inc. effective October 23, 2006. Mr. Breen has accepted a position at the CPP Investment Board in the Private Investments Department and as a consequence is required to resign from any positions held on public company boards. Mr. Breen has been a Director of AltaGas and its predecessor, AltaGas Services Inc., since May 1999.

- On October 31, 2006 the federal Government of Canada issued an announcement regarding proposed changes to the taxation of existing income trusts effective with the 2011 tax year. This development has resulted in some uncertainty in the capital markets with respect to the trust sector. Management has expressed its views to the Government of Canada and will continue to monitor the actions of the Government of Canada in this matter. Management is supportive of the efforts of the trust industry in its representations to the Government.

AltaGas will hold a teleconference today at 2:00 p.m. Mountain time (4:00 p.m. Eastern) to discuss the third quarter 2006 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 416-695-5259 or call toll free at 1-877-888-4210. No passcode is required. Please note that the conference call will also be webcast. To listen, please connect here: http://events.online broadcasting.com/altagas/110806/index.php.

Shortly after the conclusion of the call, a replay will be available by dialling 416-695-5275 or 1-888-509-0081. The passcode is 632590. The replay will expire at midnight (Eastern) on November 15, 2006. 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 report on a continuity-of-interest accounting basis which recognizes AltaGas Income Trust (AltaGas or the Trust) as the successor to AltaGas Services Inc. (ASI). This MD&A dated November 8, 2006 is a review of the results of operations and the liquidity and capital resources of the Trust. It should be read in conjunction with the accompanying unaudited interim Consolidated Financial Statements of the Trust as at and for the three and nine-month periods ended September 30, 2006 and the Notes thereto and with the audited Consolidated Financial Statements and MD&A contained in the Trust's annual report for the year ended December 31, 2005.

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, 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. 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, filed as AltaGas Services Inc. prior to May 1, 2004, including its annual MD&A and audited financial statements, Annual Information Form, Information Circular 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

On April 29, 2004, the security holders of ASI voted in favour of a plan of arrangement to reorganize the business of ASI into an open-ended investment trust effective May 1, 2004. For each common share of ASI, shareholders received either one unit of the Trust (trust unit) or one exchangeable unit of AltaGas Holding Limited Partnership No. 1 (AltaGas LP#1) or AltaGas Holding Limited Partnership No. 2 (AltaGas LP#2) (trust units and exchangeable units being collectively units). As a result of implementing the reorganization, the Trust indirectly held through its subsidiaries and partnerships all of the assets, liabilities and businesses formerly owned by ASI. The material businesses of the Trust are operated by AltaGas Ltd., AltaGas Operating Partnership, AltaGas Limited Partnership, AltaGas Pipelines Partnership, as well as PremStar Energy Canada Limited Partnership and ECNG Limited Partnership (collectively the operating subsidiaries). AltaGas Utilities Inc. was owned by the Trust until the November 17, 2005 spin-out of the Natural Gas Distribution segment. 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 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 management of the business and affairs of the Trust. AltaGas Ltd. provides all management, administrative and operating services to the Trust and its subsidiaries.

DISTRIBUTIONS

AltaGas' distributions are determined giving consideration to the ongoing sustainable distributable cash flow as impacted by the consolidated net income, maintenance and growth capital and debt repayment requirements of the Trust. The Trust targets to pay substantially all of its ongoing sustainable distributable cash through regular monthly distributions made to unitholders.

The Trust commenced monthly distributions of $0.15 for each trust unit and exchangeable unit on June 15, 2004. AltaGas pays cash distributions on the 15th day of each month to unitholders of record on the 25th day of the previous month or, in each case, the following business day if the payment date or record date falls on a weekend or holiday.

The Trust's monthly cash distribution was increased to $0.16 per unit, an increase of 7 percent from $0.15 per unit, payable to unitholders of record on August 25, 2005.

On November 17, 2005 the Trust completed the spin-out of its 100 percent owned subsidiary AltaGas Utility Group Inc. (Utility Group), as a separate, publicly traded corporation. As part of the spin-out, the Trust distributed one common share of Utility Group (valued at $7.50 per share) for every 13.9592 trust units held on November 14, 2005.

On March 1, 2006, the Trust's monthly cash distribution was increased to $0.165 per unit payable to unitholders of record on March 27, 2006.

On August 9, 2006 the Trust's monthly cash distribution was increased to $0.17 per unit payable to unitholders of record on August 25, 2006. During third quarter 2006, AltaGas declared cash distributions of $0.505 per unit compared to $0.47 per unit in third quarter 2005.

The following table summarizes AltaGas' dividend and distribution declaration history since 2003[(1)]:

($ per unit)	**2006**	2005	2004	2003
First quarter	**$ 0.485**	$ 0.45	$ 0.11	$ 0.08
Second quarter	**0.495**	0.45	0.30	0.08
Third quarter	**0.505**	0.47	0.45	0.11
Fourth quarter	**-**	0.48	0.45	0.11
Distribution of shares[(2)]	**-**	0.54	-	-
	$ 1.485	$ 2.39	$ 1.31	$ 0.38

(1) Dividends were paid to shareholders from first quarter 2001 through first quarter 2004 prior to the reorganization of AltaGas Services Inc. into AltaGas Income Trust. The trust conversion occurred in May 2004 and monthly distributions were declared to unitholders beginning May 2004.

(2) One share of Utility Group was issued for every 13.9592 trust units held on November 14, 2005.

On May 20, 2004, AltaGas adopted a Premium Distribution™, Distribution Reinvestment and Optional Unit Purchase Plan (DRIP) for eligible holders of trust units and exchangeable units of AltaGas Income Trust, AltaGas LP#1, and AltaGas LP#2. DRIP participation generated $12.8 million in new equity through the issuance of 0.5 million trust units for the quarter ended September 30, 2006. By September 30, 2006, the DRIP had contributed a total of $71.6 million of new equity and 2.9 million new units since inception of the Trust. Complete details on the DRIP are available on the AltaGas website at www.altagas.ca.

CONSOLIDATED RESULTS

Consolidated Financial Results	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2006**	2005	**2006**	2005
Revenue	**317.9**	375.4	**995.2**	1,053.9
Net revenue[1]	**82.5**	71.3	**234.3**	218.2
EBITDA[1]	**45.1**	35.2	**128.6**	115.7
Operating income[1]	**33.7**	22.9	**94.6**	79.1
Net income	**28.8**	17.2	**87.2**	63.9
Total assets	**1,030.6**	1,198.6	**1,030.6**	1,198.6
Long-term debt	**276.0**	303.6	**276.0**	303.6
Net additions to capital assets	**23.5**	17.5	**54.0**	26.1
Cash flows				
Funds generated from operations[1]	**42.9**	31.0	**119.8**	92.6
Distributable cash[1]	**42.1**	29.5	**115.8**	87.2
Distributions paid[2]	**27.8**	24.9	**81.4**	73.1

($ per unit)				
EBITDA [1]	**0.81**	0.65	**2.33**	2.15
Net income	**0.52**	0.32	**1.58**	1.19
Cash flows				
Funds generated from operations[1]	**0.77**	0.57	**2.17**	1.72
Distributable cash[1]	**0.75**	0.54	**2.09**	1.62
Distributions paid[2]	**0.50**	0.46	**1.475**	1.36
Units outstanding (millions)				
Weighted average number of units outstanding for the period (basic)	**55.7**	54.2	**55.2**	53.8
End of period	**55.9**	54.3	**55.9**	54.3

(1) Non-GAAP financial measure. See discussion in the following section of the MD&A.

(2) Distributions paid of $0.17 per unit per month commencing in September 2006. From April 2006 to August 2006 distributions of $0.165 per unit per month were paid. From September 2005 to March 2006 distributions of $0.16 per unit per month were paid. From June 2004 to August 2005 distributions of $0.15 per unit per month were paid.

CONSOLIDATED FINANCIAL REVIEW

Net income for the three and nine months ended September 30, 2006 was $28.8 million ($0.52 per unit) and $87.2 million ($1.58 per unit) respectively, compared to $17.2 million ($0.32 per unit) and $63.9 million ($1.19 per unit) for the same periods in 2005. The increase in net income for third quarter 2006 was due to higher prices received on power volumes sold despite a planned outage at the Sundance facility, lower power transmission costs, higher natural gas liquids fractionation spreads (frac spreads), and lower interest expense, partially offset by higher administrative and compensation expenses. Growth in the Field Gathering and Processing (FG&P) segment was partially offset by the negative impact of planned and unplanned downtime at the Bantry and Rainbow Lake facilities.

Net income for the nine months ended September 30, 2006 was impacted by the same factors as the quarter, as well as a $6.6 million non-cash future income tax benefit as a result of a reduction in federal and Alberta corporate income tax rates reported in second quarter 2006. Net income in the first nine months of 2005 included the NGD segment which was spun-out in November 2005, while an after-tax gain of $7.9 million on the sale of Taylor units in first quarter 2005 and a non-recurring loss from the Taylor investment of $0.4 million also impacted net income in the first nine months of 2005.

Funds generated from operations for the third quarter and first nine months of 2006 were $42.9 million and $119.8 million respectively, compared to $31.0 million and $92.6 million in the same periods last year. The increases were due to stronger operating results in third quarter and first nine months of 2006 compared to the same periods last year.

On a consolidated basis net revenue for the three months ended September 30, 2006 was $82.5 million compared to $71.3 million in the same quarter last year. The increase was due to higher power prices received on power sold and lower power transmission costs, higher operating cost recoveries, expansions and acquisitions in the FG&P segment, higher frac spreads and the acquisition of iQ2, partially offset by the impact of the loss of the Genesee contract and the spin-out of the NGD business in November 2005. Net revenue reported by the NGD segment in third quarter 2005 was $6.1 million.

Net revenue for the nine months ended September 30, 2006 was $234.3 million compared to $218.2 million in the same period in 2005. The increase was due to the same factors as described for the third quarter. The first nine months of 2005 net revenue included $9.2 million from the gain on the sale of the Taylor units as well as a one-time negative adjustment of $0.6 million related to Taylor, and $24.8 million from the NGD business spun-out in late 2005. Excluding the impact of the Taylor net gain and the NGD segment, net revenue in the first nine months of 2006 increased 27 percent from the same period last year.

In the Power Generation, Energy Services and Extraction and Transmission segments, net revenue, which is revenue less the cost of commodities purchased for sale and shrinkage, better reflects performance than does revenue, as changes in the market price of natural gas and power affect both revenue and cost of goods sold.

Operating and administrative expenses for the three and nine months ended September 30, 2006 were $37.2 million and $105.7 million respectively, compared to $36.0 million and $102.5 million for the same periods in 2005. The increases were due to higher compensation costs as a result of the strong Alberta economy, additional costs from new FG&P facilities and higher costs due to the acquisition of iQ2. These increases were partially offset by the spin-out of the NGD segment in fourth quarter 2005, which reported operating and administrative costs of $4.6 million and $13.8 million in the three and nine months ended September 30, 2005 respectively. Increased costs of $0.5 million and $1.7 million in third quarter and first nine months of 2006, respectively, were incurred to meet new certification requirements for reporting issuers mandated by the Canadian Securities Administrators.

In third quarter 2006, operating and administrative expenses relating to corporate costs previously reported in the operating segments in the first half of the year were reversed and reported in the Corporate segment. The reversal reduced operating and administrative costs by $1.9 million and $0.9 million in the FG&P and Energy Services segments, respectively, and increased these costs by $3.0 million in the Corporate segment. The impacts on the other operating segments were negligible. These costs reported in the operating segments in 2005 were not reversed. In the FG&P segment $0.7 million was reported in first quarter 2005 and $0.6 million was reported in each of second and third quarters 2005. The Energy Services segment reported $0.2 million for the nine months ended September 30, 2005.

Amortization expense for the three and nine months ended September 30, 2006 decreased to $11.4 million and $34.0 million respectively, from $12.3 million and $36.5 million in the same periods last year. The decreases were due to the spin-out of the NGD segment, partially offset by increases related to the growth in capital assets resulting from acquisitions and internal expansion projects, higher depletion expense related to the Trust's oil and gas properties and to amortization related to the acquisition of Energy Services contracts.

Interest expense for the three and nine months ended September 30, 2006 was $3.2 million and $9.9 million respectively, compared to $5.1 million and $15.2 million for the same periods last year. The decreases in both periods were due to lower average debt balances as a result of using the proceeds of the November 17, 2005 spin-out of the NGD segment to repay $85.4 million of debt, and higher funds generated from operations. Also contributing to the lower interest expense was a lower average borrowing rate of 4.8 percent in third quarter 2006 (first nine months 2006 – 4.9 percent), compared to 5.7 percent in third quarter 2005 (first nine months 2005 – 5.8 percent), driven by the 2005 refinancing of term debt at lower rates.

Income taxes for the three months ended September 30, 2006 were $1.7 million compared to $0.6 million in the same period last year. The increased income tax expense was due to higher net income in 2006.

Income taxes for the nine months ended September 30, 2006 were recoveries of $2.5 million compared to an expense of $0.1 million in the same period last year. During second quarter 2006, the federal and Alberta governments substantively enacted income tax rate reductions, resulting in a reduction in income tax expense of $6.6 million. Income taxes reported for first nine months of 2005 also included an expense of $0.8 million related to the NGD segment and a lower effective tax rate in respect of the Taylor capital gain reported in first quarter 2005.

NON-GAAP FINANCIAL MEASURES

AltaGas provides certain financial measures in this MD&A that do not have a standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP). These non-GAAP financial measures may not be comparable to similar measures presented by other entities.

The purpose of these financial measures and their reconciliation to GAAP financial measures is shown below. All of the measures have been calculated consistent with previous disclosures by AltaGas.

Net Revenue		Three Months Ended September 30		Nine Months Ended September 30	
($ millions)		**2006**	2005	**2006**	2005
Net revenue		**82.5**	71.3	**234.3**	218.2
Add:	Cost of sales	**235.4**	304.1	**760.9**	835.7
Revenue (GAAP financial measure)		**317.9**	375.4	**995.2**	1,053.9

In the Power Generation, Energy Services and Extraction and Transmission segments, net revenue is a better measure of business performance than revenue, as changes in the market price of power and natural gas purchased for resale and shrinkage affect both revenue and cost of sales.

Operating Income		Three Months Ended September 30		Nine Months Ended September 30	
($ millions)		**2006**	2005	**2006**	2005
Operating income		**33.7**	22.9	**94.6**	79.1
Add (deduct):	Interest	**(3.2)**	(5.1)	**(9.9)**	(15.2)
	Income taxes	**(1.7)**	(0.6)	**2.5**	-
Net income (GAAP financial measure)		**28.8**	17.2	**87.2**	63.9

AltaGas reports segmented operating income in the Notes to the Consolidated Financial Statements.

EBITDA		Three Months Ended September 30		Nine Months Ended September 30	
($ millions)		**2006**	2005	**2006**	2005
EBITDA		**45.1**	35.2	**128.6**	115.7
Add (deduct):	Amortization	**(11.4)**	(12.3)	**(34.0)**	(36.5)
	Interest	**(3.2)**	(5.1)	**(9.9)**	(15.2)
	Income taxes	**(1.7)**	(0.6)	**2.5**	-
Net income (GAAP financial measure)		**28.8**	17.2	**87.2**	63.9

EBITDA is provided to assist in understanding the Trust's ability to generate cash and cover interest payments.

Funds From Operations	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2006**	2005	**2006**	2005
Funds from operations	**42.9**	31.0	**119.8**	92.6
Add (deduct):				
Net change in non-cash working capital and ARO and other costs incurred	**(2.1)**	1.9	**(9.5)**	(11.6)
Cash from operations (GAAP financial measure)	**40.8**	32.9	**110.3**	81.0

Funds generated from operations is provided to assist in determining the Trust's ability to generate cash from operations, after interest and taxes, without regard to changes in the Trust's non-cash working capital and asset retirement and other expenditures in the period.

Distributable Cash	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2006**	2005	**2006**	2005
Distributable cash	**42.1**	29.5	**115.8**	87.2
Add (deduct):				
Maintenance capital expenditures	**0.8**	1.5	**4.0**	5.4
Net change in non-cash working capital and ARO and other costs incurred	**(2.1)**	1.9	**(9.5)**	(11.6)
Cash from operations (GAAP financial measure)	**40.8**	32.9	**110.3**	81.0

The Trust's distributable cash is equal to consolidated funds from operations before changes in non-cash working capital and asset retirement and other cost incurred, after providing for maintenance capital expenditures. Distributable cash is not a defined performance measure under GAAP and distributable cash cannot be assured. The Trust's calculation of distributable cash may differ from similar calculations used by comparable entities. Distributable cash is a main performance measure used by management and investors to evaluate performance of the Trust and its operating subsidiaries.

RESULTS OF OPERATIONS BY SEGMENT

Operating Income	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2006**	2005	**2006**	2005
Field Gathering and Processing	**7.4**	5.2	**18.4**	16.5
Extraction and Transmission	**10.4**	7.7	**28.1**	23.4
Power Generation	**24.1**	12.7	**65.4**	32.8
Energy Services	**1.6**	1.3	**2.5**	3.8
Natural Gas Distribution	**-**	(0.5)	**-**	5.0
Corporate	**(9.8)**	(3.5)	**(19.8)**	(2.4)
	33.7	22.9	**94.6**	79.1

FIELD GATHERING AND PROCESSING

The Field Gathering and Processing (FG&P) segment includes the field gathering and processing facilities, as well as AltaGas' investments in businesses ancillary to the gathering and processing business.

Financial Results	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2006**	2005	**2006**	2005
Revenue	**34.7**	32.8	**102.7**	94.4
Net revenue	**32.3**	29.5	**95.2**	86.1
Operating and administrative expense	**19.0**	19.1	**59.5**	54.3
Amortization expense	**5.8**	5.2	**17.4**	15.3
Operating income(1)	**7.4**	5.2	**18.4**	16.5

Operating Statistics	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	**2006**	2005
Capacity (Mmcf/d)(2)	**1,021**	926	**1,021**	926
Throughput (gross Mmcf/d)(3)	**537**	554	**557**	560
Capacity utilization (percent)(3)	**53**	60	**55**	60
Average working interest (percent)(2)	**92**	89	**92**	89

(1) Columns may not add due to rounding.
(2) As at September 30.
(3) Average for the period.

Results of Operations

Operating income for the FG&P segment in third quarter 2006 was $7.4 million compared to $5.2 million in the same period last year. The increase was mainly due to increased earnings from new and expanded facilities, including Blair Creek, Clear Prairie and Princess, $2.3 million lower operating and administrative expenses primarily related to corporate costs previously charged to the segment and approximately $0.5 million due to a take-or-pay contractual provision. These increases were partially offset by costs related to process improvements completed at Bantry, and decreased revenues due to lower throughput.

Throughput for the third quarter averaged 537 Mmcf/d, down 17 Mmcf/d from third quarter 2005 and 28 Mmcf/d from second quarter 2006. Volumes in the South and Central districts remained flat during the quarter as compared to second quarter 2006. In the Northeast district volumes declined by 5 percent, which is typical for this area where much of the drilling activity is subject to winter-only access. In the Northwest district, throughput was lower by almost 15 percent, as third-party downstream pipeline maintenance resulted in curtailed volumes during September. In addition, volumes were reduced at Princess as a result of the commissioning of sour gas injection at the facility. Given the location of the declines in throughput during the third quarter AltaGas expects throughput to recover as the winter drilling season commences and facilities return to normal operations.

Operating income in the FG&P segment in the nine months ended September 30, 2006 was $18.4 million compared to $16.5 million in the same period last year. The increase was mainly due to increased earnings from new and expanded facilities added in late 2005 and during 2006, including Blair Creek, Clear Prairie and Princess, and approximately $1.6 million from take-or-pay contractual provisions, as well as corporate costs previously charged to the segment. The increases were offset by planned and unplanned downtime at AltaGas' Bantry facility, upstream disruptions at the Rainbow Lake plant during the first half of the year and the reduced throughput in third quarter discussed above. Operating income net of corporate costs previously charged to the segment for the nine months ended September 30, 2006 remained flat compared to the same period last year.

Utilization reported in third quarter 2006 was 53 percent, compared to 60 percent reported in the same quarter last year and 55 percent in the first nine months of this year, compared to 60 percent in the same period last year. In third quarter 2006 capacity increased by 19 Mmcf/d, 10 Mmcf/d at Clear Hills and 9 Mmcf/d with the Prairie River expansion. Both facilities became operational mid-September, increasing capacity at quarter-end with minimal impact on quarterly processed volumes, which reduced utilization by 2 percentage points. In addition, the new and expanded facilities continued to operate at less than full rates, reducing utilization by an additional 2 percentage points. Other facility maintenance completed during the quarter contributed to a 1 percentage point reduction in utilization. The South and Central districts continue to operate at normal utilization levels. AltaGas expects utilization will improve in the fourth quarter.

Revenue in the FG&P segment in third quarter and nine months ended September 30, 2006 was $34.7 million and $102.7 million respectively, compared to $32.8 million and $94.4 million in the same periods last year. Net revenue increased to $32.3 million from $29.5 million in third quarter 2005 and to $95.2 million from $86.1 million in the first nine months of the year. The increases were mainly due to higher operating cost recoveries, increased throughput from expansions and additions, adjustments due to take-or-pay contractual provisions and higher gathering and processing fees, partially offset by the lower volumes previously discussed.

Operating and administrative expense in the FG&P segment in third quarter and first nine months of 2006 was $19.0 million and $59.5 million respectively, compared to $19.1 million and $54.3 million in the same periods last year. New facilities and expansions of existing facilities, as well as higher power costs, contributed to increases in both periods of 2006. In third quarter 2006, 43 percent of operating expenses were recovered through cost-flowthrough arrangements, as compared to 31 percent in third quarter 2005. Increases in operating and administrative costs were partially offset by lower repairs and maintenance expense in third quarter and year-to-date, and lower corporate costs previously charged to the segment. A first quarter 2005 positive adjustment of $0.7 million associated with a co-owned facility also contributed to the year-over-year increase in operating and administrative expenses.

Amortization expense in the FG&P segment in third quarter and first nine months of 2006 was $5.8 million and $17.4 million respectively, compared to $5.2 million and $15.3 million in the same periods last year due to amortization of new plants including Blair Creek, Princess, Clear Prairie, and other capital additions in 2005 and 2006.

Operating income as a percentage of net revenue in the FG&P segment in third quarter and first nine months of 2006 was 23 percent and 19 percent respectively, compared to approximately 18 percent in the same periods in 2005. The increases were due primarily to increased earnings from new and expanded facilities added in 2005 and 2006, lower corporate costs previously charged to the segment, which increased operating income, and to higher operating cost recoveries and take-or-pay receipts in the first nine months of the year, which contributed to increases in net revenue.

Outlook

With the recent softening of natural gas prices, some producers have announced reduced drilling activity. AltaGas expects any impact on volumes processed at facilities to be temporary and that FG&P will continue to benefit from the 2005 and 2006 acquisitions, expansions and recent facility maintenance activity with a corresponding increase in facility utilization. Processing volumes had increased to 560 Mmcf/d by the end of September. AltaGas anticipates increased activity in the Northeast and Northwest districts as drilling begins again in winter-only access areas.

In 2007, AltaGas expects there to be continued opportunities to expand, construct, and acquire processing facilities as producers continue to focus investment on drilling opportunities.

EXTRACTION AND TRANSMISSION

The Extraction and Transmission (E&T) segment includes ethane and natural gas liquids (NGL) extraction plant interests and transmission pipelines.

Financial Results	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2006**	2005	**2006**	2005
Revenue	**41.1**	47.5	**114.6**	133.8
Net revenue	**17.9**	14.9	**47.7**	41.9
Operating and administrative expense	**5.6**	5.3	**13.8**	12.9
Amortization expense	**1.9**	1.9	**5.8**	5.6
Operating income	**10.4**	7.7	**28.1**	23.4

Operating Statistics	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	**2006**	2005
Inlet capacity (Mmcf/d)(1)	**539**	539	**539**	539
Production (Bbls/d)(2)	**19,880**	18,065	**19,421**	19,339
Transmission volumes (Mmcf/d)(2)(3)	**388**	431	**396**	432

(1) As at September 30.
(2) Average for the period.
(3) Excludes condensate pipeline volumes.

Results of Operations

Operating income in the E&T segment in third quarter 2006 and first nine months of the year was $10.4 million and $28.1 million respectively, compared to $7.7 million and $23.4 million for the same periods last year. The increases were mainly due to higher NGL frac spreads and higher processing volumes in the extraction business. Frac spreads in the third quarter and first nine months of 2006 were in excess of $25/Bbl and $20/Bbl respectively, compared to approximately $11/Bbl and $10/Bbl in the same periods in 2005. Operating income for the transmission business for the quarter and first nine months of 2006 was essentially flat compared to 2005.

Average ethane and NGL volumes increased to 19,880 Bbls/d in third quarter 2006, from 18,065 Bbls/d in the same quarter last year. Volumes were higher mainly due to higher natural gas volumes processed at the Empress facilities in third quarter 2006 and two weeks of down time at one of AltaGas' Empress facilities in July 2005. Average ethane and NGL volumes for the nine months of 2006 were 19,421 Bbls/d compared to 19,339 Bbls/d for the same period in 2005. Transmission volumes declined in third quarter and first nine months of 2006 compared to the same periods last year, primarily on the Suffield and Cold Lake systems due to lower deliveries from producers. Volumes on both systems are expected to increase during the fourth quarter. Transmission throughput has minimal impact on financial results due to cost of service and take-or-pay contractual arrangements in place.

Revenue in the E&T segment in third quarter and first nine months of 2006 was $41.1 million and $114.6 million respectively, compared to $47.5 million and $133.8 million in the same periods last year. The decreases were mainly due to purchasing arrangements associated with the replacement of shrinkage gas in the extraction business. Net revenue, which is revenue less the cost of commodities purchased for shrinkage, better reflects performance in the extraction business than does revenue, as changes in the market price of natural gas affects both revenue and cost of goods sold.

Net revenue in third quarter and first nine months of 2006 was $17.9 million and $47.7 million respectively, compared to $14.9 million and $41.9 million in the same periods last year. Higher frac spreads and higher processing volumes resulted in net revenue increases of $2.2 million and $4.4 million for the three and nine months ended September 30, 2006, respectively, compared to the same periods last year. Net revenue also reflected higher cost recovery associated with the additional production at the Empress facilities.

Operating and administrative expense in the E&T segment in third quarter 2006 and first nine months of the year was $5.6 million and $13.8 million respectively, compared to $5.3 million and $12.9 million in the same periods last year. These increases were primarily due to higher operating costs associated with increased production at the Empress plants.

Amortization in the E&T segment in third quarter 2006 and first nine months of the year was relatively flat at $1.9 million and $5.8 million respectively, compared to $1.9 million and $5.6 million in the same periods last year.

Operating income as a percentage of net revenue in the E&T segment in third quarter 2006 and first nine months of the year was 58 percent and 59 percent respectively, compared to 52 percent and 56 percent in the same periods last year. The increases were mainly due to higher NGL frac spreads in the extraction business.

Outlook

The E&T segment is expected to continue to deliver strong performance and predictable and stable returns due to contractual arrangements in place. The ethane deep cut project at the Edmonton extraction facility is expected to be operational by December 1, 2006, increasing production by 700 Bbl/d. In addition, based on current natural gas and product price forecasts, AltaGas expects the 6 percent of production exposed to frac spreads to continue to attract similar margins for the remainder of the year, as those realized earlier in the year.

POWER GENERATION

The Power Generation segment comprises the Sundance power purchase arrangement and gas-fired peaking plants.

Financial Results	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2006**	2005	**2006**	2005
Revenue	**48.7**	48.3	**140.0**	132.0
Net revenue	**26.1**	15.0	**71.8**	39.6
Operating and administrative expense	**0.2**	0.5	**0.9**	1.3
Amortization expense	**1.8**	1.8	**5.5**	5.5
Operating income	**24.1**	12.7	**65.4**	32.8

Operating Statistics	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	**2006**	2005
Volume of power sold (GWh)	**669**	872	**2,167**	2,587
Average price received on the sale of power ($/MWh)(1)	**72.88**	55.40	**64.60**	51.03
Alberta Power Pool average spot price ($/MWh)(1)	**94.87**	66.79	**68.36**	54.72

(1) Average for the period.

Results of Operations

Operating income in the Power Generation segment in third quarter and first nine months of 2006 was $24.1 million and $65.4 million respectively, compared to $12.7 million and $32.8 million in the same periods last year. The increases were primarily due to higher effective hedge prices combined with higher average pool prices and lower transmission costs incurred, as well as higher contributions from the gas-fired peaking power plants. During third quarter 2006 there was a planned outage at the Sundance facility. The financial impact of the outage was mitigated by availability incentive payments and through forward contract purchases.

Net revenue for the Power Generation segment in third quarter and first nine months of 2006 was $26.1 million and $71.8 million respectively, compared to $15.0 million and $39.6 million in the same periods last year due to higher average prices received on the sale of power and lower transmission costs, partially offset by the impact of the expiration of the Genesee power contract in March 2006.

The average price received reflected the impact of entering into forward financial sales contracts at higher contracted prices than in 2005, as well as the effect of higher prices received on spot market sales for the unhedged portion of AltaGas' power sales. Higher power price received on hedged and spot sales increased net revenue by $3.8 million in the quarter and $13.9 million in the nine months ended September 30, 2006.

Lower transmission costs contributed $6.4 million to the increase in net revenue in the quarter and $12.9 million for the nine months ended September 30, 2006. Lower transmission costs are mainly the result of a shift in responsibility for interconnection and operating reserve charges from power generators to power purchasers effective January 1, 2006. Other favourable impacts on net revenue for both the third quarter and first nine months of 2006 included lower line losses and a greater contribution from the natural gas-fired peaking plants. The expiration of the Genesee power contract reduced net revenue by approximately $3.5 million in third quarter 2006 compared to third quarter 2005.

Operating, administrative and amortization expenses were slightly lower in the third quarter and first nine months of 2006 compared to the same periods last year.

Operating income as a percentage of net revenue increased to 92 percent in third quarter 2006 from 85 percent in the same quarter in 2005 and year-to-date increased to 91 percent in 2006 compared to 83 percent in 2005 as a result of higher power prices and lower transmission costs in 2006.

Volume of power sold in the three and nine months ended September 30, 2006 was lower than in the same periods last year as a result of the expiration of the Genesee power contract on March 31, 2006.

Outlook

Operating income for the year from the Power Generation segment is expected to be higher than 2005 despite the expiration of the Genesee power strip contract on March 31, 2006. Management expects results in the Power Generation segment to continue to benefit from strong power prices on hedged volumes for the remainder of the year and in 2007.

BMWLP is scheduled to begin construction of the 120 MW wind project in mid-2007, with completion scheduled for 2009. Total investment to date is approximately $1.8 million and AltaGas has posted a letter of credit in the amount of $7.2 million with BC Hydro. No further significant capital payments are anticipated prior to the commencement of construction.

ENERGY SERVICES

The Energy Services segment includes the energy management, gas services and oil and gas production businesses. AltaGas is not in the business of exploration and development of natural gas reserves; however, associated with certain of its facility acquisitions, AltaGas has accumulated a portfolio of oil and natural gas reserves that it continues to hold and produce.

Financial Results	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2006**	2005	**2006**	2005
Revenue	**211.2**	271.0	**694.0**	741.2
Net revenue	**6.1**	5.7	**18.6**	17.2
Operating and administrative expense	**3.3**	3.5	**12.5**	10.7
Amortization expense	**1.2**	0.9	**3.6**	2.7
Operating income	**1.6**	1.3	**2.5**	3.8

Operating Statistics	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	**2006**	2005
Energy management service contracts(1)	**1,342**	534	**1,342**	534
Average wholesale volumes marketed (GJ/d)(2)	**325,419**	299,282	**319,589**	314,167

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

(2) Average for the period.

Results of Operations

Operating income in the Energy Services segment in third quarter and first nine months of 2006 was $1.6 million and $2.5 million respectively, compared to $1.3 million and $3.8 million in the same periods last year. The increase in third quarter 2006 was due to a $0.9 million reduction of operating and administrative expenses related to corporate costs previously charged to the segment and increased activity in the energy management business, partially offset by higher operating and administrative costs as a result of the acquisition of iQ2 in fourth quarter 2005, lower transportation and exchange margins in the gas services business, lower production volumes and higher depletion rates in oil and gas production.

Operating income in the nine months ended September 30, 2006 was impacted by the same operational factors as the quarter. In first quarter 2005, a partial settlement of $0.6 million related to a gas marketing contract was received. In the nine months ended September 30, 2005 $0.2 million of similar corporate costs to those reversed in the quarter were reported in the segment.

Net revenue for the Energy Services segment in third quarter and first nine months of 2006 was $6.1 million and $18.6 million respectively, compared to $5.7 million and $17.2 million in the same periods last year. The increases were due to the acquisition of iQ2 in fourth quarter 2005 and increased activity in the energy management business, partially offset by lower transportation and exchange margins in the gas services business and lower production volumes due to reserve depletions.

Operating and administrative expense for the Energy Services segment in third quarter 2006 was $3.3 million compared to $3.5 million in the same quarter last year. Increased costs as a result of the iQ2 acquisition and higher overall costs were more than offset by the $0.9 million reduction of operating and administrative expenses related to corporate costs previously charged to the segment.

Operating and administrative expenses were $12.5 million and $10.7 million in the nine months ended September 30, 2006 and 2005 respectively. The increase was due to the acquisition of iQ2 in November 2005.

Amortization expense in third quarter and first nine months of 2006 was $1.2 million and $3.6 million respectively, compared to $0.9 million and $2.7 million in the same periods last year. The increases were primarily due to higher depletion and depreciation rates in oil and gas production and to amortization related to Energy Services contracts.

Operating income as a percentage of net revenue in third quarter 2006 increased to 26 percent from 23 percent in the same quarter last year. The increase was primarily due to higher operating income as a result of the adjustment for corporate costs previously charged to the segment. Operating income as a percentage of net revenue in the nine months ended September 30, 2006 was 13 percent compared to 22 percent for the same period last year due to higher costs and to a non-recurring credit in first half of 2005, reduced transportation and exchange margins in gas services and to a decline in production volumes in 2006.

Outlook

The Energy Services segment is expected to deliver improving operating income over the remainder of the year. Growth in energy management fees is expected from the addition of agency service customers, particularly with expansion into electricity supply management in Ontario. Recent declines in gas prices have resulted in opportunities to arrange multi-year, fixed-price purchase and sales contracts, which is expected to increase margins.

NATURAL GAS DISTRIBUTION

The NGD segment included AltaGas Utilities Inc., AltaGas' one-third interest in Inuvik Gas Ltd. and its 24.9 percent interest in Heritage Gas Limited. On November 17, 2005, the Trust spun out its NGD business into a separate, publicly traded company.

Financial Results	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2006**	2005	**2006**	2005
Revenue	**-**	18.2	**-**	86.6
Net revenue	**-**	6.1	**-**	24.8
Operating and administrative expense	**-**	4.6	**-**	13.8
Amortization expense	**-**	2.0	**-**	6.0
Operating income (loss)	**-**	(0.5)	**-**	5.0

Operating Statistics(1)	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
Volume of natural gas distributed				
Sales	**-**	1.4	-	8.8
Transportation (Bcf)	**-**	2.5	-	7.4
Degree day variance (percent)(2)	**-**	18.0	-	(0.1)
Number of customers(3)	**-**	61,017	-	61,017

(1) AltaGas Utilities Inc. only.

(2) Variance from 20-year average. Positive variances are favourable.

(3) At September 30.

Through a series of transactions, the Trust's ownership interest in Utility Group, the holding company of the former NGD segment, was reduced to 26.7 percent. Prior to these transactions, the operations and financial results of the NGD segment were consolidated by the Trust. Subsequent to November 17, 2005, the Trust accounts for its ownership interest in Utility Group as an equity investment, recognizing its share of net income or loss in the Corporate segment using the equity method of accounting.

CORPORATE

The Corporate segment includes the cost of providing corporate services and general corporate overhead and investments in public and private entities.

Financial Results	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2006**	2005	**2006**	2005
Revenue	**0.5**	0.6	**2.8**	10.1
Operating and administrative expense	**9.7**	3.6	**20.8**	11.0
Amortization expense	**0.6**	0.5	**1.8**	1.5
Operating loss	**(9.8)**	(3.5)	**(19.8)**	(2.4)

Results of Operations

The operating loss from the Corporate segment for third quarter 2006 was $9.8 million compared to $3.5 million for the same period last year. The increased loss was due to a $3.0 million adjustment related to corporate costs previously charged to the operating segments and to higher general and administrative costs, primarily as a result of general cost escalations and costs incurred to meet new certification requirements for reporting issuers by the Canadian Securities Administrators. In third quarter 2005 corporate costs charged to the operating segments were $0.8 million.

In the first nine months of 2006 the segment reported a loss of $19.8 million compared to a loss of $2.4 million for the same period last year. The increased loss was due to the same factors as the quarter. In addition, in first quarter 2005, AltaGas reported a pre-tax gain of $9.2 million due to the reduction in its ownership interest in Taylor. Operating and administrative costs in the nine months ended September 30, 2005 excluded $2.2 million of corporate costs that were reported in the operating segments.

Revenue in third quarter 2006 was $0.5 million compared to $0.6 million in the same quarter last year. Revenue in the nine months ended September 30, 2006 was $2.8 million compared to $10.1 million in the same period last year. The decrease in revenue in the nine months ending September 30, 2006 was due to the pre-tax gain of $9.2 million related to the sale of Taylor units, partially offset by a one-time charge of $0.6 million in second quarter 2005 resulting from AltaGas' ownership interest in Taylor.

Operating and administrative expenses for third quarter and first nine months of 2006 were $9.7 million and $20.8 million respectively, compared to $3.6 million and $11.0 million for the same periods last year. The increase in Corporate administrative costs reflected the adjustment of $3.0 million due to costs previously charged to the operating segments, higher costs to support the growth of the Trust and costs incurred to meet new certification requirements for reporting issuers by the Canadian Securities Administrators. Costs to meet certification requirements were $0.5 million and $1.7 million in the third quarter and first nine months ended September 30, 2006. Operating and administrative costs in the quarter and nine months ended September 30, 2005 excluded $0.8 million and $2.2 million respectively, of corporate costs which were reported in the operating segments.

Amortization expense was $0.6 million and $1.8 million in the third quarter and first nine months of 2006 compared to $0.5 million and $1.5 million for the same periods last year due to increased administrative capital costs, including computer hardware and software projects.

SUMMARY OF CONSOLIDATED RESULTS FOR THE EIGHT MOST RECENTLY COMPLETED QUARTERS

($ millions)	**Q3-06**	Q2-06	Q1-06	Q4-05	Q3-05	Q2-05	Q1-05	Q4-04
Net revenue(1)	**82.5**	72.8	79.1	78.7	71.3	67.5	79.4	74.2
Operating income(1)	**33.7**	26.0	35.0	29.0	22.9	22.0	34.2	29.4
Net income	**28.8**	29.9	28.6	26.4	17.2	19.1	27.6	25.8

($ per unit)	**Q3-06**	Q2-06	Q1-06	Q4-05	Q3-05	Q2-05	Q1-05	Q4-04
Net income								
Basic	**0.52**	0.54	0.52	0.48	0.32	0.35	0.52	0.49
Diluted	**0.52**	0.54	0.52	0.48	0.32	0.35	0.52	0.48
Dividends/distributions declared(2)	**0.505**	0.495	0.485	0.48	0.47	0.45	0.45	0.45

(1) Non-GAAP financial measure. See "Non-GAAP Financial Measures".

(2) Excludes share distribution as a result of the spin-out of the NGD segment. The Trust issued one common share of Utility Group (valued at $7.50 per share) for every 13.9592 trust units held on November 14, 2005, providing additional value of $0.54 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; seasonality in the NGD business up to the time of its spin-out in November 2005; and asset dispositions.

Significant items that impacted individual quarterly earnings were as follows:

- Fourth quarter 2004 net income included the results of the PremStar businesses, acquired on October 6, 2004, which increased net income for the quarter by $1.4 million;
- Net income for first quarter 2005 included a $7.9 million after-tax gain related to the change in the Trust's ownership interest in Taylor;
- Second quarter 2005 net income included an after-tax loss of $0.4 million related to the Trust's ownership interest in Taylor;
- Results in fourth quarter 2005 were impacted by the spin-out of the NGD segment, the net after-tax impact of which was $0.1 million. In addition, operating income was approximately $2 million lower due to owning 100 percent of the NGD segment for only 6 weeks in the quarter. Results were also impacted by higher prices received for power sold and lower interest expense;
- Results in the FG&P segment are typically lower in the first quarter compared to the fourth quarter;
- Strong power prices and lower interest expense in first quarter 2006 resulted in strong financial results in the quarter, partially offset by the contribution from the NGD segment in first quarter 2005 which was spun-out in November 2005; and
- 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.

SIGNIFICANT ACCOUNTING POLICIES

AltaGas' significant accounting polices remain unchanged from December 31, 2005. For further information on these policies refer to the Notes to the Consolidated Financial Statements in AltaGas' 2005 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 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

Consolidated Financial Statements for the year ended December 31, 2005. 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 continue to be amortization expense, asset retirement obligations and asset impairment assessment. For a full discussion of these accounting estimates, refer to the MD&A in AltaGas' 2005 Annual Report.

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 such as swaps and collars to manage exposure to fluctuations in commodity prices and interest rates, particularly in the Power Generation segment and with respect to interest rates on debt.

Commodity Risk

The Power Generation segment 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. Alberta Power Pool settles power prices on an hourly basis and whereas prices ranged from $5.47/MWh to $999.99/MWh in third quarter 2006, the average spot price for the quarter was $94.87/MWh.

Through the use of financial hedges on a portion of its 2006 power portfolio that management deemed optimal, AltaGas moderated the impact of this volatility on its business.

Interest Rate Risk

AltaGas reduces the effect of future interest rate movements on its cash flows through the use of interest rate swaps. At September 30, 2006 the Trust had interest rates fixed through swap transactions with varying terms to maturity on drawn bank debt of $160.0 million. Including AltaGas' medium-term notes (MTNs) and capital leases, the rate has been fixed on 94 percent of AltaGas' debt. The amount of fixed-rate debt was higher than the Trust's target of 70 to 75 percent of total debt due to the proceeds from the November 2005 NGD spin-out being applied to floating-rate debt.

INVESTED CAPITAL

During third quarter 2006, AltaGas reported net invested capital of $25.1 million, compared to $17.8 million in the same quarter last year. Growth capital accounted for $23.2 million. Growth and expansion projects in the FG&P segment included the Clear Prairie, Prairie River, Princess and Clear Hills gas plants, and an increased ownership interest in the Pouce Coupe facility. In the E&T segment growth capital included the deep-cut ethane enhancement at the Edmonton extraction facility. In the Power Generation segment $0.3 million was spent on the GreenWing investment and $0.5 million related to BMWLP. In the quarter $1.3 million related to the investment in BMWLP was reclassified from capital assets to long-term investments.

AltaGas categorizes its invested capital into maintenance, growth and administrative.

Maintenance capital projects totaling $0.8 million in third quarter 2006 (2005 - $1.5 million) were undertaken mainly in the FG&P segment. An additional $1.1 million (2005 - $0.9 million) was spent in third quarter 2006 on administrative capital, including computer hardware and software projects expected to increase the effectiveness of the operating and administrative functions of the Trust.

For the three months ended September 30, 2006 ($ millions)	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	Corporate	Total
Invested capital:						
Capital assets	**23.3**	**0.6**	**(1.3)**	**-**	**0.9**	**23.5**
Long-term investments and other assets	**-**	**-**	**2.1**	**-**	**(0.5)**	**1.6**
Net invested capital	**23.3**	**0.6**	**0.8**	**-**	**0.4**	**25.1**

For the three months ended September 30, 2006 ($ millions)	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	Corporate	Total
Invested capital:						
Maintenance	**0.7**	**0.1**	**-**	**-**	**-**	**0.8**
Growth	**22.5**	**0.4**	**0.8**	**-**	**(0.5)**	**23.2**
Administrative	**0.1**	**0.1**	**-**	**-**	**0.9**	**1.1**
Net invested capital	**23.3**	**0.6**	**0.8**	**-**	**0.4**	**25.1**

For the nine months ended September 30, 2006 ($ millions)	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	Corporate	Total
Invested capital:						
Capital assets	**51.4**	**1.3**	**-**	**0.5**	**1.3**	**54.5**
Long-term investments and other assets	**-**	**-**	**4.2**	**-**	**0.1**	**4.3**
	51.4	**1.3**	**4.2**	**0.5**	**1.4**	**58.8**
Disposals						
Capital assets	**(0.5)**	**-**	**-**	**-**	**-**	**(0.5)**
Net invested capital	**50.9**	**1.3**	**4.2**	**0.5**	**1.4**	**58.3**

For the nine months ended September 30, 2006 ($ millions)	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	Corporate	Total
Invested capital:						
Maintenance	**3.3**	**0.6**	**-**	**0.1**	**-**	**4.0**
Growth	**48.0**	**0.6**	**4.2**	**0.2**	**(0.6)**	**52.4**
Administrative	**0.1**	**0.1**	**-**	**0.2**	**2.0**	**2.4**
	51.4	**1.3**	**4.2**	**0.5**	**1.4**	**58.8**
Disposals	**(0.5)**	**-**	**-**	**-**	**-**	**(0.5)**
Net invested capital	**50.9**	**1.3**	**4.2**	**0.5**	**1.4**	**58.3**

For the three months ended September 30, 2005 ($ millions)	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	Natural Gas Distribution	Corporate	Total
Invested capital:							
Capital assets	**12.2**	**0.2**	**-**	**0.2**	**4.0**	**0.9**	**17.5**
Long-term investments and other assets	**-**	**-**	**-**	**-**	**0.2**	**0.3**	**0.5**
	12.2	**0.2**	**-**	**0.2**	**4.2**	**1.2**	**18.0**
Disposals							
Long-term investments and other assets	**-**	**-**	**-**	**-**	**-**	**(0.2)**	**(0.2)**
Net invested capital	**12.2**	**0.2**	**-**	**0.2**	**4.2**	**1.0**	**17.8**

For the three months ended September 30, 2005 ($ millions)	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	Natural Gas Distribution	Corporate	Total
Invested capital:							
Maintenance	**0.2**	**0.1**	**-**	**0.1**	**1.1**	**-**	**1.5**
Growth	**11.9**	**0.1**	**-**	**0.1**	**2.9**	**0.6**	**15.6**
Administrative	**0.1**	**-**	**-**	**-**	**0.2**	**0.6**	**0.9**
	12.2	**0.2**	**-**	**0.2**	**4.2**	**1.2**	**18.0**
Disposals	**-**	**-**	**-**	**-**	**-**	**(0.2)**	**(0.2)**
Net invested capital	**12.2**	**0.2**	**-**	**0.2**	**4.2**	**1.0**	**17.8**

For the nine months ended September 30, 2005 ($ millions)	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	Natural Gas Distribution	Corporate	Total
Invested capital:							
Capital assets	**21.1**	**1.2**	**-**	**0.6**	**8.3**	**2.0**	**33.2**
Long-term investments and other assets	**-**	**-**	**-**	**-**	**0.4**	**0.4**	**0.8**
	21.1	**1.2**	**-**	**0.6**	**8.7**	**2.4**	**34.0**
Disposals							
Capital assets	**(7.1)**	**-**	**-**	**-**	**-**	**-**	**(7.1)**
Long-term investments and other assets	**-**	**-**	**-**	**-**	**(0.1)**	**(5.4)**	**(5.5)**
Net invested capital	**14.0**	**1.2**	**-**	**0.6**	**8.6**	**(3.0)**	**21.4**

For the nine months ended September 30, 2005 ($ millions)	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	Natural Gas Distribution	Corporate	Total
Invested capital:							
Maintenance	**1.0**	**1.1**	**-**	**0.5**	**2.8**	**-**	**5.4**
Growth	**19.6**	**0.1**	**-**	**0.1**	**5.5**	**0.9**	**26.2**
Administrative	**0.5**	**-**	**-**	**-**	**0.4**	**1.5**	**2.4**
	21.1	**1.2**	**-**	**0.6**	**8.7**	**2.4**	**34.0**
Disposals	**(7.1)**	**-**	**-**	**-**	**(0.1)**	**(5.4)**	**(12.6)**
Net invested capital	**14.0**	**1.2**	**-**	**0.6**	**8.6**	**(3.0)**	**21.4**

LIQUIDITY AND CAPITAL RESOURCES

AltaGas expects that 2006 funds from operations will be sufficient to meet the Trust's distributions to unitholders and the majority of its budgeted maintenance and growth capital. The balance of its budgeted growth capital and a certain amount of unbudgeted acquisitions is expected to be financed through the DRIP and existing bank lines. At this time AltaGas does not reasonably expect any presently known trend or uncertainty to affect the Trust's ability to access its historical sources of cash.

Cash from Operations

The cash from operations reported on the Consolidated Statements of Cash Flows for the three months ended September 30, 2006 was $40.8 million and $32.9 million for the same period last year. Higher cash from operations was partially offset by higher net change in non-cash working capital.

The cash from operations reported on the Consolidated Statements of Cash Flows for the nine months ended September 30, 2006 was $110.3 million, up from $81.0 million for the same period last year. The increase was due to the strong results from operations in the first nine months of 2006.

There was a working capital surplus of $21.1 million as at September 30, 2006 compared to a deficit of $2.8 million at the end of December 2005 as a result of working capital changes in the normal course of business.

Funds generated from operations, before giving effect to changes in working capital and asset retirement and other costs incurred, increased to $42.9 million and $119.8 million for the three and nine months ended September 30, 2006, from $31.0 million and $92.6 million for the same periods last year. Funds generated from operations is more representative of the cash generated from the ongoing operations of the business.

Investing Activities

In third quarter 2006 the Trust used cash for investing activities of $24.6 million compared to $13.5 million in the same period in 2005. The increase was primarily due to higher cash outlays for acquisition of capital assets. Cash used in investing activities for the nine months ended September 30, 2006 was $70.6 million compared to $8.3 million in the same period last year. The increase in cash used for investing activities was primarily due to the acquisition of capital assets, higher customer deposits and the proceeds on disposition of long-term investments and non-core assets in first quarter 2005.

Financing Activities

Cash used for financing activities was $15.0 million during the quarter ended September 30, 2006, a decrease of $63.1 million from the $48.1 million provided in the same period in 2005, primarily as a result of proceeds from $100 million of MTNs in third quarter 2005. Increased cash was used for higher distributions to unitholders, offset by higher proceeds from issuance of units.

Cash used for financing activities for the nine months ended September 30, 2006 was $39.3 million compared to $5.2 million for the same period last year. The increase was primarily due to lower debt issuances in 2006 and higher net proceeds from the issuance of units, partially offset by higher distributions to unitholders.

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 September 30, 2006 AltaGas had total debt outstanding of $277.1 million, up from $269.0 million as at December 31, 2005. As of September 30, 2006, the Trust had $100.0 million in MTNs outstanding and had access to prime loans, bankers' acceptance and letters of credit through bank lines totaling $425.0 million. As at September 30, 2006 the Trust had drawn bank debt of $160.0 million and letters of credit outstanding of $52.4 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 issuance of the facilities.

On April 29, 2005 AltaGas filed a Universal Shelf Prospectus under which it may issue up to an aggregate of $500.0 million of trust units or debt securities over a 25-month period. On August 30, 2005, $100.0 million of five-year MTNs were issued with a coupon of 4.41 percent.

AltaGas' target debt-to-total-capitalization ratio is 40 to 45 percent. The Trust's debt-to-total-capitalization ratio as at September 30, 2006 was 34.9 percent, down from 36.0 percent at December 31, 2005.

The Dominion Bond Rating Service (DBRS) rates AltaGas Income Trust and the MTNs issued by AltaGas Income Trust at BBB (low), under review. DBRS placed income trusts under review as a result of the Government of Canada's announcement on October 31, 2006 regarding proposed changes to the taxation of income trusts. Standard & Poor's (S&P) rates the Trust's long-term corporate credit at BBB- with a stable outlook, and the senior unsecured debt at BBB. The Trust has a stability rating of SR-3 from S&P and STA-3 (middle) from DBRS.

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities and are indicators of the likelihood of payment and of the capacity and willingness of an entity to meet its financial commitment on an obligation in accordance with the terms of an obligation. Stability ratings are intended to convey the opinion of a rating agency in respect of the relative stability and sustainability of the Trust's distribution stream when compared to other rated Canadian income trusts.

RISK FACTORS

Management has identified the primary risk factors that could potentially have a material impact on the financial results and operations of AltaGas. These risk factors are presented in the MD&A and AltaGas' Annual Information Form for the year ended December 31, 2005. Management has determined that with respect to continuing operations, AltaGas' market, financial and counterparty risks remain substantially unchanged since December 31, 2005.

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 November 7, 2006 the Trust had 54.0 million trust units and 2.1 million exchangeable units outstanding and a market capitalization of $1.4 billion based on a closing trading price on November 7, 2006 of $25.60 per trust unit. At November 7, 2006 there were 0.8 million options outstanding and 74 thousand options exercisable under the terms of the unit option plan.

OFF-BALANCE-SHEET ARRANGEMENTS

The Trust is not party to any contractual arrangement under which an unconsolidated entity may have any obligation under certain guaranteed 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.

CONTRACTUAL OBLIGATION

There have been no material changes to AltaGas' contractual obligations since December 31, 2005. For further information on contractual obligations, refer to the MD&A in AltaGas' 2005 Annual Report.

RELATED PARTIES

The Trust sold $4.6 million of natural gas to, and incurred transport costs of $0.1 million charged by, AltaGas Utility Group Inc. (Utility Group) during the three months ended September 30, 2006, sold $51.8 million of natural gas and incurred transportation costs of $0.4 million for the nine months ending September 30, 2006. The Trust also paid management fees of $0.1 million to, and received management fees of $0.2 million from, Utility Group for administrative services. In addition, the Trust sold $40,000 of natural gas from a one-third owned joint venture to a one-third owned related party.

The Trust pays rent under a lease for office space to 2013761 Ontario Inc., which is owned by an employee. Payments of $20,000 were made in third quarter 2006 (third quarter 2005 – $20,000). The five-year lease expires in 2007 and is renewable at the option of AltaGas for another five years.

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 the Securities Act (Ontario) 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.

In accordance with Multilateral Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings), management carried out an evaluation, under the supervision and with the participation of management, including the Chairman, President and the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that disclosure controls and procedures were effective as of September 30, 2006 to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified in the Ontario Securities Commission's rules and forms.

UNITHOLDER LIMITED LIABILITY LEGISLATION

On July 1, 2004, the Income Trusts Liability Act (Alberta) came into force, which provides that a unitholder will not be, as a beneficiary, liable for any act, default, obligation or liability of the Trustee that arises after the particular provision of such legislation comes into force.

The AltaGas Income Trust indenture itself provides that no unitholder will be subject to any liability in connection with the Trust or its obligations and affairs or for any act or omission of the Trustee of the Trust, provided that in the event that a court determines that unitholders are subject to such liabilities, the liabilities will be enforceable only against and will be satisfied out of the Trust's assets. The Trust indenture also provides that contracts to which the Trust is a party should contain language restricting the liability of unitholders.

SUBSEQUENT EVENT

On October 31, 2006 the federal Government of Canada issued an announcement regarding proposed changes to the taxation of existing income trusts effective with the 2011 tax year. This development has resulted in some uncertainty in the capital markets with respect to the trust sector. Management has expressed its views to the Government of Canada and will continue to monitor the actions of the Government of Canada in this matter. Management is supportive of the efforts of the trust industry in its representations to the Government.

Consolidated Balance Sheets

($ thousands)	September 30 2006	December 31 2005
ASSETS	(unaudited)	
Current assets		
Cash and cash equivalents	**$ 12,065**	$ 11,685
Accounts receivable	**149,233**	220,684
Inventory	**61**	95
Customer deposits	**19,215**	15,371
Other	**9,382**	4,421
	189,956	252,256
Capital assets	**671,212**	645,442
Energy services arrangements, contracts and relationships	**105,233**	110,850
Goodwill	**18,860**	18,860
Long-term investments and other assets	**45,297**	40,921
	$ 1,030,558	$ 1,068,329
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 131,419**	$ 215,601
Distributions payable to unitholders	**9,503**	8,744
Short-term debt	**-**	2,710
Current portion of long-term debt	**1,128**	1,071
Customer deposits	**19,215**	15,371
Other current liabilities	**7,551**	11,586
	168,816	255,083
Long-term debt	**276,016**	265,245
Asset retirement obligations	**17,986**	16,982
Future income taxes	**49,916**	52,433
	343,918	334,660
Unitholders' equity *(Notes 4 and 5)*	**517,824**	478,586
	$ 1,030,558	$ 1,068,329

See accompanying notes to the Consolidated Financial Statements

Consolidated Statements of Income and Accumulated Earnings

(unaudited)

($ thousands except per unit and unit amounts)	Three Months Ended September 30 2006	Three Months Ended September 30 2005	Nine Months Ended September 30 2006	Nine Months Ended September 30 2005
Revenue				
Operating	**$ 317,313**	$ 374,953	**$ 992,451**	$ 1,044,012
Other *(Note 2)*	**545**	423	**2,767**	9,906
	317,858	375,376	**995,218**	1,053,918
Expenses				
Cost of sales	**235,414**	304,081	**760,855**	835,731
Operating and administrative	**37,237**	35,993	**105,723**	102,492
Amortization	**11,439**	12,340	**33,978**	36,509
	284,090	352,414	**900,556**	974,732
Operating income	**33,768**	22,962	**94,662**	79,186
Interest expense				
Short-term debt	**62**	165	**292**	446
Long-term debt	**3,207**	4,970	**9,643**	14,770
Income before income taxes	**30,499**	17,827	**84,727**	63,970
Income taxes	**1,728**	623	**(2,508)**	81
Net income	**28,771**	17,204	**87,235**	63,889
Accumulated earnings, beginning of period	**345,571**	243,504	**287,107**	196,819
Accumulated earnings, end of period	**$ 374,342**	$ 260,708	**$ 374,342**	$ 260,708
Net income per unit *(Note 5)*				
Basic	**$ 0.52**	$ 0.32	**$ 1.58**	$ 1.19
Diluted	**$ 0.52**	$ 0.32	**$ 1.58**	$ 1.19
Weighted average number of units outstanding (thousands) *(note 5)*				
Basic	**55,661**	54,208	**55,229**	53,837
Diluted	**55,775**	54,233	**55,329**	53,892

See accompanying notes to the Consolidated Financial Statements

Consolidated Statements of Cash Flows

(unaudited)

($ thousands)	Three Months Ended September 30 2006	2005	Nine Months Ended September 30 2006	2005
Cash from operations				
Net income	**$ 28,771**	$ 17,204	**$ 87,235**	$ 63,889
Items not involving cash:				
Amortization	**11,439**	12,340	**33,978**	36,509
Accretion of asset retirement obligations	**376**	332	**1,063**	973
Unit option compensation	**162**	5	**196**	9
Future income taxes	**1,734**	823	**(2,517)**	(1,181)
Gain on sale of assets and investments	**-**	(63)	**-**	(9,410)
Equity income	**(382)**	(423)	**(2,579)**	(550)
Distributions from equity investments	**745**	726	**2,195**	2,169
Other	**70**	94	**211**	161
Funds generated from operations	**42,915**	31,038	**119,782**	92,569
ARO costs incurred and other	**(17)**	(1)	**(59)**	(146)
Net change in non-cash working capital *(Note 9)*	**(2,142)**	1,867	**(9,468)**	(11,455)
	40,756	32,904	**110,255**	80,968
Investing activities				
(Increase) decrease in customer deposits	**(857)**	876	**(3,844)**	926
Acquisition of capital assets	**(21,673)**	(13,783)	**(62,673)**	(26,333)
Disposition of capital assets	**(7)**	-	**321**	5,030
Disposition of energy service arrangements and contracts	**420**	-	**36**	-
Acquisition of long-term investments and other assets	**(2,523)**	(580)	**(4,399)**	(999)
Disposition of long-term investments and other assets	**-**	-	**-**	13,027
	(24,640)	(13,487)	**(70,559)**	(8,349)
Financing activities				
Decrease in short-term debt	**-**	(4,260)	**(2,710)**	(7,002)
Increase (decrease) in long-term debt	**(40)**	69,949	**10,828**	52,205
Distributions to unitholders	**(27,790)**	(24,905)	**(81,361)**	(73,118)
Net proceeds from issuance of units	**12,837**	7,318	**33,927**	22,743
	(14,993)	48,102	**(39,316)**	(5,172)
Change in cash and cash equivalents	**1,123**	67,519	**380**	67,447
Cash and cash equivalents, beginning of period	**10,942**	12,229	**11,685**	12,301
Cash and cash equivalents, end of period	**$ 12,065**	$ 79,748	**$ 12,065**	$ 79,748

See accompanying notes to the Consolidated Financial Statements

Selected Notes to the Consolidated Financial Statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim Consolidated Financial Statements of the Trust 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 fiscal year ended December 31, 2005. These interim Consolidated Financial Statements for the three and nine months ended September 30, 2006 do not include all of the disclosures required in the annual financial statements, and should be read in conjunction with the audited Consolidated Financial Statements included in the Trust's Annual Report.

2. GAIN ON INVESTMENT

The Trust's investment in Taylor NGL Limited Partnership (Taylor) is accounted for using the equity method. On February 7, 2005 the Trust sold 1.4 million limited partnership units of Taylor for proceeds of $12.8 million, realizing an after-tax gain of $4.1 million. The sale reduced the Trust's ownership in Taylor to 4.0 million units, or 14.0 percent.

On March 22, 2005 Taylor issued 13.0 million limited partnership units. AltaGas did not participate in this issue, which reduced the Trust's ownership in Taylor to 9.6 percent and resulted in an after-tax dilution gain of $3.8 million.

3. JOINT VENTURE AGREEMENT

On April 4, 2006, AltaGas Income Trust and GreenWing Energy Management Ltd. announced the formation of a limited partnership for the purpose of developing a portfolio of power projects in North America. Contributions during the six months ended September 30, 2006 include $3.25 million in cash and issuance of a promissory note in the amount of $0.75 million, non-interest bearing, due April 3, 2007. AltaGas holds 55 percent interest in the partnership units and the results of operations are proportionally consolidated in the financial statements from the date of inception. All assets acquired by the partnership are recorded at fair value.

4. UNITHOLDERS' EQUITY

	September 30 2006	December 31 2005
Unitholders' capital *(note 5)*	**$ 451,041**	$ 417,114
Contributed surplus	**3,035**	2,839
Accumulated earnings	**374,343**	287,107
Accumulated dividends	**(41,114)**	(41,114)
Accumulated unitholders' distributions declared(1)	**(243,785)**	(161,664)
Distributions of common shares of Utility Group	**(25,696)**	(25,696)
Unitholders' equity	**$ 517,824**	$ 478,586

(1) Accumulated distributions paid by the Trust as at September 30, 2006 were $234.3 million (as at December 31, 2005 - $152.9 million).

5. UNITHOLDERS' CAPITAL

Authorized

- An unlimited number of trust units redeemable for cash at the option of the holder;
- An unlimited number of AltaGas Holding Limited Partnership No. 1 (AltaGas LP#1) class B limited partnership units, which are exchangeable into trust units on a one-for-one basis. Prior to May 1, 2014 the exchange is at the option of the unitholder at any time, and at the option of the Trust should the number of AltaGas LP#1units outstanding fall below 750,000. After May 1, 2014 the exchange is at the option of either the Trust or the unitholder; and
- An unlimited number of AltaGas Holding Limited Partnership No. 2 (AltaGas LP#2) class B limited partnership units, which are exchangeable into trust units on a one-for-one basis. Prior to May 1, 2009 the exchange is at the option of the unitholder at anytime, and at the option of the Trust should the number of AltaGas LP#2 units outstanding fall below 1,000,000. After May 1, 2009 the exchange is at the option of either the Trust or the unitholder.

Trust Units Issued and Outstanding	Number of units	Amount
December 31, 2005	52,505,514	$ 404,854
Units issued for cash on exercise of options	6,650	108
Units issued under DRIP(1)	1,243,868	33,819
Units issued for exchangeable units	50,693	290
September 30, 2006	**53,806,725**	**439,071**

(1) Premium Distribution™, Distribution Reinvestment and Optional Unit Purchase Plan.

Exchangeable Units Issued and Outstanding		
December 31, 2005 issued by AltaGas LP#1	2,142,072	12,260
AltaGas LP#1 units redeemed for trust units	(50,693)	(290)
September 30, 2006	**2,091,379**	**11,970**
Issued and outstanding September 30, 2006	**55,898,104**	**$ 451,041**

The Trust has an employee unit option plan under which both employees and directors are eligible to receive grants. The Trust reserves 10 percent of the aggregate of the outstanding trust units and securities exchangeable for Trust units for issuance under the plan. To September 30, 2006, options granted under the plan generally had a term of 10 years to expiry and vested no longer than over a four-year period. On May 1, 2004, subsequent to the establishment of the Trust, all options granted were vested.

At September 30, 2006 outstanding options were exercisable at various dates to the year 2016 (2005 – 2015). Options outstanding under the plan had a weighted average exercise price of $27.19 (2005 - $20.21) and a weighted average remaining term of 9.39 years (2005 – 9.53 years). As at September 30, 2006 the unexpensed fair value of unit option compensation cost associated with future periods was $2.0 million (2005 - $0.1 million).

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

	Options Outstanding	
	Number of options	Weighted average exercise price
Unit options outstanding December 31, 2005	359,200	$ 24.53
Granted	537,000	28.85
Exercised	(6,650)	16.22
Cancelled	(36,500)	27.57
Unit options outstanding September 30, 2006	**853,050**	**$ 27.19**
Exercisable at September 30, 2006	**74,388**	**$ 16.01**

A summary of the plan as at September 30, 2006:

	Options Outstanding			Options Exercisable	
	Number outstanding at September 30, 2006	Weighted average exercise price	Weighted average remaining contractual life (years)	Number exercisable at September 30, 2006	Weighted average exercise price
\$5.00-\$7.00	11,000	\$ 6.23	3.91	11,000	\$ 6.23
\$7.01-\$15.50	30,000	10.32	6.42	30,000	10.32
\$15.01-\$25.08	126,550	24.21	8.59	27,888	24.09
\$25.09-\$29.15	685,500	28.81	9.75	5,500	25.69
	853,050	**\$ 27.19**	**9.39**	**74,388**	**\$ 16.01**

	Three months ended September 30		Nine months ended September 30	
Units outstanding (1)	**2006**	2005	**2006**	2005
Weighted average number of units - basic	**55,660,939**	54,207,702	**55,228,922**	53,836,751
Effect of dilutive stock options	**114,228**	25,652	**100,475**	55,149
Weighted average number of units - dilutive	**55,775,167**	54,233,354	**55,329,397**	53,891,900

(1) Includes exchangeable units.

6. PENSION PLANS AND RETIREMENT BENEFITS

Defined-Contribution Plan

On July 1, 2005 AltaGas implemented a defined-contribution (DC) pension plan for substantially all full-time employees. The DC plan replaced the Group RRSP that had been in effect. The net pension expense recorded for the nine months ended September 30, 2006 was \$1.0 million (2005 - \$0.3 million). The cost of the Group RRSP for the six months ended June 30, 2005 prior to the implementation of the DC plan was \$0.4 million

Defined-Benefit Plans

On November 17, 2005, AltaGas indirectly disposed of its interest in AltaGas Utilities Inc. through the spin-out of AltaGas Utility Group Inc. Substantially all of the employees of this subsidiary are members of one of two defined-benefit, non-contributory pension plans. The total post-retirement benefit cost recorded in the statement of income for the nine months ended September 30, 2006 related to these plans was \$nil (2005 - \$0.8 million).

Supplemental Executive Retirement Plan (SERP)

Effective July 1, 2005, the Trust instituted a non-registered, defined-benefit retirement plan which provides defined-benefit pension benefits to eligible executives based on average earnings, years of service and age at retirement.

The SERP benefits will be paid from the general revenue of AltaGas as payments come due. Security will be provided for the SERP benefits through a letter of credit within a Retirement Compensation Arrangement Trust account. The expense that was recorded for the cost of SERP benefits for the nine months ended September 30, 2006 is \$0.6 million (2005 - \$nil).

7. COMMITMENTS

During the quarter AltaGas posted a letter of credit to BC Hydro in the amount of \$7.2 million on behalf of Bear Mountain Wind Limited Partnership.

8. RELATED PARTY TRANSACTIONS

In the normal course of business, AltaGas Income Trust and its affiliates transact with related parties. The following related party transactions were measured at their exchange amounts:

	Three months ended September 30, 2006		Nine months ended September 30, 2006	
Fees for administration, management and other services provided by:				
Utility Group to the Trust	**$**	**206**	**$**	**464**
Trust to Utility Group	**$**	**130**	**$**	**365**
Natural gas sales to Utility Group	**$**	**4,586**	**$**	**51,760**
Transportation services provided by Utility Group to the Trust	**$**	**137**	**$**	**421**
Natural gas sales from a 1/3 owned joint venture to a 1/3 owned related party	**$**	**35**	**$**	**243**

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

The Trust pays rent under a lease for office space to 2013761 Ontario Inc., which is owned by an employee. Payments of $60,000 were made in the nine months ended September 30, 2006 (2005 – $60,000). The five-year lease expires in 2007 and is renewable at the option of AltaGas for another five years.

9. 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 September 30				Nine months ended September 30			
		2006		2005		**2006**		2005
Accounts receivable	**$**	**(8,720)**	$	(52,447)	**$**	**71,451**	$	(29,988)
Inventory		**-**		(67)		**34**		(215)
Other current assets		**(5,538)**		(4,124)		**(4,961)**		(6,092)
Accounts payable and accrued liabilities		**12,253**		55,010		**(84,182)**		29,343
Customer deposits		**856**		(876)		**3,844**		(926)
Other current liabilities		**809**		8,307		**(4,035)**		4,191
Less decrease (increase) in capital costs payable		**(1,802)**		(3,936)		**8,381**		(7,768)
Net change in non-working capital related to operations	**$**	**(2,142)**	$	1,867	**$**	**(9,468)**	$	(11,455)

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

	Three months ended September 30				Nine months ended September 30			
		2006		2005		**2006**		2005
Interest paid	**$**	**3,310**	$	4,890	**$**	**10,190**	$	15,215
Income taxes paid	**$**	**16**	$	831	**$**	**51**	$	2,292

10. COMPARATIVE FIGURES

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

11. 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 between the reporting segments are recorded at fair value. The Trust has six reportable segments. For the period from January 1, 2005 to November 16, 2005, the operating and financial results reflect the consolidated revenues and expenses of the entities that formed the Natural Gas Distribution segment, which was spun-out on November 17, 2005. The following describes the reporting segments:

Field Gathering and Processing – natural gas gathering lines and processing facilities;

Extraction and Transmission - ethane and natural gas liquids extraction plants and transmission pipelines;

Power Generation – power purchase arrangements and contracts and gas-fired peaking plants;

Energy Services – gas services and energy management services for natural gas and power, and oil and natural gas reserves and production;

Natural Gas Distribution - natural gas distribution utility business; and

Corporate – the costs of providing corporate services, and investments in public and private entities, corporate assets and general corporate overhead.

The following tables show the breakdown by segment:

For the three months ended September 30, 2006	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	Corporate	Intersegment elimination	Total
Revenue	$ 34,735	$ 41,075	$ 48,724	$ 211,224	$ 490	$ (18,390)	$ 317,858
Cost of sales	(2,439)	(23,101)	(22,539)	(205,070)	-	17,735	(235,414)
Operating and administrative expenses	(19,035)	(5,621)	(248)	(3,321)	(9,667)	655	(37,237)
Amortization	(5,817)	(1,937)	(1,832)	(1,198)	(655)	-	(11,439)
Operating income	$ 7,444	$ 10,416	$ 24,105	$ 1,635	$ (9,832)	-	$ 33,768
Net additions (reductions) to:							
Capital assets	$ 23,253	$ 644	$ (1,302)	$ 37	$ 915	-	$ 23,547
Energy service arrangements, contracts and relationships	-	-	$ (53)	$ 37	-	-	$ (16)
Long-term investments and other assets	-	-	$ 2,138	-	$ (499)	-	$ 1,639
Goodwill	$ 815	$ 18,045	$ -	-	-	-	$ 18,860
Segment assets	$ 499,506	$ 243,285	$ 121,487	$ 113,902	$ 52,378	-	$ 1,030,558

For the nine months ended September 30, 2006	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	Corporate	Intersegment elimination	Total
Revenue	$ 102,729	$ 114,612	$ 139,966	$ 693,962	$ 2,767	$ (58,818)	$ 995,218
Cost of sales	(7,499)	(66,913)	(68,151)	(675,361)	-	57,069	(760,855)
Operating and administrative expenses	(59,485)	(13,785)	(918)	(12,498)	(20,786)	1,749	(105,723)
Amortization	(17,376)	(5,783)	(5,484)	(3,577)	(1,758)	-	(33,978)
Operating income	$ 18,369	$ 28,131	$ 65,413	$ 2,526	$ (19,777)	-	$ 94,662
Net additions (reductions) to:							
Capital assets	$ 50,889	$ 1,393	$ (28)	$ 454	$ 1,276	-	$ 53,984
Energy service arrangements, contracts and relationships	-	-	$ (36)	-	-	-	$ (36)
Long-term investments and other assets	-	-	$ 4,242	-	$ 132	-	$ 4,374
Goodwill	$ 815	$ 18,045	-	-	-	-	$ 18,860
Segment assets	$ 499,506	$ 243,285	$ 121,487	$ 113,902	$ 52,378	-	$ 1,030,558

For the three months ended September 30, 2005	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	Natural Gas Distribution	Corporate	Intersegment elimination	Total
Revenue	$ 32,829	$ 47,535	$ 48,293	$ 271,045	$ 18,219	$ 577	$ (43,122)	$ 375,376
Cost of sales	(3,293)	(32,636)	(33,291)	(265,310)	(12,107)	-	42,556	(304,081)
Operating and administrative expenses	(19,146)	(5,283)	(459)	(3,541)	(4,573)	(3,557)	566	(35,993)
Amortization	(5,199)	(1,914)	(1,831)	(943)	(1,975)	(478)	-	(12,340)
Operating income	$ 5,191	$ 7,702	$ 12,712	$ 1,251	$ (436)	$ (3,458)	-	$ 22,962
Net additions (reductions) to:								
Capital assets	$ 12,217	$ 265	-	$ 131	$ 3,998	$ 940	-	$ 17,551
Long-term investments and other assets	-	-	-	-	$ 223	$ 366	-	$ 589
Goodwill	$ 815	$ 18,045	-	-	-	-	-	$ 18,860
Segment assets	$ 478,863	$ 237,633	$ 122,117	$ 114,733	$ 143,174	$ 102,041	-	$ 1,198,561

For the nine months ended September 30, 2005	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	Natural Gas Distribution	Corporate	Intersegment elimination	Total
Revenue	$ 94,398	$ 133,769	$ 132,015	$ 741,191	$ 86,604	$ 10,055	$ (144,114)	$ 1,053,918
Cost of sales	(8,255)	(91,765)	(92,369)	(723,989)	(61,833)	-	142,480	(835,731)
Operating and administrative expenses	(54,348)	(12,943)	(1,317)	(10,674)	(13,799)	(11,045)	1,634	(102,492)
Amortization	(15,314)	(5,638)	(5,483)	(2,728)	(5,927)	(1,419)	-	(36,509)
Operating income	$ 16,481	$ 23,423	$ 32,846	$ 3,800	$ 5,045	$ (2,409)	-	$ 79,186
Net additions (reductions) to:								
Capital assets	$ 14,015	$ 1,254	-	$ 559	$ 8,300	$ 2,002	-	$ 26,130
Long-term investments and other assets	-	-	-	-	$ 343	$ (7,630)	-	$ (7,287)
Goodwill	$ 815	$ 18,045	-	-	-	-	-	$ 18,860
Segment assets	$ 478,863	$ 237,633	$ 122,117	$ 114,733	$ 143,174	$ 102,041	-	$ 1,198,561

Financial and Operating Information

($ millions except as indicated)	**Q3-06**	Q2-06	Q1-06	Q4-05	Q3-05
FINANCIAL HIGHLIGHTS[1]					
Net Revenue[2]					
Field Gathering and Processing	**32.3**	31.0	31.9	33.9	29.5
Extraction and Transmission	**17.9**	15.3	14.4	16.0	14.9
Power Generation	**26.1**	20.7	24.9	18.2	15.0
Energy Services	**6.1**	6.4	6.1	6.3	5.7
Natural Gas Distribution[3]	**-**	-	-	4.2	6.2
Corporate	**0.5**	0.2	2.1	0.9	0.5
Intersegment Elimination	**(0.7)**	(0.8)	(0.3)	(0.8)	(0.5)
	82.5	72.8	79.1	78.7	71.3
EBITDA[2]					
Field Gathering and Processing	**13.2**	9.9	12.6	13.0	10.4
Extraction and Transmission	**12.4**	11.3	10.2	8.8	9.7
Power Generation	**25.9**	20.3	24.6	17.7	14.5
Energy Services	**2.8**	1.7	1.7	2.2	2.2
Natural Gas Distribution[3]	**-**	-	-	2.0	1.6
Corporate	**(9.2)**	(5.8)	(3.0)	(3.9)	(3.1)
	45.1	37.4	46.1	39.8	35.3
Operating Income[2]					
Field Gathering and Processing	**7.4**	4.0	6.9	7.6	5.2
Extraction and Transmission	**10.4**	9.4	8.3	7.0	7.7
Power Generation	**24.1**	18.5	22.8	15.9	12.7
Energy Services	**1.6**	0.4	0.6	1.8	1.3
Natural Gas Distribution[3]	**-**	-	-	1.2	(0.5)
Corporate	**(9.8)**	(6.3)	(3.6)	(4.5)	(3.5)
	33.7	26.0	35.0	29.0	22.9
OPERATING HIGHLIGHTS					
Field Gathering and Processing					
Capacity (gross Mmcf/d)[4]	**1,021**	1,002	1,002	962	926
Throughput (gross Mmcf/d)[5]	**537**	565	570	573	554
Capacity utilization (percent)[5]	**53**	56	57	60	60
Extraction and Transmission					
Extraction inlet capacity (Mmcf/d)[4]	**539**	539	539	539	539
Production (Bbls/d)[5]	**19,880**	18,976	19,403	19,409	18,065
Transmission volumes (Mmcf/d)[5][6]	**388**	399	400	432	431
Power Generation					
Volume of power sold (thousands of MWh)[5]	**669**	656	842	879	872
Average price received on sale of power ($/MWh)[5]	**72.88**	60.26	61.41	65.05	55.40
Alberta Power Pool average spot price ($/MWh)[5]	**94.87**	53.59	56.76	116.59	66.79
Energy Services					
Energy management service contracts[4]	**1,342**	1,289	1,274	1,243	534
Average gas volumes marketed (GJ/d)[5]	**325,419**	322,420	310,767	306,649	299,282

(1) *Operating segments were resegmented in 2005. Columns may not add due to rounding.*
(2) *Non-GAAP financial measure.*
(3) *On November 17, 2005 AltaGas spun-out its Natural Gas Distribution segment to AltaGas Utility Group Inc., of which it retains a 26.7 percent interest.*
(4) *As at period end.*
(5) *Average for the period.*
(6) *Excludes condensate pipeline volumes.*

Other Information

DEFINITIONS

Bbls/d	barrels per day
Bcf	billion 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 and services organizations. The Trust creates value by growing and optimizing assets and services across the energy value chain to serve North America's energy demand. Since 1994, AltaGas Income Trust has expanded its business to include natural gas gathering, processing and transmission, extraction of ethane and natural gas liquids, power generation, marketing of natural gas and natural gas liquids, as well as retail energy services to commercial, industrial and institutional end-users across Canada.

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 Capped Income Trust Index and the S&P/TSX Capped Energy Trust Index.

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