



ALTAGAS REPORTS STRONG FIRST QUARTER 2005 RESULTS

CALGARY, Alberta - May 11, 2005 - (TSX: ALA.UN) AltaGas Income Trust (AltaGas) today announced first quarter net income of \$27.6 million, up from \$11.0 million for the same quarter of 2004.

AltaGas declared a distribution of \$0.15 per trust unit and exchangeable unit payable on June 15, 2005 to holders of record on May 25, 2005. AltaGas' total distributions for the first quarter 2005 were \$0.45 per unit.

“Our financial and operational performance was solid for the first quarter of 2005,” said David Cornhill, Chairman and Chief Executive Officer. “We are now benefiting from the successful integration of acquisitions made in the latter half of 2004 as well as strong performance from our existing asset base.”

HIGHLIGHTS

- **Net income** – Net income for the three months ended March 31, 2005 was \$27.6 million or \$0.52 per unit, up from \$11.0 million or \$0.24 per share for the three months ended March 31, 2004. Net income for the first quarter 2005 includes a pre-tax gain of \$4.8 million due to the sale of 1.4 million units of Taylor NGL Limited Partnership (Taylor) as well as a dilution gain of \$4.4 million. The dilution gain was recorded as a result of a common unit issuance by Taylor in which AltaGas did not participate.
- **Net revenue** – Net revenue for the three months ended March 31, 2005 was \$78.0 million, an increase of 36 percent from \$57.2 for the three months ended March 31, 2004. The increase was largely due to acquisitions in the latter half of 2004, higher prices received on hedged power volumes and one-time gains resulting from AltaGas' reduced ownership interest in Taylor.
- **Funds generated from operations** – Record funds generated from operations of \$31.1 million for the three months ended March 31, 2005 compared to \$22.1 million for the three months ended March 31, 2004.

AltaGas will hold a teleconference today at 2:30 p.m. (Mountain)/4:30 p.m. (Eastern) to discuss the first quarter 2005 financial and operational results and other general issues and developments concerning the Trust. Members of the media, investment community and other interested parties may dial 416-640-4127 or toll free at 800-814-4861. No passcode is required.

Shortly after the conclusion of the call, a replay will be available by dialing 416-640-1917 or 877-289-8525. The pass code is 21121981. The replay will expire at midnight (Eastern) on May 18, 2005.

ABOUT ALTAGAS

AltaGas moves energy from its source to the end user, adding value through the process. The Trust has consolidated assets totaling over \$1 billion and a market capitalization of \$1.3 billion. Its steadily expanding asset base today includes natural gas gathering and processing facilities, interests in ethane and natural gas liquids extraction plants, and transmission pipelines. AltaGas distributes natural gas to Alberta customers through AltaGas Utilities Inc., to customers in the Northwest Territories through the Ikhil Gas Project and distributes gas in Nova Scotia through its interest in Heritage Gas Limited. The Trust provides

energy services to customers, including marketing of natural gas and natural gas liquids, sale of power from its power purchase based arrangements and as a leading energy agency business, specializes in the procurement and supply of energy to end users.

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

For further information contact:

Media

Dennis Dawson (403) 691-7534
dennis.dawson@altagas.ca

Investment Community

Debbie Stein (403) 269-5683
debbie.stein@altagas.ca

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 May 11, 2005 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 consolidated financial statements of the Trust for the three month period ended March 31, 2005 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, 2004.

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. 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 and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Trust's actual results, performance or achievements to vary from those described in this MD&A. 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, 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 short MD&A. The Trust does not intend, and does not assume any obligation, to update these forward-looking statements.

Additional information relating to AltaGas Income Trust can be found on its website at www.altagas.ca. The continuous disclosure materials of the Trust, including its annual MD&A and audited financial statements, Annual Information Form, Information Circular 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 securityholders of AltaGas Services Inc. (ASI) voted in favor of a plan of arrangement to reorganize the business 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 or AltaGas Holding Limited Partnership No.2. (trust units and exchangeable units being collectively units). As a result of implementing the reorganization, the Trust now indirectly holds through its subsidiaries and partnerships all of the assets, liabilities and businesses formerly owned by AltaGas Services Inc. The material businesses are operated by AltaGas Ltd., AltaGas Operating Partnership, AltaGas Limited Partnership, AltaGas Power Holdings Partnership, AltaGas Pipelines Partnership and AltaGas Utilities Inc. (collectively the operating subsidiaries). The cash flows of the Trust are solely dependent on the results of the operating subsidiaries and are derived 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 who are elected by the Trust at the direction of the holders of the units, manages or supervises the management of the business and affairs of the Trust. AltaGas Ltd. provides all the 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 requirements and the debt repayment requirements of the Trust.

The Trust 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.

First quarter 2005 distributions declared were \$0.15 monthly, or \$0.45 per unit amounting to \$24.1 million. During the first quarter of 2004, ASI paid dividends of \$0.11 per common share. The following table summarizes AltaGas' dividend and distribution declaration history.⁽¹⁾

(dollars per unit)	2005	2004	2003	2002	2001
First quarter	\$ 0.45	\$ 0.11	\$ 0.08	\$ 0.06	\$ 0.03
Second quarter		0.30	0.08	0.06	0.03
Third quarter		0.45	0.11	0.08	0.06
Fourth quarter		0.45	0.11	0.08	0.06
	\$ 0.45	\$ 1.31	\$ 0.38	\$ 0.28	\$ 0.18

⁽¹⁾ Dividends were paid to shareholders from first quarter 2001 through first quarter 2004. Monthly distributions to unitholders began in May 2004.

AltaGas has Premium Distribution[™], Distribution Reinvestment and Optional Unit Purchase plans (DRIP) for eligible holders of trust units and exchangeable units of AltaGas Income Trust and AltaGas Holding Limited Partnership No. 1. DRIP participation generated \$6.1 million in new equity through the issuance of 266,376 trust units in the first quarter of 2005. Since the DRIP was introduced in May 2004 it has contributed a total of \$16.4 million of new equity. Complete details on DRIP are available on the AltaGas website at www.altagas.ca.

CONSOLIDATED RESULTS

Consolidated Financial Results (\$ millions)	Three months ended March 31	
	2005	2004
Revenue	349.0	193.5
Net revenue ⁽¹⁾	78.0	57.2
EBITDA ⁽¹⁾	46.3	31.2
Net income	27.6	11.0
Net additions (disposals) to capital assets	(1.1)	14.3
Total assets	1,089.3	917.3
Long-term liabilities	309.0	461.0
Cash flows		
Funds generated from operations ⁽¹⁾⁽³⁾	31.1	22.1
Distributable cash ⁽¹⁾⁽³⁾	29.7	20.8
Distributions/dividends ⁽²⁾	24.0	5.1
<hr/> (\$ per unit)		
EBITDA	0.87	0.68
Net income	0.52	0.24
Cash flows		
Funds generated from operations	0.58	0.48
Distributable cash ⁽¹⁾⁽³⁾	0.56	0.45
Distributions/dividends ⁽²⁾	0.45	0.11
Units outstanding (millions)		
Basic	53.4	45.9
End of period	53.7	45.9

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

⁽²⁾ Distributions of \$0.15 per unit per month paid commencing June 2004 (declared in May) and dividends of \$0.11 per share paid in Q1 2004

⁽³⁾ Based on cash from operations and is not impacted by investing and financing activities, consequently the first quarter of 2005 does not include proceeds of \$12.8 million from sale of units in Taylor NGL Limited Partnership

Net income for the three months ended March 31, 2005 was \$27.6 million compared to \$11.0 million for the three months ended March 31, 2004. The increase of \$16.6 million includes a one-time after-tax gain of \$7.9 million recorded as a result of AltaGas' percentage ownership reduction in Taylor.

On February 7, 2005, AltaGas sold 1.4 million units of Taylor resulting in a pre-tax gain of \$4.8 million reducing its ownership interest to 4.0 million units or 14 percent. On March 22, 2005, Taylor offered partnership units for sale in a public offering, in which AltaGas did not participate, resulting in a reduction in AltaGas' ownership interest in Taylor to approximately 10 percent. The reduction resulted in a pre-tax dilution gain of \$4.4 million.

Excluding the after-tax gain on Taylor, net income increased primarily as a result of contributions from PremStar and the Edmonton ethane extraction plant (EEEP), both of which were acquired in the latter half of 2004, higher prices received on hedged power volumes and lower income taxes. These net income increases were partially offset by higher operating and administrative costs as well as lower prices received for unhedged power volumes.

Funds generated from operations for the three months ended March 31, 2005 was \$31.1 million or \$9.0 million higher than the same period last year due to improved business performance and lower income tax payments. Funds generated from operations are calculated prior to the inclusion of \$12.8 million in proceeds from the sale of units in Taylor.

For the three months ended March 31, 2005, revenue increased 80 percent to \$349.0 million compared to \$193.5 million for the same period last year. Net revenue in the first quarter 2005 was \$78 million or \$20.8 million higher than the first quarter of 2004. In the extraction component and the Natural Gas Distribution and Energy Services segments, net revenue better reflects performance than does revenue, as changes in the market price of natural gas and power affect both revenue and cost of sales.

The increase in net revenue in the first quarter of 2005 compared to the same period last year was mainly due to the acquisition of EEEP and PremStar, overall higher power prices received on hedged volumes sold and the gains resulting from AltaGas' reduced ownership interest in Taylor.

Operating and administrative expenses were \$31.7 million for the three months ended March 31, 2005 compared to \$26.0 million for the same period of 2004. The increase was primarily due to 2004 acquisitions.

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the three months ended March 31, 2005 rose 48 percent to \$46.3 million compared to \$31.2 million for the same three month period in 2004.

Amortization expense increased 21 percent to \$12.1 million for the first quarter of 2005 compared to \$10.0 million for the same period in 2004. The higher expense was due mainly to increases in the Trust's capital asset base due to acquisitions and internal expansion projects.

Interest expense of \$5.1 million for the first quarter of 2005 was nine percent lower than the \$5.6 million for the first quarter of 2004. The decrease in interest expense was primarily due to lower 2005 average debt balances driven by the Trust's equity issue in June 2004 and higher funds generated from operations partially offset by capital lease interest expense.

Income tax expense for the first three months of 2005, including the Taylor transactions, was \$3.1 million less than that reported for the same period in the prior year even though income before taxes was higher. AltaGas' consolidated income from corporations was taxable for the period January 1 through March 31, 2004. Once restructured as an income trust, corporate subsidiaries' taxable income is generally reduced to zero by interest payments to the Trust. Payments received by the Trust in the form of interest distributions or other income from its subsidiaries are taxable income to the Trust. As the Trust is entitled to deduct its administrative costs and distributions to unitholders and since in accordance with its Trust indenture it distributes all of its income to unitholders, the Trust is not expected to be liable for income taxes either currently or in the foreseeable future. Incorporated subsidiaries in AltaGas' Natural Gas Distribution segment which operate as a regulated business under Utility Board regulation will continue to pay income tax.

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 trusts.

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 (\$ millions)	Three months ended March 31	
	2005	2004
Net revenue	78.0	57.2
Add: Cost of sales	271.0	136.3
Revenue (GAAP financial measure)	349.0	193.5

In the Natural Gas Distribution and Energy Services segments as well as the extraction component, net revenue better reflects performance than revenue. As changes in the market price of natural gas and power purchased for resale affect both revenue and the cost of sales, net revenue better reflects growth in the business.

Operating Income (\$ millions)	Three months ended March 31	
	2005	2004
Operating income	34.2	21.2
Add (deduct): Interest	(5.1)	(5.6)
Income taxes	(1.5)	(4.6)
Net income (GAAP financial measure)	27.6	11.0

AltaGas reports segmented operating income in the Notes to the Consolidated Financial Statements since interest and income taxes are not allocated to business segments. Operating income is used to measure operating performance without reference to financing decisions and income tax impacts which are not controlled at the operating management level.

EBITDA (\$ millions)	Three months ended March 31	
	2005	2004
EBITDA	46.3	31.2
Add (deduct): Amortization	(12.1)	(10.0)
Interest	(5.1)	(5.6)
Income taxes	(1.5)	(4.6)
Net income (GAAP financial measure)	27.6	11.0

Earnings before interest, taxes, depreciation and amortization (EBITDA) is provided to assist in evaluating AltaGas' ability to generate cash and its ability to cover interest payments.

Net Income Before Gains on Reduction in Ownership Interest in Long-term Investments (\$ millions)	Three months ended March 31	
	2005	2004
Net income before gains on reduction in ownership interest in long-term investments	19.7	10.9
Gains on long-term investments ⁽¹⁾	7.9	0.1
Net income (GAAP financial measure)	27.6	11.0

⁽¹⁾ After tax gain resulting from sale of Taylor units and dilution gain.

Funds Generated from Operations (\$ millions)	Three months ended	
	March 31	
	2005	2004
Funds generated from operations	31.1	22.1
Add (deduct): Net change in non-cash working capital and other	(15.0)	2.1
Cash from operations (GAAP financial measure)	16.1	24.2

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

Distributable Cash (\$ millions)	Three months ended	
	March 31	
	2005	2004
Distributable cash flow	29.7	20.8
Add (deduct): Maintenance capital expenditures	1.4	1.3
Net change in non-cash working capital and other	(15.0)	2.1
Cash from operations (GAAP financial measure)	16.1	24.2

The Trust's distributable cash is equal to consolidated funds generated from operations before changes in non-cash working capital, 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 flow may differ from similar calculations used by comparable entities. Distributable cash is a main performance measure used by management and investors to evaluate the performance of the Trust and its operating subsidiaries.

In the first quarter of 2005, AltaGas sold 1.4 million units of Taylor NGL Limited Partnership for proceeds of \$12.8. As the Trust's distributable cash is based on cash from operations net of the change in non-cash working capital and maintenance capital expenditures, it is not impacted by any changes to cash resulting from investing or financing activities and hence does not include the \$12.8 million in proceeds from sale of Taylor units.

RESULTS OF OPERATIONS BY SEGMENT

AltaGas reports consolidated financial and operating results to the operating income level on the basis of three business segments: Gathering and Processing, Energy Services and Natural Gas Distribution.

Operating Income (\$ millions)	Three months ended	
	March 31	
	2005	2004
Gathering and Processing	20.0	12.0
Energy Services	9.0	5.3
Natural Gas Distribution	5.2	3.9
	34.2	21.2

GATHERING AND PROCESSING

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

Financial Results (\$ millions)	Three months ended	
	2005	March 31 2004
Revenue	82.9	44.7
Net revenue	53.8	37.8
Operating and administrative expense	26.5	19.5
Amortization expense	7.3	6.3
Operating income	20.0	12.0

Operating Statistics	Three months ended	
	2005	March 31 2004
Field gathering and processing		
Capacity (Mmcf/d) ⁽¹⁾	901	901
Throughput (gross Mmcf/d) ⁽²⁾	558	560
Capacity utilization (percent) ⁽¹⁾	62	62
Average working interest (percent) ⁽¹⁾	90	87
Extraction		
Inlet capacity (Mmcf/d) ⁽¹⁾	539	349
Production (Bbls/d) ⁽²⁾	21,103	10,020
Transmission volumes (Mmcf/d) ⁽²⁾⁽³⁾	429	396

⁽¹⁾ As at March 31

⁽²⁾ Average for the period

⁽³⁾ Excludes condensate pipeline volumes

The Gathering and Processing segment generated revenue of \$82.9 million for the three months ended March 31, 2005, an increase of 85 percent when compared to \$44.7 million reported in the same period in 2004. Net revenue increased to \$53.8 million, up \$16.0 million for the first quarter of 2005 compared to \$37.8 million reported in the same period in 2004.

Operating income for the three months ended March 31, 2005 increased to \$20.0 million compared to \$12.0 in the same period in 2004. Growth in operating income was due to gains recorded on transactions related to AltaGas' investment in Taylor, higher volumes processed at extraction facilities and higher field gathering and processing fees, partially offset by higher compressor repair and maintenance costs in the field gathering and processing component.

In the field gathering and processing component, net revenue for the three months ended March 31, 2005 was \$29.9 million compared to \$26.5 million for the same period last year. Volumes increased with the continuing strong gas drilling activity in the Western Canadian Sedimentary Basin during the first quarter of 2005 with 139 wells tied in to AltaGas' facilities compared with 155 during the same period in 2004. In addition, the Shaunavon, Saskatchewan solution gas recovery plant was commissioned in the first quarter of 2005. Over the last half of 2004 and into the first quarter of 2005, AltaGas continued its program of internal expansion installing additional facilities to increase capacity at Kirkpatrick Lake, Windfall, Thunder Lake and Mundare. These development projects are supported by producer commitments designed to mitigate AltaGas' financial exposure to potential throughput declines. Much of

the installed equipment at these facilities was redeployed from other AltaGas locations as was the majority of the equipment used in the construction of the Shaunavon plant. These increases in active processing assets were offset by the sale of the bulk of AltaGas' Winefred assets where production had been reduced as a result of the Alberta Energy and Utilities Board (EUB) decision on the gas over bitumen issue.

AltaGas also participated with a producer, in the construction of a large gathering line near the Rainbow Lake plant. This line is expected to result in an increase in the gas processed through the Rainbow Lake facility.

These increases in volumes processed in the first quarter 2005 were offset by temporary volume restrictions imposed by a third party during February 2005 reducing throughput at AltaGas' Rainbow Lake facility.

In the extraction component higher volumes processed resulted in net revenue of \$7.2 million for the three months ended March 31, 2005 compared to \$3.5 million for the same period in 2004. Average ethane and NGL volumes extracted for the first quarter of 2005 more than doubled reaching 21,103 Bbls/d compared to 10,020 Bbls/d for the same period in 2004. Volume increases for the first quarter were mainly due to the late August 2004 acquisition of its 48 2/3 interest in EEEP, the addition of PremStar volumes at the Empress ATCO facility and the Joffre ethane extraction plant.

Invested capital in the Gathering and Processing segment was \$3.6 million, which is offset by the disposition of non-core assets and the Taylor units during the quarter ended March 31, 2005, compared to \$14.1 million for the same period in 2004.

For the remainder of 2005 gas prices are expected to remain strong and continue to drive drilling activity. AltaGas has a series of expansion projects it expects to undertake at existing facilities during the balance of 2005. The projects are expected to positively impact volumes processed. In addition, processing fee and operating cost recovery negotiations will continue to have a positive impact on the financial results of the gathering and processing component.

The full year impact of the EEEP acquisition and the realization of value chain synergies with other components of the Trust's businesses are expected to provide stronger financial results in the extraction component in 2005. In the transmission component results are expected to be above 2004 levels based on higher volume commitments.

Additionally AltaGas will continue to explore investment or acquisition opportunities providing long term value to unitholders.

ENERGY SERVICES

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

Financial Results (\$ millions)	Three months ended March 31	
	2005	2004
Revenue	283.6	133.4
Net revenue	16.5	9.8
Operating and administrative expense	4.7	2.4
Amortization expense	2.8	2.1
Operating income	9.0	5.3

Operating Statistics	Three months ended March 31	
	2005	2004
Power services		
Volume of power sold (thousands of MWh)	851	863
Average price received on the sale of power (\$/MWh) ⁽¹⁾	47.24	45.78
Alberta Power Pool average spot price (\$/MWh) ⁽¹⁾	45.90	48.78

⁽¹⁾ Average for the period

Revenue in the Energy Services segment for the three months ended March 31, 2005 was \$283.6 million compared to \$133.4 million for the same period last year, mainly due to the acquisition of the PremStar businesses in October 2004.

Net revenue in the first quarter 2005 from the power services component was \$10.4 million, an increase of 35 percent compared to \$7.7 million for the first quarter of 2004. The increase was primarily due to higher prices received on hedged volumes and fewer outage days this quarter compared to the first quarter last year, partially offset by lower power pool prices received on the sale of unhedged power volumes.

The average price received for power sales in the first quarter of 2005 was \$47.24 per MWh compared to \$45.78 per MWh in the first quarter of 2004. Average Alberta Power Pool spot prices were \$45.90 per MWh and \$48.78 per MWh in the first quarters of 2005 and 2004 respectively.

The gas services component contributed net revenue of \$4.1 million for the first quarter of 2005 compared to \$0.4 million in 2004. The increase was driven by service fees generated by PremStar which were acquired by AltaGas in the fourth quarter of 2004.

The outlook for the Energy Services segment for 2005 is positive with favourable pricing on hedged power volumes in the power business and reduced power costs experienced in the early part of the year are projected to continue throughout the year. The Gas Services component, including PremStar, continues to be on track with the outlook at the beginning of the year. PremStar continues to experience high rates of customer contract renewals.

NATURAL GAS DISTRIBUTION

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

Financial Results (\$ millions)	Three months ended March 31	
	2005	2004
Revenue	46.4	48.1
Net revenue	11.8	9.7
Operating income ⁽¹⁾	5.2	3.9

⁽¹⁾ Gross revenue less costs of sales less operating administrative expense and amortization

Operating Statistics⁽¹⁾	Three months ended March 31	
	2005	2004
Volume of natural gas distributed		
Sales (Bcf)	5.4	5.5
Transportation (Bcf)	2.6	3.0
Degree day variance (percent) ⁽²⁾	(1.8)	2.0
Number of customers ⁽³⁾	60,638	59,528

⁽¹⁾ AUI only

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

⁽³⁾ At March 31

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

In the first quarter 2005, net revenue in AltaGas' Natural Gas Distribution segment was \$11.8 million compared to \$9.7 million for the same period in 2004. The increase was due to anticipated rate increases to recover higher operating costs and amortization, partially offset by warmer weather in the first quarter this year compared to the first quarter last year as well as a negative regulatory adjustment in the first quarter of 2004.

On April 12, 2005 the EUB issued Decision 2005-029, which approved a request by AltaGas Utilities Inc. (AUI) to increase its rates to cover costs in providing gas to its residential and irrigation customers, effective May 1, 2005. Based on an average residential customer using 135 GJ/year, the EUB approved an increase on the distribution portion of a customer's bill of 4.4 per cent. The EUB also approved an increase in distribution rates for approximately 285 irrigation customers by 10 percent.

In December 2004 AUI filed a Phase 1 General Rate Application for 2005 and 2006. A hearing on the application is scheduled to begin on July 18, 2005 with a decision on this phase expected in the fourth quarter of 2005.

At the end of the first quarter of 2005 Heritage Gas Limited (Heritage) had commitments from 244 customers in Dartmouth, with 184 activated, 31 services installed expecting activation early in the second quarter of 2005 and 29 services remaining to be installed.

For the balance of 2005, Natural Gas Distribution segment financial results are expected to be slightly improved compared to 2004. This segment provides limited growth opportunities in the base business, so year over year the change is not expected to be significant. Heritage Gas Limited franchise area continues to expand with the impacts on financial results more likely to be evidenced in years beyond 2005.

SUMMARY OF EIGHT MOST RECENTLY COMPLETED CONSOLIDATED QUARTERLY RESULTS

(\$ millions)	Q1 05	Q4 04	Q3 04	Q2 04	Q1 04	Q4 03 ⁽¹⁾	Q3 03 ⁽¹⁾	Q2 03 ⁽¹⁾
Net revenue	78.0	71.6	61.5	59.5	57.2	61.0	53.3	51.2
Net income	27.6	25.8	17.1	11.9	11.0	12.0	9.3	6.8
(\$ per unit)								
Earnings								
Basic	0.52	0.49	0.33	0.25	0.24	0.26	0.20	0.15
Diluted	0.52	0.48	0.33	0.25	0.24	0.26	0.20	0.15
Dividends/distributions ⁽²⁾	0.45	0.45	0.45	0.30	0.11	0.11	0.11	0.08

⁽¹⁾ Prior periods have been restated for the impacts of the adoption of CICA Handbook guidance on accounting for asset retirement obligations

⁽²⁾ The Trust pays a monthly distribution of \$0.15 per unit. The distributions for Q2 2004 are for the period starting May 1, 2004, the effective date of the Trust. Prior to May 1, 2004 ASI paid quarterly dividends from the Q1 2001 through Q1 2004

Identifiable trends in AltaGas' business across the past eight quarters reflect the organization's growth, a favorable business environment and seasonality in the business. The Natural Gas Distribution segment reports higher earnings in colder periods than in warmer periods resulting in the first and last quarters of each year being the most profitable for the consolidated entity.

Net income in the second quarter 2003 was \$6.8 million, 39 percent higher than the same quarter in 2002, a result of stronger contributions from the transmission, power services and extraction components. Increases in the transmission component related to the Suffield pipeline acquisition at the end of 2002. In the power services component, increases in net revenue were driven by higher average prices received for power and by the increased volumes sold under the newly acquired Genesee energy contract. Extraction component performance was better than the same quarter in the prior year as a result of the commissioning of the Joffre ethane extraction plant at the end of 2002. Improved operating income was offset by higher interest expense due to higher debt levels in the second quarter of 2003 when compared to the same quarter of the prior year, and as a result of a charge to income for legislative changes to the taxation of resource income.

Power services, extraction and transmission components were the key contributors in the third quarter of 2003 to a 63 percent increase in net income to \$9.3 million when compared to the third quarter of 2002. AltaGas paid a quarterly dividend of \$0.11 per share, up from \$0.08 per share in the second quarter of 2003 on the basis of the increased strength and sustainability of AltaGas' earnings.

Fourth quarter 2003 net income of \$12.0 million, including an unfavorable income tax expense charge of \$1.2 million related to changes announced in the federal large corporations tax legislation, was the highest quarterly net income reported by AltaGas since it was formed. The increase from the prior year's quarter was a result of the late 2002 gathering and processing segment acquisitions, incremental power volumes sold from the Genesee energy contract and the completion of modifications to increase AltaGas' share of ethane production by 1,400 Bbls/d at the EnCana-operated Empress extraction plant late in the third quarter of 2003.

Reported net income in the first quarter 2004 was \$11.0 million due to increased volumes in the Gathering and Processing and Energy Services segments which were partially offset by lower margins in the Energy Services segment and warmer weather and regulatory adjustments in the Natural Gas Distribution segment.

In the second quarter of 2004 AltaGas converted from a corporate structure to an income trust. Strong operational performance in the second quarter of 2004 was driven by volume increases in the Gathering and Processing segment from acquisitions and expansions and from higher power volumes sold. Net income of \$11.9 million improved substantially compared to the same quarter of the prior year, the combined impact of higher operational earnings and reduced income taxes, the latter driven by the conversion to an income trust. During the quarter the Trust made its first public offering of units as an income trust and raised \$88.5 million with net proceeds which was used to reduce the Trust's debt. In the second quarter 2004 AltaGas commenced monthly distributions to unitholders of \$0.15 per unit.

The third quarter of 2004 was the first full quarter as an income trust. The Trust generated record funds from operations of \$28.6 million and increased net income to \$17.1 million or \$0.33 per unit. Highlights for the quarter included the closing of the EEEP acquisition and the acquisition of 25 megawatts of power peaking capacity in southern Alberta and a full quarter of reduced income tax expense resulting from the conversion to an income trust.

The highest quarterly net income in AltaGas' history highlighted the fourth quarter of 2004 as the Trust recorded \$25.8 million or \$0.49 per unit in net income. The increase was driven by the Energy Services segment, which benefited from higher power volumes sold and higher power prices on hedged volumes and the acquisition of the PremStar businesses. The Gathering and Processing segment, also provided improved results based on contributions from the acquisition of the Edmonton extraction ethane plant and improved operating performance in the field gathering and processing component.

First quarter 2005 results are discussed in detail in an earlier section of this MD&A.

CHANGES IN ACCOUNTING POLICIES

The Canadian Institute of Chartered Accountants (CICA) issued Accounting guideline 15 (AcG-15) "Consolidation of Variable Interest Entities" which is effective for annual and interim reporting periods commencing after November 1, 2004. This guideline requires organizations to assess any entity in which it may have a variable interest to determine whether or not the assets, liabilities and results of the entities' activities should be reported on other than a consolidated basis. AltaGas' has determined there is no requirement for change to its reporting with regard to its interests in those entities reported in its consolidated financial statements.

On March 18, 2005 the CICA issued revised Emerging Issues Committee Abstract (EIC) 151 "Exchangeable Securities issued by Subsidiaries of Income Trusts". The EIC states that exchangeable securities issued by a subsidiary of an income trust should be reflected as either non-controlling interest or debt in the consolidated balance sheet unless they meet certain criteria. A initial draft of the EIC was released January 19, 2005 under which guidance AltaGas determined that the exchangeable securities issued and outstanding by AltaGas Limited Partnership No. 1 at December 31, 2004 and March 31, 2005 met the criteria for consolidation accounting at those dates.

The revised EIC becomes effective for annual and interim reporting periods ending on or after June 30, 2005. AltaGas expects that the exchangeable securities issued and outstanding by AltaGas Limited Partnership No. 1 will meet the criteria at June 30, 2005.

CRITICAL ACCOUNTING ESTIMATES

AltaGas' financial statements have been prepared in accordance with generally accepted accounting principles. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. AltaGas' critical accounting estimates continue to be amortization expense, asset retirement obligations and asset impairment assessment. For a full discussion of these critical accounting estimates, refer to MD&A in AltaGas' 2004 Annual Report.

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 services component and with respect to interest rates on debt. These contracts are designed as hedges and gains and losses relating to such contracts are deferred and recognized in the same period and financial statement category as the corresponding hedged transaction.

The most significant impact of these contracts on 2005 business has been to provide revenue stability in the power services component. Alberta Power Pool prices ranged from \$7.74 per MWh to \$997.00 per MWh in the first quarter of 2005. Through the use of financial hedges on the portion of its 2005 power portfolio deemed optimal by management, AltaGas moderated the impact of this volatility on its business.

AltaGas reduces financing costs and minimizes the effect of future interest rate movements on its cash flows through the use of interest rate swaps. At March 31, 2005 the Trust had interest rates fixed through swap transactions with varying terms to maturity on \$200.0 million of its \$232.7 million total drawn bank debt. Including AltaGas' medium term notes, the rate has been fixed on 90 percent of AltaGas' total debt, including capital leases. 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 of the June 2004 equity offering being applied to floating rate debt.

INVESTED CAPITAL

During the first quarter of 2005, AltaGas invested \$6.0 million in capital assets, energy services arrangements, contracts and relationships and long term investments compared to \$16.3 million in the same period in 2004. AltaGas disposed of non-core assets in the gathering and processing segment totaling \$7.1 million in original cost and reduced its investment interest in the Taylor NGL Limited Partnership through a sale of units and non-participation in a public equity offering by Taylor.

Invested capital by segment

For the three months ended March 31, 2005	Gathering and Processing	Energy Services	Natural Gas Distribution	Total
Additions, net of disposals:				
Capital assets	\$ (3.5)	\$ 0.5	\$ 1.9	\$ (1.1)
Energy service arrangements, contracts and relationships	-	-	-	-
Long-term investments and other assets	(8.1)	-	-	(8.1)
	\$ (11.6)	\$ 0.5	\$ 1.9	\$ (9.2)

For the three months ended March 31, 2004	Gathering and Processing	Energy Services	Natural Gas Distribution	Total
Additions, net of disposals:				
Capital assets	\$ 12.1	\$ 0.3	\$ 1.8	\$ 14.2
Energy service arrangements, contracts and relationships	-	-	-	-
Long-term investments and other assets	2.0	-	0.1	2.1
	\$ 14.1	\$ 0.3	\$ 1.9	\$ 16.3

AltaGas' categorizes its invested capital into maintenance, growth and administrative. Growth capital accounted for \$3.9 million, which included Gathering and Processing facility acquisitions and expansions as well as expansions in the Natural Gas Distribution segment. Maintenance capital projects amounting to \$1.4 million in the first three months of 2005 and \$1.3 million for the same period of 2004 were undertaken mainly in the Gathering and Processing and Natural Gas Distribution segments to maintain the productive capability of the facilities and gathering and distribution systems. Administrative capital expenditures, including computer hardware and software projects, totaled \$0.7 million in the first quarter of 2005 compared to \$0.9 million in the same period in 2004.

Invested capital by activity

For the three months ended March 31, 2005	Gathering and Processing	Energy Services	Natural Gas Distribution	Total
Capital				
Maintenance	\$ 0.6	\$ 0.2	\$ 0.6	\$ 1.4
Growth	(12.8)	0.2	1.3	(11.3)
Administrative	0.6	0.1	-	0.7
	\$ (11.6)	\$ 0.5	\$ 1.9	\$ (9.2)

For the three months ended March 31, 2004	Gathering and Processing	Energy Services	Natural Gas Distribution	Total
Capital				
Maintenance	\$ 0.5	\$ -	\$ 0.8	\$ 1.3
Growth	13.2	-	0.9	14.1
Administrative	0.4	0.3	0.2	0.9
	\$ 14.1	\$ 0.3	\$ 1.9	\$ 16.3

LIQUIDITY AND CAPITAL RESOURCES

Funds generated from operations for the quarter ended March 31, 2005 increased to \$31.1 million from \$22.1 million for the quarter ended March 31, 2004.

AltaGas had a working capital deficit of \$94.8 million at March 31, 2005 compared to a working capital deficit of \$106.5 million at December 31, 2004 and a working capital surplus of \$2.9 million at March 31,

2004. The primary driver for this change in working capital is related to the reclassification of AltaGas' \$100.0 million medium-term notes (MTNs) due October 4, 2005 to current portion of long term debt.

The Trust believes that its access to debt and equity markets, unutilized bank credit facilities, funds generated from operations and funds generated from the Trust's Distribution Reinvestment and Premium Distribution™ programs will provide it with sufficient capital resources and liquidity to fund existing operations, future distributions, and certain acquisition and expansion opportunities in 2005. A description of the Trust's credit facilities can be found in Notes 9 and 10 to the consolidated financial statements included in the Trust's 2004 Annual Report.

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 components and segments. At March 31, 2005 AltaGas had total debt outstanding of \$345.7 million down from \$359.5 million at December 31, 2004. AltaGas Operating Partnership had \$100.0 million in MTNs outstanding and AltaGas Holding Limited Partnership No.1 had access to prime loans, banker's acceptances and letters of credit through bank lines totaling \$425.0 million. As at March 31, 2005 AltaGas Holding Limited Partnership No.1 had drawn bank debt of \$232.7 million and letters of credit outstanding of \$36.6 million. These two entities fund all operating subsidiaries. As an income trust, the Trust targets a debt to total capitalization ratio between 45 percent and 50 percent. The Trust's debt to total capitalization ratio as at March 31, 2005 decreased to 41.1 percent from 42.6 percent at December 31, 2004.

TRUST UNIT INFORMATION

Under the terms of the restructuring of AltaGas into an income trust effective May 1, 2004, ASI securityholders exchanged their shares in the company for trust units and eligible securityholders 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.

As of April 30, 2005 the Trust had 51.6 million trust units and 2.2 million exchangeable units outstanding and a market capitalization of \$1.3 billion based on a closing trading price on April 29, 2005 of \$24.17 per trust unit. There are \$0.3 million options exercisable under the terms of the unit option plan brought forward in the reorganization.

OFF BALANCE SHEET ARRANGEMENTS

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

CONTRACTUAL OBLIGATIONS

There have been no material changes to AltaGas' contractual obligations, since December 31, 2004. For further information on these contractual obligations, refer to the MD&A in AltaGas' 2004 Annual Report.

RELATED PARTIES

The Trust pays rent under a lease for office space to a company, which is owned by a member of management. Payments of \$20.0 thousand were made in the first quarter 2005. The five year lease expires in 2007 and is renewable at the option of AltaGas for another five years.

SUBSEQUENT EVENTS

On April 29, 2005 AltaGas filed a Universal Shelf Prospectus with Canadian Securities Commissions pursuant to which AltaGas Income Trust may issue up to an aggregate of \$500 million of trust units and debt securities over a 25 month period. This filing will provide AltaGas with the flexibility to raise funds from the offering of trust units or debt securities through one or more methods of distribution when market conditions are appropriate. AltaGas plans to use the proceeds raised from any offerings to reduce outstanding indebtedness under the Trust's existing credit facilities and for general corporate purposes including the financing of acquisitions, other capital expenditures and investments.

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, defaults, 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.

**ALTAGAS INCOME TRUST
CONSOLIDATED BALANCE SHEETS**

(\$ thousands)

	March 31, 2005 (unaudited)	December 31, 2004
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,862	\$ 2,669
Customer deposits	24,821	26,550
Accounts receivable	156,394	160,507
Inventory	319	250
Other	6,071	4,845
	190,467	194,821
Capital assets	737,588	746,729
Energy services arrangements, contracts and relationships	111,309	113,102
Goodwill	18,860	18,860
Future income taxes	-	208
Long-term investments and other assets (note 3)	31,041	34,876
	\$1,089,265	\$1,108,596
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 134,572	\$ 144,594
Distributions payable to unitholders	8,051	7,979
Short-term debt	7,212	7,016
Current portion of long-term debt	101,018	101,001
Customer deposits	24,821	26,550
Other	9,554	14,193
	285,228	301,333
Long-term debt	237,439	251,462
Asset retirement obligations	15,648	16,122
Future income taxes	55,951	56,164
	309,038	323,748
Unitholders' equity (notes 4 and 5)	494,999	483,515
	\$1,089,265	\$1,108,596

See accompanying notes to the consolidated financial statements

ALTAGAS INCOME TRUST
CONSOLIDATED STATEMENTS OF INCOME AND ACCUMULATED EARNINGS
(unaudited)

(\$ thousands except per unit amounts)

	Three months ended	
	March 31	
	2005	2004
REVENUE		
Operating	\$ 339,097	\$ 193,129
Gain on investments (note 3)	9,188	99
Other	699	291
	348,984	193,519
EXPENSES		
Cost of sales	271,004	136,329
Operating and administrative	31,717	26,048
Amortization	12,055	9,990
	314,776	172,367
Operating income	34,208	21,152
Interest expense		
Short-term debt	80	107
Long-term debt	4,977	5,428
Income before income taxes	29,151	15,617
Income taxes	1,531	4,578
Net income	27,620	11,039
Accumulated earnings, beginning of period	196,819	89,904
Accumulated earnings, end of period	\$ 224,439	\$ 100,943
Net income per unit (note 5)		
Basic	\$ 0.52	\$ 0.24
Diluted	\$ 0.52	\$ 0.24

See accompanying notes to the consolidated financial statements

ALTAGAS INCOME TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(\$ thousands)

	Three months ended March 31	
	2005	2004
Cash from operations		
Net income	\$ 27,620	\$ 11,039
Items not involving cash:		
Amortization	12,055	9,990
Accretion of asset retirement obligations	320	183
Stock option compensation	-	136
Future income taxes	147	521
Loss (gain) on assets and investments	(9,206)	77
Equity income	(681)	(453)
Distributions from equity investments	740	554
Other	124	65
Funds generated from operations	31,119	22,112
ARO costs incurred and other	(145)	-
Net change in non-cash working capital	(14,832)	2,059
	16,142	24,171
Investing activities		
Decrease in customer deposits	1,729	-
Acquisition of capital assets	(5,305)	(16,483)
Disposition of capital assets	4,831	-
Acquisition of energy services arrangements and contracts	-	(12)
Acquisition of long-term investments and other assets	(136)	(2,173)
Disposition of long-term investments and other assets	12,807	300
	13,926	(18,368)
Financing activities		
Decrease in operating loans and long-term debt	(13,810)	(2,538)
Dividends	-	(5,051)
Distributions to unitholders	(24,011)	-
Net proceeds from issuance of units and common shares (note 5)	7,946	1,786
	(29,875)	(5,803)
Change in cash and cash equivalents	193	-
Cash and cash equivalents, beginning of period	2,669	-
Cash and cash equivalents, end of period	\$ 2,862	\$ -

See accompanying notes to the consolidated financial statements

ALTAGAS INCOME TRUST

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(tabular amounts in \$ thousands)

1. STRUCTURE OF ALTAGAS INCOME TRUST

AltaGas Income Trust (the Trust) is an unincorporated open-ended trust established under the laws of Canada, pursuant to a Declaration of Trust dated March 26, 2004. The Trust commenced operations on May 1, 2004 as successor to AltaGas Services Inc. (ASI) when it acquired all of the shares of ASI for consideration of trust units or exchangeable units on a one for one basis. These unaudited interim consolidated financial statements follow the continuity of interest basis of accounting whereby the Trust is considered a continuation of ASI. As a result, the comparative period figures prior to December 31, 2004 are those of ASI.

2. 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. The accounting policies applied are consistent with those outlined in the Trust's annual consolidated financial statements for the fiscal year ended December 31, 2004. These interim consolidated financial statements for the three months ended March 31, 2005 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.

3. GAIN ON INVESTMENTS

On February 7, 2005 the Trust sold 1.4 million partnership units of Taylor NGL Limited Partnership (Taylor) for proceeds of \$12.8 million realizing a pre-tax gain of \$4.8 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 a pre-tax dilution gain of \$4.4 million.

4. UNITHOLDERS' EQUITY

	March 31, 2005	December 31, 2004
Unitholders' capital (note 6)	\$ 394,584	\$ 386,638
Contributed surplus	2,823	2,823
Accumulated earnings	224,439	196,819
Accumulated dividends	(41,114)	(41,114)
Accumulated unitholders' distributions	(85,733)	(61,651)
	\$ 494,999	\$ 483,515

For the quarter ended March 31, 2005 \$nil (2004 - \$5.1 million) of dividends and \$24.0 million (2004 - \$nil) of distributions were paid by the Trust.

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 (LP1) class B limited partnership units which are exchangeable into trust units on a one for one basis no later than May 1, 2014. 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 LP1 units outstanding fall below 750,000. After May 1, 2014 the exchange is at the option of the Trust.
- an unlimited number of AltaGas Holding Limited Partnership No. 2 (LP2) class B limited partnership units which are exchangeable into trust units on a one for one basis no later than May 1, 2009. 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 LP2 units outstanding fall below 1,000,000. After May 1, 2009 the exchange is at the option of the Trust.

<i>Trust units issued and outstanding:</i>	Number of units	Amount
December 31, 2004	49,825,241	\$ 367,349
Units issued for cash on exercise of options	214,978	1,861
Units issued under distribution reinvestment program	266,376	6,085
Units issued for exchangeable units	1,187,958	6,799
March 31, 2005	51,494,553	382,094
<i>Exchangeable units issued and outstanding:</i>		
December 31, 2004	3,370,294	19,289
LP1 units redeemed for trust units	(1,187,958)	(6,799)
March 31, 2005	2,182,336	12,490
Issued and outstanding March 31, 2005	53,676,889	\$ 394,584

The Trust has an employee unit option plan under which both employees and directors are eligible to receive grants. At March 31, 2005 3,800,000 units were reserved for issuance under the plan. To March 31, 2005 options granted under the plan, including those granted in the first quarter of 2005, generally had a term of ten 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 March 31, 2005 outstanding options are exercisable at various dates to the year 2015 (2003 - 2014). Options outstanding under the plan have a weighted average exercise price of \$13.09 (2004 - \$9.31) and a weighted average remaining term of 8.13 years (2004 - 8.29 years). As at March 31, 2005 the unexpensed fair value of unit option compensation cost associated with future periods was \$nil (December 31, 2004 - \$nil).

	Number of Options	Weighted Average Exercise Price
Unit options outstanding, December 31, 2004	349,411	\$ 9.02
Granted	40,000	24.62
Exercised	(214,978)	8.62
Unit options outstanding, March 31, 2005	174,433	\$ 13.09
Exercisable at March 31, 2005	134,433	\$ 9.66

The basic number of units outstanding for the three months ended March 31 2005 was 53.4 million (March 31, 2004 – 45.9 million ASI shares) and the diluted number of units outstanding for the three months ended March 31, 2005 was 53.6 million (March 31, 2004 – 46.6 million ASI shares).

6. RELATED PARTY TRANSACTIONS

The Trust pays rent under a lease for office space a company which is owned by a member of management. Payments of \$20.0 thousand were made during the quarter ended March 31, 2005 (March 31, 2004 – nil). The five year lease expires in 2007 and is renewable at the option of AltaGas for another five years. These transactions have been recorded at their exchange amounts.

7. 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 three reportable segments:

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

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

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

For the three months ended March 31, 2005	Gathering and Processing	Energy Services	Natural Gas Distribution	Intersegment elimination	Total
Revenue	\$ 82,948	\$ 283,556	\$ 46,374	\$ (63,894)	\$ 348,984
Cost of sales	(29,149)	(267,115)	(34,558)	59,818	(271,004)
Operating and administrative expenses	(26,553)	(4,619)	(4,621)	4,076	(31,717)
Amortization	(7,257)	(2,817)	(1,981)	-	(12,055)
Operating income	\$ 19,989	\$ 9,005	\$ 5,214	\$ -	\$ 34,208
Net additions to:					
Capital assets	\$ (3,542)	\$ 515	\$ 1,903	\$ -	\$ (1,124)
Energy Services arrangements, contracts and relationships	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term investments and other assets	\$ (8,085)	\$ -	\$ 34	\$ -	\$ (8,051)
Goodwill	\$ 18,860	\$ -	\$ -	\$ -	\$ 18,860
Segment assets	\$ 769,993	\$ 175,134	\$ 144,138	\$ -	\$ 1,089,265

For the three months ended March 31, 2004	Gathering and Processing	Energy Services	Natural Gas Distribution	Intersegment elimination	Total
Revenue	\$ 44,692	\$ 133,409	\$ 48,129	\$ (32,711)	\$ 193,519
Cost of sales	(6,900)	(123,649)	(38,387)	32,607	(136,329)
Operating and administrative expenses	(19,545)	(2,332)	(4,275)	104	(26,048)
Amortization	(6,276)	(2,132)	(1,582)	-	(9,990)
Operating income	\$ 11,971	\$ 5,296	\$ 3,885	\$ -	\$ 21,152
Net additions to:					
Capital assets	\$ 12,107	\$ 302	\$ 1,845	\$ -	\$ 14,254
Energy Services arrangements, contracts and relationships	\$ -	\$ 12	\$ -	\$ -	\$ 12
Long-term investments and other assets	\$ 1,972	\$ -	\$ 105	\$ -	\$ 2,077
Goodwill	\$ 18,860	\$ -	\$ -	\$ -	\$ 18,860
Segment assets	\$ 784,837	\$ 165,998	\$ 157,761	\$ -	\$ 1,108,596

8. PENSION PLANS AND RETIREMENT BENEFITS

Substantially all full-time employees of the Trust's natural gas distribution subsidiary, AltaGas Utilities Inc., are members of one of two defined benefit non-contributory pension plans. AltaGas Utilities Inc. also has plans that provide other post-retirement benefits such as life insurance and health care.

The total post retirement benefit cost recorded in the statement of income for the three months ended March 31, 2005 is \$0.3 million (March 31, 2004 - \$0.3 million).

9. COMPARATIVE FIGURES

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

10. SEASONALITY

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

OTHER INFORMATION

FINANCIAL SUMMARY BY BUSINESS SEGMENT

(\$ millions)	Q1/05	Q4/04	Q3/04	Q2/04	Q1/04
Revenue					
Gathering and Processing					
Field gathering and processing	29.9	32.1	28.5	28.4	26.5
Extraction	36.3	36.8	16.9	10.8	10.4
Transmission	6.6	6.6	6.5	6.4	7.0
Other	10.5	1.2	0.8	0.8	1.3
Intercomponent elimination	(0.4)	(0.5)	(0.6)	(0.5)	(0.5)
Energy Services	283.6	248.3	124.6	124.1	133.4
Natural Gas Distribution ⁽¹⁾	46.4	41.9	14.0	20.6	48.1
Intersegment elimination	(63.9)	(54.6)	(12.2)	(15.2)	(32.7)
	349.0	311.8	178.5	175.4	193.5
Net revenue					
Gathering and Processing					
Field gathering and processing	29.9	32.1	28.5	28.4	26.5
Extraction	7.2	8.2	5.5	3.6	3.5
Transmission	6.6	6.6	6.5	6.4	7.0
Other	10.5	1.2	0.8	0.9	1.3
Intercomponent elimination	(0.4)	(0.5)	(0.6)	(0.5)	(0.5)
Energy Services	16.5	18.9	16.6	14.6	9.8
Natural Gas Distribution ⁽¹⁾	11.8	9.7	5.1	6.2	9.7
Intersegment elimination	(4.1)	(4.6)	(0.9)	(0.1)	(0.1)
	78.0	71.6	61.5	59.5	57.2
Operating income					
Gathering and Processing	20.0	14.1	12.1	7.2	12.0
Energy Services	9.0	11.4	11.6	10.0	5.3
Natural Gas Distribution ⁽¹⁾	5.2	3.9	(0.3)	0.4	3.9
	34.2	29.4	23.4	17.6	21.2

(1) Q2 and Q3 financial results reflect the normal lower seasonal demand for natural gas in the Natural Gas Distribution segment.

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

AltaGas adopted CICA Handbook guidelines on asset retirement obligations in 2003. Prior year information has been restated for the effect of this adoption.

OPERATING SUMMARY BY BUSINESS SEGMENT

	Q1/05	Q4/04	Q3/04	Q2/04	Q1/04
Gathering and Processing					
Field gathering and processing					
Processing capacity (gross Mmcf/d) ⁽¹⁾	901	913	906	906	901
Processed throughput (gross Mmcf/d) ⁽²⁾	558	558	552	563	560
Capacity utilization (percent) ⁽¹⁾	62	61	61	62	62
Average working interest (percent) ⁽¹⁾	90	90	89	89	87
Extraction					
Licensed inlet capacity (Mmcf/d) ⁽¹⁾	539	539	539	349	349
Production (Bbls/d) ⁽²⁾	21,103	21,244	13,054	9,337	10,020
Transmission volumes (Mmcf/d) ^{(2) (4)}	429	432	417	415	396
Energy Services					
Volume of power sold (thousands of MWh)	851	879	877	862	863
Price received on the sale of power (\$/MWh) ⁽²⁾	47.24	50.17	49.22	49.88	45.78
Average Alberta Power Pool prices (\$/MWh) ⁽²⁾	45.90	54.95	54.35	60.07	48.78
Natural Gas Distribution ⁽⁵⁾					
Customers	60,638	60,430	60,048	59,266	59,528
Volume of natural gas distributed					
Sales (Bcf) ⁽⁶⁾	5.4	4.4	1.5	2.2	5.5
Transportation (Bcf)	2.5	2.8	2.6	2.6	3.0
Degree day variance (percent) ⁽³⁾	(1.8)	(4.4)	24.8	11.5	2.0

(1) At period end

(2) Quarter average

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

(4) Excludes condensate transmission volumes

(5) Excludes Inuvik Gas and Heritage Gas operating statistics

(6) Q2 and Q3 natural gas distributed (Bcf) reflect the normal lower seasonal demand for natural gas in the Natural Gas Distribution segment

DEFINITIONS

Bbls/d	barrels per day
Bcf	billion cubic feet
Mmcf/d	million cubic feet per day
MW	megawatt
MWh	megawatt-hour