



NEWS RELEASE



ALTAGAS INCOME TRUST AGREES TO MAKE OFFER TO ACQUIRE REMAINING 80.2 PERCENT OF ALTAGAS UTILITY GROUP INC.

Calgary, Alberta (August 17, 2009) – AltaGas Income Trust (AltaGas or the Trust) (TSX: ALA.UN) and AltaGas Utility Group Inc. (Utility Group) (TSX: AUI) jointly announce that they have entered into a support agreement (the Agreement) pursuant to which AltaGas will, subject to certain conditions, make a cash offer for all of the outstanding common shares of Utility Group not already owned by AltaGas and its affiliates by way of a take-over bid for \$9.05 per common share (the Offer).

The Offer represents a 45 percent premium based on the \$6.25 closing price of Utility Group common shares on August 14, 2009 and a 21 percent premium to the price at which Utility Group was spun out by the Trust in 2005. The acquisition is valued at approximately \$200 million, including assumed debt expected to approximate \$130 million, and represents approximately 1.15 times the expected combined regulated rate base. The estimated \$59 million cash required to close the transaction will be funded by existing credit facilities.

“The Utility Group acquisition is an outstanding strategic fit for AltaGas,” said David Cornhill, Chairman and CEO of the Trust. “Utility Group’s steady, measured approach to doing business parallels AltaGas’ strategy of investing in energy infrastructure that provides long-term, stable cash flow and solid returns. Adding Utility Group’s investments, people and growth opportunities to AltaGas expands, diversifies and strengthens our gas division and overall business.”

AltaGas previously held Utility Group’s underlying investments as its Natural Gas Distribution segment. The tax attributes of the business were not compatible with a trust structure. Accordingly following AltaGas’ conversion to an income trust, it spun out its Natural Gas Distribution segment in 2005 to create Utility Group. Given the pending change in Canadian tax legislation regarding the taxable status of trusts, this acquisition aligns with AltaGas’ plan to convert to a corporation in the second half of 2010.

The Board of Directors of AltaGas has unanimously approved the Agreement. Likewise, at the recommendation of a Special Committee of independent directors, the Board of Directors of Utility Group has unanimously approved the Agreement and has concluded the transaction is in the best interest of Utility Group shareholders. The independent members of the Board of Directors of Utility Group have unanimously resolved to recommend that the Utility Group shareholders tender their common shares in acceptance of the Offer.

“On a full year basis, the Trust expects the acquisition to be accretive to earnings per unit in the range of \$0.04 to \$0.06 and to cash flow per unit in the range of \$0.15 to \$0.20,” said Mr. Cornhill. “Utility Group’s management team and employees have successfully delivered a strong track record of growth over the past four years. We look forward to welcoming back employees of Utility Group and its subsidiary, AltaGas Utilities Inc., the Alberta-based natural gas distribution business that AltaGas originally acquired in 1998.”

“Over the last four years, the Utility Group team has grown rate base, including Ikhil, at a compound annual growth rate of approximately 15 percent, while delivering its signature safe reliable service to customers. In the current capital markets, the value of this growth has not been reflected in Utility Group’s trading price. We are pleased that the Trust has valued this growth, and that this offer for all shares of Utility Group provides our shareholders an opportunity to realize the value increase achieved by our management and staff,” said Patricia

Newson, President and CEO of Utility Group. "As part of a larger entity, Utility Group will continue to pursue significant organic growth and business acquisition opportunities."

The Offer is subject to certain conditions, including its acceptance by the holders of at least two-thirds of the outstanding common shares of Utility Group, excluding those held by AltaGas and its affiliates. In addition, the Offer is subject to receipt of customary regulatory approvals, including that of the Alberta Utilities Commission.

Pursuant to the Agreement, Utility Group has agreed to support the Offer, to terminate any discussions with other parties, not to solicit or initiate discussions or negotiations with any third party with respect to alternative transactions and to grant AltaGas a right of first refusal to match any other proposals. Utility Group has also agreed to pay AltaGas a termination fee of \$2.4 million in certain circumstances if the Offer is not completed.

AltaGas has been advised and expects that insiders who currently own approximately 20 percent of the outstanding shares of Utility Group intend to tender to the Offer. The Offer documents and directors' circular are expected to be mailed to Utility Group shareholders in late August 2009. Expiry of the Offer and closing are expected in October 2009, or as soon thereafter as all regulatory approvals are obtained.

CIBC World Markets Inc. is acting as financial advisor to AltaGas with respect to the transaction. Stikeman Elliott LLP is acting as legal advisor to AltaGas.

Peters & Co. Limited is acting as financial advisor to Utility Group and a Special Committee of its Board with respect to the transaction. It has advised the Board of Directors of Utility Group that it is of the opinion, as of the date hereof, that the consideration received by Utility Group shareholders pursuant to the proposed acquisition is fair from a financial point of view. Macleod Dixon LLP is acting as legal advisor to Utility Group. MPA Morrison Park Advisors Inc. was engaged by Utility Group to provide a formal valuation of Utility Group common shares in accordance with certain securities laws applicable to related party transactions.

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

AltaGas Utility Group Inc. is a publicly traded company holding interests in AltaGas Utilities Inc., Heritage Gas Limited and Inuvik Gas Ltd. Combined these regulated natural gas distribution businesses serve more than 71,000 customers in three areas of Canada through an infrastructure of over 20,000 kilometres of pipelines. Utility Group also holds an interest in the Ikhil Joint Venture which produces and supplies natural gas in Inuvik, Northwest Territories.

AltaGas Income Trust's units are listed on the Toronto Stock Exchange under the symbol ALA.UN and are included in the S&P/TSX Composite Index, the S&P/TSX Income Trust Index and the S&P/TSX Capped Energy Trust Index. AltaGas Utility Group Inc. common shares trade on the Toronto Stock Exchange under the symbol AUI.

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This news release contains forward-looking statements. When used in this news release, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to the Trust or an affiliate of the Trust, are intended to identify forward-looking statements. In particular, this news release contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect 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 news release, including without limitation those listed above. These factors should not be construed as

exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this news release as intended, planned, anticipated, believed, sought, proposed, estimated or expected, and such forward-looking statements included in, or incorporated by reference in this news release, should not be unduly relied upon. Such statements speak only as of the date of this news release. The Trust does not intend, and does not assume any obligation, to update these forward-looking statements. The forward-looking statements contained in this news release are expressly qualified by this cautionary statement.

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