



NEWS RELEASE

AltaGas Utility Group Inc.

**ALTAGAS UTILITY GROUP INC. FILES PRELIMINARY PROSPECTUS
TO EXECUTE SPIN-OUT OF ALTAGAS INCOME TRUST'S NATURAL
GAS DISTRIBUTION BUSINESS AND FOR PUBLIC OFFERING OF
ITS COMMON SHARES**

NOT FOR DISTRIBUTION IN THE U.S. OR TO U.S. NEWSWIRE SERVICES

Calgary, Alberta (August 30, 2005) – AltaGas Utility Group Inc. (the “Corporation”) and AltaGas Income Trust (the “Trust”) (TSX: ALA.UN) are pleased to announce that the Corporation has filed and been receipted for a preliminary prospectus with the securities regulatory authorities in all of the provinces of Canada relating to the spin-out of the Trust's natural gas distribution business previously announced May 25, 2005 and the Corporation's initial public offering of its common shares.

The prospectus qualifies: (i) the offering from treasury of common shares by the Corporation pursuant to its initial public offering; (ii) the sale of the Corporation's common shares by AltaGas Holding Limited Partnership No. 1 (“AltaGas LP #1”); and (iii) the concurrent *pro rata* distribution of common shares by the Trust to holders of its trust units and the *pro rata* distribution of common shares by AltaGas LP #1 to holders of its Class B limited partnership units to effect the spin-out of the Trust's natural gas distribution business. The net proceeds to the Corporation from the offering from its treasury will be used to reduce indebtedness. The Corporation will not receive any of the proceeds from AltaGas LP #1's sale of a portion of its holdings of the Corporation's shares. It is expected that the Trust will retain an indirect ownership interest in the Corporation after these transactions.

Patricia Newson, Senior Vice President Finance and Chief Financial Officer of AltaGas Income Trust has been appointed President and Chief Executive Officer of AltaGas Utility Group Inc. Deborah Stein, Vice President Corporate Risk of the Trust has been appointed Chief Financial Officer and Corporate Secretary of AltaGas Utility Group Inc.

David Cornhill, Chairman and CEO of AltaGas Income Trust said, “The spin-out of our natural gas distribution business is another example of the Trust's commitment to enhance unitholder value.” Cornhill added, “AltaGas Utility Group Inc., with its stable, regulated, rate-based businesses, is a new entrant to Canada's publicly traded utility market.”

Upon completion of the offering, the Corporation will be a publicly traded holding company owning indirect interests in three companies, AltaGas Utilities Inc., Heritage Gas Limited and Inuvik Gas Ltd., operating natural gas distribution utilities in Canada.

The underwriting syndicate for these transactions is co-led by Clarus Securities Inc. and RBC Capital Markets, and includes BMO Nesbitt Burns Inc., National Bank Financial Inc. and Scotia Capital Inc. The closing of the transactions is expected to occur in late October 2005 and is subject to all applicable regulatory and exchange approvals.

The securities offered have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or any state securities laws. Accordingly, they may not be offered or sold within the United States except pursuant to registration under the 1933 Act and applicable state securities laws or pursuant to an exemption from registration therefrom.

A copy of the preliminary prospectus relating to the offering may be obtained from Clarus Securities Inc., 130 King St. West, Suite 3640, Toronto, ON M5X 1A9 (tel.: 416-343-2775) or at www.sedar.com.

The Trust's 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.

When used in this news release, the words "anticipate," "estimate," and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated in the forward looking statements. These risks and uncertainties include operating performance, regulatory and environmental issues, weather and economic conditions, competition and financing availability. For additional information on these and other factors see the reports filed by AltaGas Income Trust with Canadian securities regulators. AltaGas Utility Group Inc. and the Trust disclaim any intention or obligation to update or revise any forward-looking information whether as a result of new information or future event.

This news release shall not constitute an offer to sell or the solicitation of an offer to buy the securities in any jurisdiction.

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

Website: www.altagas.ca

Investor Relations: 1-877-691-7199

investor.relations@altagas.ca