

CONSOLIDATED BALANCE SHEETS

(condensed and unaudited)

As at (\$ millions)	June 30, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents (note 21)	\$ 41	\$ 32
Accounts receivable (net of credit losses of \$42 million) (note 15)	1,090	1,444
Inventory (note 7)	548	636
Restricted cash holdings from customers (note 21)	3	3
Regulatory assets	22	46
Risk management assets (note 15)	115	98
Prepaid expenses and other current assets (note 21)	158	234
Assets held for sale (note 5)	—	4
	1,977	2,497
Property, plant and equipment	10,848	10,888
Intangible assets	197	539
Operating right of use assets	336	372
Goodwill (note 8)	4,906	5,039
Regulatory assets	352	444
Risk management assets (note 15)	26	47
Restricted cash holdings from customers (note 21)	—	2
Prepaid post-retirement benefits	563	572
Long-term investments and other assets (net of credit losses of \$1 million) (notes 9, 15, and 21)	238	245
Investments accounted for by the equity method (note 11)	872	887
	\$ 20,315	\$ 21,532
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,179	\$ 1,561
Dividends payable	23	22
Short-term debt	48	256
Current portion of long-term debt (notes 12 and 15)	361	360
Customer deposits	51	73
Regulatory liabilities	41	90
Risk management liabilities (note 15)	124	111
Operating lease liabilities	86	95
Other current liabilities (note 15)	16	38
Liabilities associated with assets held for sale (note 5)	—	1
	1,929	2,607
Long-term debt (notes 12 and 15)	7,197	7,626
Asset retirement obligations	375	379
Unamortized investment tax credits	2	3
Deferred income taxes	1,153	1,118
Regulatory liabilities	1,321	1,381
Risk management liabilities (note 15)	121	145
Operating lease liabilities	265	304
Other long-term liabilities	150	153
Future employee obligations	148	155
	\$ 12,661	\$ 13,871

As at (\$ millions)	June 30, 2021	December 31, 2020
Shareholders' equity		
Common shares, no par values, unlimited shares authorized; 2021 - 280.1 million and 2020 - 279.5 million issued and outstanding (note 17)	\$ 6,734	\$ 6,723
Preferred shares (note 17)	1,077	1,077
Contributed surplus	385	383
Accumulated deficit	(972)	(1,192)
Accumulated other comprehensive income (AOCI) (note 13)	(206)	50
Total shareholders' equity	7,018	7,041
Non-controlling interests	636	620
Total equity	\$ 7,654	\$ 7,661
	\$ 20,315	\$ 21,532

Variable interest entities (note 10)

Commitments, guarantees, and contingencies (note 19)

Seasonality (note 22)

Segmented information (note 23)

Subsequent events (note 24)

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

(condensed and unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
(\$ millions except per share amounts)	2021	2020	2021	2020
REVENUE (note 14)	\$ 2,009	\$ 1,059	\$ 5,094	\$ 2,928
EXPENSES				
Cost of sales, exclusive of items shown separately	1,487	576	3,504	1,540
Operating and administrative	347	311	713	649
Accretion expenses	1	1	1	2
Depreciation and amortization	108	93	206	198
Provisions (reversal of provisions) on assets (note 6)	(19)	3	57	5
	1,924	984	4,481	2,394
Income from equity investments (note 11)	2	23	5	33
Other income	21	15	37	233
Foreign exchange gains	8	4	4	4
Interest expense	(69)	(71)	(139)	(141)
Income before income taxes	47	46	520	663
Income tax expense (recovery)				
Current	27	(5)	57	4
Deferred	(24)	8	48	131
Net income after taxes	44	43	415	528
Net income applicable to non-controlling interests	7	5	27	11
Net income applicable to controlling interests	37	38	388	517
Preferred share dividends	(13)	(17)	(27)	(33)
Net income applicable to common shares	\$ 24	\$ 21	\$ 361	\$ 484
Net income per common share (note 18)				
Basic	\$ 0.09	\$ 0.08	\$ 1.29	\$ 1.73
Diluted	\$ 0.09	\$ 0.08	\$ 1.28	\$ 1.73
Weighted average number of common shares outstanding (millions) (note 18)				
Basic	279.9	279.4	279.7	279.4
Diluted	281.7	279.5	281.0	279.7

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(condensed and unaudited)

(\$ millions)	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Net income after taxes	\$ 44	\$ 43	\$ 415	\$ 528
Other comprehensive income (loss), net of taxes				
Gain (loss) on foreign currency translation	(139)	(339)	(257)	366
Unrealized gain (loss) on net investment hedge	—	23	—	(18)
Reclassification of actuarial gains and prior service credits on defined benefit (DB) and post-retirement benefit plans (PRB) to net income (notes 13 and 20)	—	—	1	3
Other comprehensive income from equity investees	—	5	—	5
Total other comprehensive income (loss) (OCI), net of taxes (note 13)	(139)	(311)	(256)	356
Comprehensive income (loss) attributable to controlling interests and non-controlling interests, net of taxes	\$ (95)	\$ (268)	\$ 159	\$ 884
Comprehensive income (loss) attributable to:				
Non-controlling interests	\$ 7	\$ 5	\$ 27	\$ 11
Controlling interests	(102)	(273)	132	873
	\$ (95)	\$ (268)	\$ 159	\$ 884

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF EQUITY

(condensed and unaudited)

Six months ended June 30 (\$ millions)	2021	2020
Common shares (note 17)		
Balance, beginning of period	\$ 6,723	\$ 6,719
Shares issued for cash on exercise of options	12	1
Shares issued under DRIP ⁽¹⁾	—	6
Deferred taxes on share issuance costs	(1)	(2)
Balance, end of period	\$ 6,734	\$ 6,724
Preferred shares (note 17)		
Balance, beginning of period	\$ 1,077	\$ 1,277
Balance, end of period	\$ 1,077	\$ 1,277
Contributed surplus		
Balance, beginning of period	\$ 383	\$ 377
Share options expense	3	3
Exercise of share options	(1)	—
Balance, end of period	\$ 385	\$ 380
Accumulated deficit		
Balance, beginning of period	\$ (1,192)	\$ (1,403)
Net income applicable to controlling interests	388	517
Common share dividends	(141)	(134)
Preferred share dividends	(27)	(33)
Adoption of ASU 2016-13	—	(7)
Balance, end of period	\$ (972)	\$ (1,060)
AOCI (note 13)		
Balance, beginning of period	\$ 50	\$ 245
Other comprehensive income (loss)	(256)	356
Balance, end of period	\$ (206)	\$ 601
Total shareholders' equity	\$ 7,018	\$ 7,922
Non-controlling interests		
Balance, beginning of period	\$ 620	\$ 154
Net income applicable to non-controlling interests	27	11
Contributions from non-controlling interests to subsidiaries	1	5
Distributions by subsidiaries to non-controlling interests	(12)	(17)
Balance, end of period	\$ 636	\$ 153
Total equity	\$ 7,654	\$ 8,075

(1) The Dividend Reinvestment and Optional Cash Purchase Plan was suspended in December 2019, with the December dividend (payable January 2020) being the last dividend payment eligible for reinvestment by participating shareholders under the DRIP.

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(condensed and unaudited)

(\$ millions)	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Cash from operations				
Net income after taxes	\$ 44	\$ 43	\$ 415	\$ 528
Items not involving cash:				
Depreciation and amortization	108	93	206	198
Provisions (reversal of provisions) on assets (note 6)	(19)	3	57	5
Accretion expenses	1	1	1	2
Share-based compensation (note 17)	1	1	3	3
Deferred income tax (recovery) expense	(24)	8	48	131
Gains on sale of assets	(4)	(3)	(4)	(215)
Income from equity investments (note 11)	(2)	(23)	(5)	(33)
Unrealized losses (gains) on risk management contracts (note 15)	33	(3)	(22)	(118)
Losses (gains) on investments	—	(1)	—	2
Amortization of deferred financing costs	2	2	3	4
Provision for doubtful accounts	3	7	11	16
Change in pension and other post-retirement benefits	(6)	2	(12)	5
Other	(4)	3	4	11
Asset retirement obligations settled	(2)	—	(3)	(1)
Distributions from equity investments	3	6	7	15
Changes in operating assets and liabilities (note 21)	(53)	198	(23)	259
	\$ 81	\$ 337	\$ 686	\$ 812
Investing activities				
Capital expenditures - property, plant and equipment	(121)	(204)	(305)	(391)
Capital expenditures - intangible assets	—	(7)	(4)	(9)
Contributions to equity investments	(4)	—	(7)	(64)
Proceeds from disposition of equity investments	—	—	—	376
Proceeds from disposition of assets, net of transaction costs (note 4)	344	6	344	10
Other changes in investing activities	(7)	—	(7)	—
	\$ 212	\$ (205)	\$ 21	\$ (78)
Financing activities				
Net issuance (repayment) of short-term debt	40	(14)	(195)	(361)
Issuance (repayment) of long-term debt, net of debt issuance costs	(1)	1,120	545	1,119
Repayment of long-term debt	(1)	(617)	(5)	(977)
Net repayment under credit facilities	(262)	(808)	(894)	(354)
Dividends - common shares	(70)	(67)	(141)	(134)
Dividends - preferred shares	(13)	(17)	(27)	(33)
Distributions to non-controlling interests	(5)	(7)	(12)	(17)
Contributions from non-controlling interests	—	2	1	5
Net proceeds from shares issued on exercise of options (note 17)	8	1	12	1
Net proceeds from issuance of common shares	—	—	—	6
	\$ (304)	\$ (407)	\$ (716)	\$ (745)
Change in cash, cash equivalents, and restricted cash	(11)	(275)	(9)	(11)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	—	(5)	(1)	6
Cash, cash equivalents, and restricted cash, beginning of period	75	397	74	122
Cash, cash equivalents, and restricted cash, end of period (note 21)	\$ 64	\$ 117	\$ 64	\$ 117

See accompanying notes to the Consolidated Financial Statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(Tabular amounts and amounts in footnotes to tables are in millions of Canadian dollars unless otherwise indicated.)

1. Organization and Overview of the Business

The businesses of AltaGas are operated by the Company and a number of its subsidiaries including, without limitation, AltaGas Services (U.S.) Inc., AltaGas Utility Holdings (U.S.) Inc., WGL Holdings, Inc. (WGL), Wrangler 1 LLC, Wrangler SPE LLC, Washington Gas Resources Corporation, WGL Energy Services, Inc. (WGL Energy Services), and SEMCO Holding Corporation; in regard to the Utilities business, Washington Gas Light Company (Washington Gas), Hampshire Gas Company, and SEMCO Energy, Inc. (SEMCO); in regard to the Midstream business, AltaGas Extraction and Transmission Limited Partnership, AltaGas Pipeline Partnership, AltaGas Processing Partnership, AltaGas Northwest Processing Limited Partnership, Harmattan Gas Processing Limited Partnership, and Ridley Island LPG Export Limited Partnership; and, in regard to remaining assets in the Corporate/Other segment, AltaGas Power Holdings (U.S.) Inc., WGL Energy Systems, Inc. (WGL Energy Systems), and Blythe Energy Inc. (Blythe). SEMCO conducts its Michigan natural gas distribution business under the name SEMCO Energy Gas Company (SEMCO Gas), its Alaska natural gas distribution business under the name ENSTAR Natural Gas Company (ENSTAR) and its 65 percent interest in an Alaska regulated gas storage utility under the name Cook Inlet Natural Gas Storage Alaska LLC (CINGSA). Petrogas Energy Corporation (Petrogas) was also added as a subsidiary of AltaGas upon the close of a further approximately 37 percent interest in Petrogas on December 15, 2020 (the Petrogas Acquisition).

AltaGas, a Canadian corporation, is a leading North American energy infrastructure company that connects natural gas liquids (NGLs) and natural gas to domestic and global markets. The Corporation's long-term strategy is to grow in attractive areas across its Utilities and Midstream business segments seeking optimal capital deployment. In the Midstream business, the Corporation is focused on optimizing the full value chain of energy exports by providing producers with solutions, including global market access off the West Coast of North America via the Corporation's footprint in the Montney region. In the Utilities business, the Corporation seeks to grow through rate base investment and the use of accelerated rate recovery programs, while providing effective and cost-efficient service for customers.

AltaGas' operating segments include the following:

- Utilities, which serves approximately 1.7 million customers with a rate base of approximately US\$4.4 billion through ownership of regulated natural gas distribution utilities across five jurisdictions in the United States and two regulated natural gas storage utilities in the United States, delivering clean and affordable natural gas to homes and businesses. The Utilities business also includes storage facilities and contracts for interstate natural gas transportation and storage services, as well as the affiliated retail energy marketing business, which serves approximately 0.5 million customers;
- Midstream, which includes a 70 percent interest in the Ridley Island Propane Export Terminal (RIPET) and an approximate 74 percent interest in the Ferdale terminal, allowing AltaGas to leverage its assets along the energy value chain in Western Canada and the Western United States including natural gas gathering and processing, NGL extraction and fractionation, and natural gas and NGL marketing. The Midstream segment also includes transmission, storage, an interest in a regulated pipeline in the Marcellus/Utica gas formation in the northeastern United States, and an approximate 74 percent interest in Petrogas' other operations, which includes LPG exports and distribution, domestic terminals, wellsite fluids and fuels, and trucking and liquids handling.

The Corporate/Other segment consists of AltaGas' corporate activities and a small portfolio of remaining power assets.

2. Summary of Significant Accounting Policies

BASIS OF PRESENTATION

These unaudited condensed interim Consolidated Financial Statements have been prepared by Management in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP). As a result, these unaudited condensed interim Consolidated Financial Statements do not include all of the information and disclosures required in the annual Consolidated Financial Statements and should be read in conjunction with the Corporation's 2020 annual audited Consolidated Financial Statements prepared in accordance with U.S. GAAP. In Management's opinion, these unaudited condensed interim Consolidated Financial Statements include all adjustments that are of a recurring nature and necessary to present fairly the financial position of the Corporation.

Pursuant to National Instrument 52-107, "Acceptable Accounting Principles and Auditing Standards" (NI 52-107), financial statements of an "SEC issuer" may be prepared in accordance with U.S. GAAP. On January 21, 2020, AltaGas filed a final short form base shelf prospectus in Alberta and a corresponding registration statement on Form F-10 in the United States, by virtue of which AltaGas is required to file reports under section 15(d) of the *Securities Exchange Act of 1934* with the United States Securities and Exchange Commission. As a result, AltaGas is an SEC issuer and is entitled to prepare its financial statements in accordance with U.S. GAAP.

PRINCIPLES OF CONSOLIDATION

These unaudited condensed interim Consolidated Financial Statements of AltaGas include the accounts of the Corporation, its subsidiaries, variable interest entities (VIEs) for which the Corporation is the primary beneficiary, and its interest in various partnerships and joint ventures where AltaGas has an undivided interest in the assets and liabilities. Investments in unconsolidated companies that AltaGas has significant influence, but not control over are accounted for using the equity method.

All intercompany balances and transactions are eliminated on consolidation. Where there is a party with a non-controlling interest in a subsidiary that AltaGas controls, that non-controlling interest is reflected as "non-controlling interests" in the Consolidated Financial Statements. The non-controlling interests in net income (or loss) of consolidated subsidiaries are shown as an allocation of the consolidated net income and are presented separately in "net income applicable to non-controlling interests".

USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

The preparation of Consolidated Financial Statements in accordance with U.S. GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the period. Key areas where Management has made complex or subjective judgments, when matters are inherently uncertain, include but are not limited to: determining the nature and timing of satisfaction of performance obligations and determining the transaction price and amounts allocated to performance obligations for revenue recognition; depreciation and amortization rates; determination as to whether a contract is or contains a lease; determination of the classification, term, and discount rate for leases; fair value of asset retirement obligations; valuation of inventory at the lower of cost or net realizable value; fair value of property, plant and equipment and goodwill for impairment assessments; fair value of financial instruments; measurement of credit losses; provisions for income taxes; assumptions used to measure employee future benefits; provisions for contingencies; purchase price allocations; and carrying value of regulatory assets and liabilities. Certain

estimates are necessary for the regulatory environment in which AltaGas' subsidiaries or affiliates operate, which often require amounts to be recorded at estimated values until these amounts are finalized pursuant to regulatory decisions or other regulatory proceedings. By their nature, these estimates are subject to measurement uncertainty and may impact the Consolidated Financial Statements of future periods.

SIGNIFICANT ACCOUNTING POLICIES

Except as noted below, these unaudited condensed interim Consolidated Financial Statements have been prepared following the same accounting policies and methods as those used in preparing the Corporation's 2020 annual audited Consolidated Financial Statements.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2021, AltaGas adopted the following Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU):

- In December 2019, FASB issued ASU No. 2019-12 "Income Taxes: Simplifying the Accounting for Income Taxes". The amendments in this ASU simplify the accounting for income taxes by clarifying certain aspects of current guidance and removing some exceptions to the general principles in ASC 740. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements;
- In January 2020, FASB issued ASU No. 2020-01 "Derivatives and Hedging: Clarifying the Interactions between Topic 321, Topic 323, and Topic 815". The amendments in this ASU clarify the application of the measurement alternative for equity instruments and the measurement of non-derivative forward contracts or purchased call options used to acquire equity securities. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements; and
- In March 2020, FASB issued ASU No. 2020-04 "Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The amendments in this ASU provide optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships affected by reference rate reform if certain criteria are met. These apply only to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform. Certain of AltaGas' credit facilities, lessee vehicle finance leases, and carrying charges in certain derivative commodity sale arrangements reference LIBOR. The discontinuation of LIBOR will require these arrangements to be modified to replace LIBOR with an alternative interest rate. As such, AltaGas has made a policy election to adopt the contract modification optional expedients related to these arrangements on January 1, 2021 on a prospective basis. As a result of electing these optional expedients, contract modifications due to LIBOR are not expected to have a material effect on AltaGas' consolidated financial statements. AltaGas will continue to monitor the activities of regulators and financial institutions to transition to an alternative reference rate and continue to review additional arrangements for references to LIBOR. Accordingly, AltaGas may make additional optional elections in the future.

FUTURE CHANGES IN ACCOUNTING PRINCIPLES

In August 2020, FASB issued ASU No. 2020-06 "Debt with Conversion and Other Options and Topic 815-40 - Derivatives and Hedging - Contracts in Entity's Own Equity: Accounting for Convertible Instruments and Contract in an Entity's Own Equity." The amendments in this ASU simplify the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. The amendments in this ASU are effective for public business entities that meet the definition of a Securities and Exchange Commission (SEC) filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

3. Acquisition of Petrogas Energy Corporation

On December 15, 2020, following the receipt of all required approvals, AltaGas acquired an additional 37 percent of Petrogas Energy Corp. for total cash consideration upon close of approximately \$715 million. Additional post-acquisition contingent payments of up to \$16 million may be paid no later than 2022 based on certain criteria, including earnings targets being met (note 19). AltaGas funded the transaction through draws on its existing credit facilities. As a result of the transaction, AltaGas' ownership in Petrogas has increased to approximately 74 percent with Idemitsu Kosan Co., Ltd. (Idemitsu) owning the remaining approximately 26 percent. Subsequent to the transaction, AltaGas controls Petrogas and as such, Petrogas results have been consolidated for the period subsequent to close.

This acquisition is consistent with AltaGas' global export strategy, growing Midstream operations, and corporate focus on building a diversified, low-risk, high-growth Utilities and Midstream business. The transaction provides AltaGas with operational responsibility of strategic assets that, along with the Ridley Island Propane Export Terminal and existing Midstream assets, position the Company to capture efficiencies that are expected to accrue to shareholders and customers.

AltaGas accounted for the acquisition as a business combination achieved in stages and re-measured its previously held 37 percent equity investment in Petrogas at an acquisition date fair value of \$631 million. The fair value of assets and liabilities acquired were determined using a combination of income and cost approach. The fair value of the previously held interest and non-controlling interests were derived from the valuation of the assets and liabilities including considerations for expected synergies. Prior to the acquisition, AltaGas' indirect non-controlling interest in Petrogas was accounted for as an investment accounted for by the equity method.

The following table summarizes the preliminary purchase price allocation representing the consideration paid and the estimated fair value of the net assets acquired as at December 15, 2020. The purchase price allocation is preliminary and reflects Management's current best estimate of the fair value of Petrogas' assets and liabilities based on the analysis of information obtained to date. Management is continuing to obtain specific information to support the valuation of property, plant and equipment, intangibles, investments accounted for by the equity method, non-controlling interest, contingencies, income taxes, environmental matters and asset retirement obligations. As additional information becomes available, the purchase price allocation may differ materially from the preliminary purchase price allocation below. The offset to any adjustments made to the aforementioned financial statement captions during the measurement period are expected to be recorded in goodwill. Any adjustments to the purchase price allocation will be made as soon as practicable but no later than one year from the date of acquisition. In the first half of 2021, adjustments to the purchase price allocation resulted in a net increase to goodwill of approximately \$6 million (note 8).

Fair value of previously held interest in AltaGas Idemitsu Joint Venture LP (AIJVLP) on the acquisition date	\$	631
Less: Carrying value of previously held interest in AIJVLP		(609)
Gain on re-measurement of previously held interest	\$	22
Purchase consideration for an additional 37 percent of Petrogas	\$	715
Deemed settlement of intercompany debt		120
Fair value of previously held interest on the acquisition date		631
Less: Fair value assigned to net assets		
Current assets		544
Property, plant and equipment		527
Intangible assets		8
Operating right-of-use assets		197
Investments accounted for by the equity method		125
Current liabilities		(383)
Long-term debt		(48)
Asset retirement obligations		(10)
Deferred income taxes		(23)
Operating lease liabilities		(155)
Other long-term liabilities		(26)
Fair value of net assets acquired	\$	756
Fair value of AIJVLP's non-controlling interest in Petrogas on the acquisition date		467
Goodwill	\$	1,177

4. Dispositions

WGL Midstream Assets

On April 23, 2021, AltaGas completed the sale of the majority of WGL Midstream's commodity business for cash proceeds of approximately \$341 million (US\$275 million). AltaGas recognized a pre-tax gain on disposition of approximately \$3 million in the Consolidated Statements of Income under the line item "other income".

Distributed Generation Assets

In the second quarter of 2021, all consents and approvals were obtained and AltaGas transferred ownership of the last remaining distributed generation project that was previously classified as held for sale. AltaGas recognized a pre-tax loss on disposition of approximately \$1 million in the Consolidated Statements of Income under the line item "other income" related to the project transferred in 2021.

Other Midstream Asset Sales

In the second quarter of 2021, additional minor asset sales within the Midstream segment were completed for cash proceeds of approximately \$3 million. AltaGas recognized a pre-tax gain on disposition of approximately \$1 million in the Consolidated Statements of Income under the line item "other income".

5. Assets Held For Sale

As at	June 30, 2021		December 31, 2020
Assets held for sale			
Property, plant and equipment	\$	—	\$ 4
	\$	—	\$ 4
Liabilities associated with assets held for sale			
Unamortized investment tax credits	\$	—	\$ 1
	\$	—	\$ 1

Petrogas Propane Distribution Assets

In the second quarter of 2021, AltaGas entered into an agreement for the sale of certain Petrogas propane distribution assets for expected proceeds of less than \$1 million. The assets have a book value of less than \$1 million.

Distributed Generation Assets

Assets held for sale and liabilities associated with assets held for sale at December 31, 2020 related to the last remaining distributed generation project. This project transferred to the purchaser in the second quarter of 2021 (note 4) and as such, there are no longer any distributed generation assets held for sale at June 30, 2021.

6. Provisions on Assets

Six Months Ended June 30	2021		2020
Midstream	\$	57	\$ 2
Corporate/Other		—	3
	\$	57	\$ 5

Midstream

For the six months ended June 30, 2021, AltaGas recorded a pre-tax provision of \$57 million related to the sale of the majority of WGL Midstream's commodity business. In the first quarter of 2021, AltaGas originally recorded a provision of \$76 million related to this sale, however due to an increase in the fair value of the net assets held for sale upon close of the transaction in April 2021, a \$19 million partial reversal of the provision was subsequently recorded in the second quarter of 2021. The pre-tax provisions were recorded against intangible assets. For the six months ended June 30, 2020, AltaGas recorded a pre-tax provision of \$2 million related to land parcels located near the Harmattan gas processing plant which were sold in the second quarter of 2020. The pre-tax provisions were recorded against property, plant and equipment.

Corporate/Other

For the six months ended June 30, 2020, AltaGas recorded a pre-tax provision of \$3 million related to a U.S. distributed generation project which had not yet transferred to the purchaser and was classified as held for sale as at June 30, 2020 (note 5). The pre-tax provision was recorded against property, plant and equipment.

7. Inventory

As at	June 30, 2021	December 31, 2020
Natural gas held in storage ^(a)	\$ 185	\$ 309
Natural gas liquids	122	116
Materials and supplies	62	61
Renewable energy credits and emission compliance instruments	85	80
Crude oil and condensate	88	66
Processed finished products	6	4
	\$ 548	\$ 636

(a) As at June 30, 2021, \$168 million of the natural gas held in storage was held by rate-regulated utilities (December 31, 2020 - \$193 million).

8. Goodwill

As at	June 30, 2021	December 31, 2020
Balance, beginning of period	\$ 5,039	\$ 3,942
Business acquisition <i>(note 3)</i>	—	1,171
Adjustment to goodwill on business acquisition <i>(note 3)</i>	6	—
Goodwill included in dispositions <i>(note 4)</i>	(13)	—
Foreign exchange translation	(126)	(74)
Balance, end of period	\$ 4,906	\$ 5,039

9. Long-Term Investments and Other Assets

As at	June 30, 2021	December 31, 2020
Deferred lease receivable	\$ 23	\$ 12
Debt issuance costs associated with credit facilities	8	3
Refundable deposits	9	9
Prepayment on long-term service agreements	69	70
Deferred information technology costs	4	4
Cash calls from joint venture partners ^(a)	25	26
Contract asset <i>(net of credit losses of \$1 million) (notes 14 and 15)</i>	47	50
Rabbi trust <i>(notes 20 and 21)</i>	17	19
Other long-term receivables	—	18
Capitalized contract costs	5	5
Financial transmission rights	11	12
Other	20	17
	\$ 238	\$ 245

(a) Represents a cash advance to a joint venture partner as part of a construction, ownership and operation (CO&O) agreement.

10. Variable Interest Entities

Consolidated VIEs

AltaGas consolidates a variable interest entity (VIE) where the Corporation is deemed the primary beneficiary. The primary beneficiary of a VIE has the power to direct the activities of the entity that most significantly impact its economic performance such as being the provider of construction, operating, and marketing services to the entity. In addition, the primary beneficiary of a VIE also has the obligation to absorb losses of the entity or the right to receive benefits that could potentially be significant to the VIE. AltaGas determined that it is the primary beneficiary of the following VIE:

Ridley Island LPG Export Limited Partnership

On May 5, 2017, AltaGas LPG Limited Partnership (AltaGas LPG), a wholly-owned subsidiary of AltaGas, and Vopak Development Canada Inc. (Vopak), a wholly-owned subsidiary of Koninklijke Vopak N.V. (Royal Vopak), a public company incorporated under the laws of the Netherlands, formed the Ridley Island LPG Export Limited Partnership (RILE LP) to develop, own, and operate the Ridley Island Propane Export Terminal (RIPET). AltaGas' subsidiaries hold a 70 percent interest while Vopak holds a 30 percent interest in RILE LP. The construction cost of RIPET was funded by AltaGas LPG and Vopak in proportion to their respective interests in RILE LP. As part of the arrangements, AltaGas entered into a long-term agreement for the capacity of RIPET with RILE LP, and AltaGas and certain of its subsidiaries provide operating services to RILE LP.

AltaGas has determined that RILE LP is a VIE in which it holds variable interests and is the primary beneficiary. In the determination that AltaGas is the primary beneficiary of the VIE, AltaGas noted that it has the power to direct the activities that most significantly impact the VIE's economic performance through the operating and marketing services provided to RILE LP. In addition, AltaGas has the obligation to absorb the losses and the right to receive the benefits that could potentially be significant to RILE LP through the long-term agreement for the capacity of RIPET. As such, AltaGas has consolidated RILE LP.

The assets of RILE LP are the property of RILE LP and are not available to AltaGas for any other purpose. RILE LP's asset balances can only be used to settle its own obligations. The liabilities of RILE LP do not represent additional claims against AltaGas' general assets. AltaGas' exposure to loss as a result of its interest as a limited partner is its net investment. AltaGas and Royal Vopak have provided limited guarantees for the obligations of their respective subsidiaries for the construction cost of RIPET. With the commencement of commercial operations at RIPET, the terms of the long-term capacity agreement between AltaGas LPG and RILE LP provide for a return on and of capital and reimbursement of RIPET's operating costs by AltaGas LPG in accordance with the terms set out in the agreement.

The following table represents amounts included in the Consolidated Balance Sheets attributable to AltaGas' consolidated VIE:

As at	June 30, 2021	December 31, 2020
Current assets	\$ 15	\$ 7
Property, plant and equipment	356	358
Long-term investments and other assets	49	50
Current liabilities	(11)	(2)
Asset retirement obligations	(2)	(2)
Net assets	\$ 407	\$ 411

Unconsolidated VIE

Strathcona Storage Limited Partnership (SSLP)

Upon the acquisition of Petrogas on December 15, 2020, AltaGas acquired an indirect interest in SSLP, a partnership formed with ATCO Energy Solutions Ltd. to construct, operate, and maintain underground NGL storage caverns at Fort Saskatchewan, Alberta. The facility currently has four underground NGL storage salt caverns in service, with a fifth cavern under development.

As at June 30, 2021, AltaGas held an indirect 30 percent equity investment in SSLP with a carrying value of \$129 million (December 31, 2020 - \$124 million), inclusive of fair value adjustments on acquisition date (note 3). SSLP is not consolidated by Petrogas and instead is accounted for by the equity method of accounting. Petrogas is not the primary beneficiary of SSLP and it does not have the power to direct the activities most significant to the economic performance of SSLP. The maximum financial exposure to loss as a result of the involvement with this VIE is equal to AltaGas' net investment in SSLP.

11. Investments Accounted for by the Equity Method

	Location	Ownership Percentage	Carrying value as at	
			June 30, 2021	December 31, 2020
Eaton Rapids Gas Storage System	United States	50 %	\$ 25	\$ 26
Mountain Valley Pipeline, LLC (MVP) ^(a)	United States	10	699	718
Sarnia Airport Storage Pool LP	Canada	50	18	18
Petrogas Terminals Penn LLC ^(b)	United States	37	1	1
Strathcona Storage LP ^(b)	Canada	30	129	124
			\$ 872	\$ 887

(a) The equity method is considered appropriate because Mountain Valley is an LLC with specific ownership accounts and ownership between five and fifty percent, resulting in WGL Midstream exercising a more than minor influence over the investee's operating and financing policies.

(b) Acquired on December 15, 2020 as part of the Petrogas Acquisition (note 3).

	Location	Ownership Percentage	Equity income for the three months ended June 30		Equity income (loss) for the six months ended June 30	
			2021	2020	2021	2020
AltaGas Canada Inc. (ACI) ^(a)	Canada	—	\$ —	\$ —	\$ —	\$ 3
AltaGas Idemitsu Joint Venture LP (AIJVL) ^(b)	Canada	—	—	3	—	(7)
Eaton Rapids Gas Storage System	United States	50	1	1	1	1
MVP ^(c)	United States	10	—	16	—	30
Sarnia Airport Storage Pool LP	Canada	50	—	—	1	—
Petrogas Preferred Shares ^(d)	Canada	—	—	3	—	6
Strathcona Storage LP ^(e)	Canada	30	1	—	3	—
			\$ 2	\$ 23	\$ 5	\$ 33

(a) ACI was acquired by the Public Sector Pension Investment Board and the Alberta Teachers' Retirement Fund Board on March 31, 2020.

(b) Upon consolidation of Petrogas on December 15, 2020 (note 3), AltaGas no longer has an equity investment in AIJVL.

(c) The equity method is considered appropriate because Mountain Valley is an LLC with specific ownership accounts and ownership between five and fifty percent, resulting in WGL Midstream exercising a more than minor influence over the investee's operating and financing policies.

(d) Petrogas' preferred shares ceased to be an investment accounted for by the equity method after AltaGas acquired a controlling interest in Petrogas on December 15, 2020 (note 3).

(e) Acquired on December 15, 2020 as part of the Petrogas Acquisition (note 3).

The carrying amount of certain equity investments differs from the amount of the underlying equity in net assets. These basis differences include amounts related to purchase accounting adjustments, capitalized interest, and a contractual cap on contributions to Mountain Valley.

12. Long-Term Debt

As at	Maturity date	June 30, 2021	December 31, 2020
Credit facilities			
\$2 billion unsecured extendible revolving facility ^{(a) (b)}	4-May-2026	\$ —	\$ 802
US\$150 million unsecured extendible revolving facility	20-Dec-2023	—	81
Commercial paper ^(c)	Various	291	260
\$175 million secured extendible revolving facility ^(d)	18-Jun-2022	—	51
AltaGas Ltd. medium-term notes (MTNs)			
\$350 million Senior unsecured - 3.72 percent	28-Sep-2021	350	350
\$500 million Senior unsecured - 2.61 percent	16-Dec-2022	500	500
\$300 million Senior unsecured - 3.57 percent	12-Jun-2023	300	300
\$200 million Senior unsecured - 4.40 percent	15-Mar-2024	200	200
\$350 million Senior unsecured - 1.23 percent	18-Mar-2024	350	—
\$300 million Senior unsecured - 3.84 percent	15-Jan-2025	300	300
\$500 million Senior unsecured - 2.16 percent	10-Jun-2025	500	500
\$350 million Senior unsecured - 4.12 percent	7-Apr-2026	350	350
\$200 million Senior unsecured - 2.17 percent	16-Mar-2027	200	—
\$200 million Senior unsecured - 3.98 percent	4-Oct-2027	200	200
\$500 million Senior unsecured - 2.08 percent	30-May-2028	500	500
\$200 million Senior unsecured - 2.48 percent	30-Nov-2030	200	200
\$100 million Senior unsecured - 5.16 percent	13-Jan-2044	100	100
\$300 million Senior unsecured - 4.50 percent	15-Aug-2044	300	300
\$250 million Senior unsecured - 4.99 percent	4-Oct-2047	250	250
WGL and Washington Gas MTNs			
US\$20 million Senior unsecured - 6.65 percent	20-Mar-2023	25	25
US\$41 million Senior unsecured - 5.44 percent	11-Aug-2025	50	52
US\$53 million Senior unsecured - 6.62 to 6.82 percent	Oct 2026	66	67
US\$72 million Senior unsecured - 6.40 to 6.57 percent	Feb - Sep 2027	89	92
US\$52 million Senior unsecured - 6.57 to 6.85 percent	Jan - Mar 2028	64	66
US\$9 million Senior unsecured - 7.50 percent	1-Apr-2030	11	11
US\$50 million Senior unsecured - 5.70 to 5.78 percent	Jan - Mar 2036	62	64
US\$75 million Senior unsecured - 5.21 percent	3-Dec-2040	93	95
US\$75 million Senior unsecured - 5.00 percent	15-Dec-2043	93	95
US\$300 million Senior unsecured - 4.22 to 4.60 percent	Sep - Nov 2044	372	382
US\$450 million Senior unsecured - 3.80 percent	15-Sep-2046	558	573
US\$400 million Senior unsecured - 3.65 percent ^(e)	15-Sep-2049	516	530
SEMCO long-term debt			
US\$82 million CINGSA Senior Secured - 4.48 percent ^(f)	2-Mar-2032	64	69
US\$225 million First Mortgage Bonds - 2.45 percent	21-Apr-2050	279	286
US\$225 million First Mortgage Bonds - 3.15 percent	21-Apr-2030	279	286
Fair value adjustment on WGL Acquisition		76	80
Finance lease liabilities		15	12
		\$ 7,603	\$ 8,029
Less debt issuance costs		(45)	(43)
		\$ 7,558	\$ 7,986
Less current portion		(361)	(360)
		\$ 7,197	\$ 7,626

(a) Borrowings on the facility can be by way of prime loans, U.S. base-rate loans, LIBOR loans, bankers' acceptances, or letters of credit. Borrowings on the facility have fees and interest at rates relevant to the nature of the draw made.

(b) During the second quarter of 2021, AltaGas closed an amendment that caused all committed credit facilities in Canada to be consolidated into a \$2.3 billion facility. The facility has a \$2 billion five-year extendible committed revolving tranche and a \$300 million two-year extendible side car liquidity revolving facility.

(c) Commercial paper is supported by the availability of long-term committed credit facilities with maturity dates ranging from 2022 to 2024. Commercial paper intended to be repaid within the next year is recorded as short-term debt.

(d) At June 30, 2021, Petrogas had drawn approximately \$37 million under this facility. The amount was recorded within short-term debt on the Consolidated Balance Sheets as it was repaid in full in July 2021.

(e) On December 10, 2020, Washington Gas issued MTNs with an aggregate principal amount of US\$100 million. This offering constituted the reopening of its US\$300 million MTNs originally issued in 2019. The total includes a US\$17 million premium which will be amortized as a reduction to interest expense over the term of the note.

(f) Collateral for the CINGSA Senior secured loan is certain CINGSA assets. Alaska Storage Holding Company, LLC, a subsidiary in which AltaGas has a controlling interest, is the non-recourse guarantor of this loan.

13. Accumulated Other Comprehensive Income (Loss)

	Defined benefit pension and PRB plans	Hedge net investments	Translation foreign operations	Equity investee	Total
Opening balance, January 1, 2021	\$ (12)	\$ (158)	\$ 220	\$ —	\$ 50
OCI before reclassification	—	—	(257)	—	(257)
Amounts reclassified from OCI	2	—	—	—	2
Current period OCI (pre-tax)	2	—	(257)	—	(255)
Income tax on amounts reclassified to earnings	(1)	—	—	—	(1)
Net current period OCI	1	—	(257)	—	(256)
Ending balance, June 30, 2021	\$ (11)	\$ (158)	\$ (37)	\$ —	\$ (206)
Opening balance, January 1, 2020	\$ (6)	\$ (149)	\$ 395	\$ 5	\$ 245
OCI before reclassification	—	(21)	366	5	350
Amounts reclassified from AOCI	4	—	—	—	4
Current period OCI (pre-tax)	4	(21)	366	5	354
Income tax on accounts retained in AOCI	—	3	—	—	3
Income tax on amounts reclassified to earnings	(1)	—	—	—	(1)
Net current period OCI	3	(18)	366	5	356
Ending balance, June 30, 2020	\$ (3)	\$ (167)	\$ 761	\$ 10	\$ 601

Reclassification From Accumulated Other Comprehensive Income (loss)

For the three months ended June 30, 2021 and June 30, 2020, no AOCI amounts were reclassified to the Consolidated Statements of Income.

AOCI components reclassified	Income statement line item	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Defined benefit pension and PRB plans	Other income	\$ 2	\$ 4
Deferred income taxes	Income tax expense – deferred	(1)	(1)
		\$ 1	\$ 3

14. Revenue

The following tables disaggregate revenue by major sources for the period:

Three Months Ended June 30, 2021				
	Utilities	Midstream	Corporate/ Other	Total
Revenue from contracts with customers				
Commodity sales contracts	\$ 270	\$ 889	\$ —	\$ 1,159
Midstream service contracts	—	230	—	230
Gas sales and transportation services	432	—	—	432
Storage services	6	—	—	6
Other	3	—	1	4
Total revenue from contracts with customers	\$ 711	\$ 1,119	\$ 1	\$ 1,831
Other sources of revenue				
Revenue from alternative revenue programs ^(a)	\$ 10	\$ —	\$ —	\$ 10
Leasing revenue ^(b)	—	41	26	67
Risk management and trading activities ^{(c) (d)}	(31)	126	(1)	94
Other	(1)	6	2	7
Total revenue from other sources	\$ (22)	\$ 173	\$ 27	\$ 178
Total revenue	\$ 689	\$ 1,292	\$ 28	\$ 2,009

- (a) A large portion of revenue generated from the Utilities segment is subject to rate regulation and accordingly there are circumstances where the revenue recognized is mandated by the applicable regulators in accordance with ASC 980.
- (b) Revenue generated from certain of AltaGas' gas facilities is accounted for as operating leases. For the Corporate/Other segment, a significant amount of revenue earned is through power purchase agreements which are accounted for as operating leases.
- (c) Risk management activities involve the use of derivative instruments such as physical and financial swaps, forward contracts, and options. These derivatives are accounted for under ASC 815 and ASC 825. A portion of revenue generated by the Utilities segment is from the physical sale and delivery of natural gas and power to end users.
- (d) Trading margins in the Midstream segment are reported in risk management and trading activities. AltaGas enters into derivative contracts for the purpose of optimizing its storage and transportation capacity as well as managing the transportation and storage assets on behalf of third parties. The trading margins, including unrealized gains and losses on derivative instruments, are netted within revenues. Gross revenues for the three months ended June 30, 2021 of \$32 million associated with the GAIL Global (USA) LNG LLC (GAIL) contract and an Asset Management Agreement (AMA), which are in scope of ASC 606, are reported within risk management and trading activities. While the GAIL contract and AMA are individually not accounted for as derivatives, they are inseparable from the overall trading portfolio. Revenue from the GAIL contract is recognized at a point in time based on the actual volumes of the commodity sold at the delivery point, which corresponds to the customer's monthly invoice amount. The GAIL contract has a term of 20 years and began on March 31, 2018. Revenue from the AMA is recognized based on the amount WGL Midstream has the right to invoice the customer in accordance with ASC 606. WGL executed the AMA in April 2020. In the first quarter of 2021, AltaGas entered into an agreement for the sale of the majority of WGL Midstream's commodity business, including the GAIL contract and the AMA. The sale was completed on April 23, 2021.

Three Months Ended June 30, 2020

	Utilities	Midstream	Corporate/ Other	Total
Revenue from contracts with customers				
Commodity sales contracts	\$ 302	\$ 200	\$ 1	\$ 503
Midstream service contracts	—	34	—	34
Gas sales and transportation services	441	—	—	441
Storage services	7	—	—	7
Other	2	—	6	8
Total revenue from contracts with customers	\$ 752	\$ 234	\$ 7	\$ 993
Other sources of revenue				
Revenue from alternative revenue programs ^(a)	\$ (1)	\$ —	\$ —	\$ (1)
Leasing revenue ^(b)	—	38	26	64
Risk management and trading activities ^{(c) (d)}	(23)	25	1	3
Other	(5)	2	3	—
Total revenue from other sources	\$ (29)	\$ 65	\$ 30	\$ 66
Total revenue	\$ 723	\$ 299	\$ 37	\$ 1,059

- (a) A large portion of revenue generated from the Utilities segment is subject to rate regulation and accordingly there are circumstances where the revenue recognized is mandated by the applicable regulators in accordance with ASC 980.
- (b) Revenue generated from certain of AltaGas' gas facilities is accounted for as operating leases. For the Corporate/Other segment, a significant amount of revenue earned is through power purchase agreements which are accounted for as operating leases.
- (c) Risk management activities involve the use of derivative instruments such as physical and financial swaps, forward contracts, and options. These derivatives are accounted for under ASC 815 and ASC 825. A portion of revenue generated by the Utilities segment is from the physical sale and delivery of natural gas and power to end users.
- (d) Trading margins in the Midstream segment are reported in risk management and trading activities. AltaGas enters into derivative contracts for the purpose of optimizing its storage and transportation capacity as well as managing the transportation and storage assets on behalf of third parties. The trading margins, including unrealized gains and losses on derivative instruments, are netted within revenues. Gross revenues for the three months ended June 30, 2020 of \$91 million associated with the GAIL Global (USA) LNG LLC (GAIL) contract, which are in scope of ASC 606, are reported within risk management and trading activities. While the GAIL contract is individually not accounted for as a derivative, it is inseparable from the overall trading portfolio. Revenue is recognized at a point in time based on the actual volumes of the commodity sold at the delivery point, which corresponds to the customer's monthly invoice amount. The GAIL contract has a term of 20 years and began on March 31, 2018.

Six Months Ended June 30, 2021

	Utilities	Midstream	Corporate / Other	Total
Revenue from contracts with customers				
Commodity sales contracts	\$ 638	\$ 1,928	\$ —	\$ 2,566
Midstream service contracts	—	831	—	831
Gas sales and transportation services	1,447	—	—	1,447
Storage services	12	—	—	12
Other	5	—	3	8
Total revenue from contracts with customers	\$ 2,102	\$ 2,759	\$ 3	\$ 4,864
Other sources of revenue				
Revenue from alternative revenue programs ^(a)	\$ 37	\$ —	\$ —	\$ 37
Leasing revenue ^(b)	—	83	46	129
Risk management and trading activities ^{(c) (d)}	(34)	91	(2)	55
Other	(8)	14	3	9
Total revenue from other sources	\$ (5)	\$ 188	\$ 47	\$ 230
Total revenue	\$ 2,097	\$ 2,947	\$ 50	\$ 5,094

- (a) A large portion of revenue generated from the Utilities segment is subject to rate regulation and accordingly there are circumstances where the revenue recognized is mandated by the applicable regulators in accordance with ASC 980.
- (b) Revenue generated from certain of AltaGas' gas facilities is accounted for as operating leases. For the Corporate/Other segment, a significant amount of revenue earned is through power purchase agreements which are accounted for as operating leases.
- (c) Risk management activities involve the use of derivative instruments such as physical and financial swaps, forward contracts, and options. These derivatives are accounted for under ASC 815 and ASC 825. A portion of revenue generated by the Utilities segment is from the physical sale and delivery of natural gas and power to end users.
- (d) WGL Midstream trading margins are reported in risk management and trading activities from the Midstream segment. WGL Midstream enters into derivative contracts for the purpose of optimizing its storage and transportation capacity as well as managing the transportation and storage assets on behalf of third parties. The trading margins of WGL Midstream, including unrealized gains and losses on derivative instruments, are netted within revenues. Gross revenues for the six months ended June 30, 2021 of \$172 million associated with the GAIL Global (USA) LNG LLC (GAIL) contract and an Asset Management Agreement (AMA), which are in scope of ASC 606, are reported within risk management and trading activities. While the GAIL contract and AMA are individually not accounted for as derivatives, they are inseparable from the overall trading portfolio. Revenue from the GAIL contract is recognized at a point in time based on the actual volumes of the commodity sold at the delivery point, which corresponds to the customer's monthly invoice amount. The GAIL contract has a term of 20 years and began on March 31, 2018. Revenue from the AMA is recognized based on the amount WGL Midstream has the right to invoice the customer in accordance with ASC 606. WGL executed the AMA in April 2020. In the first quarter of 2021, AltaGas entered into an agreement for the sale of the majority of WGL Midstream's commodity business, including the GAIL contract and the AMA. The sale was completed on April 23, 2021.

Six Months Ended June 30, 2020

	Utilities	Midstream	Corporate/ Other	Total
Revenue from contracts with customers				
Commodity sales contracts	\$ 686	\$ 440	\$ 1	\$ 1,127
Midstream service contracts	—	73	—	73
Gas sales and transportation services	1,391	—	—	1,391
Storage services	13	—	—	13
Other	4	—	9	13
Total revenue from contracts with customers	\$ 2,094	\$ 513	\$ 10	\$ 2,617
Other sources of revenue				
Revenue from alternative revenue programs ^(a)	\$ 54	—	—	\$ 54
Leasing revenue ^(b)	—	67	46	113
Risk management and trading activities ^{(c) (d)}	(10)	151	—	141
Other	(10)	6	7	3
Total revenue from other sources	\$ 34	\$ 224	\$ 53	\$ 311
Total revenue	\$ 2,128	\$ 737	\$ 63	\$ 2,928

- (a) A large portion of revenue generated from the Utilities segment is subject to rate regulation and accordingly there are circumstances where the revenue recognized is mandated by the applicable regulators in accordance with ASC 980.
- (b) Revenue generated from certain of AltaGas' gas facilities is accounted for as operating leases. For the Corporate/Other segment, a significant amount of revenue earned is through power purchase agreements which are accounted for as operating leases.
- (c) Risk management activities involve the use of derivative instruments such as physical and financial swaps, forward contracts, and options. These derivatives are accounted for under ASC 815 and ASC 825. A portion of revenue generated by the Utilities segment is from the physical sale and delivery of natural gas and power to end users.
- (d) WGL Midstream trading margins are reported in risk management and trading activities from the Midstream segment. WGL Midstream enters into derivative contracts for the purpose of optimizing its storage and transportation capacity as well as managing the transportation and storage assets on behalf of third parties. The trading margins of WGL Midstream, including unrealized gains and losses on derivative instruments, are netted within revenues. Gross revenues for the six months ended June 30, 2020 of \$197 million associated with the GAIL Global (USA) LNG LLC (GAIL) contract, which are in scope of ASC 606, are reported within risk management and trading activities. While the GAIL contract is individually not accounted for as a derivative, it is inseparable from the overall trading portfolio of WGL Midstream. Revenue is recognized at a point in time based on the actual volumes of the commodity sold at the delivery point, which corresponds to the customer's monthly invoice amount. The GAIL contract has a term of 20 years and began on March 31, 2018.

Revenue Recognition

The following is a description of the Corporation's revenue recognition policy by segment and by major source of revenue from contracts with customers.

Utilities Segment

Gas Sales and Transportation Services

Customers are billed monthly based on regular meter readings. Customer billings are based on two main components: (i) a fixed service fee and (ii) a variable fee based on usage. Revenue is recognized over time when the gas has been delivered or as the service has been performed. As meter readings are performed on a cycle basis, AltaGas recognizes accrued revenue for any services rendered to its customers but not billed at month-end. The vast majority of these contracts are "at-will" as customers may cancel their service at any time, however, there are certain contracts that have terms of one year or longer. For these long-term contracts, there is generally a contract demand specified in the contract whereby the customer has to pay regardless of whether or not gas has been delivered. These contracts generally do not contain any make up rights and revenue is recognized on a monthly basis as service has been performed.

Gas Storage Services

Gas storage customers are billed monthly for services provided. Customer billings are based on four components: (i) reservation charges; (ii) capacity charges; (iii) injection/withdrawal charges; and (iv) excess charges. Reservation charges are based on the customer's contract withdrawal quantity, capacity charges are based on the customer's total contract quantity, and injection/withdrawal charges are based on the volume of gas delivered to or from the customer. Excess charges are applied to each day that the storage quantity exceeds 100 percent of the customer's maximum storage quantity. Revenue is recognized as the service has been performed over time on a monthly basis, which corresponds to the invoice amount. The majority of these contracts have terms extending beyond one year.

Commodity Sales

Commodity sales include gas and electricity sales to residential, commercial, and industrial customers in certain states where WGL Energy Services is authorized as a competitive service provider. These commodity sales contracts have varying terms that generally range from one to five years. Customers are billed monthly based on the amount of energy delivered to the customer. Revenue is recognized based on the amount the Corporation is entitled to invoice the customer.

Midstream Segment

Commodity Sales

A portion of the NGL production from AltaGas' extraction facilities is subject to frac spread between NGLs extracted and the natural gas purchased to make up the heating value of the NGLs extracted. For commodity sales contracts that do not meet the definition of a derivative or for contracts whereby AltaGas has elected to apply the normal purchase and normal sales scope exception, the sales contract is accounted for under ASC 606. These commodity sales contracts have varying terms, but the majority of the contracts have a one-year term which coincides with the NGL year. AltaGas recognizes revenue for commodity sales contracts at a point in time based on the actual volumes of the commodity sold at the delivery point, which corresponds to the customer's monthly invoice amount.

Commodity sales contracts at RIPET and Ferndale generate revenue from the sale and delivery of LPGs to customers in Asia shipped from offshore export terminals. Revenue is recognized when LPGs are loaded onto transport vessels, which is the delivery point. AltaGas has the right to consideration in an amount that directly corresponds to the volumes of LPGs loaded on a vessel. Petrogas' commodity sales also include the sale of upgraded crude oil, processed finished products, and various fuels. Delivery takes place when there is a sales contract in place, specifying delivery volumes and sales prices. The consideration received under these contracts is variable based on commodity prices.

Midstream Service Contracts

AltaGas earns revenue from its field gathering and processing facilities, extraction facilities, storage facilities, truck hauling services, rail and truck loading and unloading terminalling, and transmission systems through a variety of contractual arrangements. For arrangements that do not contain a lease, the revenue is accounted for under ASC 606 as follows:

Fee-for-service – The customer is charged a fee for the service provided on a per unit volume basis. Contract terms generally range from one month to up to the life of the reserves. Revenue under this type of arrangement is recognized over time as the service is provided, which corresponds to the customer's monthly invoice amount.

Take-or-pay – The customer has agreed to a minimum volume commitment whereby the customer must have AltaGas process or deliver a specified volume at a rate per unit that is specified in the contract. Quantities that the customer is unable to deliver are considered deficiency quantities. Certain of AltaGas' take-or-pay contracts contain provisions whereby the customer can

make up deficiency quantities in subsequent periods. Under this type of arrangement, any consideration received relating to the deficiency quantities that will be made up in a future period will be deferred until either: (i) the customer makes up the volumes or (ii) the likelihood that the customer will make up the volumes before the make up period expires becomes remote. If AltaGas does not expect the customer to make up the deficiency quantities (also referred to as breakage amount), AltaGas may recognize the expected breakage amount as revenue before the make up period expires. Significant judgment is required in estimating the breakage amount. For contracts where the customer has no make up rights, revenue is recognized on a monthly basis based on the higher of (i) the actual quantity delivered times the per unit rate or (ii) the contracted minimum amount.

Petrogas' storage fees are typically recognized in revenue ratably over the term of the contract and rail and truck loading and unloading fees are recognized when the volumes are delivered or received.

Corporate/Other Segment

For the Corporate/Other segment, the majority of revenue relates to remaining power assets, from which revenue is primarily earned through power purchase agreements which are accounted for as operating leases. In instances where power generation is not sold under a power purchase agreement, the commodity is sold via a merchant market, or via commodity sales agreements which are accounted for as financial instruments. For commodity sales contracts that do not meet the definition of a lease, derivative or for contracts whereby AltaGas has elected to apply the normal purchase and normal sales scope exception, the sales contract is accounted for under ASC 606.

Contract Balances

As at June 30, 2021, a contract asset of \$48 million (\$47 million net of credit losses) has been recorded within long-term investments and other assets on the Consolidated Balance Sheets (December 31, 2020 – \$50 million net of credit losses). This contract asset represents the difference in revenue recognized under a new rate in a blend-and-extend contract modification with a customer. Revenue from this contract modification was recognized at the pre-modification rate until December 31, 2020, with the excess revenue recorded as a contract asset. The contract asset is now being drawn down over the remaining term of the modified contract.

In addition, at June 30, 2021 there is a contract asset of \$9 million (December 31, 2020 - \$21 million) recorded within prepaid expenses and other current assets on the Consolidated Balance Sheets for WGL Energy Systems' unbilled revenue relating to design-build construction contracts. The contract asset represents unbilled amounts typically resulting from sales under contracts when the cost-to-cost method of revenue recognition is utilized, and revenue recognized exceeds the amount billed to the customer. Right to payment is achieved when the projects are formally "accepted" by the federal government. At June 30, 2021 and December 31, 2020 no contract liabilities have been recorded on the Consolidated Balance Sheets. Contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period.

Contract Assets

As at		June 30, 2021	December 31, 2020
Balance, beginning of period	\$	71	\$ 89
Additions		1	30
Amortization ^(a)		(2)	—
Transfers to accounts receivable ^(b)		(14)	(49)
Foreign exchange translation		—	1
Balance, end of period	\$	56	\$ 71

(a) Represents the drawdown of a contract asset under a blend-and-extend contract modification.

(b) Amounts included in contract assets are transferred to accounts receivable when AltaGas' right to consideration becomes unconditional.

Transaction price allocated to the remaining obligations

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied as of June 30, 2021:

	Remainder of 2021	2022	2023	2024	2025	> 2025	Total
Midstream service contracts	\$ 61	\$ 130	\$ 128	\$ 128	\$ 124	\$ 1,041	\$ 1,612
Storage services	12	22	22	22	22	138	238
Other	1	2	2	2	2	9	18
	\$ 74	\$ 154	\$ 152	\$ 152	\$ 148	\$ 1,188	\$ 1,868

AltaGas applies the practical expedient available under ASC 606 and does not disclose information about the remaining performance obligations for (i) contracts with an original expected length of one year or less, (ii) contracts for which revenue is recognized at the amount to which AltaGas has the right to invoice for performance completed, and (iii) contracts with variable consideration that is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation. In addition, the table above does not include any estimated amounts of variable consideration that are constrained. The majority of midstream service contracts, gas sales and transportation service contracts, and storage service contracts contain variable consideration whereby uncertainty related to the associated variable consideration will be resolved (usually on a daily basis) as volumes are processed, gas is delivered or as service is provided.

15. Financial Instruments and Financial Risk Management

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable, risk management contracts, certain long-term investments and other assets, accounts payable and accrued liabilities, dividends payable, short-term and long-term debt, and certain other current and long-term liabilities.

Fair Value Hierarchy

AltaGas categorizes its financial assets and financial liabilities into one of three levels based on fair value measurements and inputs used to determine the fair value.

Level 1 - fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities. Fair values are based on direct observations of transactions involving the same assets or liabilities and no assumptions are used. Included in this category are publicly traded shares valued at the closing price as at the balance sheet date.

Level 2 - fair values are determined based on valuation models and techniques where inputs other than quoted prices included within Level 1 are observable for the asset or liability either directly or indirectly. AltaGas enters into derivative instruments in the futures, over-the-counter, and retail markets to manage fluctuations in commodity prices and foreign exchange rates. The fair values of power, natural gas, NGL, LPG, ocean freight, and crude oil derivative contracts were calculated using forward prices based on published sources for the relevant period, adjusted for factors specific to the asset or liability, including basis and location differentials, discount rates, and currency exchange. The fair value of foreign exchange derivative contracts was calculated using quoted market rates. The fair value of foreign exchange option contracts was calculated using a variation of the Black-Scholes pricing model.

Level 3 - fair values are based on inputs for the asset or liability that are not based on observable market data. AltaGas uses valuation techniques when observable market data is not available. Level 3 derivatives include physical contracts at illiquid market locations with no observable market data, long-dated positions where observable pricing is not available over the life of the contract, contracts valued using historical spot price volatility assumptions, and valuations using indicative broker quotes for inactive market locations. A significant change to any one of these inputs in isolation could result in a significant upward or downward fluctuation in the fair value measurement.

The following methods and assumptions were used to estimate the fair value of each significant class of financial instruments:

Other current liabilities - the carrying amounts approximate fair value because of the short maturity of these instruments.

Current portion of long-term debt, Long-term debt and Other long-term liabilities - the fair value of these liabilities was estimated based on discounted future interest and principal payments using the current market interest rates of instruments with similar terms.

Risk management assets and liabilities - the fair values of power, natural gas, NGL, and crude oil derivative contracts were calculated using forward prices from published sources for the relevant period. The fair value of foreign exchange derivative contracts was calculated using quoted market rates. The fair value of Level 3 derivative contracts was calculated using internally developed valuation inputs and pricing models.

Loans and receivables – the fair value of these assets was estimated based on discounted future interest and principal payments using the current market interest rates of instruments with similar terms.

As at	June 30, 2021				
	Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Financial assets					
Fair value through net income ^(a)					
Risk management assets - current	\$ 113	\$ —	\$ 94	\$ 19	\$ 113
Risk management assets - non-current	19	—	10	9	19
Fair value through regulatory assets/liabilities ^(a)					
Risk management assets - current	2	—	1	1	2
Risk management assets - non-current	7	—	1	6	7
	\$ 141	\$ —	\$ 106	\$ 35	\$ 141
Financial liabilities					
Fair value through net income ^(a)					
Risk management liabilities - current	\$ 104	\$ —	\$ 80	\$ 24	\$ 104
Risk management liabilities - non-current	44	—	3	41	44
Fair value through regulatory assets/liabilities ^(a)					
Risk management liabilities - current	20	—	4	16	20
Risk management liabilities - non-current	77	—	—	77	77
Amortized cost					
Current portion of long-term debt	361	—	361	—	361
Long-term debt	7,197	—	7,744	—	7,744
Other current liabilities ^(b)	16	—	16	—	16
	\$ 7,819	\$ —	\$ 8,208	\$ 158	\$ 8,366

(a) To manage price risk associated with acquiring natural gas supply for Maryland, Virginia, and District of Columbia utility customers, Washington Gas, a subsidiary of the Corporation, enters into physical and financial derivative transactions. Any gains and losses associated with these derivatives are recorded as regulatory liabilities or assets, respectively, to reflect the rate treatment for these economic hedging activities. Additionally, as part of its asset optimization program, Washington Gas enters into derivatives with the primary objective of securing operating margins that Washington Gas will ultimately realize. Regulatory sharing mechanisms provide for the annual realized profit from these transactions to be shared between Washington Gas' shareholder and customers; therefore, changes in fair value are recorded through earnings, or as regulatory assets or liabilities to the extent that it is probable that realized gains and losses associated with these derivative transactions will be included in the rates charged to customers when they are realized.

(b) Excludes non-financial liabilities.

As at	December 31, 2020				
	Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Financial assets					
Fair value through net income ^(a)					
Risk management assets - current	\$ 94	\$ —	\$ 73	\$ 21	\$ 94
Risk management assets - non-current	38	—	2	36	38
Fair value through regulatory assets/liabilities ^(a)					
Risk management assets - current	4	—	1	3	4
Risk management assets - non-current	9	—	—	9	9
	\$ 145	\$ —	\$ 76	\$ 69	\$ 145
Financial liabilities					
Fair value through net income ^(a)					
Risk management liabilities - current	\$ 102	\$ —	\$ 78	\$ 24	\$ 102
Risk management liabilities - non-current	66	—	15	51	66
Fair value through regulatory assets/liabilities ^(a)					
Risk management liabilities - current	9	—	—	9	9
Risk management liabilities - non-current	79	—	1	78	79
Amortized cost					
Current portion of long-term debt	360	—	360	—	360
Long-term debt	7,626	—	8,451	—	8,451
Other current liabilities ^(b)	37	—	37	—	37
	\$ 8,279	\$ —	\$ 8,942	\$ 162	\$ 9,104

(a) To manage price risk associated with acquiring natural gas supply for Maryland, Virginia, and District of Columbia utility customers, Washington Gas, a subsidiary of the Corporation, enters into physical and financial derivative transactions. Any gains and losses associated with these derivatives are recorded as regulatory liabilities or assets, respectively, to reflect the rate treatment for these economic hedging activities. Additionally, as part of its asset optimization program, Washington Gas enters into derivatives with the primary objective of securing operating margins that Washington Gas will ultimately realize. Regulatory sharing mechanisms provide for the annual realized profit from these transactions to be shared between Washington Gas' shareholder and customers; therefore, changes in fair value are recorded through earnings, or as regulatory assets or liabilities to the extent that it is probable that realized gains and losses associated with these derivative transactions will be included in the rates charged to customers when they are realized.

(b) Excludes non-financial liabilities.

Financial assets and liabilities not included in the fair value hierarchy table include money market funds, short-term debt, and commercial paper. The carrying value of these financial instruments approximate their fair value, which reflects the short-term maturity and/or normal credit terms of these financial instruments.

The following table includes quantitative information about the significant unobservable inputs used in the fair value measurement of Level 3 financial instruments at June 30, 2021:

	Net Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average ^(a)
Natural gas	\$ (108)	Discounted Cash Flow	Natural Gas Basis Price (per Dth)	\$ (1.97) - \$ 3.17	\$ (0.53)
Natural gas	\$ (1)	Option Model	Natural Gas Basis Price (per Dth) Annualized Volatility of Spot Market Natural Gas	\$ (1.97) - \$ 3.53 7 % - 108 %	\$ 0.01 22 %
Electricity	\$ (14)	Discounted Cash Flow	Electricity Congestion Price (per MWh)	\$ (6.12) - \$ 74.70	\$ 13.60

(a) Unobservable inputs were weighted by transaction volume.

The following tables provide a reconciliation of changes in net fair value of derivative assets and liabilities classified as Level 3 in the fair value hierarchy:

Three Months Ended	June 30, 2021			June 30, 2020		
	Natural Gas	Electricity	Total	Natural Gas	Electricity	Total
Balance, beginning of period	\$ (96)	\$ (21)	\$ (117)	(62) \$	2 \$	(60)
Realized and unrealized gains (losses):						
Recorded in income	(5)	16	11	9	10	19
Recorded in regulatory assets	(14)	—	(14)	9	—	9
Purchases	—	(9)	(9)	—	—	—
Settlements	4	—	4	(7)	(12)	(19)
Foreign exchange translation	2	—	2	2	—	2
Balance, end of period	\$ (109)	\$ (14)	\$ (123)	(49) \$	— \$	(49)

Six Months Ended	June 30, 2021			June 30, 2020		
	Natural Gas	Electricity	Total	Natural Gas	Electricity	Total
Balance, beginning of period	\$ (74)	\$ (19)	\$ (93)	(85) \$	— \$	(85)
Realized and unrealized gains (losses):						
Recorded in income	—	12	12	32	20	52
Recorded in regulatory assets	(20)	—	(20)	21	—	21
Disposed (<i>note 4</i>)	(28)	—	(28)	—	—	—
Transfers out of Level 3	—	—	—	1	—	1
Purchases	—	(7)	(7)	—	—	—
Settlements	10	—	10	(14)	(20)	(34)
Foreign exchange translation	3	—	3	(4)	—	(4)
Balance, end of period	\$ (109)	\$ (14)	\$ (123)	(49) \$	— \$	(49)

Transfers out of Level 3 financial instruments are due to an increase in valuations using observable market inputs.

Summary of Unrealized Gains (Losses) on Risk Management Contracts Recognized in Net Income

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Natural gas	\$ (3)	13 \$	(10) \$	29
Energy exports	(21)	(9)	57	77
Crude oil and NGLs	(4)	—	2	—
NGL frac spread	(14)	(3)	(30)	11
Power	16	2	18	1
Foreign exchange	(7)	—	(15)	—
	\$ (33)	3 \$	22 \$	118

Offsetting of Derivative Assets and Derivative Liabilities

Certain of AltaGas' risk management contracts are subject to master netting arrangements that create a legally enforceable right for a counterparty to offset the related financial assets and financial liabilities. As part of these master netting agreements, cash, letters of credit, and parental guarantees may be required to be posted or obtained from counterparties in order to mitigate credit risk related to both derivative and non-derivative positions. Collateral balances are also offset against the

related counterparties' derivative positions to the extent the application would not result in the over-collateralization of those derivative positions on the balance sheet.

As at	June 30, 2021			
	Gross amounts of recognized assets/liabilities	Gross amounts offset in balance sheet	Netting of collateral	Net amounts presented in balance sheet
Risk management assets ^(a)				
Natural gas	\$ 69	\$ (16)	\$ (27)	26
Energy exports	169	(152)	55	72
Crude oil and NGLs	4	(3)	—	1
NGL frac spread	9	(9)	—	—
Power	63	(30)	—	33
Foreign exchange	15	(6)	—	9
	\$ 329	\$ (216)	\$ 28	141
Risk management liabilities ^(b)				
Natural gas	\$ 155	\$ (16)	\$ (4)	135
Energy exports	176	(152)	—	24
Crude oil and NGLs	3	(3)	12	12
NGL frac spread	45	(9)	—	36
Power	66	(30)	2	38
Foreign exchange	6	(6)	—	—
	\$ 451	\$ (216)	\$ 10	245

(a) Net amount of risk management assets on the Balance Sheet is comprised of risk management assets (current) balance of \$115 million and risk management assets (non-current) balance of \$26 million.

(b) Net amount of risk management liabilities on the Balance Sheet is comprised of risk management liabilities (current) balance of \$124 million and risk management liabilities (non-current) balance of \$121 million.

As at	December 31, 2020			
	Gross amounts of recognized assets/liabilities	Gross amounts offset in balance sheet	Netting of collateral	Net amounts presented in balance sheet
Risk management assets ^(a)				
Natural gas	\$ 104	\$ (38)	\$ (3)	63
Energy exports	86	(86)	36	36
Crude oil and NGLs	1	—	—	1
Power	30	(8)	—	22
Foreign exchange	27	(3)	(1)	23
	\$ 248	\$ (135)	\$ 32	145
Risk management liabilities ^(b)				
Natural gas	\$ 173	\$ (38)	\$ (3)	132
Energy exports	153	(86)	—	67
NGL frac spread	6	—	—	6
Power	58	(8)	1	51
Foreign exchange	3	(3)	—	—
	\$ 393	\$ (135)	\$ (2)	256

(a) Net amount of risk management assets on the Balance Sheet is comprised of risk management assets (current) balance of \$98 million and risk management assets (non-current) balance of \$47 million.

(b) Net amount of risk management liabilities on the Balance Sheet is comprised of risk management liabilities (current) balance of \$111 million and risk management liabilities (non-current) balance of \$145 million.

Cash Collateral

The following table presents collateral not offset against risk management assets and liabilities:

As at		June 30, 2021	December 31, 2020
Collateral posted with counterparties	\$	3	\$ 4
Cash collateral held representing an obligation	\$	—	\$ —

Any collateral posted that is not offset against risk management assets and liabilities is included in line item “prepaid expenses and other current assets” in the Consolidated Balance Sheets. Collateral received and not offset against risk management assets and liabilities is included in line item “customer deposits” in the Consolidated Balance Sheets.

Certain derivative instruments contain contract provisions that require collateral to be posted if the credit rating of AltaGas or certain of its subsidiaries falls below certain levels. At June 30, 2021 and December 31, 2020, AltaGas has not posted any collateral related to its derivative liabilities that contained credit-related contingent features. The following table shows the aggregate fair value of all derivative instruments with credit-related contingent features that are in a liability position, as well as the maximum amount of collateral that would be required if specific credit-risk-related contingent features underlying these agreements were triggered:

As at		June 30, 2021	December 31, 2020
Risk management liabilities with credit-risk-contingent features	\$	17	\$ 32
Maximum potential collateral requirements	\$	5	\$ 26

Notional Summary

The following table presents the notional quantity outstanding related to the Corporation’s commodity contracts:

As at		June 30, 2021	December 31, 2020
Natural Gas			
Sales		261,325,175 GJ	590,054,996 GJ
Purchases		853,864,405 GJ	1,522,958,497 GJ
Swaps		110,853,417 GJ	288,613,586 GJ
Crude Oil and NGLs			
Sales		860,000 Bbl	680,000 Bbl
Purchases		302,000 Bbl	221,000 Bbl
Energy Exports			
Swaps		22,969,276 Bbl	37,425,488 Bbl
NGL Frac Spread			
Propane swaps		1,794,137 Bbl	1,270,350 Bbl
Butane swaps		361,033 Bbl	307,784 Bbl
Crude oil swaps		193,276 Bbl	123,120 Bbl
Natural gas swaps		11,827,060 GJ	7,281,570 GJ
Power			
Sales		4,879,480 MWh	5,482,242 MWh
Purchases		7,496,859 MWh	8,848,007 MWh
Swaps		27,784,623 MWh	24,081,519 MWh

Foreign Exchange Risk

AltaGas is exposed to foreign exchange risk as changes in foreign exchange rates may affect the fair value or future cash flows of the Corporation's financial instruments. AltaGas has foreign operations whereby the functional currency is the U.S. dollar. As a result, the Corporation's earnings, cash flows, and OCI are exposed to fluctuations resulting from changes in foreign exchange rates. This risk is partially mitigated to the extent that AltaGas has U.S. dollar-denominated debt and/or preferred shares outstanding. AltaGas may also enter into foreign exchange forward derivatives to manage the risk of fluctuating cash flows due to variations in foreign exchange rates.

AltaGas may designate its U.S. dollar-denominated debt as a net investment hedge of its U.S. subsidiaries. As at June 30, 2021, and December 31, 2020, AltaGas has not designated any outstanding debt as a net investment hedge.

The following foreign exchange forward contracts are outstanding as at June 30, 2021:

Foreign exchange forward contract	Notional Amount (US\$ millions)	Duration	Weighted average foreign exchange rate	Fair Value
Forward USD sales	US\$9	Less than one year	1.3368 \$	1
Forward USD purchases	US\$172	Less than one year	1.27579 \$	(6)
Foreign exchange swaps (sales)	US\$164	Less than one year	1.3236 \$	14

The following foreign exchange forward contracts were outstanding as at December 31, 2020:

Foreign exchange forward contract	Notional Amount (US\$ millions)	Duration	Weighted average foreign exchange rate	Fair Value
Forward USD sales	US\$29	Less than one year	1.3591 \$	3
Forward USD purchases	US\$356	Less than one year	1.2824 \$	(3)
Foreign exchange swaps (sales)	US\$410	Less than one year	1.3322 \$	23

For the three and six months ended June 30, 2021, AltaGas recorded an after-tax realized gain of \$6 million and \$16 million, respectively, on all foreign exchange forward contracts (three and six months ended June 30, 2020 - \$nil).

Allowance for Credit Losses

The following table presents changes to the allowance for credit losses by segment and major type:

Three Months Ended June 30, 2021					
	Accounts Receivable		Contract Assets ^(a)		Total
Utilities					
Balance, beginning of period	\$	47 \$	—	\$	47
Foreign exchange translation		(1)	—		(1)
Adjustments to allowance ^(b)		(3)	—		(3)
Written off		(3)	—		(3)
Recoveries collected		1	—		1
Balance, end of period	\$	41 \$	—	\$	41
Midstream					
Balance, beginning of period	\$	1 \$	1	\$	2
Balance, end of period	\$	1 \$	1	\$	2
Total	\$	42 \$	1	\$	43

(a) An allowance for credit loss is assessed quarterly and is recorded based on historical default rates published by external credit rating agencies and a rate associated with the estimated time frame that the contract asset will be billed to the customer.

(b) Includes \$1 million recorded to a regulatory asset relating to the impact of COVID-19 on uncollectible accounts.

Three Months Ended June 30, 2020					
	Accounts Receivable	Contract Assets ^(a)	Other long-term investments and other assets ^(b)		Total
Utilities					
Balance, beginning of period	\$ 32	\$ —	\$ —		32
Foreign exchange translation	(1)	—	—		(1)
Adjustments to allowance ^(c)	11	—	—		11
Written off	(6)	—	—		(6)
Recoveries collected	1	—	—		1
Balance, end of period	\$ 37	\$ —	\$ —		37
Midstream					
Balance, beginning of period	\$ 1	\$ 1	\$ 3		5
Balance, end of period	\$ 1	\$ 1	\$ 3		5
Corporate/Other					
Balance, beginning of period	\$ 2	\$ —	\$ 1		3
Written off	(1)	—	—		(1)
Balance, end of period	\$ 1	\$ —	\$ 1		2
Total	\$ 39	\$ 1	\$ 4		44

(a) An allowance for credit loss is assessed quarterly and is recorded based on historical default rates published by external credit rating agencies and a rate associated with the estimated time frame that the contract asset will be billed to the customer.

(b) Included a loan to an affiliate and other long-term receivables. An allowance for credit loss is assessed quarterly and is recorded based on historical default rates published by external credit rating agencies and a rate commensurate with the period in which the receivable is expected to be collected.

(c) Includes \$4 million recorded to a regulatory asset relating to the impact of COVID-19 on uncollectible accounts.

Six Months Ended June 30, 2021					
	Accounts Receivable	Contract Assets ^(a)	Other long-term investments and other assets		Total
Utilities					
Balance, beginning of period	\$ 40	\$ —	\$ —		40
Foreign exchange translation	(1)	—	—		(1)
Adjustments to allowance ^(b)	7	—	—		7
Written off	(7)	—	—		(7)
Recoveries collected	2	—	—		2
Balance, end of period	\$ 41	\$ —	\$ —		41
Midstream					
Balance, beginning of period	\$ 1	\$ 1	\$ 2		4
Adjustments to allowance	—	—	(2)		(2)
Balance, end of period	\$ 1	\$ 1	\$ —		2
Total	\$ 42	\$ 1	\$ —		43

(a) An allowance for credit loss is assessed quarterly and is recorded based on historical default rates published by external credit rating agencies and a rate associated with the estimated time frame that the contract asset will be billed to the customer.

(b) Includes \$1 million recorded to a regulatory asset relating to the impact of COVID-19 on uncollectible accounts.

Six Months Ended June 30, 2020

	Accounts Receivable	Contract Assets ^(a)	Other long-term investments and other assets ^(b)	Total
Utilities				
Balance, beginning of period	\$ 31	\$ —	\$ —	31
Adjustment upon adoption of ASC 326 ^(c)	2	—	—	2
Foreign exchange translation	1	—	—	1
Adjustments to allowance ^(d)	21	—	—	21
Written off	(20)	—	—	(20)
Recoveries collected	2	—	—	2
Balance, end of period	\$ 37	\$ —	\$ —	37
Midstream				
Balance, beginning of period	\$ 1	\$ —	\$ —	1
Adjustment upon adoption of ASC 326	—	1	3	4
Balance, end of period	\$ 1	\$ 1	\$ 3	5
Corporate/Other				
Balance, beginning of period	\$ 2	\$ —	\$ —	2
Adjustment upon adoption of ASC 326	—	—	1	1
Written off	(1)	—	—	(1)
Balance, end of period	\$ 1	\$ —	\$ 1	2
Total	\$ 39	\$ 1	\$ 4	44

- (a) An allowance for credit loss is assessed quarterly and is recorded based on historical default rates published by external credit rating agencies and a rate associated with the estimated time frame that the contract asset will be billed to the customer.
- (b) Included a loan to an affiliate and other long-term receivables. An allowance for credit loss is assessed quarterly and is recorded based on historical default rates published by external credit rating agencies and a rate commensurate with the period in which the receivable is expected to be collected.
- (c) Based on previous collection experience, AltaGas did not record an allowance for credit losses for its contract assets associated with its energy management services projects with the U.S. federal government.
- (d) Includes \$4 million recorded to a regulatory asset relating to the impact of COVID-19 on uncollectible accounts.

With the exception of accounts receivable which are due in one year or less, AltaGas does not have any past due receivables as at June 30, 2021.

Weather Related Instruments

WGL Energy Services utilizes heating degree day (HDD) instruments from time to time to manage weather and price risks related to its natural gas and electricity sales during the winter heating season. WGL Energy Services also utilizes cooling degree day (CDD) instruments and other instruments to manage weather and price risks related to its electricity sales during the summer cooling season. These instruments cover a portion of estimated revenue or energy-related cost exposure to variations in HDDs or CDDs. For the three and six months ended June 30, 2021, no pre-tax gains or losses were recorded related to these instruments (three and six months ended June 30, 2020 - pre-tax losses of nil and \$3 million, respectively).

16. Leases

Lessor

Certain of AltaGas' revenues are obtained through power purchase agreements or take-or-pay contracts whereby AltaGas is the lessor in these operating lease arrangements. Minimum lease payments received are amortized over the term of the lease. Contingent rentals are recorded when the condition that created the present obligation to make such payments occurs such as when actual electricity is generated and delivered. Revenue from these arrangements have been disclosed in Note 14.

17. Shareholders' Equity

Authorization

AltaGas is authorized to issue an unlimited number of voting common shares. AltaGas is also authorized to issue such number of Preferred Shares in series at any time as have aggregate voting rights either directly or on conversion or exchange that in the aggregate represent less than 50 percent of the voting rights attaching to the then issued and outstanding Common Shares.

Dividend Reinvestment and Optional Cash Purchase Plan (DRIP or the Plan)

The Plan consisted of two components: a Dividend Reinvestment component and an Optional Cash Purchase component. The Premium Dividend™ component of the plan was suspended in December 2018. The Dividend Reinvestment and Optional Cash Purchase component was suspended in December 2019, with the December dividend (paid January 2020) being the last dividend payment eligible for reinvestment by participating shareholders under the DRIP. The Plan in its entirety will remain suspended until further notice.

Common Shares Issued and Outstanding	Number of shares	Amount
January 1, 2020	279,074,685	\$ 6,719
Shares issued for cash on exercise of options	88,082	1
Deferred taxes on share issuance cost	—	(3)
Shares issued under DRIP	331,532	6
December 31, 2020	279,494,299	\$ 6,723
Shares issued for cash on exercise of options	642,727	12
Deferred taxes on share issuance cost	—	(1)
Issued and outstanding at June 30, 2021	280,137,026	\$ 6,734

Preferred Shares

As at	June 30, 2021		December 31, 2020	
Issued and Outstanding	Number of shares	Amount	Number of shares	Amount
Series A	6,746,679	\$ 169	6,746,679	\$ 169
Series B	1,253,321	31	1,253,321	31
Series C	8,000,000	206	8,000,000	206
Series E	8,000,000	200	8,000,000	200
Series G	6,885,823	172	6,885,823	172
Series H	1,114,177	28	1,114,177	28
Series K	12,000,000	300	12,000,000	300
Share issuance costs, net of taxes		(29)		(29)
	44,000,000	\$ 1,077	44,000,000	\$ 1,077

Share Option Plan

AltaGas has an employee share option plan under which officers, employees, and service providers (as defined by the TSX) are eligible to receive grants. As at June 30, 2021, 13,915,160 shares were listed and reserved for issuance under the plan.

As at June 30, 2021, share options granted under the plan have a term between six and ten years until expiry and vest no longer than over a four-year period.

As at June 30, 2021, the unexpensed fair value of share option compensation cost associated with future periods was \$7 million (December 31, 2020 - \$4 million).

The following table summarizes information about the Corporation's share options:

As at	June 30, 2021		December 31, 2020	
	Number of options	Exercise price ^(a)	Number of options	Exercise price ^(a)
Share options outstanding, beginning of period	8,362,211	\$ 21.06	7,043,956	\$ 22.49
Granted	1,874,657	18.75	2,501,755	19.46
Exercised	(642,727)	17.40	(88,082)	14.89
Forfeited	(128,321)	28.35	(631,549)	26.00
Expired	(157,500)	40.35	(463,869)	27.69
Share options outstanding, end of period	9,308,320	\$ 20.42	8,362,211	\$ 21.06
Share options exercisable, end of period	4,332,367	\$ 22.51	3,607,391	\$ 23.59

(a) Weighted average.

As at June 30, 2021, the aggregate intrinsic value of the total share options exercisable was \$23 million (December 31, 2020 - \$5 million), the total intrinsic value of share options outstanding was \$60 million (December 31, 2020 - \$9 million) and the total intrinsic value of share options exercised was \$4 million (December 31, 2020 - less than \$1 million).

The following table summarizes the employee share option plan as at June 30, 2021:

Price range	Options outstanding			Options exercisable		
	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life	Number exercisable	Weighted average exercise price	Weighted average remaining contractual life
\$14.52 to \$18.00	2,158,071	\$ 15.30	3.59	1,261,692	\$ 15.32	3.56
\$18.01 to \$25.08	5,410,999	19.29	4.72	1,423,507	19.60	4.18
\$25.09 to \$37.86	1,739,250	30.32	1.49	1,647,168	30.52	1.41
	9,308,320	\$ 20.42	3.85	4,332,367	\$ 22.51	2.94

Phantom Unit Plan (Phantom Plan) and Deferred Share Unit Plan (DSUP)

AltaGas has a Phantom Plan for employees and executive officers, which includes restricted units (RUs) and performance units (PUs) with vesting periods between 36 to 44 months from the grant date. In addition, AltaGas has a DSUP, which allows granting of deferred share units (DSUs) to directors. DSUs granted under the DSUP vest immediately but settlement of the DSUs occur when the individual ceases to be a director.

PU, RUs, and DSUs (<i>number of units</i>)	June 30, 2021	December 31, 2020
Balance, beginning of year	5,732,134	6,484,831
Granted	1,294,553	1,158,547
Vested and paid out	(22,383)	(681,841)
Forfeited	(114,278)	(1,342,832)
Units in lieu of dividends	63,134	113,429
Outstanding, end of period	6,953,160	5,732,134

For the three and six months ended June 30, 2021, the compensation expense recorded for the Phantom Plan and DSUP was \$25 million and \$36 million respectively (three and six months ended June 30, 2020 – \$6 million and \$5 million respectively). As at June 30, 2021, the unrecognized compensation expense relating to the remaining vesting period for the Phantom Plan was \$34 million (December 31, 2020 - \$23 million) and is expected to be recognized over the vesting period.

18. Net Income Per Common Share

The following table summarizes the computation of net income per common share:

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Numerator:				
Net income applicable to controlling interests	\$ 37	\$ 38	\$ 388	\$ 517
Less: Preferred share dividends	(13)	(17)	(27)	(33)
Net income applicable to common shares	\$ 24	\$ 21	\$ 361	\$ 484
Denominator:				
<i>(millions of shares)</i>				
Weighted average number of common shares outstanding	279.9	279.4	279.7	279.4
Dilutive equity instruments ^(a)	1.8	0.1	1.3	0.3
Weighted average number of common shares outstanding - diluted	281.7	279.5	281.0	279.7
Basic net income per common share	\$ 0.09	\$ 0.08	\$ 1.29	\$ 1.73
Diluted net income per common share	\$ 0.09	\$ 0.08	\$ 1.28	\$ 1.73

(a) Determined using the treasury stock method.

For the three and six months ended June 30, 2021, 1.8 million and 1.9 million share options, respectively, (three and six months ended June 30, 2020 – 7.2 million) were excluded from the diluted net income per common share calculation as their effects were anti-dilutive.

19. Commitments, Guarantees, and Contingencies

Commitments

AltaGas has long-term natural gas purchase and transportation arrangements, LPG purchase agreements, crude oil and condensate purchase agreements, electricity purchase arrangements, service agreements, pipeline and storage service contracts, capital commitments, environmental commitments, merger commitments, and operating leases for office space, office equipment, vehicles, rail cars, land, storage, aquatic surface use, and other equipment, all of which are transacted at market prices and in the normal course of business.

AltaGas' utilities have contracts to purchase natural gas, natural gas transportation and storage services from various suppliers to ensure that there is an adequate supply of natural gas to meet the needs of customers and to minimize exposure to market price fluctuations. These contracts have expiration dates that range from 2021 to 2044. In addition, WGL Energy Services also enters into contracts to purchase natural gas and electricity designed to match the duration of its sales commitments, and to secure a margin on estimated sales over the terms of existing sales contracts.

In connection with the acquisition of WGL in 2018, AltaGas and WGL have made commitments related to the terms of the Public Service Commission of the District of Columbia (PSC of DC) settlement agreement and the conditions of approval from the Maryland Public Service Commission (PSC of MD) and the Commonwealth of Virginia State Corporation Commission (SCC of VA). Among other things, these commitments include rate credits distributable to both residential and non-residential customers, gas expansion and other programs, various public interest commitments, and safety programs. As at June 30, 2021, the total amount of merger commitments which have been expensed but are not yet paid is approximately US\$9 million. In addition, there are certain additional merger commitments that were and will be expensed as costs are incurred in the future, including the investment of up to US\$70 million over a ten year period to further extend natural gas service, investment of US\$8 million for leak mitigation within three years of the merger, which has been paid as of June 30, 2021, hiring damage

prevention trainers in each jurisdiction for a total of US\$2 million over 5 years, and developing 15 megawatts of either electric grid energy storage or Tier 1 renewable resources within five years after the merger closed.

In the second quarter of 2021, AltaGas closed the disposition of the majority of WGL Midstream's commodity business. As a result of the sale, AltaGas' natural gas purchase and pipelines commitments have decreased by approximately \$17 billion.

In 2020, as part of the Petrogas Acquisition (note 3), AltaGas acquired commodity contracts to purchase LPGs, crude oil and condensates. These contracts are used to ensure that there is an adequate supply of certain commodities to meet shipping commitments, the needs of customers, and to minimize exposure to market price fluctuations. Commodity commitments are valued based on forward prices, which may fluctuate significantly from period to period. AltaGas also acquired a commitment to purchase land as part of an agreement for its continued use of the Ferndale terminal. As at June 30, 2021, AltaGas has fulfilled this land purchase commitment, with the only remaining commitment being undiscounted cash flows of less than US\$1 million associated with a finance lease. AltaGas also acquired a commitment to pay post-acquisition contingent payments of up to \$16 million, which may be paid no later than 2022 based on certain criteria, including earnings targets being met. As at June 30, 2021, no post-acquisition contingent payments have been made.

In 2017, AltaGas entered into a 12-year service agreement for tug services to support the marine operations of RIPET. As at June 30, 2021, AltaGas is obligated to pay fixed fees of approximately \$21 million over the remainder of the contract.

In 2019, AltaGas entered into propane supply contracts with various counterparties to secure physical volumes required for RIPET's export capacity commitments. The contract terms range from 1 - 15 years, for an aggregate commitment amount of approximately \$861 million.

In 2014, AltaGas' Blythe facility entered into a Long-Term Service Agreement with Siemens to complete various upgrade and maintenance services on the Combustion Turbines (CT) at Blythe. The term of the agreement is over 124,000 equivalent operating hours per CT, or 25 years, whichever comes first. As at June 30, 2021, approximately \$148 million is expected to be paid over the next 16 years, of which \$44 million is expected to be paid over the next five years.

At June 30, 2021, AltaGas has US\$150 million in future undiscounted cash flows associated with operating leases not yet commenced. The leases are for the use of two Very Large Gas Carriers (VLGCs) that are anticipated to commence in the fourth quarter of 2023 and first quarter of 2024. The lessor is primarily involved in the design and construction of both VLGCs.

Guarantees

AltaGas has guaranteed payments primarily for certain commitments on behalf of some of its subsidiaries. AltaGas has also guaranteed payments for certain of its external partners. With the sale of WGL Midstream in the second quarter of 2021, as at June 30, 2021, a US\$25 million WGL performance guarantee to a former WGL Midstream wholesale counterparty remained in effect for a maximum of nine months post close, or until the purchaser can transfer the credit support. In return, the purchaser provided a US\$25 million third-party bank letter of credit in which WGL is the beneficiary. AltaGas had no guarantees issued on behalf of external parties.

Contingencies

AltaGas and its subsidiaries are subject to various legal claims and actions arising in the normal course of business. While the final outcome of such legal claims and actions cannot be predicted with certainty, the Corporation does not believe that the resolution of such claims and actions will have a material impact on the Corporation's consolidated financial position or results of operations.

20. Pension Plans and Retiree Benefits

The costs of the defined benefit and post-retirement benefit plans are based on Management's estimate of the future rate of return on the fair value of pension plan assets, salary escalations, mortality rates, and other factors affecting the payment of future benefits.

Rabbi trusts of \$20 million as at June 30, 2021 have been funded to satisfy the employee benefit obligations associated with WGL's various pension plans (December 31, 2020 - \$28 million). These balances are included in "prepaid expenses and other current assets" and "long-term investments and other assets" in the Consolidated Balance Sheets.

The net pension expense by plan for the period was as follows:

	Three Months Ended June 30, 2021					
	Canada		United States		Total	
	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits
Current service cost ^(a)	\$ 1	\$ —	\$ 6	\$ 2	\$ 7	\$ 2
Interest cost ^(b)	—	—	12	3	12	3
Expected return on plan assets ^(b)	—	—	(19)	(8)	(19)	(8)
Amortization of past service credit ^(b)	—	—	—	(4)	—	(4)
Amortization of net actuarial loss (gain) ^(b)	—	—	2	(2)	2	(2)
Net benefit cost (income) recognized	\$ 1	\$ —	\$ 1	\$ (9)	\$ 2	\$ (9)

(a) Recorded under the line item "operating and administrative" expenses on the Consolidated Statements of Income.

(b) Recorded under the line item "other income" on the Consolidated Statements of Income.

	Three Months Ended June 30, 2020					
	Canada		United States		Total	
	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits
Current service cost ^(a)	\$ —	\$ —	\$ 6	\$ 3	\$ 6	\$ 3
Interest cost ^(b)	1	—	16	4	17	4
Expected return on plan assets ^(b)	—	—	(19)	(9)	(19)	(9)
Amortization of past service credit ^(b)	—	—	—	(5)	—	(5)
Amortization of net actuarial loss ^(b)	—	—	5	—	5	—
Net benefit cost (income) recognized	\$ 1	\$ —	\$ 8	\$ (7)	\$ 9	\$ (7)

(a) Recorded under the line item "operating and administrative" expenses on the Consolidated Statements of Income.

(b) Recorded under the line item "other income" on the Consolidated Statements of Income.

Six Months Ended June 30, 2021						
	Canada		United States		Total	
	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits
Current service cost ^(a)	\$ 2	\$ —	\$ 12	\$ 5	\$ 14	\$ 5
Interest cost ^(b)	—	—	24	6	24	6
Expected return on plan assets ^(b)	—	—	(38)	(17)	(38)	(17)
Amortization of past service credit ^(b)	—	—	—	(9)	—	(9)
Amortization of net actuarial loss (gain) ^(b)	—	—	3	(3)	3	(3)
Amortization of regulatory asset ^(b)	—	—	1	—	1	—
Plan settlements ^(b)	—	—	1	—	1	—
Net benefit cost (income) recognized	\$ 2	\$ —	\$ 3	\$ (18)	\$ 5	\$ (18)

(a) Recorded under the line item "operating and administrative" expenses on the Consolidated Statements of Income.

(b) Recorded under the line item "other income" on the Consolidated Statements of Income.

Six Months Ended June 30, 2020						
	Canada		United States		Total	
	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits
Current service cost ^(a)	\$ 1	\$ —	\$ 13	\$ 5	\$ 14	\$ 5
Interest cost ^(b)	1	—	31	8	32	8
Expected return on plan assets ^(b)	—	—	(38)	(18)	(38)	(18)
Amortization of past service credit ^(b)	—	—	—	(9)	—	(9)
Amortization of net actuarial loss ^(b)	—	—	10	—	10	—
Amortization of regulatory asset ^(b)	—	—	1	—	1	—
Plan settlements ^(b)	—	—	1	—	1	—
Net benefit cost (income) recognized	\$ 2	\$ —	\$ 18	\$ (14)	\$ 20	\$ (14)

(a) Recorded under the line item "operating and administrative" expenses on the Consolidated Statements of Income.

(b) Recorded under the line item "other income" on the Consolidated Statements of Income.

21. Supplemental Cash Flow Information

The following table details the changes in operating assets and liabilities from operating activities:

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Source (use) of cash:				
Accounts receivable	\$ 83	\$ 300	\$ 83	492
Inventory	(57)	(105)	20	90
Risk management assets - current	(8)	(3)	(6)	(8)
Other current assets	18	53	55	70
Regulatory assets - current	3	18	23	(20)
Accounts payable and accrued liabilities	(86)	(10)	(163)	(258)
Customer deposits	4	(4)	(21)	(23)
Regulatory liabilities - current	(40)	(64)	(48)	(93)
Risk management liabilities - current	(1)	(1)	1	(2)
Other current liabilities	9	8	(21)	2
Other operating assets and liabilities	22	6	54	9
Changes in operating assets and liabilities	\$ (53)	\$ 198	(23)	259

The following table details the changes in non-cash investing and financing activities:

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Decrease (increase) of balance:				
Common shares issued under DRIP	\$ —	\$ —	\$ —	(6)
Exercise of stock options	\$ 1	\$ —	\$ 1	—
Net right-of-use assets obtained in exchange for new operating lease liabilities	\$ —	(16)	(4)	(25)
Net right-of-use assets obtained in exchange for new finance lease liabilities	\$ (4)	\$ —	(4)	(2)
Capital expenditures included in accounts payable and accrued liabilities	\$ (76)	\$ 24	(18)	12

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

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Interest paid (net of capitalized interest)	\$ 66	\$ 62	\$ 144	145
Income taxes paid	\$ 16	\$ 9	\$ 21	18

The following table is a reconciliation of cash and cash equivalents and restricted cash balances:

As at June 30		2021	2020
Cash and cash equivalents	\$	41	\$ 59
Restricted cash holdings from customers - current		3	4
Restricted cash holdings from customers - non-current		—	2
Restricted cash included in prepaid expenses and other current assets ^(a)		3	15
Restricted cash included in long-term investments and other assets ^(a)		17	37
Cash, cash equivalents, and restricted cash per Consolidated Statements of Cash Flows	\$	64	\$ 117

(a) The restricted cash balances included in "prepaid expenses and other current assets" and "long-term investments and other assets" relate to Rabbi trusts associated with WGL's pension plans (note 20).

22. Seasonality

The Utilities business is highly seasonal with the majority of natural gas deliveries occurring during the winter heating season. Gas sales increase during the winter resulting in stronger first and fourth quarter results and weaker second and third quarter results. The retail business within the Utilities segment is also seasonal, with larger amounts of electricity being sold in the summer and peak winter months and larger amounts of natural gas being sold in the winter months.

23. Segmented Information

AltaGas owns and operates a portfolio of assets and services used to move energy from the source to the end-user. The following describes the Corporation's reportable segments:

Utilities	<ul style="list-style-type: none"> ■ rate-regulated natural gas distribution assets in Michigan, Alaska, the District of Columbia, Maryland, and Virginia; ■ rate-regulated natural gas storage in the United States; and ■ sale of natural gas and power to residential, commercial, and industrial customers in Washington D.C., Maryland, Virginia, Delaware, Pennsylvania, and Ohio.
Midstream	<ul style="list-style-type: none"> ■ NGL processing and extraction plants; ■ natural gas storage facilities; ■ liquefied petroleum gas (LPG) terminals; ■ transmission pipelines to transport natural gas and NGL; ■ natural gas gathering lines and field processing facilities; ■ purchase and sale of natural gas; ■ natural gas and NGL marketing; ■ marketing, storage and distribution of wellsite fluids and fuel, crude oil and condensate diluents; and ■ interest in a regulated gas pipeline in the Marcellus/Utica basins.
Corporate/Other	<ul style="list-style-type: none"> ■ the cost of providing corporate services, financing and general corporate overhead, investments in certain public and private entities, corporate assets, financing other segments and the effects of changes in the fair value of certain risk management contracts; and ■ a small portfolio of remaining power assets.

The following table provides a reconciliation of segment revenue to the disaggregated revenue table disclosed under Note 14:

Three Months Ended June 30, 2021				
	Utilities	Midstream	Corporate/ Other	Total
External revenue (note 14)	\$ 689	\$ 1,292	\$ 28	\$ 2,009
Intersegment revenue	—	6	—	6
Segment revenue	\$ 689	\$ 1,298	\$ 28	\$ 2,015

Three Months Ended June 30, 2020				
	Utilities	Midstream	Corporate/ Other	Total
External revenue (note 14)	\$ 723	\$ 299	\$ 37	\$ 1,059
Intersegment revenue	—	(1)	—	(1)
Segment revenue	\$ 723	\$ 298	\$ 37	\$ 1,058

Six Months Ended June 30, 2021				
	Utilities	Midstream	Corporate/ Other	Total
External revenue (note 14)	\$ 2,097	\$ 2,947	\$ 50	\$ 5,094
Intersegment revenue	—	2	—	2
Segment revenue	\$ 2,097	\$ 2,949	\$ 50	\$ 5,096

Six Months Ended June 30, 2020				
	Utilities	Midstream	Corporate/ Other	Total
External revenue (note 14)	\$ 2,128	\$ 737	\$ 63	\$ 2,928
Intersegment revenue	—	11	—	11
Segment revenue	\$ 2,128	\$ 748	\$ 63	\$ 2,939

The following tables show the composition by segment:

Three Months Ended June 30, 2021						
	Utilities	Midstream	Corporate/ Other	Intersegment Elimination ^(a)	Total	
Segment revenue (<i>note 14</i>)	\$ 689	\$ 1,298	\$ 28	\$ (6)	\$ 2,009	
Cost of sales	(362)	(1,124)	(7)	6	(1,487)	
Operating and administrative	(206)	(110)	(31)	—	(347)	
Accretion expenses	—	(1)	—	—	(1)	
Depreciation and amortization	(69)	(31)	(8)	—	(108)	
Provisions (reversal of provisions) on assets (<i>note 6</i>)	—	19	—	—	19	
Income from equity investments (<i>note 11</i>)	—	2	—	—	2	
Other income	16	5	—	—	21	
Foreign exchange gains (losses)	—	(4)	12	—	8	
Interest expense	—	—	(69)	—	(69)	
Income (loss) before income taxes	\$ 68	\$ 54	\$ (75)	\$ —	\$ 47	
Net additions (reductions) to:						
Property, plant and equipment ^(b)	\$ 182	\$ (318)	\$ —	\$ —	\$ (136)	

(a) Intersegment transactions are recorded at market value.

(b) Net additions to property, plant and equipment, and intangible assets may not agree to changes reflected in the Consolidated Statements of Cash Flows due to classification of business acquisition and foreign exchange changes on U.S. assets.

Three Months Ended June 30, 2020						
	Utilities	Midstream	Corporate/ Other	Intersegment Elimination ^(a)	Total	
Segment revenue (<i>note 14</i>)	\$ 723	\$ 298	\$ 37	\$ 1	\$ 1,059	
Cost of sales	(409)	(159)	(7)	(1)	(576)	
Operating and administrative	(230)	(63)	(18)	—	(311)	
Accretion expenses	—	(1)	—	—	(1)	
Depreciation and amortization	(76)	(10)	(7)	—	(93)	
Provisions on assets (<i>note 6</i>)	—	—	(3)	—	(3)	
Income from equity investments (<i>note 11</i>)	—	23	—	—	23	
Other income	9	—	6	—	15	
Foreign exchange gains (losses)	—	(17)	21	—	4	
Interest expense	—	—	(71)	—	(71)	
Income (loss) before income taxes	\$ 17	\$ 71	\$ (42)	\$ —	\$ 46	
Net additions (reductions) to:						
Property, plant and equipment ^(b)	\$ 162	\$ 29	\$ (3)	\$ —	\$ 188	
Intangible assets	\$ 1	\$ 1	\$ 1	\$ —	\$ 3	

(a) Intersegment transactions are recorded at market value.

(b) Net additions to property, plant and equipment, and intangible assets may not agree to changes reflected in the Consolidated Statements of Cash Flows due to classification of business acquisition and foreign exchange changes on U.S. assets.

Six Months Ended June 30, 2021						
	Utilities	Midstream	Corporate / Other	Intersegment Elimination ^(a)	Total	
Segment revenue (note 14)	\$ 2,097	\$ 2,949	\$ 50	\$ (2)	\$ 5,094	
Cost of sales	(1,166)	(2,330)	(10)	2	(3,504)	
Operating and administrative	(447)	(215)	(51)	—	(713)	
Accretion expenses	—	(2)	1	—	(1)	
Depreciation and amortization	(143)	(47)	(16)	—	(206)	
Provisions on assets (note 6)	—	(57)	—	—	(57)	
Income from equity investments (note 11)	1	4	—	—	5	
Other income	32	6	(1)	—	37	
Foreign exchange gains (losses)	—	(17)	21	—	4	
Interest expense	—	—	(139)	—	(139)	
Income (loss) before income taxes	\$ 374	\$ 291	\$ (145)	\$ —	\$ 520	
Net additions (reductions) to:						
Property, plant and equipment ^(b)	\$ 293	\$ (297)	\$ 5	\$ —	\$ 1	
Intangible assets	\$ 1	\$ 1	\$ —	\$ —	\$ 2	

(a) Intersegment transactions are recorded at market value.

(b) Net additions to property, plant and equipment, and intangible assets may not agree to changes reflected in the Consolidated Statements of Cash Flows due to classification of business acquisition and foreign exchange changes on U.S. assets.

Six Months Ended June 30, 2020						
	Utilities	Midstream	Corporate/ Other	Intersegment Elimination ^(a)	Total	
Segment revenue (note 14)	\$ 2,128	\$ 748	\$ 63	\$ (11)	\$ 2,928	
Cost of sales	(1,194)	(346)	(11)	11	(1,540)	
Operating and administrative	(492)	(124)	(33)	—	(649)	
Accretion expenses	—	(2)	—	—	(2)	
Depreciation and amortization	(150)	(34)	(14)	—	(198)	
Provisions on assets (note 6)	—	(2)	(3)	—	(5)	
Income from equity investments (note 11)	3	30	—	—	33	
Other income	221	1	11	—	233	
Foreign exchange gains (losses)	—	13	(9)	—	4	
Interest expense	—	—	(141)	—	(141)	
Income (loss) before income taxes	\$ 516	\$ 284	\$ (137)	\$ —	\$ 663	
Net additions to:						
Property, plant and equipment ^(b)	\$ 306	\$ 71	\$ 10	\$ —	\$ 387	
Intangible assets	\$ 1	\$ 1	\$ 2	\$ —	\$ 4	

(a) Intersegment transactions are recorded at market value.

(b) Net additions to property, plant and equipment, and intangible assets may not agree to changes reflected in the Consolidated Statements of Cash Flows due to classification of business acquisition and foreign exchange changes on U.S. assets.

The following table shows goodwill and total assets by segment:

	Utilities	Midstream	Corporate/ Other	Total
As at June 30, 2021				
Goodwill	\$ 3,608	\$ 1,298	\$ —	\$ 4,906
Segmented assets	\$ 13,134	\$ 6,575	\$ 606	\$ 20,315
As at December 31, 2020				
Goodwill	\$ 3,706	\$ 1,333	\$ —	\$ 5,039
Segmented assets	\$ 13,675	\$ 7,320	\$ 537	\$ 21,532

24. Subsequent Events

Subsequent events have been reviewed through July 28, 2021, the date on which these unaudited condensed interim Consolidated Financial Statements were issued.

SUPPLEMENTAL QUARTERLY OPERATING INFORMATION

	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20
OPERATING HIGHLIGHTS					
UTILITIES					
Natural gas deliveries - end use (Bcf) ⁽¹⁾	22.4	72.6	50.0	14.2	23.1
Natural gas deliveries - transportation (Bcf) ⁽¹⁾	25.3	43.1	35.6	28.3	24.1
Service sites (thousands) ⁽²⁾	1,673	1,675	1,672	1,667	1,664
Degree day variance from normal - SEMCO Gas (%) ⁽³⁾	(5.6)	(6.2)	(4.4)	1.8	20.2
Degree day variance from normal - ENSTAR (%) ⁽³⁾	9.0	9.7	0.2	(13.3)	0.5
Degree day variance from normal - Washington Gas (%) ⁽³⁾⁽⁴⁾	20.8	(7.1)	(10.6)	233.0	45.6
WGL retail energy marketing - gas sales volumes (Mmcf)	9,887	24,696	18,053	8,393	11,419
WGL retail energy marketing - electricity sales volumes (GWh)	3,201	3,249	3,257	3,688	3,151
MIDSTREAM					
RIPET export volumes (Bbls/d) ⁽⁵⁾	44,973	50,714	37,782	42,736	41,460
Ferndale export volumes (Bbls/d) ⁽⁵⁾⁽⁶⁾	45,133	34,750	33,979	—	—
Total inlet gas processed (Mmcf/d) ⁽⁵⁾	1,460	1,526	1,409	1,328	1,300
Extracted ethane volumes (Bbls/d) ⁽⁵⁾	28,867	33,138	30,766	24,681	26,699
Extracted NGL volumes (Bbls/d) ⁽⁵⁾⁽⁷⁾	37,070	38,026	34,199	32,165	29,946
Fractionation volumes (Bbls/d) ⁽⁵⁾	27,900	28,591	27,026	25,430	20,641
Frac spread - realized (\$/Bbl) ⁽⁵⁾⁽⁸⁾	11.59	14.69	13.95	15.90	16.61
Frac spread - average spot price (\$/Bbl) ⁽⁵⁾⁽⁹⁾	20.54	24.35	9.33	7.11	3.73
Propane Far East Index (FEI) to Mont Belvieu spread (US\$/Bbl) ⁽⁵⁾⁽¹⁰⁾	8.98	10.14	15.01	8.00	8.08
Butane FEI to Mont Belvieu spread (US\$/Bbl) ⁽⁵⁾⁽¹¹⁾	10.0	12.74	12.84	—	—
Natural gas optimization inventory (Bcf)	1.3	23.9	39.3	51.1	49.1

(1) Bcf is one billion cubic feet.

(2) Service sites reflect all of the service sites of the utilities, including transportation and non-regulated business lines.

(3) A degree day is a measure of coldness determined daily as the number of degrees the average temperature during the day in question is below 65 degrees Fahrenheit. Degree days for a particular period are determined by adding the degree days incurred during each day of the period. Normal degree days for a particular period are the average of degree days during the prior 15 years for SEMCO Gas, during the prior 10 years for ENSTAR, and during the prior 30 years for Washington Gas.

(4) In certain of Washington Gas' jurisdictions (Virginia and Maryland) there are billing mechanisms in place which are designed to eliminate the effects of variance in customer usage caused by weather and other factors such as conservation. In the District of Columbia, there is no weather normalization billing mechanism nor does Washington Gas hedge to offset the effects of weather. As a result, colder or warmer weather will result in variances to financial results.

(5) Average for the period.

(6) Represents propane and butane volumes exported at Ferndale for the period after close of the Petrogas Acquisition on December 15, 2020.

(7) NGL volumes refer to propane, butane and condensate.

(8) Realized frac spread or NGL margin, expressed in dollars per barrel of NGL, is derived from sales recorded by the segment during the period for frac spread exposed volumes plus the settlement value of frac hedges settled in the period less extraction premiums, divided by the total frac exposed volumes produced during the period.

(9) Average spot frac spread or NGL margin, expressed in dollars per barrel of NGL, is indicative of the average sales price that AltaGas receives for propane, butane and condensate less extraction premiums, before accounting for hedges, divided by the respective frac spread exposed volumes for the period.

(10) Average propane price spread between FEI and Mont Belvieu TET commercial index.

(11) Average butane price spread between FEI and Mont Belvieu TET commercial index.

OTHER INFORMATION

DEFINITIONS

Bbls/d	barrels per day
Bcf	billion cubic feet
Dth	dekatherm
GJ	gigajoule
GWh	gigawatt-hour
Mcf	thousand cubic feet
Mmcf/d	million cubic feet per day
MW	megawatt
MWh	megawatt-hour
US\$	United States dollar

ABOUT ALTAGAS

AltaGas is an energy infrastructure company with a focus on regulated Utilities and Midstream. The Corporation creates value by acquiring, growing, and optimizing its energy infrastructure, including a focus on clean energy sources. For more information visit: www.altagas.ca.

For further information contact:

Investment Community

1-877-691-7199