Management's Responsibility for Consolidated Financial Statements

The Consolidated Financial Statements and Management's Discussion and Analysis (MD&A) are the responsibility of the management of AltaGas Ltd. (AltaGas or the Corporation) and have been approved by the Board of Directors of the Corporation. The Consolidated Financial Statements have been prepared by management in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP) and include amounts that are based on management's best estimates and judgments.

Management is responsible for establishing and maintaining adequate internal controls over financial reporting for the Corporation. Management has designed and maintains a system of internal controls over financial reporting, including a program of internal audits to carry out its responsibility. Management believes these controls provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of financial statements. Management undertakes communication to employees of policies that govern ethical business conduct.

The MD&A and Consolidated Financial Statements are approved by the Board of Directors after considering the recommendation of the Audit Committee. The Audit Committee of the Board of Directors is composed of independent non-management directors.

The Audit Committee meets with management regularly and meets independently with internal and external auditors and as a group to review any significant accounting, internal controls and auditing matters in accordance with the terms of the Charter of the Audit Committee, which is set out in the Annual Information Form. The Audit Committee's responsibilities include overseeing management's performance in carrying out its financial reporting responsibilities and reviewing the Consolidated Financial Statements and MD&A, before these documents are submitted to the Board of Directors for approval. The internal and independent external auditors have access to the Audit Committee without the requirement to obtain prior management approval.

The Audit Committee approves the terms of engagement of the independent external auditors and reviews the annual audit plan, the Auditors' Report and the results of the audit. It also recommends to the Board of Directors the firm of external auditors to be appointed by the shareholders.

The shareholders have appointed Ernst & Young LLP as independent external auditors to express an opinion as to whether the Consolidated Financial Statements present fairly, in all material respects, the Corporation's consolidated financial position, results of operations and cash flows in accordance with U.S. GAAP. The report of Ernst & Young LLP outlines the scope of its examination and its opinion on the Consolidated Financial Statements.

(signed) *"David W. Cornhill"*

DAVID W. CORNHILL
Chairman and
Chief Executive Officer of
AltaGas Ltd.

(signed) *"Tim Watson"*

TIM WATSON
Executive Vice President and
Chief Financial Officer of
AltaGas Ltd.

February 24, 2016

Independent Auditors' Report

To the Shareholders of AltaGas Ltd.

We have audited the accompanying Consolidated Financial Statements of AltaGas Ltd., which comprise the consolidated balance sheets as at December 31, 2015 and 2014, and the consolidated statements of income, comprehensive income, equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these Consolidated Financial Statements in accordance with United States Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audits. We conducted our audits in accordance with Canadian Generally Accepted Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the Consolidated Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the financial position of AltaGas Ltd. as at December 31, 2015 and 2014 and the results of its operations and its cash flows for the years then ended in accordance with United States Generally Accepted Accounting Principles.

Ernst & Young LLP

Calgary, Canada
February 24, 2016

ERNST & YOUNG LLP
Chartered Professional Accountants

Consolidated Balance Sheets

As at *($ millions)*	**December 31, 2015**	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	**$ 293.4**	$ 371.0
Short-term investment	**—**	50.0
Accounts receivable, net of allowances *(note 19)*	**333.3**	352.4
Inventory *(note 5)*	**204.0**	155.3
Restricted cash holdings from customers	**5.4**	4.2
Regulatory assets *(note 17)*	**4.3**	12.8
Risk management assets *(note 19)*	**50.4**	70.8
Prepaid expenses and other current assets	**48.3**	41.9
Assets held for sale *(note 4)*	**98.7**	—
	1,037.8	1,058.4
Property, plant and equipment *(notes 4 and 6)*	**6,597.9**	5,337.0
Intangible assets *(notes 4 and 8)*	**735.1**	356.9
Goodwill *(note 9)*	**877.3**	785.1
Regulatory assets *(note 17)*	**333.3**	302.0
Risk management assets *(note 19)*	**23.5**	21.1
Deferred income taxes *(note 16)*	**4.5**	2.2
Restricted cash holdings from customers	**12.5**	12.2
Long-term investments and other assets *(note 10)*	**64.3**	66.8
Investments accounted for by equity method *(note 11)*	**413.3**	453.9
	$ 10,099.5	$ 8,395.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities *(note 19)*	**$ 383.1**	$ 343.6
Dividends payable	**24.1**	19.8
Short-term debt *(notes 12 and 19)*	**130.7**	72.4
Current portion of long-term debt *(notes 13 and 19)*	**287.5**	214.4
Customer deposits	**41.0**	34.9
Regulatory liabilities *(note 17)*	**21.3**	10.0
Risk management liabilities *(note 19)*	**33.5**	43.5
Other current liabilities *(notes 15 and 19)*	**17.8**	24.4
Liabilities associated with assets held for sale *(note 4)*	**8.7**	—
	947.7	763.0
Long-term debt *(notes 13 and 19)*	**3,732.4**	3,031.8
Asset retirement obligations *(notes 4 and 14)*	**67.9**	70.9
Deferred income taxes *(note 16)*	**621.7**	469.3
Regulatory liabilities *(note 17)*	**167.6**	136.0
Risk management liabilities *(note 19)*	**15.7**	14.7
Other long-term liabilities *(notes 15 and 19)*	**206.7**	204.5
Future employee obligations *(note 25)*	**136.9**	131.2
	$ 5,896.6	$ 4,821.4

As at *($ millions)*	**December 31, 2015**	December 31, 2014
Shareholders' equity		
Common shares, no par values, unlimited shares authorized; 2015 - 146.3 million and 2014 - 133.9 million issued and outstanding *(note 20)*	**$ 3,168.1**	$ 2,759.9
Preferred shares *(note 20)*	**985.1**	788.4
Contributed surplus	**16.7**	14.9
Accumulated deficit	**(435.4)**	(185.2)
Accumulated other comprehensive income (AOCI) *(note 18)*	**433.5**	163.1
Total shareholders' equity	**4,168.0**	3,541.1
Non-controlling interests	**34.9**	33.1
Total equity	**4,202.9**	3,574.2
	$ 10,099.5	$ 8,395.6

Commitments and contingencies (note 24).
Subsequent events (notes 4 and 29).

See accompanying notes to the Consolidated Financial Statements.

Approved by the Board of Directors of AltaGas Ltd.

(signed) *"David W. Cornhill"*

DAVID W. CORNHILL
Director

(signed) *"Robert B. Hodgins"*

ROBERT B. HODGINS
Director

Consolidated Statements of Income

For the years ended December 31 *($ millions except per share amounts)*	**2015**	2014
REVENUE		
Sales	**$ 357.2**	$ 845.3
Services	**758.5**	489.1
Regulated operations	**1,066.7**	1,069.1
Other revenue (loss)	**1.0**	(2.3)
Unrealized gain on risk management contracts *(note 19)*	**9.4**	4.7
	2,192.8	2,405.9
EXPENSES		
Cost of sales, exclusive of items shown separately	**1,104.9**	1,450.9
Operating and administrative	**491.9**	450.6
Accretion expenses *(notes 14 and 15)*	**11.0**	6.9
Depreciation and amortization *(notes 6 and 8)*	**211.9**	173.4
Provision on assets *(note 7)*	**53.5**	119.1
	1,873.2	2,200.9
Income (loss) from equity investments *(note 11)*	**(63.4)**	38.6
Other income (loss) *(note 22)*	**(28.7)**	25.4
Foreign exchange gain (loss)	**6.0**	(0.4)
Interest expense		
Short-term debt	**(1.1)**	(1.4)
Long-term debt	**(124.4)**	(110.0)
Income before income taxes	**108.0**	157.2
Income tax expense *(note 16)*		
Current	**23.8**	14.0
Deferred	**24.5**	5.0
Net income after taxes	**59.7**	138.2
Net income applicable to non-controlling interests	**8.6**	8.1
Net income applicable to controlling interests	**51.1**	130.1
Preferred share dividends	**(41.2)**	(34.5)
Net income applicable to common shares	**$ 9.9**	**$** 95.6
Net income per common share *(note 21)*		
Basic	**$ 0.07**	$ 0.75
Diluted	**$ 0.07**	$ 0.74
Weighted average number of common shares outstanding (millions) *(note 21)*		
Basic	**137.7**	126.7
Diluted	**138.7**	128.6

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31 *($ millions)*		**2015**		2014
Net income after taxes	**$**	**59.7**	$	138.2
Other comprehensive income (loss), net of taxes				
Gain on foreign currency translation		**368.2**		147.9
Unrealized loss on net investment hedge *(note 19)*		**(98.7)**		(35.0)
Unrealized gains (losses) on cash flow hedges		**(0.2)**		23.7
Reclassification of gains on cash flow hedges to net income		**(13.1)**		—
Actuarial loss on pension plans and post-retirement benefit (PRB) plans *(note 25)*		**(0.6)**		(4.2)
Reclassification of actuarial losses and prior service costs on defined benefit and PRB plans to net income *(note 25)*		**0.6**		0.3
Unrealized loss on available-for-sale assets		**(24.3)**		(10.5)
Other than temporary impairment on available-for-sale assets *(note 10)*		**33.9**		1.5
Other comprehensive income from equity investees		**4.6**		—
Total other comprehensive income (OCI), net of taxes		**270.4**		123.7
Comprehensive income attributable to common shareholders and non-controlling interests, net of taxes	**$**	**330.1**	$	261.9
Comprehensive income attributable to:				
Non-controlling interests	**$**	**8.6**	$	8.1
Controlling interests		**321.5**		253.8
	$	**330.1**	$	261.9

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statements of Equity

For the years ended December 31 *($ millions)*		**2015**		2014
Common shares *(note 20)*				
Balance, beginning of period	**$**	**2,759.9**	$	2,211.4
Shares issued for cash on exercise of options		**20.8**		24.9
Shares issued under DRIP [(1)]		**96.2**		70.2
Deferred taxes on share issuance costs		**3.3**		4.2
Shares issued on public offering		**287.9**		449.2
Balance, end of period	**$**	**3,168.1**	$	2,759.9
Preferred shares *(note 20)*				
Balance, beginning of period	**$**	**788.4**	$	589.6
Series A converted to Series B		**(60.9)**		—
Series B issued		**60.9**		—
Series G issued		**—**		196.1
Series I Issued		**195.6**		—
Deferred taxes on share issuance costs		**1.1**		2.7
Balance, end of period	**$**	**985.1**	$	788.4
Contributed surplus				
Balance, beginning of period	**$**	**14.9**	$	13.4
Share options expense		**3.2**		3.7
Exercise of share options		**(1.6)**		(2.1)
Forfeiture of share options		**(0.4)**		(0.1)
Other		**0.6**		—
Balance, end of period	**$**	**16.7**	$	14.9
Accumulated deficit				
Balance, beginning of period	**$**	**(185.2)**	$	(62.1)
Net income applicable to controlling interests		**51.1**		130.1
Reclassification of taxes on share issuance costs		**—**		(4.2)
Common share dividends		**(260.1)**		(214.5)
Preferred share dividends		**(41.2)**		(34.5)
Balance, end of period	**$**	**(435.4)**	$	(185.2)
AOCI (*note 18*)				
Balance, beginning of period	**$**	**163.1**	**$**	39.4
Other comprehensive income		**270.4**		123.7
Balance, end of period	**$**	**433.5**	**$**	163.1
Total shareholders' equity	**$**	**4,168.0**	**$**	3,541.1
Non-controlling interests				
Balance, beginning of period	**$**	**33.1**	$	37.8
Net income applicable to non-controlling interests		**8.6**		8.1
Sale of interest in a subsidiary		**1.8**		—
Distribution by subsidiaries to non-controlling interests		**(8.6)**		(12.8)
Balance, end of period		**34.9**		33.1
Total equity	**$**	**4,202.9**	$	3,574.2

(1) Dividend Reinvestment and Optional Share Purchase Plan.

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the years ended December 31 *($ millions)*		2015		2014
Cash from operations				
Net income after taxes	**$**	**59.7**	$	138.2
Items not involving cash:				
Depreciation and amortization		**211.9**		173.4
Provision on assets *(note 7)*		**53.5**		119.1
Accretion expenses *(notes 14 and 15)*		**11.0**		6.9
Share-based compensation *(note 20)*		**2.8**		3.7
Deferred income tax expense *(note 16)*		**24.5**		5.0
Gain on sale of assets *(note 3)*		**(0.3)**		(38.1)
Loss (income) from equity investments *(note 11)*		**63.4**		(38.6)
Unrealized gain on risk management contracts *(note 19)*		**(9.4)**		(4.7)
Loss on long-term investments *(notes 10 and 22)*		**34.2**		1.6
Losses from extinguishment of debts		**—**		16.6
Other		**8.8**		1.9
Asset retirement obligations settled *(note 14)*		**(3.6)**		(2.4)
Distributions from equity investments, net of contributions		**5.5**		86.0
Changes in operating assets and liabilities *(note 27)*		**39.2**		(10.9)
	$	**501.2**	$	457.7
Investing activities				
Business acquisitions, net of cash acquired *(note 3)*		**(916.0)**		—
Acquisition of property, plant and equipment		**(613.5)**		(519.9)
Acquisition of intangible assets		**(37.8)**		(28.7)
Proceeds from dispositions of assets		**9.8**		64.5
Contributions to equity investments		**(9.7)**		(7.7)
Acquisition of short-term investments		**—**		(50.0)
Maturity of short-term investment		**50.0**		—
Change in restricted cash holdings from customers		**(0.4)**		(1.3)
Acquisition of equity investment		**—**		5.0
Acquisition of long-term investments		**—**		(53.0)
Sale of interest in a subsidiary		**2.0**		—
	$	**(1,515.6)**	**$**	(591.1)
Financing activities				
Net issuance (repayment) of short-term debt		**46.5**		(17.6)
Issuance of long-term debt, net of debt issuance costs		**1,065.1**		1,348.1
Repayment of long-term debt		**(476.4)**		(1,345.7)
Dividends - common shares		**(255.8)**		(210.3)
Dividends - preferred shares		**(40.1)**		(35.0)
Distributions to non-controlling interest		**(8.6)**		(12.8)
Net proceeds from shares issued on exercise of options		**19.2**		22.8
Net proceeds from issuance of common shares		**384.1**		511.8
Net proceeds from issuance of preferred shares		**195.6**		194.4
	$	**929.6**	$	455.7
Change in cash and cash equivalents		**(84.8)**		322.3
Effect of exchange rate changes on cash and cash equivalents		**7.2**		3.9
Cash and cash equivalents, beginning of year		**371.0**		44.8
Cash and cash equivalents, end of year	**$**	**293.4**	$	371.0

See accompanying notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

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

1. ORGANIZATION AND OVERVIEW OF BUSINESS

The businesses of AltaGas Ltd. (AltaGas or the Corporation) are operated by AltaGas and a number of its subsidiaries including, without limitation, AltaGas Extraction and Transmission Limited Partnership, AltaGas Pipeline Partnership, AltaGas Processing Partnership, Harmattan Gas Processing Limited Partnership, AltaGas Utilities Inc. (AUI), Heritage Gas Limited (Heritage Gas), Pacific Northern Gas Ltd. (PNG), Coast Mountain Hydro Limited Partnership, AltaGas Services (U.S.) Inc., Blythe Energy Inc. (Blythe), AltaGas San Joaquin Energy Inc., and SEMCO Energy Inc. (SEMCO). SEMCO conducts its Michigan natural gas distribution business under the name SEMCO Energy Gas Company (SEMCO Gas) and its Alaska natural gas distribution business under the name ENSTAR Natural Gas Company (ENSTAR).

AltaGas, a Canadian corporation, is a North American diversified energy infrastructure business with a focus on owning and operating assets to provide clean and affordable energy to its customers. AltaGas has three business segments: Gas, Power and Utilities.

AltaGas' Gas segment serves producers in the Western Canada Sedimentary Basin (WCSB) and includes natural gas gathering and processing, natural gas liquids (NGL) extraction and separation, gas transmission, gas storage and natural gas marketing, and the one-third ownership investment, through AltaGas Idemitsu Joint Venture Limited Partnership (AIJVLP), in Petrogas Energy Corp. (Petrogas).

The Power segment includes 2,041 MW of generating capacity from natural gas-fired, coal-fired, wind, biomass and hydro assets in Canada and the United States, along with an additional 1,253 MW of assets under development.

The Utilities segment is predominantly comprised of natural gas distribution rate regulated utilities in Canada and the United States. The utilities are generally allowed the opportunity to earn regulated returns that provide for recovery of costs and a return on, and of, capital from the regulator-approved capital investment base.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

These Consolidated Financial Statements have been prepared by management in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP).

Pursuant to National Instrument 52-107, "Acceptable Accounting Principles and Auditing Standards" (NI 52-107), U.S. GAAP reporting is generally permitted by Canadian securities laws for companies subject to reporting obligations under U.S. securities laws. However, given that AltaGas is not subject to such reporting obligations and could not therefore rely on the provisions of NI 52-107 to that effect, AltaGas sought and obtained exemptive relief by the securities regulators in Alberta and Ontario to permit it to prepare its financial statements in accordance with U.S. GAAP. The exemption will terminate on or after the earlier of January 1, 2019, the date to which AltaGas ceases to have activities subject to rate regulation, or the effective date prescribed for a mandatory application of International Financial Reporting Standard for rate-regulated accounting.

PRINCIPLES OF CONSOLIDATION

These Consolidated Financial Statements of AltaGas include the accounts of the Corporation and all of its wholly-owned subsidiaries, and its interest in various partnerships and joint ventures where AltaGas has an undivided interest in the assets and liabilities of the joint venture or partnership. Investments in unconsolidated companies where AltaGas has significant influence over, but not control, are accounted for using the equity method.

Transactions between and amongst AltaGas and its wholly-owned subsidiaries, and the proportionate interests in joint ventures or partnerships are eliminated on consolidation as required by U.S. GAAP. 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 is shown as an allocation of the consolidated net income and is 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: depreciation and amortization expense, asset retirement obligations, long-lived and intangible assets impairment assessment, fair value of financial instruments, income taxes, employee future benefits, litigation, share-based compensation, and 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

Rate-Regulated Operations

SEMCO, AUI, PNG and Heritage Gas (collectively "Utilities") engage in the delivery and sale of natural gas and are regulated by the Michigan Public Service Commission (MPSC) and Regulatory Commission of Alaska (RCA), Alberta Utilities Commission (AUC), British Columbia Utilities Commission (BCUC) and the Nova Scotia Utility and Review Board (NSUARB), respectively.

The MPSC, RCA, AUC, BCUC and NSUARB exercise statutory authority over matters such as tariffs, rates, construction, operations, financing, returns, accounting and certain contracts with customers. In order to recognize the economic effects of the actions and decisions of the MPSC, RCA, AUC BCUC and NSUARB, the timing of recognition of certain assets, liabilities, revenues and expenses as a result of regulation may differ from that otherwise expected using U.S. GAAP for entities not subject to rate regulation.

Regulatory assets represent future revenues associated with certain costs incurred in the current period or in prior periods that are expected to be recovered from customers in future periods through the rate setting process. Regulatory liabilities represent future reductions or limitations of increases in revenue associated with amounts that are expected to be refunded to customers through the rate setting process.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with banks, and investments in money market instruments with original maturities of less than three months.

Restricted Cash Holdings from Customers

Cash deposited, which is restricted and is not available for general use by AltaGas, is separately presented as restricted cash holdings in the Consolidated Balance Sheets.

Short-term Investments

Short-term investments consist of investments in money market instruments with original maturities of more than three and less than 12 months. Short-term investments are carried at fair value.

Accounts Receivable

Receivables are recorded net of the allowance for doubtful accounts in the Consolidated Balance Sheets. AltaGas regularly analyzes and evaluates the collectability of the accounts receivable based on a combination of factors. If circumstances related to the collectability change, the allowance for doubtful accounts is further adjusted. Accounts are written off when collection efforts are complete and future recovery is unlikely.

Inventory

Inventory consists of materials, supplies, and natural gas, which are valued at the lower of cost or net realizable value. Cost of inventory is assigned using a weighted average cost formula. In general, commodity costs and variable transportation costs are capitalized as gas in underground storage. Fixed costs, primarily pipeline demand charges and storage charges, are expensed as incurred through the cost of gas.

Property, Plant, and Equipment (PPE), Depreciation and Amortization

Property, plant, and equipment are carried at cost. The Corporation depreciates the cost of capital assets, net of salvage value, on a straight-line basis over the estimated useful life of the assets, with the exception of rate regulated utilities assets, where depreciation is calculated on a straight-line basis or over the contract term of a specific agreement at rates as approved by the regulatory authorities.

The U.S. utilities include in depreciation expense an amount allowed for regulatory purposes to be collected in current rates for future removal and site restoration costs. The Canadian utilities that collect future removal and site restoration costs in rates defer the revenue until the costs are incurred.

Interest costs are capitalized on major additions to property, plant, and equipment until the asset is ready for its intended use. The interest rate used for calculating the interest costs to be capitalized is based on AltaGas' prior quarter actual borrowing long-term interest rate, unless AltaGas borrowed funds specifically for the purpose of obtaining an asset. In this case, the interest costs to be capitalized are calculated using the actual interest rate applicable to the funds obtained for that asset.

Utilities capitalize an imputed carrying cost on assets during construction as authorized by regulatory authorities and the amount so capitalized is an allowance for funds used during construction (AFUDC). AFUDC is the amount that a rate regulated enterprise is allowed to recover for its cost of financing assets under construction. Capitalized overhead, administrative expenses and AFUDC are included in the cost of the related assets and are recovered in rates charged to customers through depreciation expense, as allowed by the regulators.

The range of useful lives for AltaGas' property, plant and equipment is as follows:

Gas assets	3 - 45 years
Power generation assets	2 - 120 years
Utilities assets	3 - 80 years
Corporate assets	1-7 years

As required by the respective regulatory authorities, net additions to utility assets at Heritage Gas and PNG are not depreciated until the year after they are brought into active service and net additions to utility assets at AUI and SEMCO are depreciated commencing in the year in which the assets are brought into active service.

Generally, when a regulated asset is retired or disposed of, there is no gain or loss recorded in income. Any difference between the cost and accumulated depreciation of the asset, net of salvage proceeds, is charged to accumulated depreciation or another regulatory asset or liability account. It is expected that any gain or loss that is charged to accumulated depreciation or another regulatory account will be reflected in future depreciation expense when it is refunded or collected in rates.

Leases are classified as either capital or operating. Leases that transfer substantially all the benefits and risks of ownership of property to AltaGas are accounted for as capital leases.

Intangible Assets

Intangible assets are recorded at cost and are amortized on a straight-line basis over their term or estimated useful life:

Energy services relationships	15 -19 years
Electricity service agreements	2 - 60 years
Software	2 - 10 years
Land rights	5 - 60 years
Franchises and consents	9 - 25 years
Extraction and Transmission (E&T) Contracts	6 - 34 years

Assets Held for Sale

The Corporation classifies assets as held for sale when the carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is met when management approves and commits to a formal plan to sell the assets, the assets are available for immediate sale in their present condition, and management expects the sale to close within the next 12 months. Upon classifying an asset as held for sale, an asset is recorded at the lower of its carrying value or the estimated fair value less cost to sell. Assets held for sale are not depreciated or amortized.

Business Acquisitions

Business acquisitions are accounted for using the acquisition method. Under the acquisition method, assets and liabilities of the acquired entity are recorded at fair value at the date of acquisition. Acquisition-related costs are expensed as incurred. Goodwill represents the excess of purchase price over the fair value of the net assets acquired.

Provision on Assets

If facts and circumstances suggest that a long-lived asset or an intangible asset may be impaired, the carrying value is reviewed. If this review indicates that the value of the asset is not recoverable, as determined by the projected undiscounted cash flows related to the asset over its remaining life, then the carrying value of the asset is reduced to its estimated fair value and an impairment loss is recognized.

Goodwill is not subject to amortization, but assessed at least annually for impairment, or more often when events or changes in circumstances indicate that goodwill may be impaired. The annual assessment of goodwill is performed at the reporting unit level, which is an operating segment or one level below. The Corporation has the option to first assess qualitative factors to determine whether events or changes in circumstances indicate that the goodwill may be impaired. If a quantitative impairment test is performed, the first step of the two-step impairment test is to compare the fair value of the reporting unit to its book value (including goodwill). If the carrying value of the reporting unit exceeds the fair value, goodwill is reduced to its implied fair value and an impairment loss would be recorded in the Consolidated Statements of Income.

Development Costs

AltaGas expenses development costs as incurred unless such development costs meet certain criteria related to technical, market, regulatory and financial feasibility for capitalization. Development costs are examined annually to ensure capitalization criteria continue to be met. When the criteria that previously justified the deferral of costs are no longer met, the unamortized balance is taken as a charge to income in the period when this determination is made. Development costs are amortized based on the expected period of benefit, beginning at the commencement of commercial operations.

Investments Accounted for by the Equity Method

The equity method of accounting is used for investments in which AltaGas has the ability to exercise significant influence, but does not have a controlling interest. Equity investments are initially measured at cost and are adjusted for the Corporation's proportionate share of earnings or losses. Equity investments are increased for contributions made and decreased for distributions received. To the extent an investee undertakes activities necessary to commence its planned principal operations, the Corporation will capitalize interest costs associated with its investment during such period.

An equity method investment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment might not be recoverable. When such condition is deemed other than temporary, the carrying value of the investment is written down to its fair value, and an impairment charge is recorded in the Consolidated Statements of Income.

Financial Instruments

All financial instruments are initially recorded at fair value unless they qualify for, and are designated under, a normal purchase and normal sales (NPNS) exemption. Subsequent measurement of the financial instruments is based on their classification. The financial assets are classified as "held-for-trading", "held-to-maturity", "loans and receivables", or "available-for-sale". Financial liabilities are classified as "held-for-trading" or other financial liabilities. Subsequent measurement is determined by classification.

A physical contract generally qualifies for the NPNS exemption if the transaction is reasonable in relation to AltaGas' business needs, the counterparty owns or controls resources within the proximity to allow for physical delivery, AltaGas intends to receive physical delivery of the commodity, and AltaGas deems the counterparty creditworthy. AltaGas continually assesses the contracts designated under the NPNS exemption and will discontinue the treatment of these contracts under this exemption where the criteria are no longer met.

Held-for-trading financial assets and liabilities consist of swaps, options, forwards and equity securities. These financial instruments are initially recorded at their fair value, with subsequent changes in fair value recorded in net income under "unrealized gains and losses from risk management contracts" or "other income (loss)". Loans and receivables and other financial liabilities not classified as held-for-trading are recognized at amortized cost using the effective interest method. AltaGas does not have any held-to-maturity financial assets.

The available-for-sale classification includes non-derivative financial assets that are designated as available-for-sale or are not included in the other three classifications. Available-for-sale instruments are initially recorded at fair value, and changes to fair value are recorded through "Other comprehensive income" (OCI). Declines in fair value below the amortized cost basis that are other than temporary are reclassified out of OCI to earnings for the period.

Investments in equity instruments not accounted for under the equity method that do not have a quoted market price in an active market are measured at cost. Income earned from these investments is included in the Consolidated Statement of Income under "Other income (loss)".

Derivatives embedded in other financial instruments or contracts (the host instrument) are recorded separately and are measured at fair value if the economic characteristics of the embedded derivative are not closely related to the host instrument, the terms of the embedded derivative are the same as those of a standalone derivative and the entire contract is not held-for-trading or accounted for at fair value. Changes in fair value are included in income.

The fair values recorded on the Consolidated Balance Sheets reflect netting of the asset and liability positions where counterparty master netting arrangements contain provisions for net settlement.

Transaction costs related to the acquisition of held-for-trading financial assets and liabilities are expensed as incurred.

Transaction costs for obtaining debt financing other than line-of-credit arrangements are recognized as a direct deduction from the related debt liability on the Consolidated Balance Sheets. Transaction costs related to line-of-credit arrangements are capitalized and included under "Long-term investments and other assets" on the Consolidated Balance Sheets. Premiums and discounts are netted against long-term debt on the Consolidated Balance Sheets. The deferred charges are amortized over the life of the related debt on an effective interest basis and included in "Interest expense" on the Consolidated Statements of Income.

Hedges

As part of its risk management strategy, AltaGas uses derivatives to reduce its exposure to commodity price, interest rate and foreign exchange risk. AltaGas designates certain derivatives as hedges and prepares documentation at the inception of the hedging contract. AltaGas performs an assessment at inception and during the term of the contract to determine if the derivative used as a hedge is effective in offsetting the risks in the values or cash flows of the hedged item.

The effective portion of changes in cash flow hedges is recognized in OCI. Ineffective portions and amounts excluded from effectiveness testing of hedges are included in income under “unrealized gains and losses from risk management contracts”. Gains or losses from cash flow hedges that have been included in accumulated other comprehensive income (AOCI) are reclassified to net income when the hedged transaction affects earnings, such as when the hedged forecasted transaction occurs. If the hedging instrument ceases to be effective, hedge accounting is discontinued and the cumulative gains or losses previously recognized will remain in AOCI until the forecast transaction affects earnings. If a hedged anticipated transaction is no longer probable or is sold or terminated early, the cumulative gains or losses in AOCI are immediately reclassified to net income.

Asset Retirement Obligations

AltaGas recognizes asset retirement obligations in the period in which the legal obligation is incurred and a reasonable estimate of fair value can be determined. The associated asset retirement costs are capitalized as part of the carrying amount of the asset and are depreciated over the estimated useful life of the asset. The liability is increased due to the passage of time over the estimated period until the settlement of the obligation, with a corresponding charge to accretion expense for asset retirement obligations.

Certain utility assets will have future legal obligations on retirement, but an asset retirement obligation has not been recorded due to its indeterminate life and corresponding indeterminable timing and scope of these asset retirement obligations. The U.S. Utilities recognize asset retirement obligations for some interim retirements, as expected by their regulators, whereas Canadian Utilities do not.

Revenue Recognition

Revenue from sales represents the proceeds from the commodity sales in the Gas and Power reporting segments and are recognized at the time the product is delivered.

Revenue from services represents the proceeds from operating leases in the Gas and Power reporting segments where AltaGas is the lessor, and fees from the gathering, transportation, processing, and marketing of natural gas. Revenue from services are recognized at the time the service is rendered.

The Utilities reporting segment recognizes revenue, presented as "revenue from regulated operations" in the Consolidated Statements of Income, when the product or services are delivered on the basis of regular meter readings or estimates of usage and is consistent with the underlying rate setting mechanism mandated by the applicable regulatory authority. The Utilities reporting segment bills gas distribution customers monthly, on a cycle basis and accrues revenue for service rendered to its customers but not billed at month-end. Storage customers are billed monthly for services provided in the preceding month and revenue is accrued for services rendered but not billed at month end.

Foreign Currency Translation

Monetary assets and liabilities denominated in a foreign currency are converted to the functional currency using the exchange rate in effect at the balance sheet date. Adjustments resulting from the conversion are recorded in the Consolidated Statements of Income. Non-monetary assets and liabilities are converted at the historical exchange rate in effect at the transaction date. Revenues and expenses are converted at the exchange rate applicable at the transaction date.

For foreign entities with a functional currency other than Canadian dollars, AltaGas’ reporting currency, assets, and liabilities are translated into Canadian dollars at the rate in effect at the reporting date. Revenues and expenses are translated at average exchange rates during the reporting period. All adjustments resulting from the translation of the foreign operations are recorded in OCI.

AltaGas designated some of its US dollar denominated long-term debt as a foreign currency hedge of its investment in foreign operations. Accordingly, foreign exchange gains and losses, from the dates of designation, on the translation of the US dollar denominated long-term debt are included in OCI.

Share Options and Other Compensation Plans

Share options granted are recorded using fair value. Compensation expense is measured at the date of the grant using the Black-Scholes-Merton model and is recognized over the vesting period of the options. Consideration received by AltaGas on exercise of the share options is credited to shareholders' equity.

AltaGas has a medium-term incentive plan (MTIP) for employees and executive officers which includes two types of awards: restricted units (RUs) and performance units (PUs). Both RUs and PUs are valued based on the dividends declared during the vesting period and the weighted average share price of AltaGas' common shares multiplied by the units outstanding at the end of the vesting period. Upon vesting, the RUs and PUs are paid in cash or, at the election of AltaGas, its equivalent in common shares purchased from the market. The PUs are also subject to a performance multiplier ranging from 0 to 2 dependent on the Corporation's performance relative to performance targets agreed between the Corporation and the employees. Compensation expense is recognized using the liability method and is recorded as operating and administrative expense over the vesting period. A change in value of the RUs or PUs is recognized in the period the change occurs.

Pension Plans and Post-Retirement Benefits

AltaGas maintains defined benefit pension plans, defined contribution plans, and other post-retirement benefit plans for eligible employees. Contributions made by the Corporation to the defined contribution plans are expensed in the period in which the contribution occurs.

The cost of defined benefit pension plans and post-retirement benefits is actuarially determined using the projected benefit method prorated on service with a reasonable range of expected plan investment performance and management's best estimate of salary escalation, retirement ages of employees and expected health care costs. Pension plan assets are measured at fair value. The expected return on plan assets is based on historical and projected rates of return for each asset class in the plan portfolio. The projected benefit obligation is discounted using the market interest rate on high-quality debt instruments with cash flows matching the timing and amount of benefit payments.

Pension expense for the defined benefit and post-retirement benefit plans includes the cost of pension benefits earned during the year, the interest cost on pension obligations, the excepted return on pension plan assets, the amortization of net transitional obligation, the amortization of adjustments arising from pension plan amendments, the amortization of prior service costs, and the amortization of the excess of the net actuarial gain or loss over 10 percent of the greater of the benefit obligation and the fair value of plan assets, which is amortized on a straight-line basis over the expected average remaining service life of active employees. The expected average remaining service period of the active members covered by the defined benefit pension plans and post-retirement benefit plans is 12.6 years and 13.5 years, respectively.

AltaGas recognizes the overfunded or underfunded status of its pension and post-retirement benefit plans as either assets or liabilities in the Consolidated Balance Sheets. Actuarial gains and losses related to changes in funded status are recognized in OCI.

For certain regulated Utilities, the Corporation expects to recover pension expense in future rates and therefore record actuarial gains and losses as either regulatory assets or liabilities. The regulatory assets or liabilities are amortized on a straight-line basis over the expected average remaining service life of active employees.

Income Taxes

Income taxes for the Corporation and its subsidiaries are calculated using the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between the carrying value and the tax basis of assets and liabilities and are measured using the enacted tax rates and laws that are in effect in the periods in which the differences are expected to be settled or realized. Deferred income tax assets are routinely reviewed and a valuation allowance is recorded to reduce the deferred tax assets if it is more likely than not that deferred tax assets will not be realized. The financial statement effects of an uncertain tax position are recognized when it is more likely than not, based on technical merits, that the position will be sustained upon examination by a taxing authority. The current and deferred tax impact is equal to the largest amount, considering possible settlement outcomes, that is greater than 50 percent likely of being realized upon settlement with the taxing authorities.

Investment tax credits are deferred and amortized over the estimated service lives of the related properties.

The rate-regulated natural gas distribution subsidiaries recognize a separate regulatory asset or liability for the amount of deferred income taxes expected to be recovered from, or paid to, customers in the future.

Net Income per Share

Basic net income per common share is computed using the weighted average number of common shares outstanding during the period. Dilutive net income per common share is calculated using the weighted average number of common shares outstanding adjusted for dilutive common shares related to the Corporation's share-based compensation awards.

The potentially dilutive impact of the share-based compensation awards is determined using the treasury stock method. Under the treasury stock method, awards are treated as if they had been exercised with any proceeds used to repurchase common stock at the average market price during the period. Any incremental difference between the assumed number of shares issued and purchased is included in the diluted share computation.

Emission Credits

As no active market currently exists, emission credits are carried at cost and included in "Prepaid expenses and other current assets".

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective July 1, 2015, AltaGas early adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2015-03 “Simplifying the Presentation of Debt Issuance Costs”. Under the ASU, debt issuance costs are recorded as a direct deduction from the related debt liability rather than as an asset. Upon adoption, AltaGas reclassified debt issuance costs of $16.1 million and $17.8 million for the periods ended June 30, 2015 and December 31, 2014, respectively, from “Long-term investments and other assets” to “Long-term debt”. Debt issuance costs related to line-of-credit arrangements were not reclassified pursuant to guidance from ASU No. 2015-15 “Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements”.

Effective August 2015, AltaGas prospectively adopted FASB issued ASU No. 2015-13 “Derivatives and Hedging - Application of the Normal Purchases and Normal Sales Scope Exception to Certain Electricity Contracts within Nodal Energy Markets”, which allows certain forward contracts for physical delivery of electricity in nodal energy markets to qualify for the normal purchases and normal sales scope exception, as long as the physical delivery criterion and other criteria for the normal purchases and normal sales scope exception are met. The ASU applies to forward contracts in which one of the counterparties incurs location marginal pricing charges (or credits) payable to (or receivable from) an independent system operator. The adoption of this ASU did not have an impact on AltaGas' consolidated financial statements.

Effective October 1, 2015, AltaGas early adopted FASB issued ASU No. 2015-17 “Balance Sheet Classification of Deferred Taxes” which requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as non-current on the balance sheet. Upon adoption, AltaGas reclassified current deferred income tax assets of $2.4 million and $nil, for the periods ended September 30, 2015 and December 31, 2014, respectively, to non-current deferred income tax asset. Current deferred income tax liabilities of $0.3 million and $2.1 million for the periods ended September 30, 2015 and December 31, 2014, respectively, were reclassified to non-current deferred income tax liabilities.

FUTURE CHANGES IN ACCOUNTING PRINCIPLES

In May 2014, FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers". The core principle of the amendments in this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments specify various disclosure requirements that would enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. On July 9, 2015, FASB confirmed a one-year deferral of the new revenue standard. The new standard will be effective for annual and interim periods beginning on or after December 15, 2017. FASB permits adoption of the standard as early as the original effective date of December 15, 2016. Early adoption prior to that date would not be permitted. AltaGas commenced a process for the adoption of the ASU and the impact on AltaGas' consolidated financial statements is under assessment.

In June 2014, FASB issued ASU No. 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period". The amendments are effective for annual periods, and interim periods within those annual periods, beginning on or after December 15, 2015. Early adoption is permitted. AltaGas will adopt the ASU for the financial periods beginning on January 1, 2016. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

In January 2015, FASB issued ASU No. 2015-01 “Income Statement – Extraordinary and Unusual Items” to eliminate the concept of extraordinary items and alleviate uncertainty for preparers, auditors, and regulators because auditors and regulators no longer will need to evaluate whether a preparer treated an unusual and/or infrequent item appropriately. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

In February 2015, FASB issued ASU No. 2015-02 “Consolidation: Amendments to Consolidation Analysis”. The amendments in this ASU affect all reporting entities that are required to evaluate whether certain legal entities should be consolidated. The amendments: a) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities; b) eliminate the presumption that a general partner should consolidate a limited partnership; c) affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships; and d) provide a scope exception from consolidation guidance for reporting entities with interests in certain legal entities (i.e. money market and other investment funds). The amendments in this ASU are effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas’ consolidated financial statements.

In July 2015, FASB issued ASU No. 2015-11 “Inventory - Simplifying the Measurement of Inventory”. The amendment in this ASU requires an entity to measure inventory at the lower of cost and net realizable value. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016, prospectively. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas’ consolidated financial statements.

In September 2015, FASB issued ASU No. 2015-16 “Business Combinations - Simplifying the Accounting for Measurement-Period Adjustments”. To simplify the accounting for adjustments made to provisional amounts recognized in a business combination, the amendments in this ASU eliminate the requirement to retrospectively account for those adjustments. Instead, an acquirer will recognize a measurement-period adjustment during the period in which the amount of the adjustment is determined. The amendments in this ASU are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years, prospectively. AltaGas will apply this ASU prospectively to adjustments to provisional amounts that occur after the effective date of this ASU.

In January 2016, FASB issued ASU No. 2016-01 “Recognition and Measurement of Financial Assets and Financial Liabilities”, which revises an entity’s accounting related to: (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. The amendments in this ASU are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Upon adoption, entities will be required to make a cumulative-effect adjustment to the statement of financial position as of the beginning of the first reporting period in which the guidance is effective. The guidance on equity securities without readily determinable fair value will be applied prospectively to all equity investments that exist as of the date of adoption of the standard. AltaGas is currently evaluating the impact of adopting this ASU on its consolidated financial statements.

3. ACQUISITIONS AND DISPOSITIONS

GWF Energy Holdings LLC (San Joaquin Facilities)

On November 30, 2015 AltaGas completed the acquisition of GWF Energy Holdings LLC, which holds a portfolio of three natural gas-fired electrical generation facilities in northern California totaling 523 MW, for approximately US$642 million before working capital adjustments. Subsequent to the acquisition, GWF Energy Holdings LLC and the other entities acquired were restructured ultimately resulting in the sole successor being AltaGas San Joaquin Energy Inc. For the year ended December 31, 2015, transaction costs, such as legal, accounting, valuation and other professional fees of $1.8 million before taxes were incurred and included in the Consolidated Statement of Income, within “Operating and administrative expenses”. Below is the provisional purchase price allocation, representing the consideration paid and the fair value of the net assets acquired as at November 30, 2015, using an exchange rate of 1.3333 to convert US dollars to Canadian dollars.

Cash consideration	$	882.4
Total consideration	$	882.4
Fair value of net assets acquired		
Current assets	$	31.5
Property, plant and equipment		591.2
Intangible assets		355.4
Current liabilities		(11.3)
Deferred income taxes		(84.4)
	$	882.4

These consolidated financial statements incorporate the results of operations from the San Joaquin Facilities subsequent to November 30, 2015. For the year ended December 31, 2015, the assets acquired contributed $11.1 million (US$8.1 million) of revenues and $5.9 million (US$4.3 million) of pre-tax income.

If the acquisition had occurred on January 1, 2015, revenues and pre-tax income would have increased by $110.1 million (US$86.7 million) and $88.8 million (US$69.9 million), respectively.

Other Acquisitions

On January 8, 2015 AltaGas completed the acquisition of three western U.S. natural gas-fired power assets with a total generation capacity of 164 MW for cash consideration of $33.6 million (US$28.4 million). Transaction costs, such as legal, accounting, valuation, and other professional fees of US$0.8 million before taxes were incurred and included in the Consolidated Statement of Income, within "Operating and administrative expenses". Below is the final purchase price allocation.

Cash consideration	$	33.6
Total consideration	$	33.6
Fair value of net assets acquired		
Current assets	$	4.0
Property, plant and equipment		23.2
Intangible assets		9.2
Current liabilities		(2.8)
	$	33.6

Dispositions

In the fourth quarter of 2015, AltaGas disposed of its effective 25 percent interest in Boston Bar LP, which is a 7-MW run-of-river hydroelectric power generation facility on Scuzzy Creek near Boston Bar. In the same quarter, AltaGas also disposed of the 10-MW McNair run-of-river hydroelectric generating facility located on the Sunshine Coast of British Columbia, near Port Mellon, as well as 40 MW of small hydro development projects in British Columbia. The total gross proceeds from these disposals were approximately $9.2 million. A total gain of $0.4 million was recognized in the Consolidated Statement of Income under "Other income (loss)" for the year ended December 31, 2015 from the sale of these assets.

4. ASSETS HELD FOR SALE

As at December 31, 2015		
Assets held for sale		
Property, plant and equipment	**$**	**97.7**
Intangible assets		**1.0**
	$	**98.7**
Liabilities associated with assets held for sale		
Asset retirement obligations	**$**	**8.7**
	$	**8.7**

As at December 31, 2015, AltaGas committed to the sale of certain non-core natural gas gathering and processing assets in the Gas segment. These assets are located primarily in central and north central Alberta and total approximately 490 Mmcf/d of gross licensed natural gas processing capacity. Accordingly, the carrying value of the assets and liabilities were classified as held for sale, which resulted in a pre-tax provision of $10.7 million on property, plant and equipment and a pre-tax provision of $5.1 million on allocated goodwill due to the reduction of the carrying value of these assets to the fair value less costs to sell.

On February 2, 2016, AltaGas announced an agreement had been entered into with Tidewater Midstream and Infrastructure Ltd. (Tidewater) for total consideration of $30 million of cash and approximately 43.7 million common shares of Tidewater. The transaction is expected to close in the first quarter of 2016 subject to customary closing conditions being satisfied.

5. INVENTORY

As at December 31		**2015**		2014
Natural gas held in storage	**$**	**166.0**	$	136.7
Other inventory		**38.0**		18.6
	$	**204.0**	$	155.3

6. PROPERTY, PLANT AND EQUIPMENT

As at December 31		**2015**						2014				
		Cost		**Accumulated amortization**		**Net book value**		Cost		Accumulated amortization		Net book value
Gas	**$**	**2,592.1**	**$**	**(742.3)**	**$**	**1,849.8**	$	2,318.0	$	(681.9)	$	1,636.1
Power		**2,913.6**		**(150.9)**		**2,762.7**		2,050.1		(98.5)		1,951.6
Utilities		**2,209.3**		**(163.2)**		**2,046.1**		1,833.5		(108.4)		1,725.1
Corporate		**58.6**		**(21.6)**		**37.0**		49.6		(25.4)		24.2
Reclassified to assets held for sale		**(222.3)**		**124.6**		**(97.7)**		—		—		—
	$	**7,551.3**	**$**	**(953.4)**	**$**	**6,597.9**	$	6,251.2	$	(914.2)	$	5,337.0

Interest capitalized on long-term capital construction projects for the year ended December 31, 2015 was $20.9 million (2014 - $29.9 million).

As at December 31, 2015, the Corporation had approximately $357.2 million (2014 - $440.4 million) of capital projects under construction that were not yet subject to amortization.

Depreciation expense related to property, plant and equipment (including assets under capital leases) for the year ended December 31, 2015 was $191.7 million (2014 - $162.2 million).

Net additions to Utilities assets at PNG and Heritage Gas are not amortized until the year after they are brought into active service as required by the respective regulating authorities. Net additions to SEMCO's utility assets are amortized for one half year in the year in which they are brought into active service, as required by SEMCO's regulatory authority. Utility assets not yet subject to amortization were $43.6 million as at December 31, 2015 (December 31, 2014 - $48.5 million).

7. PROVISION ON ASSETS

Years ended December 31		**2015**		2014
Power	**$**	**28.4**	$	10.9
Gas		**22.3**		108.2
Utilities		**2.8**		—
	$	**53.5**	$	119.1

Power

In 2015, AltaGas recorded a pre-tax provision of $28.4 million related to certain development stage wind assets in Canada and the United States. In 2014, AltaGas recorded a pre-tax provision of $10.9 million related to certain hydro power assets under development in British Columbia.

Gas

In 2015, AltaGas recorded a pre-tax provision of $15.8 million on certain gas processing assets that were held for sale, and a pre-tax provision of $6.5 million on the DC LNG Project related to deferred lease expense.

In 2014, AltaGas recorded a pre-tax provision of $19.5 million on its Ethylene Delivery Systems (EDS) and Joffre Feedstock Pipeline (JFP) transmission pipeline assets, an $18.7 million pre-tax provision for related transmission contracts, all of which will be sold to NOVA Chemicals Corporation in March 2017, in accordance with contractual requirements, and a pre-tax provision of $70.0 million related to certain non-productive gas processing assets.

Utilities

A pre-tax provision of $2.8 million was recorded on the assets in the Ikhil Joint Venture in 2015.

8. INTANGIBLE ASSETS

As at December 31	**2015**			2014		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
E&T contracts	**$ 53.7**	**$ (37.9)**	**$ 15.8**	$ 56.5	$ (38.5)	$ 18.0
Electricity service agreements	**642.6**	**(12.4)**	**630.2**	260.4	(1.8)	258.6
Energy services relationships	**10.3**	**(6.7)**	**3.6**	10.2	(6.1)	4.1
Software	**108.6**	**(33.4)**	**75.2**	84.6	(25.6)	59.0
Land rights	**11.8**	**(2.2)**	**9.6**	16.6	(1.7)	14.9
Franchises and consents	**3.6**	**(1.9)**	**1.7**	3.6	(1.3)	2.3
Reclassified to assets held for sale	**(1.1)**	**0.1**	**(1.0)**	—	—	—
	$ 829.5	**$ (94.4)**	**$ 735.1**	$ 431.9	$ (75.0)	$ 356.9

Amortization expense related to intangible assets for the year ended December 31, 2015 was $20.2 million (2014 - $11.2 million).

As at December 31, 2015, the Corporation excluded $6.6 million (2014 - $36.5 million) of assets from the asset base subject to amortization.

The following table sets forth the estimated amortization expense of intangible assets, excluding any amortization of assets not yet subject to amortization, for the years ended December 31:

2016	42.6
2017	40.8
2018	38.9
2019	37.8
2020	37.2
Thereafter	531.5

9. GOODWILL

As at December 31	**2015**	2014
Balance, beginning of period	**$ 785.1**	$ 743.1
Provision on assets *(see note 4)*	**(5.1)**	—
Foreign exchange translation	**97.3**	42.0
	$ 877.3	$ 785.1

10. LONG-TERM INVESTMENTS AND OTHER ASSETS

As at December 31		2015		2014
Investments in publicly-traded entities	**$**	**23.2**	$	46.3
Debt issuance costs associated with credit facilities		**4.3**		4.2
Refundable deposits		**35.5**		15.7
Loan to employees *(see note 26)*		**0.8**		—
Other		**0.5**		0.6
	$	**64.3**	$	66.8

The following table summarizes the Corporation's available-for-sale investments in equity securities:

As at December 31		2015		2014
Amortized cost	**$**	**21.7**	$	57.0
Gross unrealized losses		**(2.4)**		(13.5)
Fair value	**$**	**19.3**	$	43.5

In 2015, an other-than-temporary pre-tax loss of $35.4 million was re-classified from OCI and recognized in the Consolidated Statement of Income under "Other income (loss)" (2014 - $1.8 million). The recognition of the other-than-temporary losses was the result of the length of time and extent to which the market value of the shares was less than cost.

11. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

Description	**Location**	**Ownership Percentage**		**December 31, 2015**		December 31, 2014
AltaGas Idemitsu Joint Venture LP (AIJVLP)	Canada	50	**$**	**308.7**	$	323.3
ASTC Power Partnership (ASTC)	Canada	50		**—**		31.6
Boston Bar LP [(a)]	Canada	25		**—**		2.6
Craven County Wood Energy LP	United States	50		**23.4**		19.1
Eaton Rapids Gas Storage System	United States	50		**29.0**		24.3
Grayling Generating Station LP	United States	50		**32.3**		27.5
Inuvik Gas Ltd.	Canada	33.333		**—**		4.9
Sarnia Airport Storage Pool LP	Canada	50		**19.9**		20.6
			$	**413.3**	$	453.9

(a) AltaGas disposed of its interest in Boston Bar LP in the fourth quarter of 2015. See note 3.

For the year ended December 31, 2015, AltaGas recorded a pre-tax provision of $26.3 million against AltaGas' investment in ASTC, which holds the Sundance B Power Purchase Arrangement in the Power segment, a pre-tax provision of $17.0 million on AltaGas' investments in its joint ventures with Idemitsu Kosan Co.,Ltd. including related to the DC LNG Project in the Gas segment, and a pre-tax provision of $4.4 million on AltaGas' interest in Inuvik Gas Ltd. in the Utilities segment.

Summarized combined financial information showing 100 percent of the AltaGas' equity investments listed above is as follows:

Years ended December 31		2015		2014
Revenues	**$**	**229.4**	$	288.0
Expenses		**(286.8)**		(258.8)
	$	**(57.4)**	$	29.2

As at December 31		2015		2014
Current assets	**$**	**44.1**	$	39.0
Property, plant and equipment	**$**	**102.7**	$	79.4
Intangible assets	**$**	**67.8**	$	80.6
Long-term investments and other assets	**$**	**873.1**	$	875.2
Current liabilities	**$**	**(63.5)**	$	(33.4)
Other long-term liabilities	**$**	**(246.6)**	$	(252.9)

12. SHORT-TERM DEBT

As at December 31		**2015**		2014
Bank indebtedness [(a)]	**$**	**9.4**	$	26.6
US$150 million operating facility [(b)]		**117.6**		37.1
$25 million operating facility [(c)]		**3.7**		8.7
	$	**130.7**	$	72.4

(a) Bank indebtedness bears interest at the lender's prime rate or at the interest rate applicable to bankers' acceptances. The prime lending rate at December 31, 2015 was 2.7 percent (December 31, 2014 - 3.0 percent).

(b) As at December 31, 2015, SEMCO held a US$150.0 million (December 31, 2014 - US$150.0 million) unsecured revolving operating credit facility with a Canadian chartered bank with a maturity date of December 20, 2020. Draws on the facility can be by way of U.S. base-rate loans, letters of credit and LIBOR loans. Letters of credit outstanding under this facility as at December 31, 2015 were $0.9 million (December 31, 2014 - $0.8 million).

(c) As at December 31, 2015, AltaGas held a $25.0 million (December 31, 2014 - $25.0 million) bank operating facility which is available for working capital purposes, has a term of 18 months and expires on November 22, 2016. Draws on the facility are by way of prime-rate advances, bankers' acceptances or letters of credit at the bank's prime rate or for a fee. Letters of credit outstanding under this facility as at December 31, 2015 were $6.1 million (December 31, 2014 - $5.7 million).

Other Credit Facilities

As at December 31, 2015, the Corporation held a $50.0 million (December 31, 2014 - $50.0 million) unsecured demand revolving operating credit facility with a Canadian chartered bank. Draws on the facility bear interest at the lender's prime rate or at the bankers' acceptance rate plus a stamping fee. Letters of credit outstanding under this facility as at December 31, 2015 were $nil (December 31, 2014 - $nil).

As at December 31, 2015, AltaGas Utility Group Inc. held a $20.0 million (December 31, 2014 - $20.0 million) unsecured uncommitted demand operating credit facility with a Canadian chartered bank. Draws on the facility can be by way of prime rate loans, U.S. base-rate loans, letters of credit, bankers' acceptances and LIBOR loans. Letters of credit outstanding under this facility as at December 31, 2015 were $3.6 million (December 31, 2014 - $3.6 million).

As at December 31, 2015, AltaGas held a $150.0 million (December 31, 2014 – $150.0 million) unsecured four-year extendible revolving letter of credit facility. Draws on the facility can be by way of prime loans, U.S. base-rate loans, LIBOR loans, bankers' acceptances or letters of credit. Letters of credit outstanding under this facility as at December 31, 2015 were $55.8 million (December 31, 2014 – $112.8 million).

As at December 31, 2015, AltaGas held a $150.0 million unsecured bilateral letter of credit demand facility with a Canadian chartered bank. Borrowings on the facility incur fees and interest at rates relevant to the nature of the draws made. Letters of credit outstanding under this facility as at December 31, 2015 were $80.1 million (December 31, 2014 - $nil).

In September 2015, the $125.0 million unsecured bilateral letter of credit facility was closed. Letters of credit outstanding at December 31, 2014 were $12.7 million.

13. LONG-TERM DEBT

As at December 31	Maturity date	2015	2014
Credit facilities			
$1,400 million unsecured extendible revolving[a]	15-Dec-2019	**$ 689.9**	$ —
Medium-term notes (MTNs)			
$200 million Senior unsecured - 5.49 percent	27-Mar-2017	**200.0**	200.0
$175 million Senior unsecured - 4.60 percent	15-Jan-2018	**175.0**	175.0
$200 million Senior unsecured - 4.55 percent	17-Jan-2019	**200.0**	200.0
$200 million Senior unsecured - 4.07 percent	1-Jun-2020	**200.0**	200.0
$350 million Senior unsecured - 3.72 percent	28-Sep-2021	**350.0**	350.0
$300 million Senior unsecured - 3.57 percent	12-Jun-2023	**300.0**	300.0
$200 million Senior unsecured - 4.40 percent	15-Mar-2024	**200.0**	200.0
$300 million Senior unsecured - 3.84 percent	15-Jan-2025	**299.9**	300.0
$100 million Senior unsecured - 5.16 percent	13-Jan-2044	**100.0**	100.0
$300 million Senior unsecured - 4.50 percent	15-Aug-2044	**299.8**	299.7
US$175 million Senior unsecured - floating[b]	13-Apr-2015	**—**	203.0
US$200 million Senior unsecured - floating[c]	24-Mar-2016	**276.8**	232.1
US$125 million Senior unsecured - floating[d]	17-Apr-2017	**173.0**	—
SEMCO long-term debt			
US$300 million SEMCO Senior secured - 5.15 percent[e]	21-Apr-2020	**415.2**	348.0
US$82 million SEMCO Senior secured - 4.48 percent	2-Mar-2032	**107.0**	95.1
Debenture notes			
PNG RoyNat Debenture - 3.361 percent[f]	15-Sep-2017	**8.6**	9.8
PNG 2018 Series Debenture - 8.75 percent[f]	15-Nov-2018	**9.0**	10.0
PNG 2024 CFI Debenture - 7.39 percent[g]	1-Nov-2024	**—**	7.4
PNG 2025 Series Debenture - 9.30 percent[f]	18-Jul-2025	**14.0**	14.5
PNG 2027 Series Debenture - 6.90 percent[f]	2-Dec-2027	**15.0**	15.5
Loan from Province of Nova Scotia [h]	31-Jul-2017	**1.1**	2.1
CINGSA capital lease - 3.50 percent	1-May-2040	**0.6**	0.5
CINGSA capital lease - 4.48 percent	4-Jun-2068	**0.2**	0.2
Promissory notes	25-Oct-2015	**—**	1.0
Other long-term debt		**—**	0.1
		$ 4,035.1	$ 3,264.0
Less debt issuance costs[i]		**(15.2)**	(17.8)
		4,019.9	3,246.2
Less current portion		**(287.5)**	(214.4)
		$ 3,732.4	$ 3,031.8

(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. On December 4, 2015, AltaGas extended the maturity of the facility by one year to December 15, 2019.

(b) The notes carried a floating rate coupon of three months LIBOR plus 0.79 percent.

(c) The notes carry a floating rate coupon of three months LIBOR plus 0.72 percent.

(d) The notes carry a floating rate coupon of three months LIBOR plus 0.85 percent.

(e) Collateral for the US$ MTNs is certain SEMCO assets.

(f) Collateral for the Secured Debentures consists of a specific first mortgage on substantially all of PNG's property, plant and equipment, and gas purchase and gas sales contracts, and a first floating charge on other property, assets and undertakings.

(g) On December 23, 2015, the Corpfinance International Ltd. (CFI) Debenture was assigned as part of the sale of McNair. See note 3.

(h) The loan is non-interest bearing and, if certain prescribed revenue targets are achieved, interest will immediately begin to accumulate on a prospective basis at a rate of 6 percent per annum. In July 2011, Heritage Gas elected to repay the loan in five equal installments beginning July 31, 2012. Heritage Gas may also elect to fully repay the loan at any time with no penalty.

(i) Effective July 1, 2015, AltaGas early adopted FASB issued ASU No. 2015-03. Please see note 2.

14. ASSET RETIREMENT OBLIGATIONS

As at December 31		**2015**		2014
Balance, beginning of year	**$**	**70.9**	$	76.1
New obligations		**—**		0.7
Obligations settled		**(3.6)**		(2.4)
Disposals		**—**		(1.3)
Revision in estimated cash flow		**2.3**		(7.5)
Accretion expense		**4.1**		4.2
Foreign exchange translation		**2.9**		1.1
Reclassified to liabilities associated with assets held for sale		**(8.7)**		—
Balance, end of year	**$**	**67.9**	$	70.9

The majority of the asset retirement obligations are associated with gas processing facilities in the Gas segment.

AltaGas estimates the undiscounted cash required to settle the asset retirement obligations, excluding growth for inflation, at December 31, 2015 was $245.2 million (December 31, 2014 - $235.4 million).

The asset retirement obligations have been recorded in the Consolidated Financial Statements at estimated values discounted at rates between 4.0 and 8.5 percent and are expected to be incurred between 2016 and 2164. No assets have been legally restricted for settlement of the estimated liability.

In May 2009, the National Energy Board (NEB) issued a decision that set out guiding principles for a mechanism that would set aside funds for pipeline abandonment. It also established a five-year action plan for all NEB-regulated companies. In May 2014, the NEB issued a decision establishing that, by January 1, 2015, all NEB-regulated companies must have a mechanism in place for the accumulation of funds to pay for future pipeline abandonment. AltaGas Holdings Inc., a wholly-owned subsidiary of AltaGas, opted to comply with the NEB decision with a surety bond supplied by a surety company regulated by the Office of the Superintendent of Financial Institutions in the amount of $30.3 million.

15. LONG-TERM LIABILITIES

In 2010, AltaGas entered into a 60-year CPI-indexed Electricity Purchase Agreement (EPA) and other related agreements with BC Hydro for the 195-MW Forrest Kerr run-of-river hydroelectric facility. As part of the related agreements, AltaGas agreed to pay BC Hydro annual payments of approximately $11.0 million per year, adjusted for inflation, in support of the construction and operation of the Northwest Transmission Line (NTL) until 2034.

The fair value of the firm commitment on initial recognition was measured using an estimated 2 percent inflation rate and 4.27 percent discount rate. The NTL liability has been recorded within other current liabilities for $11.0 million (December 31, 2014 - $10.6 million) and other long-term liabilities for $151.2 million (December 31, 2014 - $155.6 million) as at December 31, 2015. Accretion expense for the year ended December 31, 2015 was $6.9 million (2014 - $2.7 million). The initial consideration and the fair value of the future considerations of $258.5 million, has been recognized within the intangible assets and depreciated over 60 years, the term of the EPA with BC Hydro.

16. INCOME TAXES

Consolidated Tax Position

The tax provision recorded in the Consolidated Financial Statements differs from the amount computed by applying the combined Canadian federal and provincial income tax statutory rates to income before tax as follows:

Years ended December 31		2015		2014
Income before income taxes - consolidated	**$**	**108.0**	$	157.2
Financial instruments - net		**(9.4)**		(4.7)
Income before financial instruments and income taxes	**$**	**98.6**	$	152.5
Income before income taxes - operating subsidiaries	**$**	**98.6**	$	152.5
Statutory income tax rate (%)		**26.00**		25.18
Expected taxes at statutory rates	**$**	**25.6**	$	38.4
Add (deduct) the tax effect of:				
Financial instruments		**2.5**		1.2
Rate adjustments to enacted Canadian rates		**(6.1)**		(5.1)
Permanent differences between accounting and tax basis of assets and liabilities		**2.0**		1.1
Non-taxable portion of capital (gains) losses on disposition of assets and investments		**4.8**		(3.8)
Non-taxable portion of recorded equity income		**(1.8)**		(7.2)
Tax benefit of state expense		**0.3**		4.0
Rate adjustment for change in the Alberta tax rate		**13.8**		—
Tax on preferred shares		**1.1**		1.2
Change in valuation allowance		**16.0**		0.9
Other		**(0.3)**		(1.9)
Deferred income tax recovery on regulated assets		**(5.0)**		(4.7)
Prior year adjustment		**(4.6)**		(5.1)
	$	**48.3**	$	19.0
Income tax provision				
Current				
Canada		**15.6**		8.2
United States		**8.2**		5.8
	$	**23.8**	$	14.0
Deferred				
Canada		**6.7**		(13.5)
United States		**17.8**		18.5
	$	**24.5**	$	5.0
Effective income tax rate (%)		**44.70**		12.09

Effective July 1, 2015, the Alberta corporate tax rate increased from 10 percent to 12 percent. As a result of the revaluation of the deferred income tax liabilities using the increased tax rate, AltaGas recognized an additional $13.8 million of deferred income tax expense for the year ended December 31, 2015 (2014 - $nil).

Net deferred income tax liabilities were composed of the following:

As at December 31		2015		2014
PPE and intangible assets	**$**	**612.6**	$	487.4
Regulatory assets		**168.6**		143.9
Deferred financing		**(12.9)**		(16.6)
Deferred compensation		**(14.3)**		(17.0)
Financial instruments		**(4.5)**		(1.7)
Non-capital losses		**(161.4)**		(131.0)
Valuation allowance		**17.7**		1.3
Other		**11.4**		0.8
	$	**617.2**	$	467.1

The amount shown on the Consolidated Balance Sheets as deferred income tax liabilities represents the net differences between the tax basis and book carrying values on the Corporation's balance sheets at enacted tax rates.

As at December 31, 2015 the Corporation had tax-affected non-capital losses of approximately $165.9 million for tax purposes, which will be available to offset future taxable income. If not used, these losses will expire between 2023 and 2035.

Uncertain Tax Positions

On an annual basis the Corporation and its subsidiaries file tax returns in Canada and various foreign jurisdictions. In Canada AltaGas' federal and provincial tax returns for the years 2008 to 2014 remain subject to examination by taxation authorities. In the United States both the federal and state tax returns filed for the years 2010 to 2014 remain subject to examination by the taxation authorities.

Management determined that the following provision was required for uncertainty on income taxes during the year:

Years ended December 31		**2015**		2014
Balance, beginning of year	**$**	**3.7**	$	3.3
Increases as a result of positions taken during the year		**—**		0.4
Balance, end of year	**$**	**3.7**	$	3.7

17. REGULATORY ASSETS AND LIABILITIES

AltaGas accounts for certain transactions in accordance with ASC 980, Regulated Operations. AltaGas refers to this accounting guidance for regulated entities as “regulatory accounting". Under regulatory accounting, utilities are permitted to defer expenses and income as regulatory assets and liabilities, respectively, in the Consolidated Balance Sheets when it is probable that those expenses and income will be allowed in the rate-setting process in a period different from the period in which they would have been reflected in the Consolidated Statements of Income by a non-rate-regulated entity. These deferred regulatory assets and liabilities are included in the Consolidated Statements of Income in future periods when the amounts are reflected in customer rates. Management’s assessment of the probability of recovery or pass-through of regulatory assets and liabilities requires judgment and interpretation of laws and regulatory agency orders, rules, and rate-making conventions. The relevant regulatory bodies are the AUC, BCUC and NSUARB in Canada, and MPSC and RCA in the United States.

If, for any reason, the Corporation ceases to meet the criteria for application of regulatory accounting for all or part of its operations, the regulatory assets and liabilities related to those portions ceasing to meet such criteria would be de-recognized from the Consolidated Balance Sheets and included in the Consolidated Statements of Income for the period in which the discontinuance of regulatory accounting occurs. Criteria that give rise to the discontinuance of regulatory accounting include: (i) increasing competition that restricts the ability of the Corporation to charge prices sufficient to recover specific costs, and (ii) a significant change in the manner in which rates are set by regulatory agencies from cost-based regulation to another form of regulation. The Corporation’s review of these criteria currently supports the continued application of regulatory accounting for utilities.

The following table summarizes the regulatory assets and liabilities recorded in the Consolidated Balance Sheets, as well as the remaining period, as of December 31, 2015 and 2014, over which the Corporation expects to realize or settle the assets or liabilities:

		December 31, 2015		December 31, 2014	Recovery Period
Regulatory assets - current					
Deferred cost of gas	**$**	**3.7**	$	12.5	Less than one year
Deferred property taxes		**0.6**		0.3	Less than one year
	$	**4.3**	$	12.8	
Regulatory assets - non-current					
Deferred regulatory costs and rate stabilization adjustment mechanism	**$**	**19.0**	$	10.4	Various
Pipeline rehabilitation costs		**6.8**		6.0	10 years
Future recovery of pension and other retirement benefits [(a)]		**130.3**		127.3	Various
Deferred environmental costs		**22.3**		21.6	2-10 years
Deferred loss on reacquired debt		**4.3**		2.9	2-5 years
Deferred depreciation and amortization [(b)]		**22.9**		20.3	Various
Deferred future income taxes [(c)]		**96.4**		79.1	Various
Revenue deficiency account [(d)]		**29.3**		33.4	Various
Other		**2.0**		1.0	2-3 years
	$	**333.3**	$	302.0	
Regulatory liabilities - current					
Deferred cost of gas	**$**	**15.1**	$	3.9	Less than one year
Energy optimization costs		**3.0**		3.4	Less than one year
Interruptible storage service revenue		**1.1**		0.9	Less than one year
Refundable tax credit [(f)]		**2.1**		1.8	Less than one year
	$	**21.3**	$	10.0	
Regulatory liabilities - non-current					
Option fees deferral [(e)]	**$**	**3.7**	$	0.7	Various
Refundable tax credit [(f)]		**12.5**		12.2	Various
Future removal and site restoration costs [(g)]		**150.3**		120.7	Various
Insurance recovery of environmental costs		**0.8**		1.0	4 years
Interruptible storage service revenue		**0.3**		1.1	2 years
Other		**—**		0.3	Various
	$	**167.6**	$	136.0	

(a) Certain utilities have recovered pension costs related to regulated operations in rates, and as such the Corporation has recorded a regulatory asset for the pension funding deficiency. Depending on the method utilized by the utility the recovery period can be either the expected service life of the employees or the benefit period for employees or a specific recovery period as approved by the respective regulator.

(b) Pursuant to the NSUARB decision dated February 12, 2009, Heritage Gas was ordered to suspend amortization of property, plant and equipment and intangible assets for regulatory purposes for the fiscal periods from 2009 to 2011 inclusively. The NSUARB, in its most recent decision dated November 24, 2011, continued the order to suspend amortization for regulatory purposes for the fiscal periods from 2012 to 2013 inclusively, however amortization was to resume for regulatory purposes in 2014 at 25 percent of authorized rates; 2015 at 50 percent of authorized rates; 2016 at 75 percent of authorized rates; and 2017 at 100 percent of authorized rates. As a result of this order, the Corporation recognizes a regulatory asset equal to the amortization that would have otherwise been included in rates. The deferred regulatory asset is recovered over the remaining useful life of related assets.

(c) Remaining amortization period varies depending on the timing of underlying transactions.

(d) Heritage Gas has an approval from the NSUARB to use a revenue deficiency account (RDA) until it is fully recovered, subject to a cap of $50 million, imposed in 2010, which may be increased subject to approval by the NSUARB. The RDA is the cumulative difference between the revenue requirements and the actual amounts billed to customers.

(e) Pursuant to BCUC approved negotiated settlement agreement.

(f) On September 18, 2013, CINGSA received a US$15.0 million gas storage facility tax credit from the State of Alaska for the benefit of its firm storage service customers. CINGSA will derive no direct or indirect benefit from the tax credit. Following receipt of the tax credit, CINGSA deposited it in a separate interest-bearing account. CINGSA will act as a custodian of the tax credit and any interest earned for the benefit of CINGSA's customers. On an annual basis, covering the years 2012 through 2021, CINGSA will disburse to the customers 1/10th of the amount of the tax credit not subject to refund to the State and interest earned. The RCA has approved the disbursement methodology.

(g) This amount and timing of draw down is dependent upon the cost of removal of underlying utility property, plant and equipment and the life of property, plant and equipment.

18. ACCUMULATED OTHER COMPREHENSIVE INCOME

($ millions)	Available-for-sale	Cash flow hedges	Defined benefit pension and PRB plans	Hedge net investments	Translation foreign operations	AOCI Investee	Total
Opening balance, January 1, 2015	**$ (12.0)**	**$ 13.3**	**$ (9.6)**	**$ (70.9)**	**$ 242.3**	**$ —**	**$ 163.1**
OCI before reclassification	**(24.2)**	**(0.4)**	**(1.4)**	**(99.1)**	**368.2**	**4.6**	**247.7**
Amounts reclassified from OCI	**35.4**	**(17.5)**	**0.9**	**—**	**—**	**—**	**18.8**
Current period OCI (pre-tax)	**11.2**	**(17.9)**	**(0.5)**	**(99.1)**	**368.2**	**4.6**	**266.5**
Income tax on amounts retained in AOCI	**(0.1)**	**0.2**	**0.8**	**0.4**	**—**	**—**	**1.3**
Income tax on amounts reclassified to earnings	**(1.5)**	**4.4**	**(0.3)**	**—**	**—**	**—**	**2.6**
Net current period OCI	**9.6**	**(13.3)**	**—**	**(98.7)**	**368.2**	**4.6**	**270.4**
Ending balance, December 31, 2015	**$ (2.4)**	**$ —**	**$ (9.6)**	**$ (169.6)**	**$ 610.5**	**$ 4.6**	**$ 433.5**
Opening balance, January 1, 2014	$ (3.0)	$ (10.4)	$ (5.7)	$ (35.9)	$ 94.4	$ —	$ 39.4
OCI before reclassification	(12.0)	31.6	(5.7)	(40.1)	147.9	—	121.7
Amounts reclassified from OCI	1.8	(0.1)	0.5	—	—	—	2.2
Current period OCI (pre-tax)	(10.2)	31.5	(5.2)	(40.1)	147.9	—	123.9
Income tax on amounts retained in AOCI	1.5	(7.9)	1.5	5.1	—	—	0.2
Income tax on amounts reclassified to earnings	(0.3)	0.1	(0.2)	—	—	—	(0.4)
Net current period OCI	(9.0)	23.7	(3.9)	(35.0)	147.9	—	123.7
Ending balance, December 31, 2014	$ (12.0)	$ 13.3	$ (9.6)	$ (70.9)	$ 242.3	$ —	$ 163.1

Reclassification From Accumulated Other Comprehensive Income

AOCI components reclassified	Income Statement line item	Years ended December 31 2015	2014
Cash flow hedges - commodity contracts			
Commodity contracts - NGL (realized effective portion)	Service revenue	**$ (7.2)**	$ —
Commodity contracts - NGL (discontinuation of hedge accounting)[(a)]	Unrealized gains on risk management contracts	**(10.3)**	(0.4)
Bond forward	Interest expense - Long-term debt	**—**	0.1
	Other income (expenses)	**—**	0.2
Available-for-sale	Other income (expenses)	**35.4**	1.8
Defined benefit pension plans	Operating and administrative expense	**0.9**	0.5
	Total before income taxes	**18.8**	2.2
Deferred income taxes	Income tax expenses – Deferred	**2.6**	(0.4)
		$ 21.4	$ 1.8

(a) In September 2015, AltaGas discontinued cash flow hedge accounting on its existing NGL frac hedges as the forecasted NGL sales were no longer expected to occur.

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Corporation’s financial instruments consist of cash and cash equivalents, accounts receivable, risk management contracts, accounts payable and accrued liabilities, dividends payable, short-term and long-term debt and certain 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 uses over-the-counter derivative instruments to manage fluctuations in commodity prices, interest rates, and foreign exchange rates. AltaGas estimates forward prices based on published sources adjusted for factors specific to the asset or liability, including basis and location differentials, discount rates, currency exchange, and interest rate yield curves. The forward curves used to mark-to-market these derivative instruments are vetted against public sources.

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.

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

Cash and cash equivalents, Short-term investments, Accounts Receivable, Accounts Payable, Short-term debt and Dividends Payable - 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 has been 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 and NGL derivatives were calculated using discounted cash flow analysis based upon forward prices from published sources for the relevant period. The fair value of foreign exchange derivatives was calculated using quoted market rates.

	December 31, 2015				
	Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Financial assets					
Cash and cash equivalents	**$ 293.4**	**$ 293.4**	**$ —**	**$ —**	**$ 293.4**
Risk management assets - current	**50.4**	**—**	**50.4**	**—**	**50.4**
Risk management assets - non-current	**23.5**	**—**	**23.5**	**—**	**23.5**
Long-term investments and other assets [(a)] *(note 10)*	**24.0**	**24.0**	**—**	**—**	**24.0**
	$ 391.3	**$ 317.4**	**$ 73.9**	**$ —**	**$ 391.3**
Financial liabilities					
Risk management liabilities - current	**$ 33.5**	**$ —**	**$ 33.5**	**$ —**	**$ 33.5**
Risk management liabilities - non-current	**15.7**	**—**	**15.7**	**—**	**15.7**
Current portion of long-term debt	**287.5**	**—**	**286.2**	**—**	**286.2**
Long-term debt	**3,732.4**	**—**	**3,787.5**	**—**	**3,787.5**
Other current liabilities [(b)] *(note 15)*	**11.0**	**—**	**11.0**	**—**	**11.0**
Other long-term liabilities [(b)] *(note 15)*	**151.2**	**—**	**144.9**	**—**	**144.9**
	$ 4,231.3	**$ —**	**$ 4,278.8**	**$ —**	**$ 4,278.8**

(a) Excludes non-financial assets.

(b) Excludes non-financial liabilities.

	December 31, 2014				
	Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Financial assets					
Cash and cash equivalents	$ 371.0	$ 371.0	$ —	$ —	$ 371.0
Short-term investment	50.0	50.0	—	—	50.0
Risk management assets - current	70.8	—	70.8	—	70.8
Risk management assets - non-current	21.1	—	21.1	—	21.1
Long-term investments and other assets [(a)] *(note 10)*	46.3	46.3	—	—	46.3
	$ 559.2	$ 467.3	$ 91.9	$ —	$ 559.2
Financial liabilities					
Risk management liabilities - current	$ 43.5	$ —	$ 43.5	—	$ 43.5
Risk management liabilities - non-current	14.7	—	14.7	—	14.7
Current portion of long-term debt	214.4	—	214.4	—	214.4
Long-term debt	3,031.8	—	3,170.3	—	3,170.3
Other current liabilities [(b)] *(note 15)*	10.6	—	10.6	—	10.6
Other long-term liabilities [(b)] *(note 15)*	155.6	—	149.1	—	149.1
	$ 3,470.6	$ —	$ 3,602.6	$ —	$ 3,602.6

(a) Excludes non-financial assets.

(b) Excludes non-financial liabilities.

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

Years ended December 31	**2015**	2014
Natural gas	**$ 7.2**	$ (7.9)
Storage optimization	**(0.4)**	2.1
NGL frac spread	**(3.2)**	3.2
Power	**6.3**	7.5
Heat rate	**(0.3)**	0.1
Foreign exchange	**(0.1)**	(0.3)
Embedded derivative	**(0.1)**	—
	$ 9.4	$ 4.7

Offsetting of Derivative Assets and Derivative Liabilities

Certain AltaGas risk management contracts are subject to master netting arrangements that create a legally enforceable right to offset by counterparty the related financial assets and financial liabilities.

	December 31, 2015		
Risk management assets [(a)]	**Gross amounts of recognized assets/liabilities**	**Gross amounts offset in balance sheet**	**Net amounts presented in balance sheet**
Natural gas	**$ 40.1**	**$ (1.9)**	**$ 38.2**
Storage optimization	**3.0**	**(0.5)**	**2.5**
Power	**34.0**	**(0.9)**	**33.1**
Heat rate	**0.1**	**—**	**0.1**
Foreign exchange	**2.2**	**(2.2)**	**—**
	$ 79.4	**$ (5.5)**	**$ 73.9**
Risk management liabilities [(b)]			
Natural gas	**$ 37.0**	**$ (1.9)**	**$ 35.1**
Storage optimization	**0.5**	**(0.5)**	**—**
Power	**14.5**	**(0.9)**	**13.6**
Foreign exchange	**2.7**	**(2.2)**	**0.5**
Total	**$ 54.7**	**$ (5.5)**	**$ 49.2**

(a) Net amount of risk management assets on the Balance Sheet is comprised of risk management assets (current) balance of $50.4 million and risk management assets (non-current) balance of $23.5 million.

(b) Net amount of risk management liabilities on the Balance Sheet is comprised of risk management liabilities (current) balance of $33.5 million and risk management liabilities (non-current) balance of $15.7 million.

	December 31, 2014		
Risk management assets [(a)]	Gross amounts of recognized assets/liabilities	Gross amounts offset in balance sheet	Net amounts presented in balance sheet
Natural gas	$ 61.0	$ 25.2	$ 35.8
Storage optimization	1.0	—	1.0
NGL frac spread	26.6	—	26.6
Power	28.0	—	28.0
Heat rate	0.5	—	0.5
	$ 117.1	$ 25.2	$ 91.9
Risk management liabilities [(b)]			
Natural gas	$ 64.9	$ 25.2	$ 39.7
Storage optimization	0.1	—	0.1
NGL frac spread	5.7	—	5.7
Power	12.1	—	12.1
Heat rate	0.1	—	0.1
Foreign exchange	0.5	—	0.5
	$ 83.4	$ 25.2	$ 58.2

(a) Net amount of risk management assets on the Balance Sheet is comprised of risk management assets (current) balance of $70.8 million and risk management assets (non-current) balance of $21.1 million.

(b) Net amount of risk management liabilities on the Balance Sheet is comprised of risk management liabilities (current) balance of $43.5 million and risk management liabilities (non-current) balance of $14.7 million.

Risks associated with financial instruments

AltaGas is exposed to various financial risks in the normal course of operations such as market risks resulting from fluctuations in commodity prices, currency exchange rates and interest rates as well as credit risk and liquidity risk.

Commodity Price Risk

AltaGas enters into financial derivative contracts to manage exposure to fluctuations in commodity prices. The use of derivative instruments is governed under formal risk management policies and is subject to parameters set out by AltaGas' Risk Management Committee and Board of Directors. AltaGas does not make use of derivative instruments for speculative purposes.

Natural Gas

AltaGas purchases and sells natural gas to its customers. The fixed price and market price contracts for both the purchase and sale of natural gas extend to 2020. AltaGas had the following contracts and commodity swaps outstanding related to the storage optimization activities:

December 31, 2015	**Fixed price (per GJ)**	**Period (months)**	**Notional volume (GJ)**	**Fair Value ($ millions)**
Sales	**1.40 to 5.25**	**1-60**	**95,526,580**	**25.2**
Purchases	**1.37 to 5.20**	**1-60**	**81,949,419**	**(22.1)**
Swaps	**2.58 to 3.02**	**1-3**	**3,372,837**	**—**

December 31, 2014	Fixed price (per GJ)	Period (months)	Notional volume (GJ)	Fair Value ($ millions)
Sales	2.00 to 12.00	1-72	77,394,117	39.0
Purchases	2.09 to 9.08	1-72	72,262,437	(37.4)
Swaps	2.51 to 16.26	1-10	4,266,090	(5.5)

Power

Under the Sundance B Power Purchase Arrangement (PPA) AltaGas has an obligation to buy power at agreed terms and prices to December 31, 2020. The Corporation sells the power to the Alberta Electric System Operator at market prices and uses swaps to fix the prices over time on a portion of the volumes. AltaGas' strategy is to mitigate the cash flow risk to Alberta power prices to provide predictable earnings. As at December 31, 2015, AltaGas had no intention to terminate any contracts prior to maturity. AltaGas had the following commodity forward contracts on electrical power, commodity swaps, and heat rate hedges outstanding:

December 31, 2015	**Fixed price (per GJ or MWh)**	**Period (months)**	**Notional volume (GJ or MWh)**	**Fair Value ($ millions)**
Power sales	**35.94 to 99.25**	**1-60**	**2,834,736**	**24.5**
Power purchases	**52.50 to 69.72**	**1-36**	**478,112**	**(8.6)**
Swap sales	**31.00 to 44.00**	**1-12**	**256,800**	**2.0**
Swap purchases	**37.00 to 56.50**	**1-48**	**490,752**	**1.6**
Heat rate electricity sales	**43.55 to 49.35**	**1**	**4,960**	**0.1**

December 31, 2014	Fixed price (per GJ or MWh)	Period (months)	Notional volume (GJ or MWh)	Fair Value ($ millions)
Power sales	43.94 to 97.55	1-72	2,808,405	22.1
Power purchases	48.50 to 88.00	1-48	1,226,496	(9.9)
Swap sales	49.10 to 63.00	1-4	229,985	2.5
Swap purchases	56.50	1-36	78,912	(0.9)
Heat rate electricity sales	61.75 to 75.35	1-4	31,190	0.4
Heat rate gas purchases	3.93	1	49,600	(0.1)

The table below provides the potential impact on pre-tax income due to changes in the fair value of risk management contracts in place as at December 31, 2015.

Factor	Increase or decrease to forward prices	Increase or decrease to income before tax ($ millions)
Alberta power price	$1/MWh	2.1
AECO natural gas price	$0.50/GJ	4.9

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 US 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 by AltaGas' US dollar-denominated debt and preferred shares. 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 had no contracts outstanding as at December 31, 2015.

AltaGas also designates its US dollar-denominated debt as a net investment hedge of its U.S. subsidiaries. As at December 31, 2015, AltaGas designated US$723.5 million of outstanding debt as a net investment hedge (December 31, 2014 - US$375 million). For the year ended December 31, 2015, AltaGas incurred unrealized loss of $98.7 million arising from the translation of debt in OCI (Year ended December 31, 2014 - after-tax unrealized loss of $35.0 million).

Interest Rate Risk

AltaGas is exposed to interest rate risk as changes in interest rates may impact future cash flows and the fair value of its financial instruments. The Corporation manages its interest rate risk by holding a mix of both fixed and floating interest rate debts. As at December 31, 2015, approximately 70% of AltaGas' total outstanding short-term and long-term debt was at fixed rates. In addition, from time to time, AltaGas may enter into interest rate swap agreements to fix the interest rate on a portion of its banker's acceptances issued under its credit facilities. There were no outstanding interest rate swaps as at December 31, 2015.

Credit Risk

Credit risk results from the possibility that a counterparty to a financial instrument fails to fulfill its obligations in accordance with the terms of the contract.

AltaGas' credit policy details the parameters used to grant, measure, monitor and report on credit provided to counterparties. AltaGas minimizes counterparty risk by conducting credit reviews on counterparties in order to establish specific credit limits, both prior to providing products or services and on a recurring basis. In addition, most contracts include credit mitigation clauses that allow AltaGas to obtain financial or performance assurances from counterparties under certain circumstances. AltaGas provides an allowance for doubtful accounts in the normal course of its business.

AltaGas' maximum credit exposure consists primarily of the carrying value of the non-derivative financial assets and the fair value of derivative financial assets. As at December 31, 2015, AltaGas had no concentration of credit risk with a single counterparty.

Accounts Receivable Past Due or Impaired

AltaGas had the following past due or impaired accounts receivable (AR):

	As at December 31, 2015	AR accruals	Receivables impaired	Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days
Trade receivable	**$ 323.3**	**$ 122.7**	**$ 2.7**	**$ 187.3**	**$ 6.4**	**$ 1.2**	**$ 3.0**
Other	**12.7**	**—**	**—**	**12.5**	**0.1**	**—**	**0.1**
Allowance for credit losses	**(2.7)**	**—**	**(2.7)**	**—**	**—**	**—**	**—**
	$ 333.3	**$ 122.7**	**$ —**	**$ 199.8**	**$ 6.5**	**$ 1.2**	**$ 3.1**

	As at December 31, 2014	AR accruals	Receivables impaired	Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days
Trade receivable	$ 341.4	$ 126.7	$ 2.5	$ 194.7	$ 11.1	$ 2.9	$ 3.5
Other	13.5	—	—	11.9	—	—	1.6
Allowance for credit losses	(2.5)	—	(2.5)	—	—	—	—
	$ 352.4	$ 126.7	$ —	$ 206.6	$ 11.1	$ 2.9	$ 5.1

Allowance for credit losses	December 31, 2015	December 31, 2014
Balance, beginning of year	**$ 2.5**	$ 3.8
Foreign exchange translation	**0.3**	0.1
New allowance	**0.1**	0.7
Recovery of allowance	**—**	(1.3)
Allowance applied to uncollectible customer accounts	**(0.2)**	(0.8)
Balance, end of year	**$ 2.7**	$ 2.5

Liquidity Risk

Liquidity risk is the risk that AltaGas will not be able to meet its financial obligations as they come due. AltaGas manages this risk through its extensive budgeting and monitoring process to ensure it has sufficient cash and credit facilities to meet its obligations. AltaGas' objective is to maintain its investment-grade ratings to ensure it has access to debt and equity funding as required.

AltaGas had the following contractual maturities with respect to financial liabilities:

		Payments due by period			
As at December 31, 2015	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Accounts payable and accrued liabilities	**$ 383.1**	**$ 383.1**	**$ —**	**$ —**	**$ —**
Dividends payable	**24.1**	**24.1**	**—**	**—**	**—**
Short-term debt	**130.7**	**130.7**	**—**	**—**	**—**
Other current liabilities [(a)]	**11.0**	**11.0**	**—**	**—**	**—**
Other long-term liabilities [(a)]	**151.2**	**—**	**20.7**	**20.0**	**110.5**
Risk management contract liabilities	**49.2**	**33.5**	**12.4**	**3.3**	**—**
Current portion of long-term debt [(b)]	**287.6**	**287.6**	**—**	**—**	**—**
Long-term debt [(b)]	**3,747.5**	**—**	**578.1**	**1,520.3**	**1,649.1**
	$ 4,784.4	**$ 870.0**	**$ 611.2**	**$ 1,543.6**	**$ 1,759.6**

(a) Excludes non-financial liabilities

(b) Excludes deferred financing costs

As at December 31, 2014	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
	Payments due by period				
Accounts payable and accrued liabilities	$ 343.6	$ 343.6	$ —	$ —	$ —
Dividends payable	19.8	19.8	—	—	—
Short-term debt	72.4	72.4	—	—	—
Other current liabilities [(a)]	10.6	10.6	—	—	—
Other long-term liabilities [(a)]	155.6	—	20.5	19.6	115.5
Risk management contract liabilities	58.2	43.5	13.2	1.2	0.3
Current portion of long-term debt [(b)]	214.4	214.4	—	—	—
Long-term debt [(b)]	3,049.6	—	457.4	388.1	2,204.1
	$ 3,924.2	$ 704.3	$ 491.1	$ 408.9	$ 2,319.9

(a) Excludes non-financial liabilities

(b) Excludes deferred financing costs

20. SHAREHOLDERS' EQUITY

Authorization

AltaGas is authorized to issue an unlimited number of voting common shares. AltaGas is also authorized to issue preferred shares not to exceed 50 percent of the voting rights attached to the issued and outstanding common shares.

On September 30, 2015, AltaGas closed a public offering of 8,760,000 Common Shares at a price of $34.25 per Common Share for aggregate gross proceeds of approximately $300 million.

Dividend Reinvestment Plan (DRIP)

AltaGas has adopted a Dividend Reinvestment and Optional Share Purchase Plan for holders of common shares (the Plan).

The Plan, as may be amended from time to time, provides eligible holders of common shares with the opportunity to reinvest the cash dividends paid by AltaGas on their common shares towards the purchase of new common shares at a 5 percent discount to the average market price (as defined below) of the common shares on the applicable dividend payment date (the dividend reinvestment component of the Plan). The Plan also provides shareholders who are enrolled in the dividend reinvestment component of the Plan with the opportunity to purchase new common shares at the average market price (with no discount) on the applicable dividend payment date (the optional cash payment component of the Plan). Each of the components of the Plan is subject to prorating and other limitations on availability of new common shares in certain events. The "average market price", in respect of a particular dividend payment date, refers to the arithmetic average (calculated to four decimal places) of the daily volume weighted average trading prices of common shares on the Toronto Stock Exchange for the trading days on which at least one board lot of common shares is traded during the 10 business days immediately preceding the applicable dividend payment date. Such trading prices will be appropriately adjusted for certain capital changes (including common share subdivisions, common share consolidations, certain rights offerings and certain dividends). Shareholders resident outside of Canada are not entitled to participate in the Plan.

Common Shares Issued and Outstanding	Number of shares		Amount
January 1, 2014	122,305,293	$	2,211.4
Shares issued for cash on exercise of options	989,162		24.9
Shares issued on public offering	9,027,500		449.2
Deferred taxes on share issuance cost	—		4.2
Shares issued under DRIP	1,619,794		70.2
December 31, 2014	133,941,749		2,759.9
Shares issued on public offering	8,760,000		287.9
Shares issued for cash on exercise of options	834,268		20.8
Deferred taxes on share issuance costs	—		3.3
Shares issued under DRIP	2,745,230		96.2
Issued and outstanding at December 31, 2015	**146,281,247**	**$**	**3,168.1**

Preferred Shares

On September 30, 2015, 2,488,780 of the outstanding 8,000,000 Cumulative Redeemable Five Year Fixed Rate Reset Preferred Shares, Series A were converted into Cumulative Floating Rate Preferred Shares, Series B.

On November 23, 2015, AltaGas closed a public offering of 8,000,000 Cumulative Redeemable 5-Year Minimum Rate Reset Preferred Shares, Series I, at a price of $25.00 per Series I, Preferred Share for aggregate gross proceeds of $200 million.

Preferred Shares Series A Issued and Outstanding	Number of shares		Amount
January 1, 2014	8,000,000	$	194.1
Deferred taxes on share issuance costs	—		1.8
December 31, 2014	8,000,000		195.9
Shares converted to Series B	(2,488,780)		(60.9)
Issued and outstanding at December 31, 2015	**5,511,220**	**$**	**135.0**

Preferred Shares Series B Issued and Outstanding	Number of shares		Amount
January 1, 2014 and December 31, 2014	—	$	—
Shares issued on conversion from Series A	2,488,780		60.9
Issued and outstanding at December 31, 2015	**2,488,780**	**$**	**60.9**

Preferred Shares Series C Issued and Outstanding	Number of shares		Amount
January 1, 2014	8,000,000	$	200.6
December 31, 2014	8,000,000		200.6
Issued and outstanding at December 31, 2015	**8,000,000**	**$**	**200.6**

Preferred Shares Series E Issued and Outstanding	Number of shares		Amount
January 1, 2014	8,000,000	$	194.9
Deferred taxes on share issuance costs	—		0.9
December 31, 2014	8,000,000		195.8
Issued and outstanding at December 31, 2015	**8,000,000**	**$**	**195.8**

Preferred Shares Series G Issued and Outstanding	Number of shares		Amount
January 1, 2014	—	$	—
Shares issued on public offering	8,000,000		200.0
Share issuance costs, net of taxes	—		(3.9)
December 31, 2014	8,000,000		196.1
Issued and outstanding at December 31, 2015	**8,000,000**	**$**	**196.1**

Preferred Shares Series I Issued and Outstanding	Number of shares		Amount
January 1, 2014 and December 31, 2014	—	$	—
Shares issued	8,000,000		200.0
Share issuance costs, net of taxes	—		(3.3)
Issued and outstanding at December 31, 2015	**8,000,000**	**$**	**196.7**

The following table outlines the characteristics of the cumulative redeemable preferred shares:

	Current Yield	Annual dividend per share[a]	Redemption price per share	Redemption and conversion option date[b][c]	Right to convert into[c]
Series A [d]	3.38%	$0.845	$25	September 30, 2020	Series B
Series B [e]	Floating [e]	Floating [e]	$25	September 30, 2020	n/a
Series C [f]	4.40%	US$1.10	US$25	September 30, 2017	Series D
Series E [d]	5.00%	$1.25	$25	December 31, 2018	Series F
Series G [d]	4.75%	$1.1875	$25	September 30, 2019	Series H
Series I [g]	5.25%	$1.3125	$25	December 31, 2020	Series J

(a) The holder of Series A, C, E, G, and I is entitled to receive a cumulative quarterly fixed dividend as and when declared by the Board of Directors. The holder of Series B is entitled to receive quarterly floating dividend as and when declared by the board.

(b) AltaGas may, at its option, redeem all or a portion of the outstanding shares for the redemption price per share, plus all accrued and unpaid dividends on the applicable redemption option date and on every fifth anniversary thereafter.

(c) The holder will have the right, subject to certain conditions, to convert their preferred shares of a specified series into preferred shares of another specified series on the conversion option date and every fifth anniversary thereafter.

(d) Holders will be entitled to receive cumulative quarterly fixed dividends, which will reset on the redemption and conversion option date and every fifth year thereafter, at a rate equal to the sum of the then five-year Government of Canada bond yield plus 2.66 percent (Series A), 3.17 percent (Series E), and 3.06 percent (Series G).

(e) Holders of Series B will be entitled to receive cumulative quarterly floating dividends, which will reset each quarter thereafter at a rate equal to the sum of the then 90-day government of Canada Treasury Bill plus 2.66 percent. Each quarterly dividend is calculated as the annualized amount multiplied by the number of days in the quarter, divided by the number of days in the year. Commencing December 31, 2015, the floating quarterly dividend rate for Series B is $0.19269 per Series B preferred share for the period starting December 31, 2015 to, but excluding, March 31, 2016.

(f) Holders of Series C will be entitled to receive cumulative quarterly fixed dividends, which will reset on the redeemable and conversion option date and every fifth year thereafter, at a rate equal to the sum of the U.S. Government Bond Yield on the applicable rate calculation date plus 3.58 percent.

(g) Holders will be entitled to receive cumulative quarterly fixed dividends, which will reset on the redeemable and conversion option date and every fifth year thereafter, at a rate equal to the then five-year Government of Canada bond yield plus 4.19 percent, provided that, in any event, such rate shall not be less than 5.25 percent per annum.

Share Option Plan

AltaGas has an employee share option plan under which employees and directors are eligible to receive grants. As at December 31, 2015, 10,068,864 shares were reserved for issuance under the plan. As at December 31, 2015, options granted under the plan have a term between six and 10 years until expiry and vest no longer than over a four-year period.

As at December 31, 2015, unexpensed fair value of share option compensation cost associated with future periods was $2.7 million (December 31, 2014 - $5.2 million).

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

	December 31, 2015			December 31, 2014		
	Options outstanding			Options outstanding		
	Number of options		**Exercise price[a]**	Number of options		Exercise price[a]
Share options outstanding, beginning of year	**5,123,655**	**$**	**30.28**	5,561,505	$	27.25
Granted	**470,000**		**36.94**	666,000		45.57
Exercised	**(834,268)**		**22.93**	(989,162)		23.03
Expired	**(19,125)**		**41.67**	—		—
Forfeited	**(181,001)**		**36.88**	(114,688)		34.44
Share options outstanding, end of year	**4,559,261**	**$**	**32.02**	5,123,655	$	30.28
Share options exercisable, end of year	**3,009,946**	**$**	**28.71**	3,007,280	$	25.51

(a) Weighted average.

As at December 31, 2015, the aggregate intrinsic value of the total options exercisable was $12.0 million (December 31, 2014 - $53.6 million), the total intrinsic value of options outstanding was $12.2 million (December 31, 2014 – $68.2 million) and the total intrinsic value of options exercised was $12.0 million (December 31, 2014 - $22.6 million).

The following table summarizes the employee share option plan as at December 31, 2015:

	Options outstanding				Options exercisable		
	Number outstanding		Weighted average exercise price	Weighted average remaining contractual life	Number exercisable		Weighted average exercise price
$14.24 to $18.00	245,000	$	15.20	3.31	245,000	$	15.20
$18.01 to $25.08	633,750		21.43	4.35	633,750		21.43
$25.09 to $50.89	3,680,511		34.96	5.45	2,131,196		32.43
	4,559,261	**$**	**32.02**	**5.18**	**3,009,946**	**$**	**28.71**

The fair value of each option granted is estimated on the date of grant using the Black-Scholes-Merton option pricing model. The weighted average grant date fair value and assumptions are as follows:

Years ended December 31	**2015**	2014
Fair value per option ($)	**2.98**	5.86
Risk-free interest rate (%)	**1.16**	1.71
Expected life (years)	**6**	6
Expected volatility (%)	**18.84**	20.21
Annual dividend per share ($)	**1.77**	1.71
Forfeiture rate (%)	**16.00**	16.00

MTIP

AltaGas has a MTIP plan for employees and executive officers, which includes RUs and PUs with vesting periods between 36 to 44 months from the grant date.

Performance and Restricted Units	**December 31, 2015**	December 31, 2014
(number of units)		
Balance, beginning of year	**282,817**	224,713
Granted	**196,770**	207,180
Vested and paid out	**(71,883)**	(137,795)
Forfeited	**(7,133)**	(9,435)
Units in lieu of dividends	**8,466**	(1,846)
Outstanding, end of year	**409,037**	282,817

For the year ended December 31, 2015, the compensation expense recorded for the MTIP was $3.3 million (2014 - $4.6 million). As at December 31, 2015, the unrecognized compensation expense relating to the remaining vesting period was $12.6 million (December 31, 2014 - $11.7 million) and is expected to be recognized over the vesting period.

21. NET INCOME PER COMMON SHARE

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

Years ended December 31		2015		2014
Numerator:				
Net income applicable to controlling interests	**$**	**51.1**	$	130.1
Less: Preferred share dividends		**(41.2)**		(34.5)
Net income per common share	**$**	**9.9**	$	95.6
Denominator:				
(millions)				
Weighted average number of common shares outstanding		**137.7**		126.7
Dilutive equity instruments[a]		**1.0**		1.9
Weighted average number of common shares outstanding - diluted		**138.7**		128.6
Basic net income per common share	**$**	**0.07**	$	0.75
Diluted net income per common share	**$**	**0.07**	$	0.74

(a) Includes all options that have a strike price lower than the market share price of AltaGas' common shares as at December 31, 2015 and 2014.

For year ended December 31, 2015, 1.6 million of share options, (year ended December 31, 2014 - 0.6 million) were excluded from the diluted net income per share calculation as their effects were anti-dilutive.

22. OTHER INCOME (LOSS)

Years ended December 31		2015		2014
Gain from sale of assets	**$**	**0.3**	$	**38.2**
Interest income and other revenue		**5.2**		**6.2**
Losses from extinguishment of debts		**—**		**(17.4)**
Other than temporary impairment of available-for-sale investments		**(35.4)**		**(1.8)**
Unrealized gain from held-for-trading assets		**1.2**		**0.2**
	$	**(28.7)**	$	**25.4**

23. OPERATING LEASES

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 create the present obligation to make such payments occurs such as when actual electricity is generated and delivered. The carrying value of property, plant, and equipment associated with these leases was $3.1 billion as at December 31, 2015 (December 31, 2014 - $2.2 billion). For the year ended December 31, 2015, the total revenue earned from minimum lease payments was $111.1 million (2014 - $91.4 million) and from contingent rentals was $102.8 million (2014 - $32.6 million).

The following table sets forth the future fixed minimum revenue related to the operating leases for the years ended December 31:

2016	214.2
2017	218.7
2018	223.3
2019	227.9
2020	200.8

24. COMMITMENTS AND CONTINGENCIES

Commitments

AltaGas has long-term natural gas purchase arrangements, service agreements, power purchase agreements, and operating leases for office space, office equipment and automobile equipment, all of which are transacted at market prices and in the normal course of business.

Future payments of these commitments at December 31, 2015 are estimated as follows:

	2016	2017	2018	2019	2020	2021 and beyond	**Total**
Gas purchase[(a)]	$ 369.6	$ 364.7	$ 277.8	$ 269.3	$ 265.0	$ 564.0	**$ 2,110.4**
Service agreement[(b)(c)]	9.8	10.1	17.9	17.7	10.1	168.6	**234.2**
Storage services[(d)]	3.4	3.5	3.5	3.5	3.5	33.0	**50.4**
Capital projects[(e)]	64.9	—	—	—	—	—	**64.9**
Operating leases[(f)]	27.6	32.4	7.2	6.6	5.0	12.9	**91.7**
	$ 475.3	$ 410.7	$ 306.4	$ 297.1	$ 283.6	$ 778.5	**$ 2,551.6**

(a) AltaGas enters into contracts to purchase natural gas and natural gas transportation and storage services from various suppliers for its utilities. These contracts, which have expiration dates that range from 2016 to 2021, are used 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.

(b) 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 at the Blythe facility over 116,000 EOH/CT, or 20 years, whichever comes first. The LTSA has fixed fees that will be incurred in the five years following December 31, 2014 and variable fees on a per equivalent operating hour (EOH) basis. As at December 31, 2015, the total commitment was $224.1 million payable over the next 18 years, of which $57.1 million is expected to be paid over the next five years.

(c) In 2007, AltaGas entered into a service and maintenance agreement with Enercon GmbH for the wind turbines for Bear Mountain. AltaGas has an obligation to pay a minimum of $10.1 million over the next six years, of which $8.4 million is payable in the next five years.

(d) In 2009, AltaGas entered into a 20-year storage contract at the Dawn Hub in southwest Ontario. AltaGas is obligated to pay approximately $3.5 million per annum over the term of the contract for storage services.

(e) Commitments for capital projects are related to the construction of Power and Gas assets. Estimated amounts are subject to variability depending on the actual construction costs.

(f) Operating leases include lease arrangements for office spaces, vehicles, office and other equipment.

Guarantees

On October 2014, Heritage Gas Limited, a wholly-owned subsidiary of AltaGas, entered into a throughput contract with the third party owners of the transportation facility for the use of their pipelines in the U.S. and Canada. The contract will commence at completion of the construction of the pipelines and it will expire 15 years thereafter. AltaGas has two guarantees outstanding that total US $91.7 million to stand by all payment obligations under the transportation agreement.

Contingencies

AltaGas is participating in a proceeding underway before the AUC regarding factors that form the basis for certain transmission charges paid by Alberta generators. On January 20, 2015, the AUC released a decision concerning the complaints regarding the ISO Transmission Loss Factor Rule and Loss Factor Methodology used for the power distribution in Alberta. The AUC will proceed to determine the relief and remedies to be granted in accordance with its findings and conclusions regarding its authority and jurisdiction made in its decision. AltaGas is one of the respondents to the complaint and it has assessed that it may incur additional payments for transmission charges, but the timing and amount, or range of amounts, required to settle the claim cannot be estimated and, accordingly, no accrual of the loss contingency was recognized as at December 31, 2015.

25. PENSION PLANS AND RETIREE BENEFITS

Defined Contribution Plan

AltaGas has a defined contribution (DC) pension plan for substantially all employees who are not members of defined benefit plans. The net pension expense recorded for the DC plan was $7.4 million for the year ended December 31, 2015 (2014 - $5.7 million).

Defined Benefit Plans

AltaGas has several defined benefit pension plans in Canada and the United States for unionized and non-unionized employees. These benefit plans are funded.

Supplemental Executive Retirement Plan (SERP)

AltaGas has non-registered, defined benefit plans that provide defined benefit pension benefits to eligible executives based on average earnings, years of service and age at retirement. The SERP benefits will be paid from the general revenue of the Corporation as payments come due. Security will be provided for the SERP benefits through a letter of credit within a retirement compensation arrangement trust account.

Post-Retirement Benefits

AltaGas has several post-retirement benefit plans for unionized and non-unionized employees in Canada and the United States. Benefits provided to retired employees are limited to the payment of life insurance and health insurance premiums. These benefit plans are not funded, except for one plan. Post-retirement benefit plans in the United States provide certain medical and prescription drug benefits to eligible retired employees, their spouses and covered dependents. Benefits are based on a combination of the retiree's age and years of service at retirement. These benefit plans are funded.

The most recent actuarial valuation of the defined benefit plans for funding purposes was completed as of December 31, 2015. Information from the funding valuation was used in the actuarial valuation completed for expense calculation purposes. The next actuarial valuation for funding purposes is required to be completed as of a date no later than December 31, 2016.

The following table summarizes the details of the defined benefit plans, including the SERP and post-retirement plans in Canada and the United States:

Year ended December 31, 2015	**Canada Defined Benefit**	**Canada Post-Retirement Benefits**	**United States Defined Benefit**	**United States Post-Retirement Benefits**	**Total Defined Benefit**	**Total Post-Retirement Benefits**
Accrued benefit obligation						
Balance, beginning of year	**$ 130.8**	**$ 14.4**	**$ 238.7**	**$ 77.3**	**$ 369.5**	**$ 91.7**
Actuarial loss (gain)	**(4.3)**	**(0.6)**	**(15.7)**	**(7.9)**	**(20.0)**	**(8.5)**
Current service cost	**7.0**	**0.6**	**7.9**	**2.0**	**14.9**	**2.6**
Member contributions	**0.2**	**—**	**—**	**—**	**0.2**	**—**
Interest cost	**5.2**	**0.6**	**10.7**	**3.5**	**15.9**	**4.1**
Benefits paid	**(4.0)**	**(0.3)**	**(7.3)**	**(1.9)**	**(11.3)**	**(2.2)**
Expenses paid	**(0.4)**	**—**	**—**	**—**	**(0.4)**	**—**
Plan amendments	**0.6**	**—**	**—**	**0.4**	**0.6**	**0.4**
Foreign exchange translation	**—**	**—**	**45.7**	**14.6**	**45.7**	**14.6**
Balance, end of year	**$ 135.1**	**$ 14.7**	**$ 280.0**	**$ 88.0**	**$ 415.1**	**$ 102.7**
Plan assets						
Fair value, beginning of year	**$ 90.3**	**$ 4.7**	**$ 177.6**	**$ 56.8**	**$ 267.9**	**$ 61.5**
Actual return on plan assets	**1.2**	**0.1**	**(0.7)**	**0.1**	**0.5**	**0.2**
Employer contributions	**6.2**	**1.2**	**10.7**	**0.4**	**16.9**	**1.6**
Member contributions	**0.2**	**—**	**—**	**—**	**0.2**	**—**
Benefits paid	**(4.0)**	**(0.3)**	**(7.3)**	**(1.9)**	**(11.3)**	**(2.2)**
Expenses paid	**(0.4)**	**—**	**—**	**—**	**(0.4)**	**—**
Foreign exchange translation	**—**	**—**	**34.5**	**10.8**	**34.5**	**10.8**
Fair value, end of year	**$ 93.5**	**$ 5.7**	**$ 214.8**	**$ 66.2**	**$ 308.3**	**$ 71.9**
Accrued benefit liability	**$ (41.6)**	**$ (9.0)**	**$ (65.2)**	**$ (21.8)**	**$ (106.8)**	**$ (30.8)**

Year ended December 31, 2014	Canada Defined Benefit	Canada Post-Retirement Benefits	United States Defined Benefit	United States Post-Retirement Benefits	Total Defined Benefit	Total Post-Retirement Benefits
Accrued benefit obligation						
Balance, beginning of year	$ 108.3	$ 11.9	$ 182.2	$ 60.8	$ 290.5	$ 72.7
Actuarial loss	16.2	1.7	35.1	11.6	51.3	13.3
Current service cost	5.8	0.5	5.7	1.5	11.5	2.0
Member contributions	—	0.6	—	—	—	0.6
Interest cost	5.2	—	9.8	3.3	15.0	3.3
Benefits paid	(4.7)	(0.3)	(10.6)	(1.7)	(15.3)	(2.0)
Plan amendments	—	—	—	(3.7)	—	(3.7)
Foreign exchange translation	—	—	16.5	5.5	16.5	5.5
Balance, end of year	$ 130.8	$ 14.4	$ 238.7	$ 77.3	$ 369.5	$ 91.7
Plan assets						
Fair value, beginning of year	$ 80.0	$ 3.6	$ 157.2	$ 50.4	$ 237.2	$ 54.0
Actual return on plan assets	5.7	0.3	10.0	3.3	15.7	3.6
Employer contributions	9.1	1.1	6.7	0.2	15.8	1.3
Member contributions	0.2	—	—	—	0.2	—
Benefits paid	(4.7)	(0.3)	(10.6)	(1.7)	(15.3)	(2.0)
Foreign exchange translation	—	—	14.3	4.6	14.3	4.6
Fair value, end of year	$ 90.3	$ 4.7	$ 177.6	$ 56.8	$ 267.9	$ 61.5
Accrued benefit liability	$ (40.5)	$ (9.7)	$ (61.1)	$ (20.5)	$ (101.6)	$ (30.2)

The following amounts were included in the Consolidated Balance Sheets:

	December 31, 2015		December 31, 2014	
	Defined Benefit	**Post-Retirement Benefits**	Defined Benefit	Post-Retirement Benefits
Accounts payable and accrued liabilities	**$ 0.7**	**$ —**	$ 0.6	$ —
Future employee obligations	**106.1**	**30.8**	101.0	30.2
	$ 106.8	**$ 30.8**	$ 101.6	$ 30.2

The following amounts were not recognized in the net periodic benefit cost and recorded in the other comprehensive losses:

	Canada		**United States**		**Total**	
Year ended December 31, 2015	**Defined Benefit**	**Post-Retirement Benefits**	**Defined Benefit**	**Post-Retirement Benefits**	**Defined Benefit**	**Post-Retirement Benefits**
Past service cost	**(0.7)**	**—**	**—**	**—**	**(0.7)**	**—**
Net actuarial loss	**(11.3)**	**(0.7)**	**(0.8)**	**—**	**(12.1)**	**(0.7)**
Recognized in AOCI pre-tax	**$ (12.0)**	**$ (0.7)**	**$ (0.8)**	**$ —**	**$ (12.8)**	**$ (0.7)**
Increase (decrease) by the amount included in deferred tax liabilities	**3.1**	**0.2**	**0.6**	**—**	**3.7**	**0.2**
Net amount in AOCI after-tax	**$ (8.9)**	**$ (0.5)**	**$ (0.2)**	**$ —**	**$ (9.1)**	**$ (0.5)**

	Canada		United States		Total	
Year ended December 31, 2014	Defined Benefit	Post-Retirement Benefits	Defined Benefit	Post-Retirement Benefits	Defined Benefit	Post-Retirement Benefits
Past service cost	0.1	—	—	—	0.1	—
Net actuarial loss	(11.9)	(1.0)	(0.2)	—	(12.1)	(1.0)
Recognized in AOCI pre-tax	$ (11.8)	$ (1.0)	$ (0.2)	$ —	$ (12.0)	$ (1.0)
Increase (decrease) by the amount included in deferred tax liabilities	3.0	0.2	0.2	—	3.2	0.2
Net amount in AOCI after-tax	$ (8.8)	$ (0.8)	$ —	$ —	$ (8.8)	$ (0.8)

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.

Amounts to be amortized in the next fiscal year from AOCI	Defined Benefit	Post-Retirement Benefits
Past service costs	$ 0.2	$ —
Actuarial losses	0.8	—
Total	**$ 1.0**	**$ —**

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

	Year ended December 31, 2015					
	Canada		**United States**		**Total**	
	Defined Benefit	**Post-retirement Benefits**	**Defined Benefit**	**Post-retirement Benefits**	**Defined Benefit**	**Post-retirement Benefits**
Current service cost	**$ 7.0**	**$ 0.6**	**$ 7.9**	**$ 2.0**	**$ 14.9**	**$ 2.6**
Interest cost	**5.2**	**0.6**	**10.7**	**3.5**	**15.9**	**4.1**
Expected return on plan assets	**(5.1)**	**(0.2)**	**(14.8)**	**(4.6)**	**(19.9)**	**(4.8)**
Amortization of past service cost	**0.1**	**—**	**—**	**—**	**0.1**	**—**
Amortization of net actuarial loss	**0.8**	**—**	**—**	**—**	**0.8**	**—**
Amortization of regulatory asset	**1.4**	**0.1**	**6.7**	**1.2**	**8.1**	**1.3**
Net benefit cost recognized	**$ 9.4**	**$ 1.1**	**$ 10.5**	**$ 2.1**	**$ 19.9**	**$ 3.2**

	Year ended December 31, 2014					
	Canada		United States		Total	
	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits
Current service cost	$ 5.7	$ 0.5	$ 5.7	$ 1.5	$ 11.4	$ 2.0
Interest cost	5.2	0.6	9.7	3.3	14.9	3.9
Expected return on plan assets	(4.6)	(0.1)	(12.8)	(4.1)	(17.4)	(4.2)
Amortization of past service cost	—	—	—	—	—	—
Amortization of net actuarial loss	1.5	—	—	—	1.5	—
Amortization of regulatory asset	—	—	2.9	0.6	2.9	0.6
Net benefit cost recognized	$ 7.8	$ 1.0	$ 5.5	$ 1.3	$ 13.3	$ 2.3

The objective of the Corporation's investment policy is to maximize long-term total return while protecting the capital value of the fund from major market fluctuations through diversification and selection of investments.

The objective for fund returns, over three to five-year periods, is the sum of two components - a passive component, which is the benchmark index market returns for the asset mix in effect, plus the added value expected from active management. It is the Corporation's belief that the potential additional returns justify the additional risk associated with active management. The risk inherent in the investment strategy over a market cycle (a three-to five-year period) is two-fold. There is a risk that the market returns, as measured by the benchmark returns, will not be in line with expectations. The other risk is that the expected added value of active management over passive management will not be realized over the time period prescribed in each fund manager's mandate. There is also the risk of annual volatility in returns, which means that in any one year the actual return may be very different from the expected return.

Cash and money market investments may be held from time to time as short-term investment decisions at the discretion of the fund manager(s) within the constraints prescribed by their mandate(s).

The Corporation has a target asset mix for the Canadian plans of 45 percent to 55 percent fixed income assets. The target asset mix for the U.S. plans is 33 percent fixed income assets. These objectives have taken into account the nature of the liabilities and the risk-reward tolerance of the Corporation.

The collective investment mixes for the plans are as follows as at December 31, 2015:

Canada	Fair value	Level 1	Level 2	Percentage of Plan Assets (%)
Cash and short-term equivalents	$ **4.4**	$ 4.4	$ —	4.4
Canadian equities	**30.2**	30.2	—	30.5
Foreign equities	**17.0**	17.0	—	17.1
Fixed income	**42.0**	42.0	—	42.3
Real estate	**5.6**	—	5.6	5.7
	$ **99.2**	$ 93.6	$ 5.6	100.0

United States	Fair value	Level 1	Level 2	Percentage of Plan Assets (%)
Cash and short-term equivalents	$ **0.7**	$ 0.7	$ —	0.2
Foreign equities	**187.3**	187.3	—	66.7
Fixed income	**93.0**	93.0	—	33.1
	$ **281.0**	$ 281.0	$ —	100.0

Total	Fair value	Level 1	Level 2	Percentage of Plan Assets (%)
Cash and short-term equivalents	$ **5.1**	$ 5.1	$ —	1.3
Canadian equities	**30.2**	30.2	—	8.0
Foreign equities	**204.3**	204.3	—	53.7
Fixed Income	**135.0**	135.0	—	35.5
Real Estate	**5.6**	—	5.6	1.5
	$ **380.2**	$ 374.6	$ 5.6	100.0

	Defined Benefit	**Post-Retirement Benefits**	Defined Benefit	Post-Retirement Benefits
Significant actuarial assumptions used in measuring net benefit plan costs for the year ended December 31	**2015**		2014	
Discount rate (%)	**3.40 - 4.10**	**4.10**	4.70 - 5.00	4.70 - 4.95
Expected long-term rate of return on plan assets (%) [(a)]	**0.00 - 7.50**	**3.10 - 7.50**	0.00 - 7.50	3.05 - 7.50
Rate of compensation increase (%)	**3.00 - 4.00**	**3.50**	3.00 - 4.00	3.50 - 4.00
Average remaining service life of active employees (years)	**12.6**	**13.5**	12.5	11.7

(a) Only applicable for funded plans

	Defined Benefit	**Post-Retirement Benefits**	Defined Benefit	Post-Retirement Benefits
Significant actuarial assumptions used in measuring benefit obligations as at December 31	**2015**		2014	
Discount rate (%)	**2.70 - 4.50**	**4.20 - 4.60**	2.95 - 4.10	4.10
Rate of compensation increase (%)	**2.75 - 4.00**	**3.25**	3.00 - 4.00	3.50

The expected rate of return on assets is based on the current level of expected returns on risk free investments, the historical level of risk premium associated with other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected rate of return on assets assumption for the portfolio.

The discount rate is based on high-quality long-term corporate bonds, with maturities matching the estimated timing and amount of expected benefit payments.

The estimates for health care benefits take into consideration increased health care benefits due to aging and cost increases in the future. The assumed initial health care cost trend rates used to measure the expected cost of benefits range between 7 and 7.5 percent and the ultimate trend rate between 4.5 and 5 percent, which is expected to be achieved by 2029.

The assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one percentage point change in the assumed health care trend rates would have the following effects for 2015:

	Increase	Decrease
Service and interest costs	2.3	(1.6)
Accrued benefit obligation	25.9	(18.7)

The following table shows the expected cash flows for defined benefit pension and other-post retirement plans:

	Defined Benefit	Post-Retirement Benefits
Expected employer contributions:		
2016	19.8	0.3
Expected benefit payments:		
2016	16.0	2.9
2017	16.3	3.2
2018	17.4	3.4
2019	18.9	3.7
2020	20.1	4.0
2021 - 2025	114.8	23.8

26. RELATED PARTY TRANSACTIONS

In the normal course of business, AltaGas transacts with its subsidiaries, affiliates and joint ventures. Amounts due to or from related parties on the Consolidated Balance Sheets were measured at the exchange amount and were as follows:

As at December 31		**2015**		2014
Due from related parties				
Accounts receivable [(a)]	**$**	**0.6**	$	2.2
Long-term investments and other assets [(b)]		**0.8**		—
Prepaid expenses and other current assets [(b)]		**—**		0.8
	$	**1.4**	$	3.0
Due to related parties				
Accounts payable [(c)]		**6.2**		17.6
Long-term debt [(d)]		**—**		0.1
	$	**6.2**	$	17.7

(a) Receivable from joint ventures and an affiliate.

(b) AltaGas and one of its managers agreed on a loan in the principal amount of $0.8 million, to be paid in full with accrued interest at the rate prescribed by the Income Tax Act (Canada) on the earlier of the date of employment termination and May 31, 2021 (December 31, 2014 – May 31, 2015).

(c) Payables to joint ventures.

(d) Due to an affiliate of the Corporation.

Years ended December 31	2015	2014
Revenue [a]	**$ 31.3**	$ 94.8
Cost of sales [b]	**$ (4.7)**	$ (3.8)
Operating and administrative expenses [c]	**$ (8.1)**	$ (10.7)
Other income (loss)[d]	**$ 0.5**	$ 0.4
Interest expense on long-term debt	**$ —**	$ (0.2)

(a) In the ordinary course of business, AltaGas sold natural gas to an affiliate.

(b) In the ordinary course of business, AltaGas purchased natural gas from two of its joint ventures.

(c) Administrative costs recovered from joint ventures.

(d) Interest income from an affiliate.

27. SUPPLEMENTAL CASH FLOW INFORMATION

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

Years ended December 31	2015	2014
Accounts receivable	**$ 68.7**	$ 29.0
Inventory	**(7.7)**	(21.0)
Other current assets	**(2.0)**	(9.3)
Regulatory assets (current)	**11.4**	(5.9)
Accounts payable and accrued liabilities	**(15.1)**	(11.5)
Customer deposits	**1.4**	(2.3)
Regulatory liabilities (current)	**9.2**	7.7
Other current liabilities	**(5.3)**	(1.1)
Other operating assets and liabilities	**(21.4)**	3.5
	$ 39.2	$ (10.9)

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

Years ended December 31	2015	2014
Interest paid (net of capitalized interest)	**$ 126.5**	$ 97.0
Income taxes paid	**$ 20.1**	$ 17.4

28. 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 four reporting segments:

Gas	– NGL processing and extraction plants; – transmission pipelines to transport natural gas and NGL; – natural gas gathering lines and field processing facilities; – purchase and sale of natural gas, including to commercial and industrial users; – natural gas storage facilities; – liquefied petroleum gas (LPG) development projects; and – equity investments in a North American entity engaged in the marketing, storage and distribution of NGL, drilling fluids, crude oil and condensate diluents.
Power	– natural gas-fired, wind, biomass and hydro power generation assets, whereby outputs are generally sold under long term power purchase agreements, both operational and under development; – coal-fired generation purchased under the Sundance B power purchase arrangement; and – sale of power to commercial and industrial users in Alberta.
Utilities	– rate-regulated natural gas distribution assets in Michigan, Alaska, Alberta, British Columbia and Nova Scotia; and – rate-regulated natural gas storage in Michigan and Alaska.
Corporate	– the cost of providing corporate services, financing and general corporate overhead, investments in public and private entities, corporate assets, financing other segments and the effects of changes in the fair value of risk management contracts.

Geographic Information

Years ended December 31		**2015**		2014
Revenue[(a)]				
Canada	**$**	**1,279.0**	$	1,574.9
United States		**904.4**		826.3
Total	**$**	**2,183.4**	$	2,401.2

(a) Operating revenue from external customers, excluding unrealized gain on risk management contracts.

As at December 31		**2015**		2014
Property, plant and equipment				
Canada	**$**	**3,914.0**	$	3,642.9
United States		**2,683.9**		1,694.1
Total	**$**	**6,597.9**	$	5,337.0

The following tables show the composition by segment:

	Year ended December 31, 2015					
	Gas	**Power**	**Utilities**	**Corporate**	**Intersegment Elimination[a]**	**Total**
Revenue	**$ 845.5**	**$ 476.2**	**$ 1,076.5**	**$ 1.1**	**$ (215.9)**	**$ 2,183.4**
Unrealized gain on risk management	**—**	**—**	**—**	**9.4**	**—**	**9.4**
Cost of sales	**(503.2)**	**(214.4)**	**(595.8)**	**—**	**208.5**	**(1,104.9)**
Operating and administrative	**(175.4)**	**(68.7)**	**(228.3)**	**(26.5)**	**7.0**	**(491.9)**
Accretion expenses	**(3.7)**	**(7.2)**	**(0.1)**	**—**	**—**	**(11.0)**
Depreciation and amortization	**(62.7)**	**(63.8)**	**(76.1)**	**(10.2)**	**0.9**	**(211.9)**
Provision on assets *(note 7)*	**(22.3)**	**(28.4)**	**(2.8)**	**—**	**—**	**(53.5)**
Income (loss) from equity investments *(note 11)*	**(17.0)**	**(44.0)**	**(2.4)**	**—**	**—**	**(63.4)**
Other income (loss) *(note 22)*	**—**	**0.5**	**2.7**	**(31.4)**	**(0.5)**	**(28.7)**
Foreign exchange gain	**—**	**—**	**—**	**6.0**	**—**	**6.0**
Interest expense	**—**	**—**	**—**	**(125.5)**	**—**	**(125.5)**
Income (loss) before income taxes	**$ 61.2**	**$ 50.2**	**$ 173.7**	**$ (177.1)**	**$ —**	**$ 108.0**
Net additions (reductions) to:						
Property, plant and equipment[b]	**$ 262.6**	**$ 693.0**	**$ 185.6**	**$ 8.7**	**$ —**	**$ 1,149.9**
Intangible assets	**$ 2.8**	**$ 375.6**	**$ 3.9**	**$ 13.4**	**$ —**	**$ 395.7**

(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 Consolidated Balance Sheets due to classification of business acquisition and foreign exchange changes on U.S. assets.

	Year ended December 31, 2014					
	Gas	Power	Utilities	Corporate	Intersegment Elimination[a]	Total
Revenue	$ 1,178.8	$ 388.0	$ 1,076.9	$ —	$ (242.5)	$ 2,401.2
Unrealized loss on risk management	—	—	—	4.7	—	4.7
Cost of sales	(789.6)	(244.4)	(651.6)	—	234.7	(1,450.9)
Operating and administrative	(177.1)	(52.1)	(199.3)	(29.9)	7.8	(450.6)
Accretion expenses	(3.7)	(3.1)	(0.1)	—	—	(6.9)
Depreciation and amortization	(66.8)	(38.9)	(64.3)	(3.4)	—	(173.4)
Provision on assets	(108.2)	(10.9)	—	—	—	(119.1)
Income from equity investments	23.6	13.8	1.2	—	—	38.6
Other income (loss)	12.0	27.0	3.2	(16.8)	—	25.4
Foreign exchange loss	—	—	—	(0.4)	—	(0.4)
Interest expense	—	—	—	(111.4)	—	(111.4)
Income (loss) before income taxes	$ 69.0	$ 79.4	$ 166.0	$ (157.2)	$ —	$ 157.2
Net additions (reductions) to:						
Property, plant and equipment[b]	$ 63.8	$ 247.6	$ 183.7	$ 6.5	$ —	$ 501.6
Intangible assets	$ 0.3	$ 5.3	$ 2.3	$ 19.9	$ —	$ 27.8

(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 Consolidated Balance Sheets due to classification of business acquisition and foreign exchange changes on U.S. assets.

The following table shows goodwill and total assets by segment:

	Gas	Power	Utilities	Corporate	Total
As at December 31, 2015					
Goodwill	**$ 156.3**	**$ —**	**$ 721.0**	**$ —**	**$ 877.3**
Segmented assets	**$ 2,449.0**	**$ 3,579.9**	**$ 3,576.7**	**$ 493.9**	**$ 10,099.5**
As at December 31, 2014					
Goodwill	$ 161.4	$ —	$ 623.7	$ —	$ 785.1
Segmented assets	$ 2,284.3	$ 2,338.1	$ 3,142.5	$ 630.7	$ 8,395.6

29. SUBSEQUENT EVENTS

Subsequent events have been reviewed through February 24, 2016, the date these consolidated financial statements were issued, and no subsequent events requiring disclosure were noted except for the agreement entered into with Tidewater on February 2, 2016 as discussed under note 4.

Other Information

DEFINITIONS

Bbls/d	barrels per day
Bcf	billion cubic feet
GJ	gigajoule
GWh	gigawatt-hour
Mcf	thousand cubic feet
Mmcf/d	million cubic feet per day
MW	megawatt
MWh	megawatt-hour
PJ	petajoule
MMBTU	million British thermal unit

ABOUT ALTAGAS

AltaGas is an energy infrastructure business with a focus on natural gas, power and regulated utilities. The Corporation creates value by acquiring, growing and optimizing its energy infrastructure, including a focus on renewable energy sources. For more information visit: www.altagas.ca.

For further information contact:

Investment Community
1-877-691-7199
investor.relations@altagas.ca