

CONSOLIDATED BALANCE SHEETS

(condensed and unaudited)

As at (\$ millions)	September 30, 2022	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents (note 22)	\$ 132	\$ 63
Accounts receivable (net of credit losses of \$45 million) (note 16)	1,499	1,427
Inventory (note 7)	1,156	782
Restricted cash holdings from customers (note 22)	—	3
Regulatory assets	43	48
Risk management assets (note 16)	101	113
Prepaid expenses and other current assets (note 22)	106	188
Assets held for sale (note 5)	1,049	—
	4,086	2,624
Property, plant and equipment	11,567	11,323
Intangible assets	129	171
Operating right of use assets	295	311
Goodwill (note 8)	5,308	5,153
Regulatory assets	397	436
Risk management assets (note 16)	65	51
Prepaid post-retirement benefits	739	674
Long-term investments and other assets (net of credit losses of \$1 million) (notes 9, 16, and 22)	257	227
Investments accounted for by the equity method (note 11)	661	623
	\$ 23,504	\$ 21,593
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,790	\$ 1,544
Short-term debt	326	169
Current portion of long-term debt (notes 12 and 16)	834	511
Customer deposits	82	74
Regulatory liabilities	96	79
Risk management liabilities (note 16)	225	128
Operating lease liabilities	95	91
Other current liabilities (note 16)	38	61
Liabilities associated with assets held for sale (note 5)	274	—
	3,760	2,657
Long-term debt (notes 12 and 16)	7,576	7,684
Asset retirement obligations	456	429
Unamortized investment tax credits	2	2
Deferred income taxes	1,334	1,158
Subordinated hybrid notes (notes 13 and 16)	544	—
Regulatory liabilities	1,420	1,424
Risk management liabilities (note 16)	263	165
Operating lease liabilities	229	253
Other long-term liabilities	91	134
Future employee obligations	76	86
	\$ 15,751	\$ 13,992

As at (\$ millions)	September 30, 2022	December 31, 2021
Shareholders' equity		
Common shares, no par values, unlimited shares authorized; 2022 - 281.5 million and 2021 - 280.3 million issued and outstanding (note 18)	\$ 6,762	\$ 6,735
Preferred shares (note 18)	586	1,076
Contributed surplus	624	388
Accumulated deficit	(1,121)	(1,243)
Accumulated other comprehensive income (AOCI) (note 14)	738	(7)
Total shareholders' equity	7,589	6,949
Non-controlling interests	164	652
Total equity	\$ 7,753	\$ 7,601
	\$ 23,504	\$ 21,593

Variable interest entities (note 10)

Commitments, guarantees, and contingencies (note 20)

Seasonality (note 23)

Segmented information (note 24)

Subsequent events (note 25)

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(condensed and unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
(\$ millions except per share amounts)	2022	2021	2022	2021
REVENUE (note 15)	\$ 3,056	\$ 2,339	\$ 10,190	\$ 7,433
EXPENSES				
Cost of sales, exclusive of items shown separately	2,459	1,734	7,936	5,237
Operating and administrative	387	360	1,174	1,073
Accretion expenses	2	1	5	2
Depreciation and amortization	106	111	327	318
Provisions on assets (note 6)	—	—	—	57
	\$ 2,954	\$ 2,206	\$ 9,442	\$ 6,687
Income from equity investments (note 11)	5	3	11	8
Other income	19	22	101	59
Foreign exchange gains	7	—	9	3
Interest expense	(85)	(69)	(231)	(208)
Income before income taxes	48	89	638	608
Income tax expense (recovery)				
Current	(13)	13	30	70
Deferred	20	17	101	64
Net income after taxes	\$ 41	\$ 59	\$ 507	\$ 474
Net income applicable to non-controlling interests	5	21	45	48
Net income applicable to controlling interests	36	38	462	426
Preferred share dividends	(10)	(13)	(33)	(40)
Loss on redemption of preferred shares (note 18)	(74)	—	(84)	—
Net income (loss) applicable to common shares	\$ (48)	\$ 25	\$ 345	\$ 386
Net income (loss) per common share (note 19)				
Basic	\$ (0.17)	\$ 0.09	\$ 1.23	\$ 1.38
Diluted	\$ (0.17)	\$ 0.09	\$ 1.22	\$ 1.37
Weighted average number of common shares outstanding (millions) (note 19)				
Basic	281.2	280.2	280.8	279.9
Diluted	281.2	282.4	283.3	281.6

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(condensed and unaudited)

(\$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Net income after taxes	\$ 41	\$ 59	\$ 507	\$ 474
Other comprehensive income (loss), net of taxes				
Gain (loss) on foreign currency translation	606	248	763	(9)
Unrealized loss on net investment hedge	(16)	—	(19)	—
Reclassification of actuarial gains and prior service credits on defined benefit (DB) and post-retirement benefit plans (PRB) to net income (notes 14 and 21)	—	—	—	1
Total other comprehensive income (loss) (OCI), net of taxes	590	248	744	(8)
Comprehensive income attributable to controlling interests and non-controlling interests, net of taxes	\$ 631	\$ 307	\$ 1,251	\$ 466
Comprehensive income attributable to:				
Non-controlling interests	\$ 3	\$ 21	\$ 49	\$ 48
Controlling interests	628	286	1,202	418
	\$ 631	\$ 307	\$ 1,251	\$ 466

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF EQUITY

(condensed and unaudited)

(\$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Common shares (note 18)				
Balance, beginning of period	\$ 6,752	\$ 6,734	\$ 6,735	\$ 6,723
Shares issued for cash on exercise of options	10	1	28	13
Deferred taxes on share issuance costs	—	(1)	(1)	(2)
Balance, end of period	\$ 6,762	\$ 6,734	\$ 6,762	\$ 6,734
Preferred shares (note 18)				
Balance, beginning of period	\$ 786	\$ 1,077	\$ 1,076	\$ 1,077
Redemption of preferred shares	(200)	—	(490)	—
Balance, end of period	\$ 586	\$ 1,077	\$ 586	\$ 1,077
Contributed surplus				
Balance, beginning of period	\$ 388	\$ 385	\$ 388	\$ 383
Share options expense	—	2	2	5
Exercise of share options	(1)	—	(3)	(1)
Purchase of remaining non-controlling interest in a subsidiary (note 3)	237	—	237	—
Balance, end of period	\$ 624	\$ 387	\$ 624	\$ 387
Accumulated deficit				
Balance, beginning of period	\$ (999)	\$ (972)	\$ (1,243)	\$ (1,192)
Net income applicable to controlling interests	36	38	462	426
Common share dividends	(74)	(70)	(223)	(211)
Preferred share dividends	(10)	(13)	(33)	(40)
Loss on redemption of preferred shares (note 18)	(74)	—	(84)	—
Balance, end of period	\$ (1,121)	\$ (1,017)	\$ (1,121)	\$ (1,017)
AOCI (note 14)				
Balance, beginning of period	\$ 141	\$ (206)	\$ (7)	\$ 50
Other comprehensive income (loss)	592	248	740	(8)
Purchase of remaining non-controlling interest in a subsidiary (note 3)	5	—	5	—
Balance, end of period	\$ 738	\$ 42	\$ 738	\$ 42
Total shareholders' equity				
	\$ 7,589	\$ 7,223	\$ 7,589	\$ 7,223
Non-controlling interests				
Balance, beginning of period	\$ 688	\$ 636	\$ 652	\$ 620
Net income applicable to non-controlling interests	5	21	45	48
Foreign currency translation adjustments	(2)	—	4	—
Purchase of remaining non-controlling interest in a subsidiary (note 3)	(522)	—	(522)	—
Contributions from non-controlling interests to subsidiaries	—	—	—	1
Distributions by subsidiaries to non-controlling interests	(5)	(5)	(15)	(17)
Balance, end of period	\$ 164	\$ 652	\$ 164	\$ 652
Total equity				
	\$ 7,753	\$ 7,875	\$ 7,753	\$ 7,875

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(condensed and unaudited)

(\$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Cash from (used by) operations				
Net income after taxes	\$ 41	\$ 59	\$ 507	\$ 474
Items not involving cash:				
Depreciation and amortization	106	111	327	318
Provisions on assets (note 6)	—	—	—	57
Accretion expenses	2	1	5	2
Share-based compensation (note 18)	1	2	1	5
Deferred income tax expense	20	17	101	64
Losses (gains) on sale of assets (note 4)	3	(3)	(3)	(7)
Income from equity investments (note 11)	(5)	(3)	(11)	(8)
Unrealized gains on risk management contracts (note 16)	(3)	(29)	(107)	(52)
Amortization of deferred financing costs	2	2	5	5
Provision for doubtful accounts	3	3	19	14
Change in pension and other post-retirement benefits	(12)	(6)	(34)	(18)
Other	7	7	8	11
Asset retirement obligations settled	(2)	(4)	(5)	(7)
Distributions from equity investments	3	3	11	10
Changes in operating assets and liabilities (note 22)	(550)	49	3	27
	\$ (384)	\$ 209	\$ 827	\$ 895
Investing activities				
Capital expenditures - property, plant and equipment	(252)	(266)	(619)	(571)
Capital expenditures - intangible assets	—	—	(4)	(4)
Distributions from (contributions to) equity investments	3	(1)	2	(8)
Proceeds from disposition of equity investments	—	3	—	3
Proceeds from disposition of assets, net of transaction costs (note 4)	—	1	245	345
Purchase of remaining non-controlling interest in a subsidiary (note 3)	(285)	—	(285)	—
Other changes in investing activities	—	—	—	(7)
	\$ (534)	\$ (263)	\$ (661)	\$ (242)
Financing activities				
Net issuance of short-term debt	309	229	155	34
Issuance of long-term debt, net of debt issuance costs	448	—	449	545
Repayment of long-term debt	(3)	(354)	(11)	(359)
Net borrowing (repayment) under credit facilities	170	386	(422)	(508)
Issuance of subordinated hybrid notes, net of debt issuance costs (note 13)	247	—	544	—
Dividends - common shares	(74)	(70)	(223)	(211)
Dividends - preferred shares	(10)	(13)	(33)	(40)
Distributions to non-controlling interests	(5)	(5)	(15)	(17)
Contributions from non-controlling interests	—	—	—	1
Net proceeds from shares issued on exercise of options (note 18)	10	1	26	13
Redemption of preferred shares (note 18)	(274)	—	(574)	—
	\$ 818	\$ 174	\$ (104)	\$ (542)
Change in cash, cash equivalents, and restricted cash	(100)	120	62	111
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	4	1	5	—
Net change in cash classified within assets held for sale (note 5)	—	—	(1)	—
Cash, cash equivalents, and restricted cash, beginning of period	246	64	84	74
Cash, cash equivalents, and restricted cash, end of period (note 22)	\$ 150	\$ 185	\$ 150	\$ 185

See accompanying notes to the Consolidated Financial Statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

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

1. Organization and Overview of the Business

The businesses of AltaGas are operated by the Company and a number of its subsidiaries including, without limitation, AltaGas Services (U.S.) Inc., AltaGas Utility Holdings (U.S.) Inc., WGL Holdings, Inc. (WGL), Wrangler 1 LLC, Wrangler SPE LLC, Washington Gas Resources Corporation, WGL Energy Services, Inc. (WGL Energy Services), and SEMCO Holding Corporation; in regard to the Utilities business, Washington Gas Light Company (Washington Gas), Hampshire Gas Company, and SEMCO Energy, Inc. (SEMCO); and in regard to the Midstream business, AltaGas Extraction and Transmission Limited Partnership, AltaGas Pipeline Partnership, AltaGas Processing Partnership, AltaGas Northwest Processing Limited Partnership, Harmattan Gas Processing Limited Partnership, Ridley Island LPG Export Limited Partnership, AltaGas Pacific Partnership, AltaGas LPG Limited Partnership, Petrogas Energy Corporation (Petrogas), Petrogas Holdings Partnership, and Petrogas Inc. In the Corporate/Other segment, subsidiaries include AltaGas Power Holdings (U.S.) Inc., WGL Energy Systems, Inc. (WGL Energy Systems), and Blythe Energy Inc. (Blythe). SEMCO conducts its Michigan natural gas distribution business under the name SEMCO Energy Gas Company (SEMCO Gas), its Alaska natural gas distribution business under the name ENSTAR Natural Gas Company (ENSTAR) and its 65 percent interest in an Alaska regulated gas storage utility under the name Cook Inlet Natural Gas Storage Alaska LLC (CINGSA). ENSTAR and CINGSA (the Alaskan Utilities) are currently pending sale.

AltaGas is a leading energy infrastructure company that connects natural gas and NGLs to domestic and global markets. The Company operates a diversified, lower-risk, high-growth energy infrastructure business that is focused on delivering resilient and durable value for its stakeholders.

AltaGas' operating segments include the following:

- Utilities, which owns and operates franchised, cost-of-service, rate regulated natural gas distribution and storage utilities that focus on providing safe, reliable, affordable energy to approximately 1.7 million residential and commercial customers. This includes operating four utilities that operate across five major U.S. jurisdictions with a rate base of approximately US\$5.0 billion. The Utilities business also includes storage facilities and contracts for interstate natural gas transportation and storage services, as well as the affiliated retail energy marketing business, which sells natural gas and electricity directly to residential, commercial, and industrial customers located in Maryland, Virginia, Delaware, Pennsylvania, Ohio, and the District of Columbia. The Alaskan Utilities are currently pending sale; and
- Midstream, which is a leading North American platform that connects customers and markets from wellhead to tidewater and beyond. The three pillars of the Midstream business include: 1) global exports, which includes AltaGas' two LPG export terminals; 2) natural gas gathering and extraction; and 3) fractionation and liquids handling. AltaGas' Midstream segment also includes its natural gas and NGL marketing business, domestic logistics, trucking and rail terminals, and liquid storage capability.

The Corporate/Other segment consists of AltaGas' corporate activities and a small portfolio of gas-fired power generation and distribution assets capable of generating 508 MW of power primarily in the state of California.

2. Summary of Significant Accounting Policies

BASIS OF PRESENTATION

These unaudited condensed interim Consolidated Financial Statements have been prepared by Management in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP). As a result, these unaudited condensed interim Consolidated Financial Statements do not include all of the information and disclosures required in the annual Consolidated Financial Statements and should be read in conjunction with the Corporation's 2021 annual audited Consolidated Financial Statements prepared in accordance with U.S. GAAP. In Management's opinion, these unaudited condensed interim Consolidated Financial Statements include all adjustments that are of a recurring nature and necessary to present fairly the financial position of the Corporation.

Pursuant to National Instrument 52-107, "Acceptable Accounting Principles and Auditing Standards" (NI 52-107), financial statements of an "SEC issuer" may be prepared in accordance with U.S. GAAP. On February 22, 2021, AltaGas filed a final short form base shelf prospectus in Alberta and a corresponding registration statement on Form F-10 in the United States, by virtue of which AltaGas is required to file reports under section 15(d) of the *Securities Exchange Act of 1934* with the United States Securities and Exchange Commission. As a result, AltaGas is an SEC issuer and is entitled to prepare its financial statements in accordance with U.S. GAAP.

PRINCIPLES OF CONSOLIDATION

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

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

USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

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

finalized pursuant to regulatory decisions or other regulatory proceedings. By their nature, these estimates are subject to measurement uncertainty and may impact the Consolidated Financial Statements of future periods.

SIGNIFICANT ACCOUNTING POLICIES

Except as noted below, these unaudited condensed interim Consolidated Financial Statements have been prepared following the same accounting policies and methods as those used in preparing the Corporation's 2021 annual audited Consolidated Financial Statements.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2022, AltaGas adopted the following Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU):

- In August 2020, FASB issued ASU No. 2020-06 "Debt with Conversion and Other Options and Topic 815-40 - Derivatives and Hedging - Contracts in Entity's Own Equity: Accounting for Convertible Instruments and Contract in an Entity's Own Equity". The amendments in this ASU simplify the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements; and
- In July 2021, FASB issued ASU No. 2021-05 "Leases (Topic 842): Lessors - Certain Leases with Variable Lease Payments". The amendments in this ASU affect lessors with lease contracts that have variable lease payments that do not depend on a reference index or a rate as an operating lease that and would have resulted in the recognition of a selling loss at lease commencement if classified as sales-type or direct financing. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements.

FUTURE CHANGES IN ACCOUNTING PRINCIPLES

In October 2021, FASB issued ASU 2021-08 "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers". The amendments in this ASU require an entity to recognize and measure contract assets and liabilities acquired in a business combination in accordance with Topic 606. The amendments in this ASU are effective for fiscal years beginning after December 15, 2022 and should be applied prospectively to business combinations occurring on or after the effective date of the amendment. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

In November 2021, FASB issued ASU No. 2021-10 "Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance". The amendments in this ASU require annual disclosure about transactions with a government entity, including the nature of the transactions, the method applied to account for the government assistance, impacted line items on the financial statements, and significant terms and conditions of the agreement. The amendments in this ASU are effective for fiscal years beginning after December 15, 2021 and could either be applied prospectively to all new transactions with a government that are entered into after the date of initial application or retrospectively to those transactions. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

In March 2022, FASB issued ASU No. 2022-01 "Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method". The amendments in this ASU will allow non-prepayable financial assets to be included in a closed portfolio hedged using the portfolio layer method and promote consistency in single and multiple hedged layers. The amendments in this ASU are effective for fiscal years beginning after December 15, 2022 and should be applied on a modified retrospective basis. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

In March 2022, FASB issued ASU No. 2022-02 "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures". The amendments in this ASU will eliminate the accounting guidance for troubled debt restructurings (TDRs) by creditors while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty, as well as require the disclosure of current-period write offs by year of origination for financing receivables and net investments in leases. The amendments in this ASU are effective for fiscal years beginning after December 15, 2022 and should be applied prospectively with an option to apply on a modified retrospective basis for the transition method related to the recognition and measurement of TDRs. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

In June 2022, FASB issued ASU No. 2022-03 "Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions". The amendments in this ASU clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security, and therefore, is not considered in measuring fair value. In addition, an entity cannot, as a separate unit of account, recognize a contractual sale restriction. Equity securities subject to contractual sale restrictions also require certain additional disclosures. The amendments in this ASU are effective for fiscal years beginning after December 15, 2023 and should be applied prospectively with adjustments as a result of adopting this ASU being recognized in earnings. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

In September 2022, FASB issued ASU No. 2022-04 "Liabilities (Subtopic 405-50) - Supplier Finance Programs". The amendments in this ASU will require a buyer in a supplier finance program to disclose the key terms of the program, the amount outstanding at the end of the period, a roll forward of that obligation during the period, and where the obligation is presented on the balance sheet. The amendments in this ASU are effective for fiscal years beginning after December 15, 2022, except for the amendment on the roll forward information, which is effective for fiscal years beginning after December 15, 2023. The amendments in this ASU should be applied retrospectively, except for the amendment on the roll forward information, which is applied prospectively. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

3. Acquisitions

On July 5, 2022, AltaGas acquired the remaining 25.97 percent equity ownership of Petrogas from Idemitsu Canada Corporation, a wholly owned subsidiary of Idemitsu Kosan Co., Ltd. (Idemitsu) for total cash consideration of approximately \$285 million. Subsequent to this transaction, AltaGas now owns 100 percent of Petrogas. Due to the acquisition of the remaining equity ownership, AltaGas' accumulated other comprehensive income increased by \$5 million and contributed surplus increased by \$237 million.

4. Dispositions

Energy Storage Development Project

In the first quarter of 2022, AltaGas completed the sale of a 60 MW stand-alone energy storage development project in Goleta, California for total proceeds of approximately \$20 million (US\$15 million), subject to certain contingencies. As a result, AltaGas recognized a pre-tax gain on disposition of approximately \$7 million in the Consolidated Statements of Income under the line item "other income" for the nine months ended September 30, 2022.

Midstream Processing Facilities

On April 12, 2022, AltaGas completed the sale of its interest in the Aitken Creek processing facilities for proceeds of approximately \$224 million, net of closing adjustments. As a result, AltaGas recognized a pre-tax gain on disposition of approximately \$1 million in the Consolidated Statements of Income under the line item "other income" for the nine months ended September 30, 2022.

Brush II

On May 27, 2022, AltaGas closed the stock sale of its 70 MW combined cycle power plant in Brush, Colorado for total proceeds of approximately \$1 million, net of closing adjustments. As a result, AltaGas recognized a pre-tax loss on disposition of approximately \$2 million in the Consolidated Statements of Income under the line item "other income" for the nine months ended September 30, 2022.

5. Assets Held for Sale

As at	September 30, 2022	December 31, 2021
Assets held for sale		
Accounts receivable (<i>net of credit losses of \$1 million</i>) (note 16)	\$ 37	\$ —
Inventory	104	—
Restricted cash holdings from customers	1	—
Prepaid expenses and other current assets	3	—
Property, plant and equipment	642	—
Intangible assets	5	—
Operating right of use assets	1	—
Goodwill	228	—
Regulatory assets - non-current	26	—
Long-term investments and other assets	2	—
	\$ 1,049	\$ —
Liabilities associated with assets held for sale		
Accounts payable and accrued liabilities	\$ 28	\$ —
Current portion of long-term debt	7	—
Customer deposits	14	—
Regulatory liabilities - current	1	—
Long-term debt	57	—
Asset retirement obligations	9	—
Regulatory liabilities - non-current	95	—
Other long-term liabilities	53	—
Future employee obligations	10	—
	\$ 274	\$ —

Alaskan Utilities

On May 26, 2022, AltaGas entered into an agreement for the sale of its Alaskan Utilities for total cash proceeds of approximately US\$800 million (approximately CAD\$1.1 billion). As such, the carrying value of the assets and liabilities related to this business were classified as held for sale at September 30, 2022, which resulted in the reclassification of \$1,049 million of assets to assets held for sale and \$274 million of liabilities to liabilities associated with assets held for sale on the Consolidated Balance Sheets. The transaction is expected to close no later than the first quarter of 2023, subject to customary closing conditions and regulatory approvals.

6. Provisions on Assets

Nine Months Ended September 30	2022	2021
Midstream	\$ —	\$ 57
	\$ —	\$ 57

Midstream

For the nine months ended September 30, 2021, AltaGas recorded a pre-tax provision of \$57 million related to the sale of the U.S. transportation and storage business. In the first quarter of 2021, AltaGas originally recorded a provision of \$76 million related to this sale, however due to an increase in the fair value of the net assets held for sale upon close of the transaction in

April 2021, a \$19 million partial reversal of the provision was subsequently recorded in the second quarter of 2021. The pre-tax provision was recorded against intangible assets.

7. Inventory

As at	September 30, 2022	December 31, 2021
Natural gas held in storage ^(a)	\$ 680	\$ 341
Natural gas liquids	262	175
Crude oil and condensate	130	109
Renewable energy credits and emission compliance instruments	102	82
Materials and supplies	80	70
Processed finished products	6	5
	\$ 1,260	\$ 782
Less: inventory reclassified to assets held for sale <i>(note 5)</i> ^(b)	(104)	—
	\$ 1,156	\$ 782

(a) As at September 30, 2022, \$592 million of the natural gas held in storage was held by rate-regulated utilities (December 31, 2021 - \$304 million).

(b) Pursuant to the May 26, 2022 announcement of the sale of the Alaska Utilities, \$89 million of the natural gas held in storage that was held by rate-regulated utilities was reclassified to "assets held for sale" on the Consolidated Balance Sheets at September 30, 2022. Refer to Note 5 for more details.

8. Goodwill

As at	September 30, 2022	December 31, 2021
Balance, beginning of period	\$ 5,153	\$ 5,039
Adjustment to goodwill on business acquisition	—	147
Goodwill included in dispositions	—	(13)
Reclassified to assets held for sale <i>(note 5)</i>	(228)	—
Foreign exchange translation	383	(20)
Balance, end of period	\$ 5,308	\$ 5,153

9. Long-Term Investments and Other Assets

As at	September 30, 2022	December 31, 2021
Deferred lease receivable	\$ 14	\$ 15
Debt issuance costs associated with credit facilities	8	8
Refundable deposits	10	9
Prepayment on long-term service agreements	77	72
Deferred information technology costs	6	6
Cash calls from joint venture partners	39	23
Contract asset (<i>net of credit losses of \$1 million</i>) (<i>notes 15 and 16</i>)	38	41
Rabbi trust (<i>notes 21 and 22</i>)	9	10
Capitalized contract costs	5	5
Financial transmission rights	32	17
Other	21	21
	\$ 259	\$ 227
Less: long-term investments and other assets reclassified to assets held for sale (<i>note 5</i>)	(2)	—
	\$ 257	\$ 227

10. Variable Interest Entities

Consolidated VIEs

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

Ridley Island LPG Export Limited Partnership

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

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

The assets of RILE LP are the property of RILE LP and are not available to AltaGas for any other purpose. RILE LP's asset balances can only be used to settle its own obligations. The liabilities of RILE LP do not represent additional claims against AltaGas' general assets. AltaGas' exposure to loss as a result of its interest as a limited partner is its net investment. AltaGas

and Royal Vopak have provided limited guarantees for the obligations of their respective subsidiaries for the construction cost of RIPET. With the commencement of commercial operations at RIPET, the terms of the long-term capacity agreement between AltaGas LPG and RILE LP provide for a return on and of capital and reimbursement of RIPET's operating costs by AltaGas LPG in accordance with the terms set out in the agreement.

The following table represents amounts included in the Consolidated Balance Sheets attributable to RILE LP:

As at	September 30, 2022	December 31, 2021
Current assets	\$ 16	\$ 6
Property, plant and equipment	354	357
Long-term investments and other assets	45	47
Current liabilities	(15)	(8)
Asset retirement obligations	(3)	(3)
Net assets	\$ 397	\$ 399

AltaGas Hybrid Trust

On January 11, 2022, AltaGas closed its offering of \$300 million of 5.25 percent Fixed-to-Fixed Rate Subordinated Notes, Series 1 (Note 13). In conjunction with the debt offering, AltaGas issued \$300 million in Preferred Shares, Series 2022-A, to be held in the AltaGas Hybrid Trust with Computershare Trust Company of Canada acting as trustee. The Preferred Shares were issued to satisfy the obligations under the indenture governing the associated Series 1 Subordinated Notes. Following the occurrence of certain bankruptcy or insolvency events in respect of AltaGas, subject to certain exceptions, the Series 2022-A Preferred Shares would be delivered to the holders of the Series 1 Subordinated Notes. Upon delivery of the Series 2022-A Preferred Shares, the Series 1 Subordinated Notes would be immediately and automatically surrendered and cancelled and all rights of any Series 1 Subordinated Notes will automatically cease.

On August 17, 2022, AltaGas closed its offering of \$250 million of 7.35 percent Fixed-to-Fixed Subordinated Notes, Series 2 (Note 13). In conjunction with the debt offering, AltaGas issued \$250 million in Preferred Shares, Series 2022-B, to be held in the AltaGas Hybrid Trust with Computershare Trust Company of Canada acting as trustee. The Preferred Shares were issued to satisfy the obligations under the indenture governing the associated Series 2 Subordinated Notes. Following the occurrence of certain bankruptcy or insolvency events in respect of AltaGas, subject to certain exceptions, the Series 2022-B Preferred Shares would be delivered to the holders of the Series 2 Subordinated Notes. Upon delivery of the Series 2022-B Preferred Shares, the Series 2 Subordinated Notes would be immediately and automatically surrendered and cancelled and all rights of any Series 2 Subordinated Notes will automatically cease. The only assets held by the holding trust are the Series 2022-A and Series 2022-B Preferred Shares.

AltaGas has determined that AltaGas Hybrid Trust is a VIE in which it holds variable interests and is the primary beneficiary. In the determination that AltaGas is the primary beneficiary of the VIE, AltaGas noted that it has the power to direct the activities that most significantly impact the VIE's economic performance through its role as the sole administrative agent. In addition, AltaGas has the obligation to absorb the administrative expenses that are significant to the trust through the associated administrative agreement. As such, AltaGas has consolidated the AltaGas Hybrid Trust.

Unconsolidated VIE

Strathcona Storage Limited Partnership (SSLP)

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

On July 5, 2022, AltaGas acquired the remaining 25.97 percent equity ownership in Petrogas which resulted in an increase in AltaGas' ownership in SSLP from 30 percent to 40 percent. As at September 30, 2022, AltaGas' carrying value in SSLP was \$130 million (December 31, 2021 - \$131 million). SSLP is not consolidated by Petrogas and instead is accounted for by the equity method of accounting. Petrogas is not the primary beneficiary of SSLP and it does not have the power to direct the activities most significant to the economic performance of SSLP. The maximum financial exposure to loss as a result of the involvement with this VIE is equal to AltaGas' net investment in SSLP.

11. Investments Accounted for by the Equity Method

			Carrying value as at	
	Location	Ownership Percentage	September 30, 2022	December 31, 2021
Eaton Rapids Gas Storage System	United States	50	\$ 29	\$ 27
Mountain Valley Pipeline, LLC (MVP) ^(a)	United States	10	484	447
Sarnia Airport Storage Pool LP	Canada	50	17	17
Petrogas Terminals Penn LLC ^(b)	United States	50	1	1
Strathcona Storage LP ^(b)	Canada	40	130	131
			\$ 661	\$ 623

(a) The equity method is considered appropriate because MVP is an LLC with specific ownership accounts and ownership between five and fifty percent, resulting in WGL Midstream exercising a more than minor influence over the investee's operating and financing policies. In the fourth quarter of 2021, a provision was recorded against the equity investment in MVP due to ongoing legal and regulatory issues.

(b) On July 5, 2022, AltaGas acquired the remaining 25.97 percent equity ownership of Petrogas which resulted in an increase in AltaGas' ownership in Petrogas Terminals Penn LLC from 37 percent to 50 percent and in Strathcona Storage LP from 30 percent to 40 percent. Refer to Note 3 for more details.

			Equity income for the three months ended September 30		Equity income for the nine months ended September 30	
	Location	Ownership Percentage	2022	2021	2022	2021
Constitution Pipeline, LLC ^(a)	United States	10	\$ 3	\$ —	\$ 3	\$ —
Eaton Rapids Gas Storage System	United States	50	—	1	2	2
Sarnia Airport Storage Pool LP	Canada	50	—	—	1	1
Strathcona Storage LP ^(b)	Canada	40	2	2	5	5
			\$ 5	\$ 3	\$ 11	\$ 8

(a) In the third quarter of 2022, AltaGas received a payment for the return of certain costs associated with the Constitution pipeline project as a result of its cancellation in February 2020.

(b) On July 5, 2022, AltaGas acquired the remaining 25.97 percent equity ownership of Petrogas which resulted in an increase in AltaGas' ownership in Strathcona Storage LP from 30 percent to 40 percent. Refer to Note 3 for more details.

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

12. Long-Term Debt

As at	Maturity date	September 30, 2022	December 31, 2021
Credit facilities			
\$2 billion unsecured extendible revolving facility ^(a)	4-May-2026	\$ 324	\$ 375
US\$150 million unsecured extendible revolving facility	20-Dec-2026	—	120
Commercial paper ^(b)	Various	227	469
\$450 million term loan	26-Aug-2024	449	—
AltaGas Ltd. medium-term notes (MTNs)			
\$500 million Senior unsecured - 2.61 percent	16-Dec-2022	500	500
\$300 million Senior unsecured - 3.57 percent	12-Jun-2023	300	300
\$200 million Senior unsecured - 4.40 percent	15-Mar-2024	200	200
\$350 million Senior unsecured - 1.23 percent	18-Mar-2024	350	350
\$300 million Senior unsecured - 3.84 percent	15-Jan-2025	300	300
\$500 million Senior unsecured - 2.16 percent	10-Jun-2025	500	500
\$350 million Senior unsecured - 4.12 percent	7-Apr-2026	350	350
\$200 million Senior unsecured - 2.17 percent	16-Mar-2027	200	200
\$200 million Senior unsecured - 3.98 percent	4-Oct-2027	200	200
\$500 million Senior unsecured - 2.08 percent	30-May-2028	500	500
\$200 million Senior unsecured - 2.48 percent	30-Nov-2030	200	200
\$100 million Senior unsecured - 5.16 percent	13-Jan-2044	100	100
\$300 million Senior unsecured - 4.50 percent	15-Aug-2044	300	300
\$250 million Senior unsecured - 4.99 percent	4-Oct-2047	250	250
WGL and Washington Gas MTNs and private placement notes			
US\$20 million Senior unsecured - 6.65 percent	20-Mar-2023	27	25
US\$41 million Senior unsecured - 5.44 percent	11-Aug-2025	56	51
US\$53 million Senior unsecured - 6.62 to 6.82 percent	Oct 2026	73	67
US\$72 million Senior unsecured - 6.40 to 6.57 percent	Feb - Sep 2027	99	91
US\$52 million Senior unsecured - 6.57 to 6.85 percent	Jan - Mar 2028	71	66
US\$9 million Senior unsecured - 7.50 percent	1-Apr-2030	12	11
US\$50 million Senior unsecured - 5.70 to 5.78 percent	Jan - Mar 2036	69	63
US\$75 million Senior unsecured - 5.21 percent	3-Dec-2040	103	95
US\$75 million Senior unsecured - 5.00 percent	15-Dec-2043	103	95
US\$300 million Senior unsecured - 4.22 to 4.60 percent	Sep - Nov 2044	411	380
US\$450 million Senior unsecured - 3.80 percent	15-Sep-2046	617	572
US\$400 million Senior unsecured - 3.65 percent ^(c)	15-Sep-2049	570	528
US\$200 million Senior unsecured - 2.98 percent	15-Dec-2051	274	254
SEMCO long-term debt			
US\$82 million CINGSA Senior Secured - 4.48 percent ^(d)	2-Mar-2032	61	63
US\$225 million First Mortgage Bonds - 2.45 percent	21-Apr-2030	308	285
US\$225 million First Mortgage Bonds - 3.15 percent	21-Apr-2050	308	285
Fair value adjustment on WGL Acquisition		80	77
Finance lease liabilities		23	17
		\$ 8,515	\$ 8,239
Less: debt issuance costs		(41)	(44)
		\$ 8,474	\$ 8,195
Less: current portion		(834)	(511)
Less: liabilities associated with assets held for sale <i>(note 5)</i> ^(e)		(64)	—
		\$ 7,576	\$ 7,684

(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. This facility has a \$2 billion five-year extendible committed revolving tranche and a \$300 million two-year extendible side car liquidity revolving facility.

(b) Commercial paper is supported by the availability of long-term committed credit facilities maturing in 2024. Commercial paper intended to be repaid within the next year is recorded as short-term debt.

(c) The outstanding balance includes a US\$16 million premium which is amortized as a reduction to interest expense over the term of the note.

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

(e) Pursuant to the May 26, 2022 announcement of the sale of the Alaskan Utilities, related long-term debt balances totaling \$64 million, including the CINGSA senior secured loan net of issuance costs as well as certain finance lease liabilities, were reclassified to "liabilities associated with assets held for sale" on the Consolidated Balance Sheets at September 30, 2022. Refer to Note 5 for more details.

13. Subordinated Hybrid Notes

As at	Maturity date	September 30, 2022	December 31, 2021
\$300 million Subordinated Notes, Series 1	11-Jan-2082	\$ 300	\$ —
\$250 million Subordinated Notes, Series 2	17-Aug-2082	250	—
		550	—
Less: debt issuance costs		(6)	—
		\$ 544	\$ —

On January 11, 2022, AltaGas closed its offering of \$300 million of 5.25 percent Fixed-to-Fixed Rate Subordinated Notes, Series 1, due January 11, 2082. The subordinated notes were offered under AltaGas' short form base shelf prospectus dated February 22, 2021, as supplemented by a prospectus supplement dated January 5, 2022.

On August 17, 2022, AltaGas closed its offering of \$250 million of 7.35 percent Fixed-to-Fixed Rate Subordinated Notes, Series 2, due August 17, 2082. The subordinated notes were offered under AltaGas' short form base shelf prospectus dated February 22, 2021, as supplemented by a prospectus supplement dated August 4, 2022.

For the three and nine months ended September 30, 2022, AltaGas recorded interest expense of \$7 million and \$14 million, respectively, on the subordinated hybrid notes (three and nine months ended September 30, 2021 - \$nil).

14. Accumulated Other Comprehensive Income (Loss)

	Defined benefit pension and PRB plans	Hedge net investments	Translation foreign operations	Total
Opening balance, January 1, 2022	\$ (8)	\$ (158)	\$ 159	\$ (7)
OCI before reclassification	—	(21)	759	738
Current period OCI (pre-tax)	—	(21)	759	738
Income tax on amounts retained in AOCI	—	2	—	2
Net current period OCI	—	(19)	759	740
Purchase of remaining non-controlling interest in a subsidiary (note 3)	—	—	5	5
Ending balance, September 30, 2022	\$ (8)	\$ (177)	\$ 923	\$ 738
Opening balance, January 1, 2021	\$ (12)	\$ (158)	\$ 220	\$ 50
OCI before reclassification	—	—	(9)	(9)
Amounts reclassified from OCI to earnings	2	—	—	2
Current period OCI (pre-tax)	2	—	(9)	(7)
Income tax on amounts reclassified to earnings	(1)	—	—	(1)
Net current period OCI	1	—	(9)	(8)
Ending balance, September 30, 2021	\$ (11)	\$ (158)	\$ 211	\$ 42

For the three months ended September 30, 2022 and September 30, 2021, no AOCI amounts were reclassified to the Consolidated Statements of Income.

AOCI components reclassified	Income statement line item	Nine Months Ended September 30, 2022		Nine Months Ended September 30, 2021	
Defined benefit pension and PRB plans	Other income	\$	—	\$	2
Deferred income taxes	Income tax expense – deferred		—		(1)
		\$	—	\$	1

15. Revenue

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

Three Months Ended September 30, 2022					
	Utilities	Midstream	Corporate/ Other	Total	
Revenue from contracts with customers					
Commodity sales contracts	\$ 428	\$ 1,496	\$ —	\$ 1,924	
Midstream service contracts	—	588	—	588	
Gas sales and transportation services	387	—	—	387	
Storage services	6	—	—	6	
Other	2	—	—	2	
Total revenue from contracts with customers	\$ 823	\$ 2,084	\$ —	\$ 2,907	
Other sources of revenue					
Revenue from alternative revenue programs ^(a)	\$ 20	\$ —	\$ —	\$ 20	
Leasing revenue ^(b)	—	78	28	106	
Risk management and trading activities ^(c)	(21)	37	—	16	
Other	—	7	—	7	
Total revenue from other sources	\$ (1)	\$ 122	\$ 28	\$ 149	
Total revenue	\$ 822	\$ 2,206	\$ 28	\$ 3,056	

(a) A large portion of revenue generated from the Utilities segment is subject to rate regulation and accordingly there are circumstances where the revenue recognized is mandated by the applicable regulators in accordance with ASC 980.

(b) Revenue generated from certain of AltaGas' gas facilities is accounted for as operating leases. For the Corporate/Other segment, a significant amount of revenue earned is through power purchase agreements which are accounted for as operating leases.

(c) Risk management activities involve the use of derivative instruments such as physical and financial swaps, forward contracts, and options. These derivatives are accounted for under ASC 815 and ASC 825. A portion of revenue generated by the Utilities segment is from the physical sale and delivery of natural gas and power to end users.

Three Months Ended September 30, 2021

	Utilities	Midstream	Corporate/ Other	Total
Revenue from contracts with customers				
Commodity sales contracts	\$ 325	\$ 1,334	\$ —	\$ 1,659
Midstream service contracts	—	517	—	517
Gas sales and transportation services	312	—	—	312
Storage services	6	—	—	6
Other	1	—	1	2
Total revenue from contracts with customers	\$ 644	\$ 1,851	\$ 1	\$ 2,496
Other sources of revenue				
Revenue from alternative revenue programs ^(a)	\$ 17	\$ —	\$ —	\$ 17
Leasing revenue ^(b)	—	52	26	78
Risk management and trading activities ^(c)	(83)	(172)	(1)	(256)
Other	—	3	1	4
Total revenue from other sources	\$ (66)	\$ (117)	\$ 26	\$ (157)
Total revenue	\$ 578	\$ 1,734	\$ 27	\$ 2,339

- (a) A large portion of revenue generated from the Utilities segment is subject to rate regulation and accordingly there are circumstances where the revenue recognized is mandated by the applicable regulators in accordance with ASC 980.
- (b) Revenue generated from certain of AltaGas' gas facilities is accounted for as operating leases. For the Corporate/Other segment, a significant amount of revenue earned is through power purchase agreements which are accounted for as operating leases.
- (c) Risk management activities involve the use of derivative instruments such as physical and financial swaps, forward contracts, and options. These derivatives are accounted for under ASC 815 and ASC 825. A portion of revenue generated by the Utilities segment is from the physical sale and delivery of natural gas and power to end users.

Nine Months Ended September 30, 2022

	Utilities	Midstream	Corporate / Other	Total
Revenue from contracts with customers				
Commodity sales contracts	\$ 1,218	\$ 4,795	\$ —	\$ 6,013
Midstream service contracts	—	1,817	—	1,817
Gas sales and transportation services	2,077	—	—	2,077
Storage services	18	—	—	18
Other	6	—	1	7
Total revenue from contracts with customers	\$ 3,319	\$ 6,612	\$ 1	\$ 9,932
Other sources of revenue				
Revenue from alternative revenue programs ^(a)	\$ 66	\$ —	\$ —	\$ 66
Leasing revenue ^(b)	—	179	68	247
Risk management and trading activities ^(c)	(122)	56	—	(66)
Other	(7)	18	—	11
Total revenue from other sources	\$ (63)	\$ 253	\$ 68	\$ 258
Total revenue	\$ 3,256	\$ 6,865	\$ 69	\$ 10,190

- (a) A large portion of revenue generated from the Utilities segment is subject to rate regulation and accordingly there are circumstances where the revenue recognized is mandated by the applicable regulators in accordance with ASC 980.
- (b) Revenue generated from certain of AltaGas' gas facilities is accounted for as operating leases. For the Corporate/Other segment, a significant amount of revenue earned is through power purchase agreements which are accounted for as operating leases.
- (c) Risk management activities involve the use of derivative instruments such as physical and financial swaps, forward contracts, and options. These derivatives are accounted for under ASC 815 and ASC 825. A portion of revenue generated by the Utilities segment is from the physical sale and delivery of natural gas and power to end users.

Nine Months Ended September 30, 2021

	Utilities	Midstream	Corporate/ Other	Total
Revenue from contracts with customers				
Commodity sales contracts	\$ 963	\$ 3,262	\$ —	\$ 4,225
Midstream service contracts	—	1,348	—	1,348
Gas sales and transportation services	1,759	—	—	1,759
Storage services	18	—	—	18
Other	6	—	4	10
Total revenue from contracts with customers	\$ 2,746	\$ 4,610	\$ 4	\$ 7,360
Other sources of revenue				
Revenue from alternative revenue programs ^(a)	\$ 54	\$ —	\$ —	\$ 54
Leasing revenue ^(b)	—	135	72	207
Risk management and trading activities ^{(c) (d)}	(117)	(81)	(3)	(201)
Other	(9)	17	5	13
Total revenue from other sources	\$ (72)	\$ 71	\$ 74	\$ 73
Total revenue	\$ 2,674	\$ 4,681	\$ 78	\$ 7,433

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

Revenue Recognition

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

Utilities Segment

Gas Sales and Transportation Services

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

Gas Storage Services

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

Commodity Sales

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

Midstream Segment

Commodity Sales

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

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

Midstream Service Contracts

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

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

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

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

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

Corporate/Other Segment

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

Contract Balances

As at September 30, 2022, a contract asset of \$39 million (\$38 million net of credit losses) has been recorded within long-term investments and other assets (December 31, 2021 - \$41 million net of credit losses) and \$4 million within prepaid expenses and other current assets (December 31, 2021 - \$13 million) on the Consolidated Balance Sheets. This contract asset represents the difference in revenue recognized under a new rate in a blend-and-extend contract modification with a customer. Revenue from this contract modification was recognized at the pre-modification rate until December 31, 2020, with the excess revenue recorded as a contract asset. The contract asset is now being drawn down over the remaining term of the modified contract.

At September 30, 2022, contract liabilities of \$nil (December 31, 2021 - \$1 million) have been recorded within other current liabilities on the Consolidated Balance Sheets. Contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period.

Contract Assets

As at	September 30, 2022	December 31, 2021
Balance, beginning of period	\$ 54	\$ 71
Additions	1	—
Amortization ^(a)	(3)	(4)
Transfers to accounts receivable ^(b)	(10)	(13)
Balance, end of period	\$ 42	\$ 54

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

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

Contract Liabilities

As at	September 30, 2022	December 31, 2021
Balance, beginning of period	\$ 1	\$ —
Additions	—	1
Revenue recognized from contract liabilities ^(a)	(1)	—
Balance, end of period	\$ —	\$ 1

(a) Recognition of revenue related to performance obligations satisfied in the current period for amounts that were previously included in contract liabilities.

Transaction price allocated to the remaining obligations

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied as of September 30, 2022:

	Remainder of 2022	2023	2024	2025	2026	> 2026	Total
Midstream service contracts	\$ 25	\$ 120	\$ 120	\$ 116	\$ 113	\$ 989	\$ 1,483
Storage services	6	25	25	25	25	133	239
Other	1	2	2	2	2	8	17
	\$ 32	\$ 147	\$ 147	\$ 143	\$ 140	\$ 1,130	\$ 1,739

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

16. Financial Instruments and Financial Risk Management

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

Fair Value Hierarchy

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

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

Level 2 - fair values are determined based on valuation models and techniques where inputs other than quoted prices included within Level 1 are observable for the asset or liability either directly or indirectly. AltaGas enters into derivative instruments in

the futures, over-the-counter, and retail markets to manage fluctuations in commodity prices and foreign exchange rates. The fair values of power, natural gas, NGL, LPG, ocean freight, and crude oil derivative contracts were calculated using forward prices based on published sources for the relevant period, adjusted for factors specific to the asset or liability, including basis and location differentials, discount rates, and currency exchange. The fair value of foreign exchange derivative contracts was calculated using quoted market rates.

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

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

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

Current portion of long-term debt, long-term debt (including debt classified as held for sale), subordinated hybrid notes, and other long-term liabilities - the fair value of these liabilities was estimated based on discounted future interest and principal payments using the current market interest rates of instruments with similar terms.

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

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

As at	September 30, 2022				
	Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Financial assets					
Fair value through net income ^(a)					
Risk management assets - current	\$ 100	\$ —	\$ 65	\$ 35	\$ 100
Risk management assets - non-current	65	—	42	23	65
Fair value through regulatory assets/liabilities ^(a)					
Risk management assets - current	1	—	1	—	1
	\$ 166	\$ —	\$ 108	\$ 58	\$ 166
Financial liabilities					
Fair value through net income ^(a)					
Risk management liabilities - current	\$ 188	\$ —	\$ 8	\$ 180	\$ 188
Risk management liabilities - non-current	158	—	5	153	158
Fair value through regulatory assets/liabilities ^(a)					
Risk management liabilities - current	37	—	—	37	37
Risk management liabilities - non-current	105	—	—	105	105
Amortized cost					
Current portion of long-term debt	834	—	834	—	834
Long-term debt	7,576	—	6,855	—	6,855
Subordinated hybrid notes	544	—	483	—	483
Debt classified as held for sale <i>(note 5)</i>	64	—	61	—	61
Other current liabilities ^(b)	33	—	33	—	33
	\$ 9,539	\$ —	\$ 8,279	\$ 475	\$ 8,754

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

(b) Excludes non-financial liabilities.

As at	December 31, 2021				
	Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Financial assets					
Fair value through net income ^(a)					
Risk management assets - current	\$ 112	\$ —	\$ 73	\$ 39	\$ 112
Risk management assets - non-current	50	—	22	28	50
Fair value through regulatory assets/liabilities ^(a)					
Risk management assets - current	1	—	—	1	1
Risk management assets - non-current	1	—	—	1	1
	\$ 164	\$ —	\$ 95	\$ 69	\$ 164
Financial liabilities					
Fair value through net income ^(a)					
Risk management liabilities - current	\$ 113	\$ —	\$ 58	\$ 55	\$ 113
Risk management liabilities - non-current	90	—	11	79	90
Fair value through regulatory assets/liabilities ^(a)					
Risk management liabilities - current	15	—	—	15	15
Risk management liabilities - non-current	75	—	—	75	75
Amortized cost					
Current portion of long-term debt	511	—	511	—	511
Long-term debt	7,684	—	7,898	—	7,898
Other current liabilities ^(b)	43	—	43	—	43
	\$ 8,531	\$ —	\$ 8,521	\$ 224	\$ 8,745

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

(b) Excludes non-financial liabilities.

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

The following table includes quantitative information about the significant unobservable inputs used in the fair value measurement of Level 3 financial instruments at September 30, 2022:

	Net Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average ^(a)
Natural gas	\$ (183)	Discounted Cash Flow	Natural Gas Basis Price (per Dth)	\$ (3.34) - \$ 13.46	\$ (0.66)
Natural gas	\$ (3)	Option Model	Natural Gas Basis Price (per Dth)	\$ (2.66) - \$ 7.39	\$ 0.75
			Annualized Volatility of Spot Market Natural Gas	22 % - 209 %	42 %
Electricity	\$ (231)	Discounted Cash Flow	Electricity Congestion Price (per MWh)	\$ (9.55) - \$ 225.96	\$ 25.19

(a) Unobservable inputs were weighted by transaction volume.

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

Three Months Ended	September 30, 2022			September 30, 2021		
	Natural Gas	Electricity	Total	Natural Gas	Electricity	Total
Balance, beginning of period	\$ (218)	\$ (192)	\$ (410)	(109)	(14)	(123)
Realized and unrealized gains (losses):						
Recorded in income	7	(83)	(76)	14	(17)	(3)
Recorded in regulatory assets	14	—	14	8	—	8
Purchases	—	12	12	—	2	2
Settlements	10	54	64	1	(3)	(2)
Change in cash collateral	11	(10)	1	(6)	(68)	(74)
Foreign exchange translation	(10)	(12)	(22)	(3)	(2)	(5)
Balance, end of period	\$ (186)	\$ (231)	\$ (417)	(95)	(102)	(197)

Nine Months Ended	September 30, 2022			September 30, 2021		
	Natural Gas	Electricity	Total	Natural Gas	Electricity	Total
Balance, beginning of period	\$ (107)	\$ (48)	\$ (155)	(74)	(19)	(93)
Realized and unrealized gains (losses):						
Recorded in income	(26)	(142)	(168)	(9)	(5)	(14)
Recorded in regulatory assets	(65)	—	(65)	(14)	—	(14)
Disposed	—	—	—	(4)	—	(4)
Transfers out of Level 3	3	—	3	—	—	—
Purchases	—	(1)	(1)	—	(5)	(5)
Settlements	22	92	114	11	(3)	8
Change in cash collateral	—	(115)	(115)	(6)	(68)	(74)
Foreign exchange translation	(13)	(17)	(30)	1	(2)	(1)
Balance, end of period	\$ (186)	\$ (231)	\$ (417)	(95)	(102)	(197)

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Natural gas	\$ 14	\$ 70	\$ 41	\$ 60
Energy exports	(22)	(38)	33	20
Crude oil and NGLs	(1)	(17)	6	(16)
NGL frac spread	21	(12)	21	(42)
Power	(9)	32	6	51
Foreign exchange	—	(6)	—	(21)
	\$ 3	\$ 29	\$ 107	\$ 52

Offsetting of Derivative Assets and Derivative Liabilities

Certain of AltaGas' risk management contracts are subject to master netting arrangements that create a legally enforceable right for a counterparty to offset the related financial assets and financial liabilities. As part of these master netting agreements, cash, letters of credit, and parental guarantees may be required to be posted or obtained from counterparties in order to mitigate credit risk related to both derivative and non-derivative positions. Collateral balances are also offset against the related counterparties' derivative positions to the extent the application would not result in the over-collateralization of those derivative positions on the balance sheet.

As at	September 30, 2022			
	Gross amounts of recognized assets/liabilities	Gross amounts offset in balance sheet	Netting of collateral	Net amounts presented in balance sheet
Risk management assets ^(a)				
Natural gas	\$ 291	\$ (115)	\$ (87)	89
Energy exports	73	(68)	31	36
Crude oil and NGLs	1	(5)	13	9
NGL frac spread	7	(5)	—	2
Power	269	(38)	(201)	30
	\$ 641	\$ (231)	\$ (244)	166
Risk management liabilities ^(b)				
Natural gas	\$ 350	\$ (115)	—	235
Energy exports	68	(68)	—	—
Crude oil and NGLs	5	(5)	—	—
NGL frac spread	5	(5)	—	—
Power	291	(38)	—	253
	\$ 719	\$ (231)	—	488

(a) Net amount of risk management assets on the Balance Sheet is comprised of risk management assets (current) balance of \$101 million and risk management assets (non-current) balance of \$65 million.

(b) Net amount of risk management liabilities on the Balance Sheet is comprised of risk management liabilities (current) balance of \$225 million and risk management liabilities (non-current) balance of \$263 million.

As at	December 31, 2021			
	Gross amounts of recognized assets/liabilities	Gross amounts offset in balance sheet	Netting of collateral	Net amounts presented in balance sheet
Risk management assets ^(a)				
Natural gas	\$ 94	\$ (22)	\$ (25)	47
Energy exports	61	(60)	37	38
NGL frac spread	4	—	—	4
Power	101	(25)	(1)	75
	\$ 260	\$ (107)	11	164
Risk management liabilities ^(b)				
Natural gas	\$ 164	\$ (22)	\$ (4)	138
Energy exports	81	(60)	2	23
Crude oil and condensates	6	—	2	8
NGL frac spread	23	—	—	23
Power	126	(25)	—	101
	\$ 400	\$ (107)	—	293

(a) Net amount of risk management assets on the Balance Sheet is comprised of risk management assets (current) balance of \$113 million and risk management assets (non-current) balance of \$51 million.

(b) Net amount of risk management liabilities on the Balance Sheet is comprised of risk management liabilities (current) balance of \$128 million and risk management liabilities (non-current) balance of \$165 million.

Cash Collateral

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

As at	September 30, 2022	December 31, 2021
Collateral posted with counterparties	\$ 3	\$ 9
Cash collateral held representing an obligation	\$ 1	\$ 2

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

Certain derivative instruments contain contract provisions that require collateral to be posted if the credit rating of AltaGas or certain of its subsidiaries falls below certain levels. At September 30, 2022 and December 31, 2021, AltaGas has not posted any collateral related to its derivative liabilities that contained credit-related contingent features. The following table shows the aggregate fair value of all derivative instruments with credit-related contingent features that are in a liability position, as well as the maximum amount of collateral that would be required if specific credit-risk-related contingent features underlying these agreements were triggered:

As at	September 30, 2022	December 31, 2021
Risk management liabilities with credit-risk-contingent features	\$ 147	\$ 42
Maximum potential collateral requirements	\$ 49	\$ 21

Notional Summary

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

As at	September 30, 2022	December 31, 2021
Natural Gas		
Sales	249,430,893 GJ	259,750,059 GJ
Purchases	536,820,308 GJ	606,923,548 GJ
Swaps	156,092,595 GJ	201,266,412 GJ
Crude Oil and NGLs		
Swaps	662,000 Bbl	864,000 Bbl
Energy Exports		
Purchases	181,292 Bbl	—
Propane and butane swaps	20,995,874 Bbl	38,860,780 Bbl
NGL Frac Spread		
Propane swaps	546,838 Bbl	2,099,243 Bbl
Butane swaps	—	18,967 Bbl
Crude oil swaps	97,796 Bbl	369,495 Bbl
Natural gas swaps	3,090,280 GJ	11,873,390 GJ
Power		
Sales	4,901,091 MWh	4,938,045 MWh
Purchases	5,879,529 MWh	6,393,003 MWh
Swaps	23,421,584 MWh	22,845,569 MWh

Foreign Exchange Risk

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

AltaGas may designate its U.S. dollar-denominated debt or certain U.S. dollar-denominated loans that may give rise to a foreign currency translation gain or loss as a net investment hedge of its U.S. subsidiaries. As at September 30, 2022, AltaGas has designated US\$222 million of outstanding loans as a net investment hedge (December 31, 2021 - US\$122 million).

The following foreign exchange forward contracts are outstanding as at September 30, 2022:

Foreign exchange forward contract	Notional Amount (US\$ millions)	Duration	Weighted average foreign exchange rate	Fair Value (\$ millions)
Forward USD sales	US\$7	Less than one month	1.3795 \$	10

The following foreign exchange forward contracts were outstanding as at December 31, 2021:

Foreign exchange forward contract	Notional Amount (US\$ millions)	Duration	Weighted average foreign exchange rate	Fair Value (\$ millions)
Foreign exchange swaps (purchases)	US\$10	Less than one year	1.2640	Less than \$1 million

For the three and nine months ended September 30, 2022, AltaGas recorded no realized gains or losses on foreign exchange forward contracts (three and nine months ended September 30, 2021 - gains of \$5 million and \$18 million, respectively).

Allowance for Credit Losses

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

Three Months Ended September 30, 2022			
	Accounts Receivable	Contract Assets ^(a)	Total
Utilities			
Balance, beginning of period	\$ 45	\$ —	45
Foreign exchange translation	3	—	3
Adjustments to allowance ^(b)	3	—	3
Written off	(9)	—	(9)
Recoveries collected	1	—	1
Changes to amounts classified as assets held for sale <i>(note 5)</i>	1	—	1
Balance, end of period	\$ 44	\$ —	44
Midstream			
Balance, beginning of period	1	1	2
Balance, end of period	\$ 1	\$ 1	2
Total	\$ 45	\$ 1	46

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

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

Three Months Ended September 30, 2021			
	Accounts Receivable	Contract Assets ^(a)	Total
Utilities			
Balance, beginning of period	\$ 41	\$ —	41
Foreign exchange translation	1	—	1
Adjustments to allowance ^(b)	5	—	5
Written off	(7)	—	(7)
Recoveries collected	1	—	1
Balance, end of period	\$ 41	\$ —	41
Midstream			
Balance, beginning of period	1	1	2
Balance, end of period	\$ 1	\$ 1	2
Total	\$ 42	\$ 1	43

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

(b) Includes \$3 million recorded to a regulatory asset relating to the impact of COVID-19 on uncollectible accounts.

Nine Months Ended September 30, 2022					
	Accounts Receivable		Contract Assets ^(a)		Total
Utilities					
Balance, beginning of period	\$	38	\$	—	38
Foreign exchange translation		3		—	3
Adjustments to allowance ^(b)		19		—	19
Written off		(19)		—	(19)
Recoveries collected		4		—	4
Reclassified to assets held for sale (note 5)		(1)		—	(1)
Balance, end of period	\$	44	\$	—	44
Midstream					
Balance, beginning of period		1		1	2
Balance, end of period	\$	1	\$	1	2
Total	\$	45	\$	1	46

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

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

Nine Months Ended September 30, 2021						
	Accounts Receivable		Contract Assets ^(a)		Other long-term investments and other assets	Total
Utilities						
Balance, beginning of period	\$	40	\$	—	\$	40
Foreign exchange translation		—		—	—	—
Adjustments to allowance ^(b)		13		—	—	13
Written off		(15)		—	—	(15)
Recoveries collected		3		—	—	3
Balance, end of period	\$	41	\$	—	\$	41
Midstream						
Balance, beginning of period		1		1	2	4
Adjustments to allowance		—		—	(2)	(2)
Balance, end of period	\$	1	\$	1	\$	2
Total	\$	42	\$	1	\$	43

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

(b) Includes \$3 million recorded to a regulatory asset relating to the impact of COVID-19 on uncollectible accounts.

With the exception of accounts receivable which are due in one year or less, AltaGas does not have any past due receivables as at September 30, 2022.

Weather Related Instruments

WGL Energy Services utilizes heating degree day (HDD) instruments from time to time to manage weather and price risks related to its natural gas and electricity sales during the winter heating season. WGL Energy Services also utilizes cooling degree day (CDD) instruments and other instruments to manage weather and price risks related to its electricity sales during the summer cooling season. These instruments cover a portion of estimated revenue or energy-related cost exposure to variations in HDDs or CDDs. For the three and nine months ended September 30, 2022, AltaGas recorded no gains or losses related to these instruments (three and nine months ended September 30, 2021 - \$nil).

17. Leases

Lessor

Certain of AltaGas' revenues are obtained through power purchase agreements or take-or-pay contracts whereby AltaGas is the lessor in these operating lease arrangements. Minimum lease payments received are amortized over the term of the lease. Contingent rentals are recorded when the condition that created the present obligation to make such payments occurs such as when actual electricity is generated and delivered. Revenue from these arrangements have been disclosed in Note 15.

18. Shareholders' Equity

Authorization

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

Common Shares Issued and Outstanding	Number of shares	Amount
January 1, 2021	279,494,299	\$ 6,723
Shares issued for cash on exercise of options	774,739	15
Deferred taxes on share issuance cost	—	(3)
December 31, 2021	280,269,038	\$ 6,735
Shares issued for cash on exercise of options	1,249,910	28
Deferred taxes on share issuance costs	—	(1)
Issued and outstanding at September 30, 2022	281,518,948	\$ 6,762

Preferred Shares

As at	September 30, 2022		December 31, 2021	
Issued and Outstanding	Number of shares	Amount	Number of shares	Amount
Series A	6,746,679	\$ 169	6,746,679	\$ 169
Series B	1,253,321	31	1,253,321	31
Series C ^(a)	—	—	8,000,000	206
Series E	8,000,000	200	8,000,000	200
Series G	6,885,823	172	6,885,823	172
Series H	1,114,177	28	1,114,177	28
Series K ^(b)	—	—	12,000,000	300
Share issuance costs, net of taxes		(14)		(30)
	24,000,000	\$ 586	44,000,000	\$ 1,076

(a) On September 30, 2022, AltaGas redeemed all of its outstanding U.S. dollar denominated Series C preferred shares. A loss of \$74 million was recognized upon redemption, which was comprised of a foreign exchange loss of \$69 million and a \$5 million loss related to share issuance costs for the preferred shares.

(b) On March 31, 2022, AltaGas redeemed all of its outstanding Series K preferred shares. A loss of \$10 million was recognized upon redemption related to share issuance costs for the preferred shares.

Share Option Plan

AltaGas has an employee share option plan under which officers, employees, and service providers (as defined by the TSX) are eligible to receive grants. As at September 30, 2022, 11,726,252 shares were listed and reserved for issuance under the plan.

As at September 30, 2022, share options granted under the plan have a term between six and ten years until expiry and vest no longer than over a four-year period.

As at September 30, 2022, the unexpensed fair value of share option compensation cost associated with future periods was \$1 million (December 31, 2021 - \$3 million).

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

As at	September 30, 2022		December 31, 2021	
	Number of options	Exercise price ^(a)	Number of options	Exercise price ^(a)
Share options outstanding, beginning of period	8,679,508	\$ 19.98	8,362,211	\$ 21.06
Granted	—	—	1,878,670	18.77
Exercised	(1,249,910)	19.98	(774,739)	17.44
Forfeited	(57,761)	21.23	(214,259)	25.24
Expired	(119,275)	30.93	(572,375)	33.26
Share options outstanding, end of period	7,252,562	\$ 19.79	8,679,508	\$ 19.98
Share options exercisable, end of period	5,194,243	\$ 20.10	4,435,287	\$ 20.72

(a) Weighted average.

As at September 30, 2022, the aggregate intrinsic value of the total share options exercisable was \$37 million (December 31, 2021 - \$33 million), the total intrinsic value of share options outstanding was \$52 million (December 31, 2021 - \$68 million) and the total intrinsic value of share options exercised was \$11 million (December 31, 2021 - \$5 million).

The following table summarizes the employee share option plan as at September 30, 2022:

Price range	Options outstanding			Options exercisable		
	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life	Number exercisable	Weighted average exercise price	Weighted average remaining contractual life
\$14.52 to \$18.00	1,747,186	\$ 15.41	2.33	1,714,202	\$ 15.40	2.30
\$18.01 to \$25.08	4,575,581	19.27	3.50	2,552,122	19.44	3.21
\$25.09 to \$37.86	929,795	30.62	0.74	927,919	30.63	0.74
	7,252,562	\$ 19.79	2.86	5,194,243	\$ 20.10	2.47

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

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

PUs, RUs, and DSUs (number of units)	September 30, 2022	December 31, 2021
Balance, beginning of year	3,877,843	5,920,300
Granted	1,344,270	1,611,727
Vested and paid out	(1,730,261)	(3,495,702)
Forfeited	(113,160)	(313,621)
Units in lieu of dividends	124,306	126,250
Additional units added by performance factor	786,907	28,889
Outstanding, end of period	4,289,905	3,877,843

For the three and nine months ended September 30, 2022, the compensation expense recorded for the Phantom Plan and DSUP was \$7 million and \$40 million, respectively (three and nine months ended September 30, 2021 - \$16 million and \$52 million, respectively). As at September 30, 2022, the unrecognized compensation expense relating to the remaining vesting period for the Phantom Plan was \$33 million (December 31, 2021 - \$16 million) and is expected to be recognized over the vesting period.

19. Net Income Per Common Share

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Numerator:				
Net income applicable to controlling interests	\$ 36	\$ 38	\$ 462	\$ 426
Less: Preferred share dividends	(10)	(13)	(33)	(40)
Loss on redemption of preferred shares	(74)	—	(84)	—
Net income (loss) applicable to common shares	\$ (48)	\$ 25	\$ 345	\$ 386
Denominator:				
<i>(millions of shares)</i>				
Weighted average number of common shares outstanding	281.2	280.2	280.8	279.9
Dilutive equity instruments ^(a)	—	2.2	2.5	1.7
Weighted average number of common shares outstanding - diluted	281.2	282.4	283.3	281.6
Basic net income (loss) per common share	\$ (0.17)	\$ 0.09	\$ 1.23	\$ 1.38
Diluted net income (loss) per common share	\$ (0.17)	\$ 0.09	\$ 1.22	\$ 1.37

(a) Determined using the treasury stock method.

For the three and nine months ended September 30, 2022, 0.8 million and 0.9 million share options, respectively (three and nine months ended September 30, 2021 - 1.7 million and 1.8 million share options, respectively) were excluded from the diluted net income (loss) per common share calculation as their effects were anti-dilutive.

20. Commitments, Guarantees, and Contingencies

Commitments

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

AltaGas' utilities have contracts to purchase natural gas, natural gas transportation and storage services from various suppliers to ensure that there is an adequate supply of natural gas to meet the needs of customers and to minimize exposure to market price fluctuations. These contracts have expiration dates that range from 2022 to 2044. In addition, WGL Energy Services also enters into contracts to purchase natural gas and electricity designed to match the duration of its sales commitments, and to secure a margin on estimated sales over the terms of existing sales contracts.

In connection with the acquisition of WGL in 2018, AltaGas and WGL have made commitments related to the terms of the Public Service Commission of the District of Columbia (PSC of DC) settlement agreement and the conditions of approval from the Maryland Public Service Commission (PSC of MD) and the Commonwealth of Virginia State Corporation Commission (SCC of VA). Among other things, these commitments include rate credits distributable to both residential and non-residential customers, gas expansion and other programs, various public interest commitments, and safety programs. As at September 30, 2022, the remaining unpaid amount for the previously accrued merger commitments was approximately US\$7 million. Additionally, there are a number of operational commitments, including the funding of leak mitigation and reducing leak backlogs, the funding of damage prevention efforts, developing projects to extend natural gas service, maintaining pre-merger quality of service standards including odor call response times, increasing supplier diversity, achieving synergy savings benefits, as well as reporting and tracking related to all the commitments, and developing 15 megawatts of either electric grid energy storage or Tier 1 renewable resources within five years after the merger closed.

As part of the Petrogas Acquisition in 2020, AltaGas acquired a commitment to pay post-acquisition contingent payments of up to \$16 million based on certain criteria, including earnings targets being met. In the second quarter of 2022, AltaGas made the post-acquisition contingent payment of \$16 million, satisfying the commitment.

In 2017, AltaGas entered into a 12-year service agreement for tug services to support the marine operations of RIPET. As at September 30, 2022, AltaGas is obligated to pay fixed fees of approximately \$21 million over the remainder of the contract.

In 2019, AltaGas entered into propane supply contracts with various counterparties to secure physical volumes required for RIPET's export capacity commitments. The contract terms range from 1-15 years, for an aggregate commitment amount of approximately \$909 million.

In 2014, AltaGas' Blythe facility entered into a Long-Term Service Agreement with Siemens to complete various upgrade and maintenance services on the Combustion Turbines (CT) at Blythe. The term of the agreement is over 124,000 equivalent operating hours per CT, or 25 years, whichever comes first. As at September 30, 2022, approximately \$152 million is expected to be paid over the next 13 years, of which \$53 million is expected to be paid over the next five years.

In 2021, AltaGas entered into a time charter agreement for the lease of a Very Large Gas Carrier (VLGC) over a two-year term. The vessel will be used by AltaGas to transport LPGs from AltaGas' export terminals to Asian markets. At September 30, 2022, AltaGas has approximately US\$14 million remaining in future undiscounted cash flows associated with the lease.

At September 30, 2022, AltaGas has US\$150 million in future undiscounted cash flows associated with operating leases not yet commenced. The leases are for the use of two VLGCs that are anticipated to commence in the fourth quarter of 2023 and first quarter of 2024. The lessor is primarily involved in the design and construction of both VLGCs.

Guarantees

AltaGas has guaranteed payments primarily for certain commitments on behalf of some of its subsidiaries. AltaGas has also guaranteed payments for certain of its external partners. As at September 30, 2022, AltaGas had no guarantees issued on behalf of external parties.

Contingencies

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

21. Pension Plans and Retiree Benefits

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

In 2021, AltaGas made the decision to wind-up the Canadian defined benefit pension plan effective March 31, 2022. In October 2022, approval of the wind-up was received from the Alberta Superintendent of Pensions.

Rabbi trusts of \$18 million as at September 30, 2022 have been funded to satisfy the employee benefit obligations associated with WGL's various pension plans (December 31, 2021 - \$18 million). These balances are included in "prepaid expenses and other current assets" and "long-term investments and other assets" in the Consolidated Balance Sheets.

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

	Three Months Ended September 30, 2022					
	Canada		United States		Total	
	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits
Current service cost ^(a)	\$ 1	\$ —	\$ 6	\$ 3	\$ 7	\$ 3
Interest cost ^(b)	—	—	13	3	13	3
Expected return on plan assets ^(b)	—	—	(18)	(10)	(18)	(10)
Amortization of past service credit ^(b)	—	—	—	(5)	—	(5)
Amortization of net actuarial gain ^(b)	—	—	—	(2)	—	(2)
Net benefit cost (income) recognized	\$ 1	\$ —	\$ 1	\$ (11)	\$ 2	\$ (11)

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

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

	Three Months Ended September 30, 2021					
	Canada		United States		Total	
	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits
Current service cost ^(a)	\$ 1	\$ —	\$ 6	\$ 3	\$ 7	\$ 3
Interest cost ^(b)	1	—	12	3	13	3
Expected return on plan assets ^(b)	—	—	(19)	(9)	(19)	(9)
Amortization of past service credit ^(b)	—	—	—	(4)	—	(4)
Amortization of net actuarial loss (gain) ^(b)	—	—	2	(2)	2	(2)
Net benefit cost (income) recognized	\$ 2	\$ —	\$ 1	\$ (9)	\$ 3	\$ (9)

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

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

	Nine Months Ended September 30, 2022					
	Canada		United States		Total	
	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits
Current service cost ^(a)	\$ 3	\$ —	\$ 16	\$ 8	\$ 19	\$ 8
Interest cost ^(b)	—	—	39	10	39	10
Expected return on plan assets ^(b)	—	—	(57)	(28)	(57)	(28)
Amortization of past service credit ^(b)	—	—	—	(14)	—	(14)
Amortization of net actuarial loss (gain) ^(b)	—	—	1	(6)	1	(6)
Net benefit cost (income) recognized	\$ 3	\$ —	\$ (1)	\$ (30)	\$ 2	\$ (30)

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

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

	Nine Months Ended September 30, 2021					
	Canada		United States		Total	
	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits	Defined Benefit	Post-retirement Benefits
Current service cost ^(a)	\$ 3	\$ —	\$ 17	\$ 8	\$ 20	\$ 8
Interest cost ^(b)	1	—	36	9	37	9
Expected return on plan assets ^(b)	—	—	(57)	(26)	(57)	(26)
Amortization of past service credit ^(b)	—	—	—	(13)	—	(13)
Amortization of net actuarial loss (gain) ^(b)	—	—	5	(5)	5	(5)
Amortization of regulatory asset ^(b)	—	—	1	—	1	—
Plan settlements ^(b)	—	—	1	—	1	—
Net benefit cost (income) recognized	\$ 4	\$ —	\$ 3	\$ (27)	\$ 7	\$ (27)

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

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

22. Supplemental Cash Flow Information

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Source (use) of cash:				
Accounts receivable	\$ 292	\$ (102)	\$ (23)	(19)
Inventory	(309)	(212)	(421)	(192)
Risk management assets - current	(19)	(51)	(1)	(57)
Other current assets	8	24	73	79
Regulatory assets - current	(12)	17	9	40
Accounts payable and accrued liabilities	(256)	183	153	20
Customer deposits	(112)	249	278	228
Regulatory liabilities - current	3	(25)	12	(73)
Risk management liabilities - current	(20)	(1)	(10)	—
Other current liabilities	(48)	15	(30)	(6)
Other operating assets and liabilities	(77)	(48)	(37)	7
Changes in operating assets and liabilities	\$ (550)	\$ 49	\$ 3	27

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Decrease (increase) of balance:				
Exercise of stock options	\$ 1	\$ —	\$ 2	1
Net right-of-use assets obtained in exchange for new operating lease liabilities	(9)	—	(44)	(4)
Net right-of-use assets obtained in exchange for new finance lease liabilities	(7)	(4)	(10)	(8)
Capital expenditures included in accounts payable and accrued liabilities	2	62	(1)	44

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Interest paid (net of capitalized interest)	\$ 79	\$ 74	\$ 219	218
Income taxes paid	4	2	16	23

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

As at September 30	2022	2021
Cash and cash equivalents	\$ 132	\$ 163
Restricted cash holdings from customers - current	—	3
Restricted cash included in prepaid expenses and other current assets ^(a)	9	3
Restricted cash included in long-term investments and other assets ^(a)	9	16
Cash, cash equivalents, and restricted cash per Consolidated Statements of Cash Flows	\$ 150	\$ 185

(a) The restricted cash balances included in "prepaid expenses and other current assets" and "long-term investments and other assets" relate to Rabbi trusts associated with WGL's pension plans (Note 21).

23. Seasonality

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

24. Segmented Information

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

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

The following table provides a reconciliation of segment revenue to the disaggregated revenue table disclosed under Note 15:

Three Months Ended September 30, 2022						
		Utilities		Midstream	Corporate/ Other	Total
External revenue (note 15)	\$	822	\$	2,206	\$ 28	\$ 3,056
Segment revenue	\$	822	\$	2,206	\$ 28	\$ 3,056

Three Months Ended September 30, 2021						
		Utilities		Midstream	Corporate/ Other	Total
External revenue (note 15)	\$	578	\$	1,734	\$ 27	\$ 2,339
Segment revenue	\$	578	\$	1,734	\$ 27	\$ 2,339

Nine Months Ended September 30, 2022					
	Utilities	Midstream	Corporate/ Other		Total
External revenue (note 15)	\$ 3,256	\$ 6,865	\$ 69		\$ 10,190
Segment revenue	\$ 3,256	\$ 6,865	\$ 69		\$ 10,190

Nine Months Ended September 30, 2021					
	Utilities	Midstream	Corporate/ Other		Total
External revenue (note 15)	\$ 2,674	\$ 4,681	\$ 78		\$ 7,433
Intersegment revenue	—	2	—		2
Segment revenue	\$ 2,674	\$ 4,683	\$ 78		\$ 7,435

The following tables show the composition by segment:

Three Months Ended September 30, 2022						
	Utilities	Midstream	Corporate/ Other	Intersegment Elimination		Total
Segment revenue (note 15)	\$ 822	\$ 2,206	\$ 28	\$ —		\$ 3,056
Cost of sales	(487)	(1,963)	(9)	—		(2,459)
Operating and administrative	(231)	(144)	(12)	—		(387)
Accretion expenses	—	(2)	—	—		(2)
Depreciation and amortization	(69)	(29)	(8)	—		(106)
Income from equity investments (note 11)	—	5	—	—		5
Other income (loss)	19	(2)	2	—		19
Foreign exchange gains	—	—	7	—		7
Interest expense	—	—	(85)	—		(85)
Income (loss) before income taxes	\$ 54	\$ 71	\$ (77)	\$ —		\$ 48
Net additions to:						
Property, plant and equipment ^(a)	\$ 234	\$ 14	\$ 1	\$ —		\$ 249
Intangible assets	\$ —	\$ 1	\$ —	\$ —		\$ 1

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

Three Months Ended September 30, 2021

	Utilities	Midstream	Corporate/ Other	Intersegment Elimination	Total
Segment revenue (note 15)	\$ 578	\$ 1,734	\$ 27	\$ —	\$ 2,339
Cost of sales	(208)	(1,519)	(7)	—	(1,734)
Operating and administrative	(215)	(119)	(26)	—	(360)
Accretion expenses	—	(1)	—	—	(1)
Depreciation and amortization	(71)	(32)	(8)	—	(111)
Income from equity investments (note 11)	1	2	—	—	3
Other income	16	3	3	—	22
Foreign exchange gains (losses)	1	32	(33)	—	—
Interest expense	—	—	(69)	—	(69)
Income (loss) before income taxes	\$ 102	\$ 100	\$ (113)	\$ —	\$ 89
Net additions to:					
Property, plant and equipment ^{(a) (b)}	\$ 199	\$ 3	\$ 1	\$ —	\$ 203

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

(b) In 2021, Management determined that it would include adjustments for the cost of removal of utility assets in net additions to property, plant and equipment. Comparative periods have been restated to reflect this change.

Nine Months Ended September 30, 2022

	Utilities	Midstream	Corporate / Other	Intersegment Elimination	Total
Segment revenue (note 15)	\$ 3,256	\$ 6,865	\$ 69	\$ —	\$ 10,190
Cost of sales	(1,901)	(6,020)	(15)	—	(7,936)
Operating and administrative	(728)	(386)	(60)	—	(1,174)
Accretion expenses	1	(6)	—	—	(5)
Depreciation and amortization	(216)	(87)	(24)	—	(327)
Income from equity investments (note 11)	2	9	—	—	11
Other income	56	37	8	—	101
Foreign exchange gains	—	—	9	—	9
Interest expense	—	—	(231)	—	(231)
Income (loss) before income taxes	\$ 470	\$ 412	\$ (244)	\$ —	\$ 638
Net additions (reductions) to:					
Property, plant and equipment ^(a)	\$ 552	\$ (165)	\$ (11)	\$ —	\$ 376
Intangible assets	\$ 1	\$ 2	\$ —	\$ —	\$ 3

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

Nine Months Ended September 30, 2021						
	Utilities	Midstream	Corporate/ Other	Intersegment Elimination	Total	
Segment revenue (note 15)	\$ 2,674	\$ 4,683	\$ 78	\$ (2)	\$ 7,433	
Cost of sales	(1,374)	(3,848)	(17)	2	(5,237)	
Operating and administrative	(661)	(334)	(78)	—	(1,073)	
Accretion expenses	—	(3)	1	—	(2)	
Depreciation and amortization	(214)	(79)	(25)	—	(318)	
Provisions on assets (note 6)	—	(57)	—	—	(57)	
Income from equity investments (note 11)	2	6	—	—	8	
Other income	49	9	1	—	59	
Foreign exchange gains (losses)	—	15	(12)	—	3	
Interest expense	—	—	(208)	—	(208)	
Income (loss) before income taxes	\$ 476	\$ 392	\$ (260)	\$ —	\$ 608	
Net additions (reductions) to:						
Property, plant and equipment ^{(a) (b)}	\$ 471	\$ (294)	\$ 6	\$ —	\$ 183	
Intangible assets	\$ 1	\$ 1	\$ 1	\$ —	\$ 3	

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

(b) In 2021, Management determined that it would include adjustments for the cost of removal of utility assets in net additions to property, plant and equipment. Comparative periods have been restated to reflect this change.

The following table shows goodwill and total assets by segment:

	Utilities	Midstream	Corporate/ Other	Total
As at September 30, 2022				
Goodwill (note 8) ^(a)	\$ 3,763	\$ 1,545	\$ —	\$ 5,308
Segmented assets	\$ 16,199	\$ 6,709	\$ 596	\$ 23,504
As at December 31, 2021				
Goodwill (note 8)	\$ 3,691	\$ 1,462	\$ —	\$ 5,153
Segmented assets	\$ 14,603	\$ 6,415	\$ 575	\$ 21,593

(a) An additional \$228 million of goodwill relating to the Utilities segment is classified as assets held for sale on the Consolidated Balance sheets at September 30, 2022 (December 31, 2021 - \$nil). Please refer to Note 5 for additional details.

25. Subsequent Events

Subsequent events have been reviewed through October 26, 2022, the date on which these unaudited condensed interim Consolidated Financial Statements were issued.

SUPPLEMENTAL QUARTERLY OPERATING INFORMATION

	Q3-22	Q2-22	Q1-22	Q4-21	Q3-21
OPERATING HIGHLIGHTS					
UTILITIES					
Natural gas deliveries - end use (Bcf) ⁽¹⁾	12.6	23.0	74.7	44.0	12.2
Natural gas deliveries - transportation (Bcf) ⁽¹⁾	21.5	26.1	43.7	31.2	21.4
Service sites (thousands) ⁽²⁾	1,695	1,693	1,694	1,689	1,676
Degree day variance from normal - SEMCO Gas (%) ⁽³⁾	(3.7)	1.8	3.2	(15.0)	(41.8)
Degree day variance from normal - ENSTAR (%) ⁽³⁾	12.6	(9.6)	(11.7)	11.9	16.9
Degree day variance from normal - Washington Gas (%) ⁽³⁾⁽⁴⁾	750.0	20.7	(1.3)	(12.7)	—
WGL retail energy marketing - gas sales volumes (Mmcf)	7,133	10,469	23,637	16,299	7,682
WGL retail energy marketing - electricity sales volumes (GWh)	3,670	3,123	3,096	3,167	3,738
MIDSTREAM					
LPG export volumes (Bbls/d) ⁽⁵⁾	110,453	110,845	87,967	76,609	105,070
Total inlet gas processed (Mmcf/d) ⁽⁵⁾	1,228	1,205	1,472	1,534	1,471
Extracted ethane volumes (Bbls/d) ⁽⁵⁾	21,178	21,706	29,654	27,000	22,938
Extracted NGL volumes (Bbls/d) ⁽⁵⁾⁽⁶⁾	31,483	29,402	35,770	35,734	34,671
Fractionation volumes (Bbls/d) ⁽⁵⁾	35,578	28,944	33,090	37,000	29,130
Frac spread - realized (\$/Bbl) ⁽⁵⁾⁽⁷⁾	27.78	28.70	23.92	9.18	12.63
Frac spread - average spot price (\$/Bbl) ⁽⁵⁾⁽⁸⁾	36.25	32.97	36.98	35.82	36.32
Propane Far East Index (FEI) to Mont Belvieu spread (US\$/Bbl) ⁽⁵⁾⁽⁹⁾	10.48	12.94	12.91	12.65	9.00
Butane FEI to Mont Belvieu spread (US\$/Bbl) ⁽⁵⁾⁽¹⁰⁾	11.87	11.84	10.95	10.29	8.79

(1) Bcf is one billion cubic feet.

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

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

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

(5) Average for the period.

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

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

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

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

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

OTHER INFORMATION

DEFINITIONS

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

ABOUT ALTAGAS

AltaGas is a leading North American energy infrastructure company that connects NGLs and natural gas to domestic and global markets. The Company operates a diversified, lower-risk, high-growth Utilities and Midstream business that is focused on delivering resilient and durable value for its stakeholders.

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