News Release

FOR IMMEDIATE RELEASE

ALTAGAS CANADA INC. ANNOUNCES SECOND QUARTER 2019 RESULTS; INCREASES COMMON SHARE DIVIDEND 9.5 PERCENT

Calgary, Alberta (August 8, 2019) – AltaGas Canada Inc. ("ACI") (TSX: ACI) today announced its second quarter 2019 financial results.

Highlights:

- Achieved normalized net income[1] of $3.8 million ($0.13 per share) for the second quarter 2019 compared to adjusted normalized net income[2] of $3.4 million ($0.11 per share) in the second quarter 2018;
- Achieved net income after tax of $3.9 million ($0.13 per share) for the second quarter 2019 compared to $3.7 million ($0.12 per share) in the second quarter 2018;
- Announced a 9.5 percent increase to the quarterly dividend;
- ACI now expects its 5-year capital program to be in the range of $425 - $500 million, up from $330 million. ACI will continue to fund its capital program using a self-funded model;
- With ACI's expected new capital program, ACI expects approximately 6 percent compound annual normalized net income growth; and
- 2019 capital spend remains in the range of $75 - $85 million with an expected year-end rate base of approximately $940 million[3].

"Our overall business continues to perform very well and our dividend increase underscores our commitment to delivering shareholder value," said Jared Green, President and Chief Executive Officer of ACI. "We continue to progress on the reactivation of PNG's transmission pipeline and together with other opportunities, we expect to greatly expand our 5-year growth program, all within our self-funded model."

For the second quarter 2019, net income after taxes was $3.9 million ($0.13 per share), compared to $3.7 million ($0.12 per share) in the second quarter 2018. Normalized net income for the second quarter 2019 was $3.8 million ($0.13 per share) compared to adjusted normalized net income of $3.4 million ($0.11 per share) in the second quarter of 2018.

Second quarter 2019 normalized net income increased over the second quarter 2018 adjusted normalized net income primarily due to lower current income tax expense as a result of accelerated tax deductions related to Property Plant & Equipment and lower interest expense.

1. *Non-GAAP measure; see discussion in the advisories of this news release and reconciliation to U.S. GAAP financial measures shown in ACI's Management's Discussion and Analysis (MD&A) as at and for the period ended June 30, 2019, which is available on www.sedar.com.*
2. *Non-GAAP measure; see discussion in the advisories as well as the reconciliation to U.S. GAAP financial measures in this press release.*
3. *Includes work-in-progress on multi-year projects which accrue allowance for funds used during construction.*

ACI's combined Utility rate base grew to approximately $900 million in the second quarter 2019, up approximately 5 percent from the second quarter 2018. Rate base growth at ACI's Utilities tends to result in a higher degree of seasonality as certain expenses such as depreciation and operating and administrative expenses increase and are distributed more evenly throughout the year.

In the second and third quarters, ACI's Utilities produce lower net income as a result of warmer seasonal weather and lower customer demand, while the first and fourth quarters producer higher net income due to colder seasonal weather and higher customer demand, which generally more than offsets the additional expenses resulting from growth.

Second quarter 2019 renewable results were lower compared to second quarter 2018. In the second quarter 2019, wind generation at the Bear Mountain Wind Park was 32.5 gigawatt hours (GWh) which is comparable to the long-term average for the second quarter of approximately 34 GWh. In the second quarter 2018, the Bear Mountain Wind Park benefitted from abnormally strong wind resources achieving 41.4 GWh.

Renewable generation in the second quarter 2019 at the Northwest Hydro Facilities was in-line with the second quarter of 2018. The lower equity earnings in the quarter were primary due to timing of revenue recognition which is expected to reverse in the third quarter 2019.

2019 – 2023 Capital Program and Growth Initiatives

ACI now expects a capital program of $425 - $500 million between 2019 and 2023, including the potential reactivation of PNG's transmission pipeline and the Etzikom lateral pipeline project. The capital program also consists of investments in system betterment projects to maintain the safety and reliability of ACI's utility infrastructure, new business opportunities and technology improvements. ACI expects to continue utilizing a self-funded financing model for its capital program.

PNG Transmission Reactivation

On July 8, 2019, ACI announced that its wholly owned subsidiary Pacific Northern Gas Ltd. ("PNG") had filed an application with the British Columbia Utilities Commission ("BCUC") for approval of a large volume industrial transportation rate required in its proposed process for allocation of reactivated capacity on its western transmission pipeline (the "Application").

Should the BCUC approve the Application, PNG plans to conduct a binding open season where shippers would have the opportunity to bid on capacity of up to approximately 88 MMSCFD based on either firm Transportation Service Agreements ("TSA") or reserve capacity through Transportation Reservation Agreements.

Provided there are sufficient shipper commitments backed by TSAs, PNG would commence system reactivation and recommissioning work to prepare for returning the system back to full utilization. Depending on shipper demands and the requested delivery points, PNG estimates the capital cost for the reactivation, recommissioning and system reinforcement could be up to approximately $120 million.

Etzikom Lateral Pipeline Project

The Etzikom lateral pipeline, serving approximately 1,715 of AltaGas Utilities Inc.'s (AUI) customers in southeast Alberta, including rural areas surrounding the City of Medicine Hat and extending south to the hamlet of Etzikom and surrounding rural areas, is scheduled for abandonment by its current owner in the fourth quarter of 2019. Construction of new facilities by AUI, the Etzikom Lateral Pipeline Project, is expected to be completed in the fourth quarter of 2019 at a cost of approximately $10 million. AUI expects the Alberta Utilities Commission to issue a final decision on the Etzikom Lateral Pipeline Project meeting Type 1 Capital Tracker criteria under the PBR 2 plan in 2020.

Providing natural gas utility service to energy export projects off the British Columbia coast.

ACI continues to receive increased interest throughout PNG's service territory from the enhanced economic activity energy export projects are bringing to the region. ACI now expects to spend approximately $5 million, to provide natural gas service to energy export projects. ACI continues to expect growth in economic activity as more export projects reach final investment decisions.

Outlook

Over the 2019 – 2023 time period ACI now expects approximately 6 percent compound annual normalized net income growth from the adjusted normalized net income of $40.5 million achieved in 2018. In 2019, ACI expects growth in adjusted normalized net income to be driven primarily by additions to rate base at the utilities, and stronger results from ACI's renewable power assets, partially offset by higher income tax expense.

ACI Dividend Declaration

On August 7, 2019 the Board of Directors of ACI declared a dividend of $0.26 per common share, payable on September 30, 2019 to shareholders of record at the close of business on August 30, 2019. The ex-dividend date is August 29, 2019. This dividend is an eligible dividend for Canadian income tax purposes.

Selected Financial Information

The following tables summarize key financial results:

	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2019**	2018	**2019**	2018
Normalized EBITDA[(1)(2)]	**17.5**	19.3	**55.7**	56.1
Operating income	**8.5**	11.2	**37.1**	40.8
Net income after taxes	**3.9**	3.7	**23.2**	23.9
Normalized net income[(1)]	**3.8**	3.8	**24.3**	22.8
Total assets	**1,477.4**	1,587.3	**1,477.4**	1,587.3
Total long-term liabilities	**804.5**	642.7	**804.5**	642.7
Net additions to property, plant and equipment	**12.1**	16.5	**18.9**	22.1
Dividends declared[(3)]	**7.1**	—	**14.3**	—
Cash from operations	**21.3**	47.3	**42.6**	59.1
Normalized funds from operations[(1)]	**8.4**	29.0	**38.6**	56.7

($ per Common Share, except Common Shares outstanding)	Three Months Ended June 30 2019	2018	Six Months Ended June 30 2019	2018
Net income after taxes - basic	**0.13**	0.12	**0.77**	0.80
Net income after taxes - diluted	**0.13**	0.12	**0.77**	0.80
Normalized net income - basic[(1)]	**0.13**	0.13	**0.81**	0.76
Dividends declared[(3)]	**0.2375**	—	**0.4750**	—
Cash from operations	**0.71**	1.58	**1.42**	1.97
Normalized funds from operations[(1)]	**0.28**	0.97	**1.29**	1.89
Weighted average number of Common Shares outstanding - basic (millions)[(4)]	**30.0**	30.0	**30.0**	30.0

(1) Non-GAAP financial measure; see discussion in the advisories section of this news release and reconciliation to U.S. GAAP financial measures shown in ACI's MD&A as at and for the period ended June 30, 2019, which is available on www.sedar.com.
(2) Effective January 1, 2019, ACI revised the calculation of normalized EBITDA to incorporate ACI's proportionate share of normalized EBITDA from its equity investments instead of just the equity pick-up. The comparative period has been revised to conform to the current period presentation. Please refer to "Non-GAAP Financial Measures" section of this MD&A.
(3) Dividends declared per Common Share after the completion of the IPO.
(4) For comparative purposes, the Common Shares issued under the IPO including the Over-Allotment Option, have been assumed to be outstanding as of the beginning of each period, including the periods prior to the acquisition of ACI's assets from AltaGas Ltd.

Adjusted Normalized Net Income and Net Income After Taxes

For the three months ended June 30, 2018 *($ millions)*	As reported	Adjustments	Adjusted
Operating income	**$ 11.2**	**$ —**	**$ 11.2**
Interest expense [(1)]	(7.0)	(0.5)	(7.5)
Income tax expense [(2)]	(0.5)	0.1	(0.4)
Net income after taxes	**$ 3.7**	**$ (0.4)**	**$ 3.3**
Unrealized loss on foreign exchange contracts	0.1	—	0.1
Normalized net income [(3)]	**$ 3.8**	**$ (0.4)**	**$ 3.4**

(1) Adjustment to reflect financing charges and expenses associated with incremental debt additions at the Company as if they had occurred at the beginning of the period. Please refer to the *Capital Resources* section of the MD&A as at and for the period ended June 30, 2019 for the capital structure subsequent to the acquisition of ACI's assets from AltaGas Ltd. and the IPO.
(2) Tax shield associated with incremental cost adjustments assuming a 27 percent statutory tax rate.
(3) Non-GAAP financial Measures. See *Non-GAAP Financial Measures* section of the MD&A as at and for the period ended June 30, 2019.

About ACI

ACI is a Canadian company with natural gas distribution utilities and renewable power generation assets. ACI serves approximately 130,000 customers, delivering low carbon energy, safely and reliably. For more information visit: www.altagascanada.ca.

For Further Information Contact:

Shareholder Relations
587-955-3660
Shareholder.Relations@altagascanada.ca

This news release contains forward-looking information (forward-looking statements). Words such as "may", "can", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "expect", "project", "target", "potential", "objective", "continue", "outlook", "opportunity" and similar expressions suggesting future events or future performance, as they relate to ACI or any affiliate of ACI, are intended to identify forward-looking statements. In particular, this news release contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. Specifically, such forward-looking statements included in this document include, but are not limited to: expectation that ACI's 5-year capital spend program will be $425 - $500 million and the expected financing model for this capital; expected reversal of lower equity earnings due to timing of revenue recognition from the Northwest Hydro Facilities; expected 2019 year-end rate base of approximately $940 million; anticipated approximately $5 million investment to provide natural gas utility service to energy export related projects; expectations regarding arrangements in relation to the potential reactivation of PNG's transmission pipeline including the reactivation process, the process for determining customer demand and allocating capacity, prospective capacity of the western transmission pipeline, the estimated capital cost for the reactivation, commissioning and system reinforcement; expected compound annual normalized net income growth of approximately 6 percent between 2019 – 2023 from the 2018 adjusted normalized net income; anticipated drivers of growth in adjusted normalized net income; expected 2019 capital spend in the range of $75 to $85 million; expected abandonment of the Etzikom lateral pipeline by its current owner in the fourth quarter of 2019; capital spend of approximately $10 million on the Etzikom Lateral Pipeline Project; expected approval by the Alberta Utilities Commission and the in-service date for the Etzikom Lateral Pipeline Project; and timing of September dividend payment.

ACI's forward-looking statements are subject to certain risks and uncertainties which could cause results or events to differ from current expectations, including, without limitation: legislative and regulatory environment; demand for natural gas; access to and use of capital markets; market value of ACI's securities; ACI's ability to pay dividends; ACI's ability refinance its debt; prevailing economic conditions; the potential for service interruptions and physical damage to infrastructure; natural gas supply; ability of the company to maintain, replace and expand its regulated assets; and impact of labour relations and reliance on key personnel. Applicable risk factors are discussed more fully under the heading "Risk Factors" in ACI's Annual Information Form for the year ended December 31, 2018, which is available on www.sedar.com.

Many factors could cause ACI's actual results, performance or achievements to vary from those described in this news release, including, without limitation, those listed above and the assumptions upon which they are based proving incorrect. These factors should not be construed as exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this news release as intended, expected, projected or targeted and such forward-looking statements included in this news release, should not be unduly relied upon. The impact of any one assumption, risk, uncertainty or other factor on a particular forward-looking statement cannot be determined with certainty because they are interdependent and ACI's future decisions and actions will depend on management's assessment of all information at the relevant time. Such statements speak only as of the date of this news release. ACI does not intend, and does not assume any obligation, to update these forward-looking statements except as required by law. The forward-looking statements contained in this news release are expressly qualified by these cautionary statements.

Financial outlook information contained in this news release about prospective financial performance, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this news release should not be used for purposes other than for which it is disclosed herein.

This news release contains references to certain financial measures used by ACI that do not have a standardized meaning prescribed by U.S. GAAP and may not be comparable to similar measures presented by other entities. Readers are cautioned that these non-GAAP measures should not be construed as alternatives to other measures of financial performance calculated in accordance with U.S. GAAP. The non-GAAP measures and their reconciliation to US GAAP financial measures are shown in ACI's MD&A as at and for the period ended June 30, 2019. These non-GAAP measures provide additional information that Management believes is meaningful in describing ACI's operational performance, liquidity and capacity to fund dividends, capital expenditures, and other investing activities. The specific rationale for, and incremental information associated with, each non-GAAP measure is discussed below.

Normalized net income represents net income after taxes adjusted for after tax impact of unrealized gain (loss) on foreign exchange contracts and other typically non-recurring items. This measure is presented in order to enhance the comparability of results, as it reflects the underlying performance of the Company. Normalized net income as presented should not be viewed as an alternative to net income after taxes or other measures of income calculated in accordance with U.S. GAAP as an indicator of performance.

Adjusted normalized net income reflects Management's estimates of ACI's normalized net income for the second quarter ended June 30, 2018 assuming the IPO had been closed at the beginning of the period. Although many of the adjustments are estimates and are not objectively determinable, ACI believes that the amounts represent reasonable estimates of its normalized net income for the second quarter ended June 30, 2018 based on the assumptions made. ACI believes adjusted *normalized net income is useful to investors and analysts when trying to determine what the results of operations for 2018 would have been if it was under ACI's capital structure going forward.*

Normalized EBITDA is a measure of the Company's operating profitability prior to how business activities are financed, assets are amortized, or earnings are taxed. Normalized EBITDA is calculated using operating income adjusted for depreciation and amortization expense, accretion expenses, foreign exchange gain (loss), unrealized gain (loss) on foreign exchange contracts, and other typically non-recurring items. Normalized EBITDA is frequently used by analysts and investors in the evaluation of entities within the industry as it excludes items that can vary substantially between entities depending on the accounting policies chosen, the book value of assets and the capital structure.

Normalized funds from operations is used to assist Management and investors in analyzing the liquidity of the Company without regard to changes in operating assets and liabilities in the period as well as other non-operating related expenses. Management uses this measure to understand the ability to generate funds for use in investing and financing activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This Management's Discussion and Analysis ("MD&A") dated August 7, 2019 is provided to enable readers to assess the results of operations, liquidity and capital resources of AltaGas Canada Inc. ("ACI" or the "Company") as at and for the three and six months ended June 30, 2019. This MD&A should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements as at and for the three and six months ended June 30, 2019 (the "Interim Financial Statements"), the Company's audited consolidated financial statements as at and for the year ended December 31, 2018 (the "2018 Annual Financial Statements") and the Company's management's discussion and analysis for the year ended December 31, 2018 (the "2018 Annual MD&A"). Please refer to note 2 of the Interim Financial Statements for important information regarding the basis of preparation of the Interim Financial Statements.

The Company's presentation currency is in Canadian dollars. In this MD&A, references to "$" are to Canadian dollars unless otherwise indicated. The Interim Financial Statements and comparative information have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("U.S. GAAP") as codified by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). Throughout this MD&A, reference to GAAP refers to U.S. GAAP. Any reference to per Common Share measures are presented on a basic basis, unless otherwise indicated.

This MD&A refers to certain terms commonly used in the rate-regulated utility industry, such as "rate-regulated", "rate base" and "return on equity". The terms "rate base" and "return on equity" are key performance indicators but are not considered non-GAAP measures. Rate base is an amount that a utility is required to calculate for regulatory purposes, and generally refers to net book value of the utility's assets for regulatory purposes. Return on equity or "ROE" is a percentage that is set or approved by a utility's regulator and represents the rate of return that a regulator allows the utility to earn on the equity component of the utility's rate base. The Company refers to the rate base and return on equity of its utility businesses because it believes that such terms assist in understanding the Company's business and are commonly used by investors and research analysts to help evaluate the performance of rate-regulated utilities. For a discussion of these terms, please see the heading "*Business of the Company – Utilities Business*" in the annual information form of ACI dated March 6, 2019 (the "Annual Information Form").

Abbreviations, acronyms, and capitalized terms used in this MD&A that are not otherwise defined herein are used consistently with the definitions in the 2018 Annual MD&A or the Annual Information Form.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing'", "may", ''will'', "should", "believe", "plan", "would", "could", "focus", "forecast", "opportunity" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this MD&A contains forward-looking information and statements pertaining to the following: expectations regarding arrangements in relation to the PNG Reactivation and Looping Project (as defined herein), including the reactivation process, process for determining customer demand and allocating capacity and the estimated capital cost for the reactivation, commissioning and system reinforcement; expectations regarding net income growth, planned expenditures and related investments and capital program from 2019 to 2023 and the expected financing model for the capital program; expected growth in the adjusted normalized net income in 2019 and the expected capital spend in 2019; expected reversal of lower equity earnings due to timing of revenue recognition from the Northwest Hydro Facilities; expected fluctuations in the Company's working capital and the expected funding of the Company's capital program; the Company's objective for managing capital and its effects on rate base and return to investors; and expected impact of adopting ASUs in the future on the Company's consolidated financial statements.

The forward-looking information and statements contained in this MD&A reflect several material factors, expectations and assumptions of the Company including, without limitation: expected commodity supply, demand and pricing; that the Company will continue to conduct its operations in a manner consistent with past operations; the general continuance of current or, where applicable, assumed industry conditions; regulatory approvals and policies; funding operating and capital costs; project completion dates; capacity expectations; that there will be no material defaults by the counterparties to agreements with the Company and such agreements will not be terminated prior to their scheduled expiry; and the Company will continue to have access to wind and water resources in amounts consistent with the amounts expected by the Company. The Company believes the material factors, expectations and assumption reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information and statements, including, without limitation: changes in the demand for or supply of the Company's services; unanticipated operating results; changes in regulatory matters; limited, unfavourable or a lack of access to capital markets; increased costs; the impact of competitors; attracting and retaining skilled personnel and certain other risks (including, without limitation, those risks identified elsewhere in this MD&A); and the other factors discussed under the heading "*Risk Factors*" in the Annual Information Form and set out in the Company's other continuous disclosure documents.

The estimates of certain of the Company's financial results constitutes a financial outlook in respect of financial performance based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. See "*Outlook and Capital Program*".

These estimates are based on the same assumptions, risk factors, limitations and qualifications as set forth above. In addition, the estimates are based on the Company's historical results of operations, using the expectations and assumptions set out in the footnotes to the table in "*Non-GAAP Financial Measures – Adjusted Normalized Net Income*" in the 2018 Annual MD&A. The estimates reflect management's reasonable expectations, based on historical experience, regarding the extent to which each of the foregoing expectations and assumptions is likely to occur.

The financial outlook or potential financial outlook set forth in this MD&A were approved by management as of the date of this MD&A and are provided for the purpose of providing investors with an estimation of the 2019 to 2023 outlook. Readers are cautioned that any such financial outlook contained herein should not be used for purposes other than those for which it is disclosed herein.

The prospective financial information set forth in this MD&A has been prepared by, and is the responsibility of, management. The Company and management believe that the prospective financial information has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represents, to the best of management's knowledge and opinion, the Company's expected course of action in developing and executing its business strategy and growth opportunities relating to its business operations. However, actual results will likely vary from the prospective financial information set forth in this MD&A, and such variation could be material. See above for a discussion of the risks that could cause actual results to vary. The prospective financial information set forth in this MD&A should not be relied on as necessarily indicative of future results.

The Company believes the forward-looking statements in this MD&A are reasonable. However, such statements are not a guarantee that any of the actions, events or results of the forward-looking statements will occur, or if any of them do occur, their timing or what impact they will have on the Company's results of operations or financial condition. Because of these uncertainties, investors should not put undue reliance on any forward-looking statements.

The forward-looking statements included in this MD&A are expressly qualified by this cautionary statement and are made as of the date of this MD&A. The Company does not undertake any obligation to publicly update or revise any forward-looking statements except as required by Canadian securities laws.

Additional information relating to the Company, including the Annual Information Form, is available on SEDAR at www.sedar.com.

THE COMPANY

ACI was incorporated under the *Canada Business Corporations Act* on October 27, 2011 as AltaGas Utility Holdings (Pacific) Inc., a wholly owned subsidiary of AltaGas Ltd. ("AltaGas"). On September 5, 2018, ACI changed its articles to, among other things, facilitate it becoming a public company, change its name to AltaGas Canada Inc., change its authorized capital and consolidate its outstanding Common Shares on the basis of one post-consolidation Common Share for every 28 pre-consolidation Common Shares. Prior to the Acquisition that was completed on October 18, 2018 as further described under the "*Significant Recent Developments*" section of the 2018 Annual MD&A, the Company owned rate-regulated natural gas distribution and transmission utility assets in British Columbia through its subsidiaries, Pacific Northern Gas Ltd. ("PNG") and Pacific Northern Gas (N.E.) Ltd. Following the completion of the Acquisition, the Company has rate-regulated natural gas distribution and transmission utility businesses in Alberta, British Columbia, Nova Scotia and the Northwest Territories, owns the Bear Mountain Wind Park, and holds an approximate 10 percent indirect interest in the Northwest Hydro Facilities. The Company became a reporting issuer on October 18, 2018 and its Common Shares commenced trading on the Toronto Stock Exchange on October 25, 2018 under the symbol "ACI".

SECOND QUARTER FINANCIAL HIGHLIGHTS

(Normalized EBITDA, normalized net income, net debt, and net debt to total capitalization ratio are non-GAAP financial measures. Please see the *"Non-GAAP Financial Measures"* section of this MD&A)

- Net income after taxes was $3.9 million ($0.13 per Common Share) compared to $3.7 million ($0.12 per Common Share) in the second quarter of 2018.
- Normalized net income was $3.8 million ($0.13 per Common Share), consistent with the second quarter of 2018.
- Operating income was $8.5 million, compared to $11.2 million in the second quarter of 2018.
- Normalized EBITDA was $17.5 million, compared to $19.3 million in the second quarter of 2018.
- Net debt was $638.3 million as at June 30, 2019, compared to $643.8 million as at December 31, 2018.
- Net debt to total capitalization ratio was 50.8 percent as at June 30, 2019, compared to 51.4 percent as at December 31, 2018.
- Rate base as at June 30, 2019 was $900 million inclusive of construction work in progress, compared to $855 million in the second quarter of 2018.
- On April 3, 2019, ACI completed the issuance of $250 million of medium-term notes ("MTNs") with a coupon rate of 3.15 percent (3.151 percent yield to maturity) and a maturity date of April 6, 2026.

HIGHLIGHT SUBSEQUENT TO QUARTER END

- On August 7, 2019, the Board of Directors approved a 9.5 percent increase to the quarterly dividend to $0.26 per Common Share, payable on September 30, 2019.

OVERVIEW OF THE BUSINESS

ACI has three reporting segments:

- Utilities, which owns and operates utility assets that deliver natural gas to end-users in Alberta, British Columbia and Nova Scotia. ACI also owns a one-third equity interest in the utility that delivers natural gas to end-users in Inuvik, Northwest Territories. In aggregate, the utilities had approximately $900 million of rate base as at June 30, 2019 and serve approximately 130,000 customers across Canada.
- Renewable Energy, which includes the Bear Mountain Wind Park and an approximate 10 percent indirect interest in the entities that own the Northwest Hydro Facilities.
- Corporate, which primarily includes the cost of providing corporate services, financing and access to capital, and general corporate support.

BUSINESS AND REGULATORY UPDATES

PNG Reactivation Project and PNG Looping Project

During the last quarter of 2018, PNG initiated an open season process to measure the demand from interested parties for firm transportation service on its existing pipeline system for natural gas deliveries from Station 4a on the Enbridge Westcoast Energy Inc. southern mainline near Summit Lake, British Columbia to the Terrace, British Columbia, Kitimat, British Columbia and Prince Rupert, British Columbia areas (the “PNG Reactivation Project”), as well as on a proposed large-scale expansion of its pipeline system from Summit Lake to Kitimat, British Columbia (the “PNG Looping Project”).

The open season identified strong interest from potential shippers for the reactivation and recommissioning of its existing western transmission pipeline and on June 28, 2019, PNG submitted an application to the BCUC for approval of a large volume industrial transportation rate required in its proposed process for allocation of reactivated capacity (the “PNG Reactivation Application”). Should the BCUC approve the PNG Reactivation Application, PNG plans to conduct a binding open season where shippers would have the opportunity to bid on capacity of up to approximately 88 million standard cubic feet per day based on either firm Transportation Service Agreements (“TSA”) or reserve capacity through Transportation Reservation Agreements. Provided there are sufficient shipper commitments backed by TSAs, PNG would commence system reactivation and recommissioning work to prepare for returning the system back to full utilization. Depending on shipper demands and the requested delivery points, PNG estimates the capital cost for the reactivation, recommissioning and system reinforcement could be up to approximately $120 million.

AUC 2021 Generic Cost of Capital (“GCOC”) Proceeding

On April 4, 2019, the AUC issued a letter indicating the scope of the 2021 GCOC proceeding for Alberta utilities will be expanded to include a “traditional” non-formulaic GCOC inquiry for the years 2021 and 2022, as well as considering returning to a formula-based approach to set ROE for 2021 and subsequent years. The process timeline begins in January 2020 with the filing of expert evidence.

OUTLOOK AND CAPITAL PROGRAM

Over the 2019 to 2023 time period, ACI now expects to achieve approximately 6 percent compound annual normalized net income growth from the adjusted normalized net income of $40.5[1] million achieved in 2018, up from the previous guidance of approximately 5 percent due to a higher expected capital program. Over this period, ACI now expects to spend $425 to $500 million at its utilities, up from the previous guidance of approximately $330 million. The expected capital program includes the potential PNG Reactivation Project and the Etzikom Lateral Pipeline Project as well as investments in system betterment projects to maintain the safety and reliability of ACI’s utility infrastructure, new business opportunities and technology improvements. ACI expects to fund its capital program using a self-funded model.

In 2019, ACI continues to expect growth in adjusted normalized net income to be driven primarily by additions to rate base at the utilities and stronger expected results from the renewable power assets, partially offset by higher expected income tax expense. In 2019, ACI expects capital spend to be in the range of $75 to $85 million, with most of the spending expected to be incurred over the second half of the year. The expected capital spend includes the costs for the Etzikom Lateral Pipeline Project.

SEASONALITY

Results for the Utilities segment have a high degree of seasonality associated with them as the second and third quarters usually produce lower net income as a result of warmer weather, lower customer demand, and certain expenses such as depreciation and operating and administrative expenses, which generally increase as a result of rate base growth and are more evenly distributed throughout the year. These increased costs are normally more than offset in the first and fourth quarters which produce higher net income as a result of colder weather and higher customer demand.

[1] Please refer to the assumptions, reconciliation and other information under the heading “*Non-GAAP Financial Measures - Adjusted Normalized Net Income”* of the 2018 Annual MD&A.

SELECTED FINANCIAL INFORMATION

The following tables summarize key financial results:

	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2019**	2018	**2019**	2018
Normalized EBITDA[1][2]	**17.5**	19.3	**55.7**	56.1
Operating income	**8.5**	11.2	**37.1**	40.8
Net income after taxes	**3.9**	3.7	**23.2**	23.9
Normalized net income[1]	**3.8**	3.8	**24.3**	22.8
Total assets	**1,477.4**	1,587.3	**1,477.4**	1,587.3
Total long-term liabilities	**804.5**	642.7	**804.5**	642.7
Net additions to property, plant and equipment	**12.1**	16.5	**18.9**	22.1
Dividends declared[3]	**7.1**	—	**14.3**	—
Cash from operations	**21.3**	47.3	**42.6**	59.1
Normalized funds from operations[1]	**8.4**	29.0	**38.6**	56.7

	Three Months Ended June 30		Six Months Ended June 30	
($ per Common Share, except Common Shares outstanding)	**2019**	2018	**2019**	2018
Net income after taxes - basic	**0.13**	0.12	**0.77**	0.80
Net income after taxes - diluted	**0.13**	0.12	**0.77**	0.80
Normalized net income - basic[1]	**0.13**	0.13	**0.81**	0.76
Dividends declared[3]	**0.2375**	—	**0.4750**	—
Cash from operations	**0.71**	1.58	**1.42**	1.97
Normalized funds from operations[1]	**0.28**	0.97	**1.29**	1.89
Weighted average number of Common Shares outstanding - basic (millions)[4]	**30.0**	30.0	**30.0**	30.0

(1) Non-GAAP financial measure; see discussion in the "*Non-GAAP Financial Measures"* section of this MD&A.

(2) Effective January 1, 2019, ACI revised the calculation of normalized EBITDA to incorporate ACI's proportionate share of normalized EBITDA from its equity investments instead of just the equity pick-up. The comparative periods have been revised to conform to the current period presentation. Please refer to "*Non-GAAP Financial Measures*" section of this MD&A.

(3) Dividends declared per Common Share after the completion of the IPO.

(4) For comparative purposes, the Common Shares issued under the IPO including the Over-Allotment Option, have been assumed to be outstanding as of the beginning of each period, including the periods prior to the Acquisition.

The following table summarizes ACI's consolidated results:

	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2019**	2018	**2019**	2018
Revenue	**61.3**	59.9	**179.9**	169.7
Cost of sales	**(21.4)**	(19.6)	**(77.7)**	(69.1)
Operating and administrative expense	**(24.6)**	(23.6)	**(48.9)**	(47.1)
Accretion expense	**—**	—	**(0.1)**	(0.1)
Depreciation and amortization expense	**(7.4)**	(7.1)	**(14.7)**	(14.4)
Income from equity investments	**1.4**	1.8	**0.6**	0.8
Unrealized gain (loss) on foreign exchange contract	**(0.7)**	(0.1)	**(1.9)**	1.1
Other loss	**(0.1)**	(0.1)	**(0.1)**	—
Foreign exchange loss	**—**	—	**—**	(0.1)
Operating income	**8.5**	11.2	**37.1**	40.8
Interest expense	**(6.6)**	(7.0)	**(13.1)**	(13.7)
Income tax recovery (expense)	**2.0**	(0.5)	**(0.8)**	(3.2)
Net income after taxes	**3.9**	3.7	**23.2**	23.9

Three Months Ended June 30

Normalized EBITDA for the three months ended June 30, 2019 was $17.5 million, a decrease of $1.8 million relative to the same period in 2018, primarily due to lower wind generation at the Bear Mountain Wind Park, higher operating and administrative expense and $0.4 million of lower equity earnings from the investment in the Northwest Hydro Facilities.

Operating income for the three months ended June 30, 2019 was $8.5 million, a decrease of $2.7 million relative to the same period in 2018, primarily due to the same factors as the decrease in normalized EBITDA discussed above and a higher unrealized loss on foreign exchange contracts compared to the prior period.

Operating and administrative expense for the three months ended June 30, 2019 was $24.6 million, an increase of $1.0 million from the same period in 2018 mainly due to higher employee costs primarily from inflationary salary increases and higher contractor expense at the utilities, partially offset by lower maintenance expense at the Bear Mountain Wind Park.

Depreciation and amortization expense for the three months ended June 30, 2019 was $7.4 million, an increase of $0.3 million from the same period in 2018, due to capital assets being put into service.

Interest expense for the three months ended June 30, 2019 was $6.6 million compared to $7.0 million in the same period in 2018. The decrease of $0.4 million was mainly due to lower average interest rates, partially offset by a higher average debt balance outstanding as a result of incremental borrowing to capitalize ACI as a standalone entity.

Income tax recovery for the three months ended June 30, 2019 was $2.0 million, compared to income tax expense of $0.5 million in the same period in 2018. The decrease in income tax expense was primarily due to a one-time deferred income tax recovery related to the reduction in the Alberta statutory tax rate in June 2019, the decrease in current income tax expense due to accelerated tax deductions related to PP&E, partially offset by a decrease in net income before taxes.

Normalized net income for the three months ended June 30, 2019 was $3.8 million, consistent with the same period in 2018.

Net income after taxes for the three months ended June 30, 2019 was $3.9 million, an increase of $0.2 million compared to the same period in 2018. The increase was mainly due to lower income tax and interest expense, partially offset by a higher unrealized loss on foreign exchange contracts compared to the prior period, lower wind generation at the Bear Mountain Wind Park, higher operating and administrative expense, and lower equity earnings from the investment in the Northwest Hydro Facilities.

Normalized funds from operations for the three months ended June 30, 2019 was $8.4 million, a decrease of $20.6 million relative to the same period in 2018, primarily due to a special distribution related to the Northwest Hydro Facilities of $20.3 million in the same period in 2018, lower normalized EBITDA discussed above, partially offset by lower current income tax expense. The special distribution related to the Northwest Hydro Facilities occurred concurrently with a change in control of the entities indirectly holding the Northwest Hydro Facilities in 2018 and the full amount was redistributed to AltaGas prior to the Acquisition.

Six Months Ended June 30

Normalized EBITDA for the six months ended June 30, 2019 was $55.7 million, a decrease of $0.4 million relative to the same period in 2018, primarily due to lower wind generation at the Bear Mountain Wind Park, higher operating and administrative expense, partially offset by rate base growth, higher approved rates at the utilities, and colder weather in Nova Scotia and Alberta.

Operating income for the six months ended June 30, 2019 was $37.1 million, a decrease of $3.7 million relative to the same period in 2018, primarily due to an unrealized loss on foreign exchange contracts compared to a gain in the prior period, higher depreciation and amortization expense as well as the same factors as the decrease in normalized EBITDA discussed above.

Operating and administrative expense for the six months ended June 30, 2019 was $48.9 million, an increase of $1.8 million from the same period in 2018 mainly due to higher employee related costs primarily from inflationary salary increases and higher contract and consultant expenses at the utilities, partially offset by lower maintenance expense at the Bear Mountain Wind Park.

Depreciation and amortization expense for the six months ended June 30, 2019 was $14.7 million, an increase of $0.3 million from the same period in 2018 mainly due to capital assets being put into service.

Interest expense for the six months ended June 30, 2019 was $13.1 million compared to $13.7 million in the same period in 2018. The decrease of $0.6 million was mainly due to lower average interest rates, partially offset by a higher average debt balance outstanding as a result of incremental borrowing to capitalize ACI as a standalone entity.

Income tax expense for the six months ended June 30, 2019 was $0.8 million, compared to $3.2 million in the same period in 2018. The decrease in income tax expense was primarily due to a one-time deferred income tax recovery related to the reduction in the Alberta statutory tax rate in June 2019, the decrease in current income tax expense due to accelerated tax deductions related to PP&E, partially offset by a decrease in net income before taxes.

Normalized net income for the six months ended June 30, 2019 was $24.3 million, an increase of $1.5 million relative to the same period in 2018 mainly due to lower income tax and interest expense, partially offset by the same factors as the decrease in normalized EBITDA discussed above.

Net income after taxes for the six months ended June 30, 2019 was $23.2 million, a decrease of $0.7 million compared to the same period in 2018. The decrease was due to an unrealized loss on foreign exchange contracts compared to a gain in the prior period, partially offset by the same factors as the increase in normalized net income discussed above.

Normalized funds from operations for the six months ended June 30, 2019 was $38.6 million, a decrease of $18.1 million relative to the same period in 2018, primarily due to a special distribution related to the Northwest Hydro Facilities of $20.3 million in the same period in 2018, lower normalized EBITDA discussed above, partially offset by lower current income tax expense. The special distribution related to the Northwest Hydro Facilities occurred concurrently with a change in control of the entities indirectly holding the Northwest Hydro Facilities in 2018 and the full amount was redistributed to AltaGas prior to the Acquisition.

Please refer to the "*Liquidity and Capital Resources - Liquidity*" section of this MD&A for a discussion of changes in cash from operations.

RESULTS BY REPORTING SEGMENT

Normalized EBITDA by Reporting Segment[(1)(2)]

	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2019**	2018	**2019**	2018
Utilities	**$ 13.7**	$ 14.1	**$ 50.0**	$ 48.8
Renewable Energy	**4.5**	5.2	**6.6**	7.3
Corporate	**(0.7)**	—	**(0.9)**	—
	$ 17.5	$ 19.3	**$ 55.7**	$ 56.1

(1) Non-GAAP financial measure; see discussion in the "*'Non-GAAP Financial Measures"* section of this MD&A.

(2) Effective January 1, 2019, ACI revised the calculation of normalized EBITDA to incorporate ACI's proportionate share of normalized EBITDA from its equity investments instead of just the equity pick-up. The comparative period has been revised to conform to the current period presentation. Please refer to "*Non-GAAP Financial Measures*" section of this MD&A.

Operating Income (Loss) by Reporting Segment

($ millions)	Three Months Ended June 30 2019	2018	Six Months Ended June 30 2019	2018
Utilities	**$ 7.4**	$ 8.7	**$ 36.9**	$ 39.0
Renewable Energy	**1.8**	2.5	**1.1**	1.9
Corporate	**(0.7)**	—	**(0.9)**	(0.1)
	$ 8.5	$ 11.2	**$ 37.1**	$ 40.8

UTILITIES SEGMENT REVIEW

Financial results

($ millions)	Three Months Ended June 30 2019	2018	Six Months Ended June 30 2019	2018
Revenue	**$ 58.0**	$ 55.8	**$ 173.6**	$ 162.2
Cost of sales	**(21.4)**	(19.5)	**(77.6)**	(69.0)
Operating and administrative expense	**(22.8)**	(22.1)	**(45.9)**	(44.4)
Other loss	**(0.1)**	(0.1)	**(0.1)**	—
Normalized EBITDA[(1)]	**$ 13.7**	$ 14.1	**$ 50.0**	$ 48.8
Unrealized gain (loss) on foreign exchange contracts	**(0.7)**	(0.1)	**(1.9)**	1.1
Depreciation and amortization expense	**(5.6)**	(5.3)	**(11.1)**	(10.8)
Accretion expense	**—**	—	**(0.1)**	(0.1)
Operating income	**$ 7.4**	$ 8.7	**$ 36.9**	$ 39.0

(1) Non-GAAP financial measure; see discussion in the *"Non-GAAP Financial Measures"* section of this MD&A.

Operating statistics

	Three Months Ended June 30 2019	2018	Six Months Ended June 30 2019	2018
Natural gas deliveries - end-use (PJ)	**5.7**	5.6	**20.4**	19.6
Natural gas deliveries - transportation (PJ)	**1.3**	1.4	**3.1**	3.2
Degree day variance from normal - AUI (%)[(1)]	**0.9**	3.9	**10.0**	8.9
Degree day variance from normal - HGL (%)[(1)]	**7.0**	(2.6)	**3.2**	(7.0)

(1) A degree day for AUI and HGL is the cumulative extent to which the daily mean temperature falls below 15 degrees Celsius at AUI and 18 degrees Celsius at HGL. Normal degree days are based on a 20-year rolling average. Positive variances from normal lead to increased delivery volumes from normal expectations. Degree day variances do not materially affect the results of PNG, as the BCUC has approved a rate stabilization mechanism for its residential and small commercial customers.

Three Months Ended June 30

Revenue increased by $2.2 million for the three months ended June 30, 2019 compared to the same period in 2018 primarily due to rate base growth, higher approved rates, and higher flow through of gas supply costs to customers, colder weather in Nova Scotia, partially offset by warmer weather in Alberta.

Normalized EBITDA decreased by $0.4 million for the three months ended June 30, 2019 compared to the same period in 2018 primarily due to higher operating and administrative expense related to employee costs primarily from inflationary salary increases and higher contractor expense and warmer weather in Alberta, partially offset by higher approved rates and colder weather in Nova Scotia.

Operating income decreased by $1.3 million for the three months ended June 30, 2019 compared to the same period in 2018, primarily due to the same factors as the decrease in normalized EBITDA discussed above and a higher unrealized loss on foreign exchange contracts.

Six Months Ended June 30

Revenue increased by $11.4 million for the six months ended June 30, 2019 compared to the same period in 2018 primarily due to rate base growth, higher approved rates at the utilities, colder weather in Nova Scotia and Alberta, and higher flow through of gas supply costs to customers.

Normalized EBITDA increased by $1.2 million for the six months ended June 30, 2019 compared to the same period in 2018 primarily due to higher revenue discussed above, partially offset by higher cost of gas, higher operating and administrative expense related to employee costs primarily from inflationary salary increases, and higher contractor and consulting fees.

Operating income decreased by $2.1 million for the six months ended June 30, 2019 compared to the same period in 2018, primarily due to an unrealized loss on foreign exchange contracts compared to a gain in the prior year, partially offset by the same factors as the increase in normalized EBITDA discussed above.

RENEWABLE ENERGY SEGMENT REVIEW

Financial results

	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2019**	2018	**2019**	2018
Revenue	**$ 3.3**	$ 4.1	**$ 6.3**	$ 7.5
Cost of sales	**—**	(0.1)	**(0.1)**	(0.1)
Operating and administrative expense	**(1.1)**	(1.5)	**(2.1)**	(2.7)
Normalized EBITDA from equity investment	**2.3**	2.7	**2.5**	2.6
Normalized EBITDA(1)(2)	**$ 4.5**	$ 5.2	**$ 6.6**	$ 7.3
Depreciation and amortization expense	**(1.8)**	(1.8)	**(3.6)**	(3.6)
Accretion and depreciation and amortization expense from equity investment	**(0.9)**	(0.9)	**(1.9)**	(1.8)
Operating income	**$ 1.8**	$ 2.5	**$ 1.1**	$ 1.9

(1) Non-GAAP financial measure; see discussion in the "*Non-GAAP Financial Measures*" section of this MD&A.

(2) Effective January 1, 2019, ACI revised the calculation of normalized EBITDA to incorporate ACI's proportionate share of normalized EBITDA from its equity investments instead of just the equity pick-up. The comparative periods have been revised to conform to the current period presentation. Please refer to "*Non-GAAP Financial Measures*" section of this MD&A.

Operating statistics

	Three Months Ended June 30		Six Months Ended June 30	
	2019	2018	**2019**	2018
Bear Mountain Wind Park power sold (GWh)	**32.5**	41.4	**61.6**	73.4
Northwest Hydro Facilities power sold (GWh)(1)	**38.7**	38.9	**41.8**	41.3

(1) Represents approximately 10 percent of the total power sold by the Northwest Hydro Facilities.

Three Months Ended June 30

Revenue decreased by $0.8 for the three months ended June 30, 2019 compared to the same period in 2018 primarily due to lower wind generation at the Bear Mountain Wind Park.

Normalized EBITDA decreased by $0.7 million for the three months ended June 30, 2019 compared to the same period in 2018 primarily due to lower wind generation at the Bear Mountain Wind Park and lower normalized EBITDA from Northwest Hydro Facilities, partially offset by lower operating and administrative expense largely due to lower maintenance expense at the Bear Mountain Wind Park.

Operating income decreased by $0.7 million for the three months ended June 30, 2019 compared to the same period in 2018 due to the same factors as the decrease in normalized EBITDA discussed above.

For the three months ended June 30, 2019, ACI recorded $1.4 million of equity income from its investment in the Northwest Hydro Facilities, compared to $1.8 million in the same period in 2018. The decrease in equity income was mainly due to timing of revenue recognition which is expected to reverse in the third quarter of 2019.

Six Months Ended June 30

Revenue decreased by $1.2 million for the six months ended June 30, 2019 compared to the same period in 2018 primarily due to lower wind generation at the Bear Mountain Wind Park.

Normalized EBITDA decreased by $0.7 million for the six months ended June 30, 2019 compared to the same period in 2018 primarily due to lower wind generation at the Bear Mountain Wind Park partially offset by lower operating and administrative expense largely due to lower maintenance expense at the Bear Mountain Wind Park.

Operating income decreased by $0.8 million for the six months ended June 30, 2019 compared to the same period in 2018 due to lower wind generation at the Bear Mountain Wind Park partially offset by lower operating and administrative expenses.

During the six months ended June 30, 2019, ACI recorded $0.6 million of equity income from its investment in the Northwest Hydro Facilities, compared to $0.8 million of equity income from its investment in the same period in 2018. The decrease was mainly due to the same factors as the variance noted for the three months ended June 30, 2019.

CORPORATE SEGMENT REVIEW

	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2019**	2018	**2019**	2018
Operating and administrative expense	**$ (0.7)**	$ —	**$ (0.9)**	$ —
Normalized EBITDA[1]	**$ (0.7)**	$ —	**$ (0.9)**	$ —
Foreign exchange loss	**—**	—	**—**	(0.1)
Operating loss	**$ (0.7)**	$ —	**$ (0.9)**	$ **(0.1)**

(1) Non-GAAP financial measure; see discussion in the *"'Non-GAAP Financial Measures"* section of this MD&A.

For the three and six months ended June 30, 2019, operating loss was $0.7 million and $0.9 million, respectively (2018 - $nil and $0.1 million, respectively). Expenses incurred by the Corporate segment in 2019 are related to employee incentive programs tied to ACI's share price performance, business development activities, and costs associated with providing corporate support. For the three and six months ended June 30, 2019, corporate costs of $1.7 million and $3.5 million, respectively, were reflected directly in ACI's operating segments compared to $2.3 million and $4.7 million, respectively for the same periods in 2018.

SUMMARY OF SELECTED QUARTERLY RESULTS [1]

The following table sets forth unaudited quarterly information for each of the eight quarters from the quarter ended September 30, 2017 to the quarter ended June 30, 2019.

($ millions, except per Common Share amounts)	**Q2-19**	Q1-19	Q4-18	Q3-18
Revenue	**61.3**	118.6	95.3	44.1
Normalized net income[2]	**3.8**	20.4	20.0	0.8
Net income after taxes	**3.9**	19.2	20.8	0.5
Net income after taxes per Common Share - basic and diluted ($)[3]	**0.13**	0.64	0.69	0.02
Dividends declared per Common Share ($)[4]	**0.2375**	0.2375	0.1744	—

($ millions, except per Common Share amounts)	Q2-18	Q1-18	Q4-17	Q3-17
Revenue	59.9	109.8	88.4	45.5
Normalized net income[2]	3.8	19.0	16.6	2.3
Net income after taxes	3.7	20.2	17.1	1.9
Net income after taxes per Common Share - basic and diluted ($)[3]	0.12	0.67	0.57	0.06
Dividends declared per Common Share ($)	—	—	—	—

(1) Amounts may not add due to rounding.

(2) Non-GAAP financial measure; see discussion in the *"Non-GAAP Financial Measures"* section of this MD&A.

(3) For comparative purposes, the Common Shares issued under the IPO including the Over-Allotment Option, have been assumed to be outstanding as of the beginning of each period, including the periods prior to the Acquisition.

(4) ACI declares and pays a quarterly dividend on its Common Shares. Dividends are at the discretion of the Board of Directors and dividend levels are reviewed periodically, giving consideration to the ongoing sustainable cash flow from operating activities, maintenance and growth capital expenditures, and debt repayment requirements of ACI. Dividends declared per Common Share in the fourth quarter of 2018 are for the period from October 25, 2018 to December 31, 2018.

Quarter-over-quarter financial results are impacted by seasonality, weather, planned and unplanned outages, and timing and recognition of regulatory decisions.

Revenue for the Utilities segment is generally the highest in the first and fourth quarters of any given year as the majority of natural gas demand occurs during the winter heating season, which typically extends from November to March. The equity investment in the Northwest Hydro Facilities is impacted by seasonal precipitation and snowpack melt, which create periods of high river flow typically during May through October of any given year.

Other significant item(s) that impacted quarter-over-quarter revenue during the periods noted include:

- A one-time revenue of approximately $1.8 million recorded in the third quarter of 2018 related to the receipt of funds from AltaGas in connection with Part VI.1 tax transfers occurring from earlier periods.

Net income after taxes is also affected by non-cash items such as deferred income tax, depreciation and amortization expense, accretion expense, impairment, gains and losses on foreign exchange contracts, and gains or losses on the sale of assets. For these reasons, net income may not necessarily reflect the same trends as revenue. Net income after taxes during the periods noted was impacted by:

- higher interest expense during the first three quarters of 2018 as a result of a $30 million debenture issuance to AltaGas in October 2017;
- higher interest expense during the fourth quarter of 2018 as a result of incremental borrowing to capitalize ACI as a standalone business;
- lower income tax expense during the fourth quarter of 2018 as a result of the transition of ACI to a standalone entity;
- lower interest expense during the first quarter of 2019 as a result of lower average interest rates on ACI's MTNs and external credit facilities compared to the debt outstanding to AltaGas during 2018, partially offset by a higher average debt balance outstanding; and

- An income tax recovery recognized in the second quarter of 2019 as a result of the one-time deferred income tax recovery related to the reduction in the Alberta statutory tax rate in June 2019 and the decrease in current income tax expense due to accelerated tax deductions related to PP&E.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Company's primary sources of liquidity are cash from operations and debt additions. The Company's cash requirements include funding for capital expenditures and working capital, servicing and repaying long-term debt, and dividend payments. The Company's sources and uses of cash are further discussed below:

	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2019**	2018	**2019**	2018
Cash from operations	**$ 21.3**	$ 47.3	**42.6**	59.1
Cash used in investing activities	**(13.2)**	(17.0)	**(21.7)**	(18.5)
Cash used in financing activities	**(8.7)**	(30.3)	**(22.6)**	(40.6)
Decrease in cash and cash equivalents	**$ (0.6)**	$ —	**(1.7)**	—

Cash from operations

During the six months ended June 30, 2019, cash from operations decreased by $16.5 million compared to the same period in 2018, primarily due a special distribution related to the Northwest Hydro Facilities of $20.3 million in the same period in 2018 as a result of the change in control of the entities indirectly holding the Northwest Hydro Facilities, partially offset by lower current income tax expense and a favourable variance from changes in operating assets and liabilities. The favourable variance in changes in operating assets and liabilities were mainly due to timing of customer receipts and supplier payments.

Investing activities

During the six months ended June 30, 2019, cash used in investing activities increased by $3.2 million compared to the same period in 2018 primarily due to higher capital spending on system betterment and growth.

See also the "*Capital Expenditures*" section of this MD&A.

Financing activities

During the six months ended June 30, 2019, cash used in financing activities decreased by $18.0 million compared to the same period in 2018 primarily due to lower debt repayments and the absence of the distribution made to AltaGas during the same period in 2018, partially offset by the Common Share dividends paid in the first half of 2019.

Working Capital

($ millions except current ratio)	**June 30, 2019**	December 31, 2018
Current assets	**$ 39.8**	$ 74.7
Current liabilities	**55.2**	91.5
Working capital deficiency	**$ (15.4)**	$ (16.8)
Working capital ratio	**0.72**	0.82

The decrease in the working capital ratio was primarily due to timing of payments received for accounts receivable invoices and the recognition of a current liability relating to leases in connection with the new accounting standard that came into effect on January 1, 2019, partially offset by timing of payments of supplier invoices.

ACI's working capital will fluctuate in the normal course of business and the working capital will be funded using cash flow from operations and available credit facilities as required.

Capital Resources

The Company's objective for managing capital is to maintain its investment grade credit rating, ensure adequate liquidity, maximize the profitability of its existing assets and grow its business through prudent capital investments which ultimately add to the utilities' rate base, and enhance returns to investors. The Company's capital resources comprise short-term and long-term debt (including the current portion).

The use of debt or equity funding is based on ACI's capital structure, which is determined by considering the norms and risks associated with operations and cash flow stability and sustainability.

($ millions, except where noted)		**June 30, 2019**	December 31, 2018
Short-term debt	**$**	**7.1**	5.8
Current portion of long-term debt		**1.0**	1.0
Long-term debt(1)		**630.3**	638.8
Total debt		**638.4**	645.6
Less: cash and cash equivalents		**(0.1)**	(1.8)
Net debt	**$**	**638.3**	643.8
Shareholders' equity		**617.7**	608.6
Total capitalization	**$**	**1,256.0**	1,252.4
Net debt-to-total capitalization (%)		**50.8**	51.4

(1) Net of debt issuance costs and debt discount of $3.7 million as of June 30, 2019 (December 31, 2018 - $2.5 million).

As at June 30, 2019, ACI's total debt primarily consisted of outstanding MTNs of $550 million (December 31, 2018 - $300 million), PNG debentures of $26.0 million (December 31, 2018 - $26.0 million), unsecured syndicated term loan of $14 million (December 31, 2018 - $250 million), and $52.1 million drawn under other bank credit facilities (December 31, 2018 - $72.8 million). In addition, ACI had $7.7 million of letters of credit issued as at June 30, 2019 (December 31, 2018 - $7.7 million).

On April 3, 2019, ACI completed the issuance of $250 million of MTNs with a coupon rate of 3.15 percent (3.151 percent yield to maturity) and maturity date of April 6, 2026. The net proceeds were used to repay: (i) as to approximately $210 million, a portion of the Term Loan; and (ii) as to the remainder, amounts outstanding under the Revolving Credit Facility.

As at June 30, 2019, ACI's total market capitalization was approximately $718 million based on 30,000,000 Common Shares outstanding and a closing trading price on June 30, 2019 of $23.93 per Common Share.

ACI's earnings interest coverage for the rolling 12 months ended June 30, 2019 was 2.6 times (12 months ended June 30, 2018 – 2.8 times).

Credit Facilities

The Company funds its long and short term borrowing requirements with credit facilities as follows:

($ millions)	Borrowing capacity	Drawn at June 30, 2019	Drawn at December 31, 2018
Syndicated revolving credit facility(1)	**$ 200.0**	**$ 31.0**	$ 48.0
Syndicated term loan(2)	**14.0**	**14.0**	250.0
Operating credit facility(3)	**35.0**	**7.7**	4.0
PNG committed credit facility(4)	**25.0**	**14.0**	19.0
PNG operating credit facility(5)	**25.0**	**7.1**	9.5
	$ 299.0	**$ 73.8**	$ 330.5

(1) On October 25, 2018, the Company entered into definitive credit agreements establishing a $200 million unsecured syndicated revolving credit facility that matures October 25, 2022. Borrowings options under this facility include Canadian prime rate-based loans, U.S. base rate loans, bankers' acceptances and LIBOR loans. Borrowings against this credit facility bear fees and interest at rates relevant to the nature of the draw made and the Company's credit rating. There are no mandatory repayments prior to maturity under this facility. The facility has covenants customary for these types of facilities, which must be met at each quarter end. The Company has complied with all financial covenants each quarter since the establishment of this facility.

(2) On October 25, 2018, the Company entered into definitive credit agreements establishing a $250 million unsecured syndicated term loan that matures October 25, 2020. This term loan was fully drawn on October 25, 2018. As at June 30, 2019, $14.0 million remains on the term loan. Borrowings options under this term loan include Canadian prime rate-based loans, U.S. base rate loans, bankers' acceptances and LIBOR loans. Borrowings against this term loan bear fees and interest at rates relevant to the nature of the draw made and the Company's credit rating. Optional repayments are allowed without penalty and there is no mandatory repayment prior to maturity. This term loan has covenants customary for these types of facilities, which must be met at each quarter end. The Company has complied with all financial covenants each quarter since the establishment of this facility.

(3) On October 25, 2018, the Company entered into a definitive credit agreement with a Canadian chartered bank establishing a $35 million revolving operating credit facility. Borrowings under this facility are due on demand. Borrowings options under this facility include overdraft, letters of credit, Canadian prime rate-based loans, U.S. base rate loans, bankers' acceptances and LIBOR loans. Borrowings against this credit facility bear fees and interest at rates relevant to the nature of the draw made and the Company's credit rating. This facility is used to fund overdraft amounts and to issue letters of credit. As at June 30, 2019, a total of $3.8 million (December 31, 2018 - $4.0 million) in letters of credit were issued and are outstanding under this facility. This facility has covenants customary for these types of facilities, which must be met at each quarter end. The Company has complied with all financial covenants each quarter since the establishment of this facility.

(4) On May 4, 2018, PNG completed the financing of $55 million of revolving five-year credit facilities, $30 million of which is with AltaGas and $25 million of which is with a Canadian chartered bank. The facilities mature on May 4, 2023. The $30 million AltaGas intercompany term loan was acquired by the Company in connection with the Acquisition. The $25 million external facility will be used to support PNG's capital spending program. Borrowings under the external facility are available by way of bankers' acceptances bearing interest at the three-month bankers' acceptance rate plus a spread and subject to stand-by fees. Interest and stand-by costs are due monthly. Optional repayments are allowed without penalty and there is no mandatory repayment prior to maturity. The facilities have covenants customary for these types of facilities, which must be met at each quarter end. PNG has complied with all financial covenants each quarter since the establishment of these facilities.

(5) On May 4, 2018, PNG's $25 million operating credit facility with a Canadian chartered bank was extended to November 4, 2019. The operating line is available for working capital purposes through cash draws in the form of prime-rate advances or bankers' acceptances and the issuance of letters of credit and is collateralized by a charge on PNG's accounts receivable and inventories. As at June 30, 2019, $3.9 million (December 31, 2018 - $3.7 million) in letters of credit were issued and outstanding under this facility.

The following table summarizes the Company's primary financial covenants as defined by the credit facility agreements:

Ratios	Debt covenant requirements	As at June 30, 2019
Bank debt-to-capitalization(1)(2)	not greater than 65 percent	54%
Bank EBITDA-to-interest expense(1)(2)	not less than 2.5x	4.2x

(1) Calculated in accordance with the Company's credit facility agreement, which is available on SEDAR at www.sedar.com.

(2) Estimated, subject to final adjustments.

Base Shelf Prospectus

On November 14, 2018, the Company filed a $1.0 billion base shelf prospectus (the "Base Shelf Prospectus"). The purpose of the Base Shelf Prospectus is to facilitate timely offerings of certain types of future public debt and/or equity issuances during the 25-month period that the Base Shelf Prospectus remains effective. As at June 30, 2019, approximately $450 million was available under the Base Shelf Prospectus.

CONTRACTUAL OBLIGATIONS

As at June 30, 2019, there were no material changes in contractual obligations from that disclosed in the 2018 Annual MD&A.

CAPITAL EXPENDITURES

($ millions)	**Three Months Ended June 30, 2019** Renewable Energy	Utilities	Corporate	Total	Three Months Ended June 30, 2018 Renewable Energy	Utilities	Corporate	Total
Capital expenditures:								
PP&E[(1)]	**$ —**	**$ 12.0**	**$ 0.2**	**$ 12.2**	$ —	$ 16.6	$ —	$ 16.6
Intangible assets	**—**	**1.1**	**—**	**1.1**	—	0.2	—	0.2
Capital expenditures	**—**	**13.1**	**0.2**	**13.3**	—	16.8	—	16.8
Disposals:								
PP&E	**—**	**(0.1)**	**—**	**(0.1)**	—	(0.1)	—	(0.1)
Net capital expenditures	**$ —**	**$ 13.0**	**$ 0.2**	**$ 13.2**	$ —	$ 16.7	$ —	$ 16.7

(1) Excludes $0.6 million of capitalized operating, maintenance and administrative expenses which have been deferred in regulatory assets as allowed by the Customer Retention Program for the three months ended June 30, 2019 (three months ended June 30, 2018 - $0.6 million).

Capital expenditures for the three months ended June 30, 2019 was $13.3 million, the majority of which relates to system betterment, replacement of transmission and distribution lines and new business installations.

($ millions)	**Six Months Ended June 30, 2019** Renewable Energy	Utilities	Corporate	Total	Six Months Ended June 30, 2018 Renewable Energy	Utilities	Corporate	Total
Capital expenditures:								
PP&E[(1)]	**$ —**	**$ 18.8**	**$ 0.2**	**$ 19.0**	$ —	$ 22.2	$ —	$ 22.2
Intangible assets	**—**	**1.6**	**—**	**1.6**	—	0.2	—	0.2
Capital expenditures	**—**	**20.4**	**0.2**	**20.6**	—	22.4	—	22.4
Disposals:								
PP&E	**—**	**(0.1)**	**—**	**(0.1)**	—	(0.1)	—	(0.1)
Net capital expenditures	**$ —**	**$ 20.3**	**$ 0.2**	**$ 20.5**	$ —	$ 22.3	$ —	$ 22.3

(1) Excludes $1.2 million of capitalized operating, maintenance and administrative expenses which have been deferred in regulatory assets as allowed by the Customer Retention Program for the six months ended June 30, 2019 (six months ended June 30, 2018 - $1.4 million).

Capital expenditures for the six months ended June 30, 2019 was $20.6 million, the majority of which relates to system betterment, replacement of transmission and distribution lines and new business installations.

RISK MANAGEMENT

ACI is exposed to various market risks in the normal course of operations that could impact earnings and cash flows. The Board of Directors provides oversight of the Company's risk management activities. There have been no significant changes during the six months ended June 30, 2019 to the Company's business risks that were disclosed in the 2018 Annual MD&A.

RELATED PARTY TRANSACTIONS

Concurrent with the completion of the Acquisition on October 18, 2018, the Company entered into a Transition Services Agreement with AltaGas pursuant to which AltaGas provides certain general administrative and corporate services required by the Company, which include: accounting, tax, finance, legal and regulatory, payroll, corporate human resources and pension management, environmental, health and safety administration, procurement, enterprise resource planning and information technology. AltaGas will provide the services on a cost recovery basis only. The Transition Services Agreement will operate until June 30, 2020, subject to earlier termination in certain circumstances, and is extendable by mutual agreement of the parties.

In the normal course of business, ACI also transacts with its subsidiaries, affiliates and joint ventures. See note 14 of the Interim Financial Statements for further information.

SHARE INFORMATION

	As at August 7, 2019
Issued and outstanding	
Common shares	30,000,000
Issued	
Share options	534,766
Share options exercisable	—

In addition, as at August 7, 2019, there were an aggregate of 200,539 restricted share units and performance share units outstanding, which, upon vesting, are paid in cash or, at the option of the Company, in Common Shares issued from treasury or purchased from the market.

CRITICAL ACCOUNTING ESTIMATES

Since a determination of the value of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of the Consolidated Financial Statements requires the use of estimates and assumptions that have been made using careful judgment. Other than as described below, the Company's significant accounting policies have remained unchanged and are contained in the notes to the 2018 Annual Financial Statements. Certain of these policies involve critical accounting estimates because of the requirement to make particularly subjective or complex judgments about matters that are inherently uncertain, and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

The Company's critical accounting estimates have not changed materially from those in the 2018 Annual Financial Statements and 2018 Annual MD&A.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2019, the Company adopted the following FASB issued Accounting Standards Updates ("ASU"):

- ASU No. 2016-02 "Leases" and all related amendments (collectively "ASC 842"). ACI has applied ASC 842 using the modified retrospective approach as of the effective date of the new standard. Comparative information has not been restated and continues to be reported under the previous lease guidance ASC 840. The Company has applied the package of transition practical expedients which permitted the Company to not reassess (a) whether any expired or existing contracts contain leases, (b) lease classifications for any expired or existing leases, and (c) initial direct costs for any existing leases. In addition, the Company applied the transition practical expedient that permitted the Company to grandfather its accounting policy for land easements that existed as of, or expired, before January 1, 2019. On adoption of ASC 842, all operating leases were recognized on the balance sheet with an increase to other long-term assets of approximately $5.3 million and an increase to lease liabilities of approximately $4.2 million (net of the current portion which was recorded under other current liabilities of approximately $1.1 million). The lease liabilities were measured using the present value of the remaining minimum lease payments for existing operating leases discounted using the Company's incremental borrowing rate as of January 1, 2019. The associated right-of-use assets were measured at the amount equal to the lease liabilities on January 1, 2019, adjusted for any prepaid or accrued lease payments. The adoption of ASC 842 did not impact lessor accounting, the consolidated statement of income, or the consolidated statement of cash flow. Please also refer to note 4 of the Interim Financial Statements for further details;

- ASU No. 2018-07 "Compensation – Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting". The amendments in this ASU expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees, with the objective of making the measurement consistent with employee share based payment awards. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements; and

- ASU No. 2018-15 "Intangibles-Goodwill and Other – Internal-Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract". The amendments in this ASU align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The amendments in this ASU are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, however, the Company has chosen to early adopt this ASU. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

FUTURE CHANGES IN ACCOUNTING PRINCIPLES

In June 2016, FASB issued ASU No. 2016-13 "Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments". The amendments in this ASU replace the current "incurred loss" impairment methodology with an "expected loss" model for financial assets measured at amortized cost. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted. In November 2018, FASB issued ASU No. 2018-19 "Codification Improvements to Topic 326 – Financial Instruments: Credit Losses". The amendments in the ASU clarify that operating lease receivable are not in the scope of ASC 326-20 and should be accounted for under ASC 842. In April 2019, FASB issued ASU No. 2019-04 "Topic 326 – Financial Instruments – Credit Losses". The amendments in this ASU provide guidance on the measurement of the allowance of credit losses on accrued interest receivables, transfers between classification or categories for loan and debt securities, and recoveries. In May 2019, FASB issued ASU No. 2019-05 "for Topic 326 – Financial Instruments – Credit Losses". The amendments in this ASU provide transition relief to entities by allowing the option to elect the fair value option for certain financial assets that are in the scope of ASC 326. The effective date for the amendments in these ASUs is the same as the effective date in ASU No. 2016-13. The Company is currently completing its assessment of the impact of these ASUs on its consolidated financial statements.

In August 2018, FASB issued ASU No. 2018-13 "Fair Value Measurement – Disclosure Framework: Changes to the Disclosure Requirements for Fair Value Measurement". The amendments in this ASU modify the disclosure requirements on fair value measurements. The amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In August 2018, FASB issued ASU No. 2018-14 "Compensation – Retirement Benefits-Defined Benefit Plans – General: Disclosure Framework – Changes to the Disclosure Requirements for the Defined Benefit Plans". The amendments in this ASU modify the disclosure requirements on defined benefit pension and other postretirement plans. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In October 2018, FASB issued ASU 2018-17 "Consolidation – Targeted Improvements to Related Party Guidance for Variable Interest Entities ("VIE")". The amendments in this ASU provide that indirect interest held through related parties under common control will be considered on a proportional basis when determining whether fees paid to decision makers and service providers are variable interests. Under the new guidance, fewer decision-making fees will be considered variable interests in a VIE because the other interests held will be less significant using the proportionate method rather than when considered in their entirety. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. All entities are required to apply the amendments in this ASU retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In November 2018, FASB issued ASU 2018-18 "Collaborative Arrangements – Clarifying the Interaction between Topic 808 and Topic 606". The amendments in this ASU clarifies that certain transactions between collaborative partners should be accounted for as revenue under ASC 606 when the collaborative partner is a customer, provides guidance specifying that a distinct good or service is the unit of account for evaluating whether a transaction is with a customer, and precludes a company from presenting transactions with a collaborative partner that are not in the scope of ASC 606 together with revenue from contracts with customers. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In April 2019, FASB issued ASU No. 2019-04 "Topic 815 – Derivatives and Hedges and Topic 825 – Financial Instruments." The amendments in this ASU clarify aspects of ASU 2017-12 regarding partial-term fair value hedges and fair value basis adjustments. Also in this ASU, it amends ASU 2016-01 to clarify that the measurement alternative in ASC 321-10 for equity securities without readily determinable fair value represents a nonrecurring fair value measurement under ASC 820. The amendments to ASU 2017-12 and ASU 2016-01 are effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

ACI did not enter into any material off-balance sheet arrangements during the six months ended June 30, 2019. Reference should be made to the 2018 Annual Financial Statements and the 2018 Annual MD&A.

DISCLOSURE CONTROLS AND PROCEDURES ("DC&P") AND INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

ACI is required to comply with National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings. ACI's management, including its Chief Executive Officer and Chief Financial Officer certified that they have designed or caused it to be designed under their supervision, DC&P and ICFR to provide reasonable assurance that information required to be disclosed by the Company in its annual flings, interim filings and other reports filed or submitted by it under securities legislation is reported on a timely basis, financial reporting is reliable, and financial statements are prepared in accordance with U.S. GAAP.

There were no material weaknesses in the design of DC&P and ICFR as at June 30, 2019 and no changes in ICFR during the interim period from April 1, 2019 to June 30, 2019 that have materially affected, or are reasonably likely to materially effect, the Company's ICFR.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. The design of any system of controls is also based in part on certain assumptions about the likelihood of future events, and there can be no assurances that any design will succeed in achieving its stated goals under all potential conditions.

NON-GAAP FINANCIAL MEASURES

This MD&A contains references to certain financial measures used by the Company that do not have a standardized meaning prescribed by U.S. GAAP and may not be comparable to similar measures presented by other entities. Readers are cautioned that these non-GAAP measures should not be construed as alternatives to other measures of financial performance calculated in accordance with U.S. GAAP. The non-GAAP measures and their reconciliation to U.S. GAAP financial measures are shown below. These non-GAAP measures provide additional information that Management believes is meaningful in describing the Company's operational performance, liquidity and capacity to fund dividends, capital expenditures, and other investing activities. The specific rationale for, and incremental information associated with, each non-GAAP measure is discussed below.

References to normalized EBITDA, normalized net income, normalized funds from operations, net debt, and net debt to total capitalization throughout this MD&A have the meanings as set out in this section.

Normalized EBITDA[1]

($ millions)	Three Months Ended June 30 2019	2018	Six Months Ended June 30 2019	2018
Normalized EBITDA	**$ 17.5**	$ 19.3	**$ 55.7**	$ 56.1
Add (deduct):				
Foreign exchange loss	**—**	—	**—**	(0.1)
Unrealized gain (loss) on foreign exchange contracts	**(0.7)**	(0.1)	**(1.9)**	1.1
Accretion expense	**—**	—	**(0.1)**	(0.1)
Depreciation and amortization expense	**(7.4)**	(7.1)	**(14.7)**	(14.4)
Accretion and depreciation and amortization expense from equity investment	**(0.9)**	(0.9)	**(1.9)**	(1.8)
Operating income	**$ 8.5**	$ 11.2	**$ 37.1**	$ 40.8

(1) Effective January 1, 2019, ACI revised the calculation of normalized EBITDA to incorporate ACI's proportionate share of normalized EBITDA from its equity investments instead of just the equity pick-up. The comparative period has been revised to conform to the current period presentation.

Normalized EBITDA is a measure of the Company's operating profitability prior to how business activities are financed, assets are amortized, or earnings are taxed. Normalized EBITDA is calculated using operating income adjusted for depreciation and amortization expense, accretion expenses, foreign exchange gain (loss), unrealized gain (loss) on foreign exchange contracts, and other typically non-recurring items. Normalized EBITDA is frequently used by analysts and investors in the evaluation of entities within the industry as it excludes items that can vary substantially between entities depending on the accounting policies chosen, the book value of assets and the capital structure.

Normalized EBITDA as presented should not be viewed as an alternative to operating income or other measures of income calculated in accordance with U.S. GAAP as an indicator of performance.

Normalized Net Income

($ millions)	Three Months Ended June 30 2019	2018	Six Months Ended June 30 2019	2018
Normalized net income	**$ 3.8**	$ 3.8	**$ 24.3**	$ 22.8
Add (deduct) after-tax:				
Unrealized gain (loss) on foreign exchange contracts	**(0.7)**	(0.1)	**(1.9)**	1.1
Income tax recovery related to decrease in Alberta statutory tax rate	**0.8**	—	**0.8**	—
Net income after taxes	**$ 3.9**	$ 3.7	**$ 23.2**	$ 23.9

Normalized net income represents net income after taxes adjusted for after tax impact of unrealized gain (loss) on foreign exchange contracts and other typically non-recurring items such as statutory tax rate changes. This measure is presented in order to enhance the comparability of results, as it reflects the underlying performance of the Company.

Normalized net income as presented should not be viewed as an alternative to net income after taxes or other measures of income calculated in accordance with U.S. GAAP as an indicator of performance.

Normalized Funds from Operations

($ millions)	Three Months Ended June 30 2019	2018	Six Months Ended June 30 2019	2018
Normalized funds from operations	**$ 8.4**	$ 29.0	**$ 38.6**	$ 56.7
Add (deduct):				
Changes in operating assets and liabilities	**12.9**	18.3	**4.0**	2.4
Cash from operations	**$ 21.3**	$ 47.3	**$ 42.6**	$ 59.1

Normalized funds from operations is used to assist Management and investors in analyzing the liquidity of the Company without regard to changes in operating assets and liabilities in the period as well as other non-operating related expenses. Management uses this measure to understand the ability to generate funds for use in investing and financing activities.

Please refer to the "*Selected Financial Information"* section of this MD&A for a discussion of the variance related to normalized funds from operations.

Normalized funds from operations as presented should not be viewed as an alternative to cash from operations or other cash flow measures calculated in accordance with U.S. GAAP as an indicator of liquidity.

Net Debt and Net Debt to Total Capitalization

Net debt and net debt to total capitalization are used by the Company to monitor its capital structure and financing requirements. It is also used as a measure of the Company's overall financial strength. Net debt is defined as short-term debt, plus current and long-term portions of long-term debt, less cash and cash equivalents. Total capitalization is defined as net debt plus shareholders' equity. Additional information regarding these non-GAAP measures can be found under the "*Liquidity and Capital Resources - Capital Resources"* section of this MD&A.

DEFINITIONS

GW means gigawatt
GWh means gigawatt hour
PJ means petajoule; one million gigajoules
PP&E means property, plant and equipment

ABOUT ACI

ACI is a Canadian company with natural gas distribution utilities and renewable power generation assets. ACI serves approximately 130,000 customers, delivering low carbon energy, safely and reliably. For more information visit: www.altagascanada.ca.

Condensed Consolidated Balance Sheets *(unaudited)*

As at *($ millions)*		**June 30, 2019**		December 31, 2018
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**0.1**	$	1.8
Accounts receivable, net of allowances		**31.1**		64.4
Inventory		**1.1**		1.4
Regulatory assets		**1.5**		0.6
Foreign exchange contracts asset *(note 9)*		**—**		1.4
Prepaid expenses and other current assets		**6.0**		5.1
		39.8		74.7
Property, plant and equipment		**971.1**		968.6
Intangible assets		**17.8**		17.5
Goodwill		**119.1**		119.1
Regulatory assets		**203.8**		215.8
Other long-term assets *(note 4)*		**6.3**		0.9
Investments accounted for by the equity method		**119.5**		118.9
	$	**1,477.4**	$	1,515.5
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**31.8**	$	64.9
Short-term debt *(note 5)*		**7.1**		5.8
Current portion of long-term debt *(note 6)*		**1.0**		1.0
Customer deposits		**8.6**		10.9
Regulatory liabilities		**4.7**		8.9
Foreign exchange contracts liability *(note 9)*		**0.5**		—
Other current liabilities *(note 4)*		**1.5**		—
		55.2		91.5
Long-term debt *(note 6)*		**630.3**		638.8
Asset retirement obligations		**1.9**		1.8
Deferred income taxes *(note 8)*		**115.8**		122.6
Regulatory liabilities		**22.6**		22.1
Lease liabilities *(note 4)*		**4.2**		—
Future employee obligations *(note 12)*		**29.7**		30.1
	$	**859.7**	$	906.9
Shareholders' equity				
Common shares, no par value, unlimited shares authorized; June 30, 2019 - 30 million and December 31, 2018 - 30 million shares issued and outstanding *(note 10)*		**321.0**		321.0
Contributed surplus		**100.2**		100.0
Retained earnings		**196.9**		188.0
Accumulated other comprehensive loss		**(0.4)**		(0.4)
		617.7		608.6
	$	**1,477.4**	$	1,515.5

Commitments and contingencies *(note 13)*

Subsequent events *(note 18)*

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Consolidated Statements of Income *(unaudited)*

($ millions except per share amounts)		Three months ended June 30 **2019**		2018		Six months ended June 30 **2019**		2018
REVENUE *(note 7)*	**$**	**61.3**	$	59.9	**$**	**179.9**	$	169.7
EXPENSES								
Cost of sales, exclusive of items shown separately		**21.4**		19.6		**77.7**		69.1
Operating and administrative		**24.6**		23.6		**48.9**		47.1
Accretion		**—**		—		**0.1**		0.1
Depreciation and amortization		**7.4**		7.1		**14.7**		14.4
		53.4		50.3		**141.4**		130.7
Income from equity investments		**1.4**		1.8		**0.6**		0.8
Unrealized gain (loss) on foreign exchange contracts *(note 9)*		**(0.7)**		(0.1)		**(1.9)**		1.1
Other loss		**(0.1)**		(0.1)		**(0.1)**		—
Foreign exchange loss		**—**		—		**—**		(0.1)
Operating income		**8.5**		11.2		**37.1**		40.8
Interest expense								
Short-term debt		**(0.1)**		(0.1)		**(0.1)**		(0.1)
Long-term debt		**(6.5)**		(6.9)		**(13.0)**		(13.6)
Income before income taxes		**1.9**		4.2		**24.0**		27.1
Income tax expense (recovery) *(note 8)*								
Current		**(0.4)**		0.5		**0.3**		2.5
Deferred		**(1.6)**		—		**0.5**		0.7
Net income after taxes	**$**	**3.9**	$	3.7	**$**	**23.2**	$	23.9
Net income per common share *(note 11)*								
Basic	**$**	**0.13**	$	0.12	**$**	**0.77**	$	0.80
Diluted	**$**	**0.13**	$	0.12	**$**	**0.77**	$	0.80

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income *(unaudited)*

($ millions)		Three months ended June 30 **2019**		2018		Six months ended June 30 **2019**		2018
Net income after taxes	**$**	**3.9**	$	3.7	**$**	**23.2**	$	23.9
OCI, net of taxes		**—**		—		**—**		—
Comprehensive income, net of taxes	**$**	**3.9**	$	3.7	**$**	**23.2**	$	23.9

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Consolidated Statements of Changes in Equity *(unaudited)*

	Three months ended		Six months ended	
		June 30		June 30
($ millions)	**2019**	2018	**2019**	2018
Common shares *(note 10)*				
Balance, beginning of period	**$ 321.0**	$ —	**$ 321.0**	$ —
Balance, end of period	**$ 321.0**	$ —	**$ 321.0**	$ —
Net parental investment *(notes 1 and 14)*				
Balance, beginning of period	**$ —**	$ 827.3	**$ —**	$ 804.7
Net income after taxes	**—**	3.7	**—**	23.9
Distributions to AltaGas Ltd. prior to the Acquisition	**—**	(21.2)	**—**	(18.8)
Balance, end of period	**$ —**	$ 809.8	**$ —**	$ 809.8
Contributed surplus				
Balance, beginning of period	**$ 100.0**	$ —	**$ 100.0**	$ —
Share option expense	**0.2**	—	**0.2**	
Balance, end of period	**$ 100.2**	$ —	**$ 100.2**	$ —
Retained earnings				
Balance, beginning of period	**$ 200.1**	$ —	**$ 188.0**	$ —
Net income after taxes	**3.9**	—	**23.2**	—
Common share dividends	**(7.1)**	—	**(14.3)**	—
Balance, end of period	**$ 196.9**	$ —	**$ 196.9**	$ —
Accumulated other comprehensive loss				
Balance, beginning of period	**$ (0.4)**	$ (0.6)	**$ (0.4)**	$ (0.6)
Other comprehensive income (loss)	**—**	—	**—**	—
Balance, end of period	**$ (0.4)**	$ (0.6)	**$ (0.4)**	$ (0.6)
Total shareholders' equity	**$ 617.7**	$ 809.2	**$ 617.7**	$ 809.2

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Consolidated Statements of Cash Flows *(unaudited)*

($ millions)	Three months ended June 30 **2019**	2018	Six months ended June 30 **2019**	2018
Cash from operations				
Net income after taxes	**$ 3.9**	$ 3.7	**$ 23.2**	$ 23.9
Items not involving cash:				
Depreciation and amortization expense	**7.4**	7.1	**14.7**	14.4
Accretion expense	**—**	—	**0.1**	0.1
Deferred income tax expense (recovery) *(note 8)*	**(1.6)**	—	**0.5**	0.7
Income from equity investments	**(1.4)**	(1.8)	**(0.6)**	(0.8)
Unrealized loss (gain) on foreign exchange contracts *(note 9)*	**0.7**	0.1	**1.9**	(1.1)
Other	**(0.6)**	(0.4)	**(1.2)**	(0.8)
Net distributions from equity investments	**—**	20.3	**—**	20.3
Changes in operating assets and liabilities *(note 15)*	**12.9**	18.3	**4.0**	2.4
	$ 21.3	$ 47.3	**$ 42.6**	$ 59.1
Investing activities				
Acquisition of property, plant and equipment	**(12.2)**	(17.0)	**(19.7)**	(18.5)
Acquisition of intangible assets	**(1.1)**	(0.1)	**(2.1)**	(0.1)
Proceeds from disposition of assets, net of transaction costs	**0.1**	0.1	**0.1**	0.1
	$ (13.2)	$ (17.0)	**$ (21.7)**	$ (18.5)
Financing activities				
Repayment of advances due to related parties	**—**	(10.6)	**—**	(21.2)
Net issuance of short-term debt	**5.2**	—	**1.3**	—
Net repayment of bankers' acceptances	**(254.9)**	—	**(257.4)**	—
Issuance of long-term debt, net of debt issuance costs	**248.1**	—	**248.1**	—
Repayment of long-term debt due to related parties	**—**	—	**—**	(0.1)
Payment of share issuance costs	**—**	—	**(0.3)**	—
Distributions to AltaGas Ltd. prior to the Acquisition	**—**	(19.7)	**—**	(19.3)
Common share dividends	**(7.1)**	—	**(14.3)**	—
	$ (8.7)	$ (30.3)	**$ (22.6)**	$ (40.6)
Change in cash and cash equivalents	**(0.6)**	—	**(1.7)**	**—**
Cash and cash equivalents, beginning of period	**0.7**	—	**1.8**	—
Cash and cash equivalents, end of period	**$ 0.1**	$ —	**$ 0.1**	$ —

See accompanying notes to the condensed interim 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. OVERVIEW OF THE COMPANY

AltaGas Canada Inc. (the “Company”) was incorporated under the *Canada Business Corporations Act* on October 27, 2011 as AltaGas Utility Holdings (Pacific) Inc., a wholly owned subsidiary of AltaGas Ltd. (“AltaGas”). On September 5, 2018, the Company changed its articles to, among other things, facilitate it becoming a public company, change its name to AltaGas Canada Inc., amend its authorized capital and consolidate its outstanding common shares on the basis of one post-consolidation common share for every 28 pre-consolidation common shares. The Company owned rate-regulated natural gas distribution and transmission utility assets in British Columbia through its subsidiaries, Pacific Northern Gas Ltd. (“PNG”) and Pacific Northern Gas (N.E.) Ltd. (“PNG(N.E.)”). On October 18, 2018, the Company acquired the following assets from AltaGas (the “Acquisition”): rate-regulated natural gas distribution utility assets in Alberta and Nova Scotia owned by AltaGas Utility Group (“AUGI”) via its operating subsidiaries, AltaGas Utilities Inc. (“AUI”) and Heritage Gas Limited (“HGL”); minority interests in entities (Inuvik Gas and Ikhil Joint Venture) providing natural gas to the Town of Inuvik, Northwest Territories; a fully contracted 102 MW Bear Mountain Wind Park located near Dawson Creek, British Columbia (the “Bear Mountain Wind Park”) owned by Bear Mountain Wind Limited Partnership (“BMWLP”) and Bear Mountain Wind Power Corporation (“BMWPC”); and an approximate 10 percent indirect equity interest in the capital of Northwest Hydro Limited Partnership (“Coast LP”) and Northwest Hydro GP Inc. (“Coast GP”) which indirectly own three fully contracted 303 MW run of river hydroelectric power generation assets in northwest British Columbia (the “Northwest Hydro Facilities”) by way of the CMH Group. On October 25, 2018, the Company completed an initial public offering of its common shares (the “IPO”). Please refer to Note 1 of the 2018 annual audited consolidated financial statements for further information regarding the Acquisition and the IPO. The Company is a reporting issuer listed on the Toronto Stock Exchange.

2. BASIS OF PRESENTATION

Basis of Preparation

These consolidated financial statements have been prepared by management in accordance with United States Generally Accepted Accounting Principles (“U.S. GAAP”).

Pursuant to National Instrument 52-107, "Acceptable Accounting Principles and Auditing Standards" (“NI 52-107”), U.S. GAAP reporting is permitted by Canadian securities laws for companies subject to reporting obligations under U.S. securities laws. However, given that the Company is not subject to such reporting obligations and could not therefore rely on the provisions of NI 52-107 to that effect, the Company sought and obtained exemptive relief from the securities regulators in Alberta and Ontario to permit it to prepare its financial statements in accordance with U.S. GAAP. The exemption will terminate on or after the earlier of January 1, 2024, the date upon which the Company ceases to have activities subject to rate regulation, or the effective date prescribed for the mandatory application of a standard within International Financial Reporting Standards specific to entities with activities subject to rate regulation.

As all of the businesses acquired from AltaGas were transferred in contemplation of and immediately prior to the initial public offering, the acquisitions are considered a common control transaction with the condensed interim consolidated financial statements being prepared on a continuity of interest basis. The financial information prior to October 18, 2018 included in these condensed interim consolidated financial statements has been derived from the accounting records of AltaGas using the historical results of operations and historical basis of the assets and liabilities acquired from AltaGas as though the Company and the acquired businesses had been one consolidated entity for all periods presented.

Since the Company operated as part of AltaGas and was not a stand-alone entity prior to October 18, 2018, the historical financial information for the comparative periods included allocations of certain AltaGas revenue and expenses.

Transactions with AltaGas and its affiliates have been identified as related party transactions. It is possible that the terms of the transactions with AltaGas and its affiliates are not the same as those that would result from transactions among unrelated parties. In the opinion of the Company's management, all adjustments have been reflected that are necessary for a fair presentation in the condensed interim consolidated financial statements. Also, the Company's management believes that expenses related to shared assets and liabilities have been allocated by AltaGas to the Company on a reasonable basis and have been applied consistently for the comparative periods presented.

Principles of Consolidation

The condensed interim consolidated financial statements include the accounts of the Company and its direct and indirect subsidiaries, including, without limitation: AUGI, BMWLP, AltaGas Canadian Energy Holdings Ltd., PNG, AUI, and HGL. The condensed interim consolidated financial statements also include investments in Inuvik Gas Ltd. and Coast LP, which are accounted for by the equity method. Intercompany transactions and balances are eliminated. Investments in unconsolidated companies that the Company has significant influence over, but not control, are accounted for using the equity method. In addition, the Company uses the equity method of accounting for investments in limited partnership interests in which it has more than a minor interest or influence over the partnership's operating and financial policies.

Certain comparative figures have been reclassified to conform to current period's presentation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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: revenue recognition, depreciation and amortization rates, determination of the classification, term, and discount rate for leases, fair value of asset retirement obligations, fair value of property, plant and equipment and goodwill for impairment assessments, fair value of financial instruments, provisions for income taxes, assumptions used to measure employee future benefits, provisions for contingencies, and carrying value of regulatory assets and liabilities. Certain estimates are necessary for the regulatory environment in which the Company operates, 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 condensed interim consolidated financial statements have been prepared following the same accounting policies and methods as those used in preparing the Company's 2018 annual audited consolidated financial statements.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2019, the Company adopted the following Financial Accounting Standards Board ("FASB") issued Accounting Standards Updates ("ASU"):

- ASU No. 2016-02 "Leases" and all related amendments (collectively "ASC 842"). ACI has applied ASC 842 using the modified retrospective approach as of the effective date of the new standard. Comparative information has not been restated and continues to be reported under the previous lease guidance ASC 840. The Company has applied the package of transition practical expedients which permitted the Company to not reassess (a) whether any expired or existing contracts contain leases, (b) lease classifications for any expired or existing leases, and (c) initial direct costs for any existing leases. In addition, the Company applied the transition practical expedient that permitted the Company to grandfather its accounting policy for land easements that existed as of, or expired, before January 1, 2019. On adoption of ASC 842, all operating leases were recognized on the balance sheet with an increase to other long-term assets of approximately $5.3 million and an increase to lease liabilities of approximately $4.2 million (net of the current portion which was recorded under other current liabilities of approximately $1.1 million). The lease liabilities were measured using the present value of the remaining minimum lease payments for existing operating leases discounted using the Company's incremental borrowing rate as of January 1, 2019. The associated right-of-use assets were measured at the amount equal to the lease liabilities on January 1, 2019, adjusted for any prepaid or accrued lease payments. The adoption of ASC 842 did not impact lessor accounting, the consolidated statement of income, or the consolidated statement of cash flow. Please also refer to note 4 for further details.

The following is the Company's significant accounting policy as a lessee upon the adoption of ASC 842:

An arrangement contains a lease when such arrangement conveys the right to control the use of an identified asset. Under ASC 842, ACI recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which consists of the amount of the initial measurement of the lease liability, any lease payments made to the lessor at or before the commencement date, less any lease incentives received and any initial direct costs incurred by the lessee. The lease liability is initially measured at the present value of the lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or if that cannot be readily determined, ACI's incremental borrowing rate. Lease payments include: fixed payments (including in substance fixed payments), variable lease payments that are based on an index or a rate, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments for penalties for terminating the lease if the lease term reflects the lessee exercising that option, and amounts probable of being payable by the lessee under residual value guarantees. The Company has elected the practical expedient to not separate lease and non-lease components for its office and equipment leases. Subsequent measurement of the right-of-use asset and lease liability depend on whether the lease is classified as an operating lease or financing lease. Lease payments for leases with a term of twelve months or less are expensed on a straight-line basis over the lease term;

- ASU No. 2018-07 "Compensation – Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting". The amendments in this ASU expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees, with the objective of making the measurement consistent with employee share based payment awards. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements; and

- ASU No. 2018-15 "Intangibles-Goodwill and Other – Internal-Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract". The amendments in this ASU align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The amendments in this ASU are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, however, the Company has chosen to early adopt this ASU. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

FUTURE CHANGES IN ACCOUNTING PRINCIPLES

In June 2016, FASB issued ASU No. 2016-13 "Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments". The amendments in this ASU replace the current "incurred loss" impairment methodology with an "expected loss" model for financial assets measured at amortized cost. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted. In November 2018, FASB issued ASU No. 2018-19 "Codification Improvements to Topic 326 – Financial Instruments: Credit Losses". The amendments in the ASU clarify that operating lease receivable are not in the scope of ASC 326-20 and should be accounted for under ASC 842. In April 2019, FASB issued ASU No. 2019-04 “Topic 326 – Financial Instruments – Credit Losses”. The amendments in this ASU provide guidance on the measurement of the allowance of credit losses on accrued interest receivables, transfers between classification or categories for loan and debt securities, and recoveries. In May 2019, FASB issued ASU No. 2019-05 “for Topic 326 – Financial Instruments – Credit Losses”. The amendments in this ASU provide transition relief to entities by allowing the option to elect the fair value option for certain financial assets that are in the scope of ASC 326.

The effective date for the amendments in these ASUs is the same as the effective date in ASU No. 2016-13. The Company is currently completing its assessment of the impact of these ASUs on its consolidated financial statements.

In August 2018, FASB issued ASU No. 2018-13 “Fair Value Measurement – Disclosure Framework: Changes to the Disclosure Requirements for Fair Value Measurement”. The amendments in this ASU modify the disclosure requirements on fair value measurements. The amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company’s consolidated financial statements.

In August 2018, FASB issued ASU No. 2018-14 “Compensation – Retirement Benefits-Defined Benefit Plans – General: Disclosure Framework – Changes to the Disclosure Requirements for the Defined Benefit Plans”. The amendments in this ASU modify the disclosure requirements on defined benefit pension and other postretirement plans. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company’s consolidated financial statements.

In October 2018, FASB issued ASU 2018-17 “Consolidation – Targeted Improvements to Related Party Guidance for Variable Interest Entities (“VIE”)”. The amendments in this ASU provide that indirect interest held through related parties under common control will be considered on a proportional basis when determining whether fees paid to decision makers and service providers are variable interests. Under the new guidance, fewer decision-making fees will be considered variable interests in a VIE because the other interests held will be less significant using the proportionate method rather than when considered in their entirety. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. All entities are required to apply the amendments in this ASU retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company’s consolidated financial statements.

In November 2018, FASB issued ASU 2018-18 “Collaborative Arrangements – Clarifying the Interaction between Topic 808 and Topic 606”. The amendments in this ASU clarifies that certain transactions between collaborative partners should be accounted for as revenue under ASC 606 when the collaborative partner is a customer, provides guidance specifying that a distinct good or service is the unit of account for evaluating whether a transaction is with a customer, and precludes a company from presenting transactions with a collaborative partner that are not in the scope of ASC 606 together with revenue from contracts with customers. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company’s consolidated financial statements.

In April 2019, FASB issued ASU No. 2019-04 “Topic 815 – Derivatives and Hedges and Topic 825 – Financial Instruments.” The amendments in this ASU clarify aspects of ASU 2017-12 regarding partial-term fair value hedges and fair value basis adjustments. Also in this ASU, it amends ASU 2016-01 to clarify that the measurement alternative in ASC 321-10 for equity securities without readily determinable fair value represents a nonrecurring fair value measurement under ASC 820. The amendments to ASU 2017-12 and ASU 2016-01 are effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. The adoption of this ASU is not expected to have a material impact on the Company’s consolidated financial statements.

4. LEASES

The Company's leases include: land, buildings, and office and field equipment, all of which are classified as operating leases. The weighted average remaining lease term for these leases was 25.5 years as at June 30, 2019.

The Company's lease liabilities recognized on the balance sheet were discounted using a weighted average discount rate of 4.0% as at June 30, 2019 (January 1, 2019 – 4.1%).

As at		**June 30, 2019**		January 1, 2019
Total right of use assets[(a)]	**$**	**5.4**	$	5.3
Current[(b)]	**$**	**1.2**	$	1.1
Long-term		**4.2**		4.2
Total lease liabilities	**$**	**5.4**	$	5.3

(a) Included under the line item "Other long-term assets" on the condensed interim consolidated balance sheet.
(b) Included under the line item "Other current liabilities" on the condensed interim consolidated balance sheet.

Maturity analysis of lease liabilities during the next five years and thereafter is as follows:

As at June 30, 2019		
Remainder of 2019	**$**	**0.7**
2020		**1.1**
2021		**1.0**
2022		**0.4**
2023		**0.2**
Thereafter		**6.1**
Total lease payments	**$**	**9.5**
Less: imputed interest		**(4.1)**
Total lease liabilities	**$**	**5.4**

The following table summarizes the lease expense recognized in the condensed interim consolidated statement of income:

		Three months ended June 30 2019		Six months ended June 30 2019
Operating leases	**$**	**0.4**	**$**	**0.7**
Short-term leases		**0.1**		**0.1**
Variable lease payments not included in the determination of lease liabilities		**0.1**		**0.2**
Total lease expense[(a)(b)]	**$**	**0.6**		**1.0**

(a) Included under the line item "Operating and administrative" on the condensed interim consolidated statement of income.
(b) Cash payments arising from the Company's lease expense is recorded under "Cash Flows from Operations" on the condensed interim consolidated statement of cash flows.

5. SHORT-TERM DEBT

As at June 30, 2019, the Company held a $35.0 million (December 31, 2018 - $35.0 million) revolving operating credit facility with a Canadian chartered bank. Borrowings under this facility are due on demand. Draws on this facility are by way of overdraft, Canadian prime rate loans, U.S. base-rate loans, letters of credit, bankers' acceptances and LIBOR loans. As at June 30, 2019, the Company had overdraft of $3.9 million (December 31, 2018 - $nil) under this facility at the lender's prime rate or at the interest rate applicable to bankers' acceptance. Letters of credit outstanding under this facility as at June 30, 2019 were $3.8 million (December 31, 2018 - $4.0 million).

As at June 30, 2019, the Company held a $25.0 million bank operating facility which is available for PNG's working capital purposes and expires on November 4, 2019. Draws on this facility are by way of prime-rate advances, bankers' acceptances or letters of credit at the bank's prime rate or for a fee. As at June 30, 2019, prime-rate advances under the operating facility were $3.2 million (December 31, 2018 - $5.8 million). Letters of credit outstanding under this facility as at June 30, 2019 were $3.9 million (December 31, 2018 - $3.7 million).

6. LONG-TERM DEBT

As at	Maturity date		**June 30, 2019**		December 31, 2018
Credit facilities					
$200 million unsecured revolving credit facility[(a)]	25-Oct-2022	**$**	**31.0**	$	47.9
$25 million PNG committed credit facility[(a)]	4-May-2023		**14.0**		19.0
Debenture notes					
PNG 2025 series debenture - 9.30 percent[(b)]	18-Jul-2025		**12.5**		12.5
PNG 2027 series debenture - 6.90 percent[(b)]	2-Dec-2027		**13.5**		13.5
Unsecured term loan	25-Oct-2020		**14.0**		249.4
Medium term notes					
$300 million senior unsecured - 4.26 percent	5-Dec-2028		**300.0**		300.0
$250 million senior unsecured - 3.15 percent	6-Apr-2026		**250.0**		—
		$	**635.0**	$	642.3
Less debt issuance costs and discount			**(3.7)**		(2.5)
		$	**631.3**	$	639.8
Less current portion			**(1.0)**		(1.0)
		$	**630.3**	$	638.8

(a) Borrowings on the credit facility can be by way of Canadian prime rate-based loans, U.S. base rate loans, bankers' acceptances and LIBOR loans.

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

7. REVENUE

The following table disaggregates revenue by major sources:

Three months ended June 30, 2019				
	Renewable Energy	Utilities	Corporate	Total
Revenue from contracts with customers				
Gas sales and transportation services	$ —	$ 57.1	$ —	$ 57.1
Other	—	0.3	—	0.3
Total revenue from contracts with customers	$ —	$ 57.4	$ —	$ 57.4
Other sources of revenue				
Leasing revenue [(a)]	$ 3.3	$ —	$ —	$ 3.3
Other	—	0.6	—	0.6
Total revenue from other sources	$ 3.3	$ 0.6	$ —	$ 3.9
Total revenue	$ 3.3	$ 58.0	$ —	$ 61.3

(a) Relates to power sold to BC Hydro under the power purchase agreement for the Bear Mountain Wind Park, which is accounted for as an operating lease. The lease revenue earned are from variable lease payments which are recorded when actual electricity is generated and delivered.

Six months ended June 30, 2019				
	Renewable Energy	Utilities	Corporate	Total
Revenue from contracts with customers				
Gas sales and transportation services	$ —	$ 179.4	$ —	$ 179.4
Other	—	0.6	—	0.6
Total revenue from contracts with customers	$ —	$ 180.0	$ —	$ 180.0
Other sources of revenue				
Revenue from alternative revenue programs [(a)]	$ —	$ (8.0)	$ —	$ (8.0)
Leasing revenue [(b)]	6.3	—	—	6.3
Other	—	1.6	—	1.6
Total revenue from other sources	$ 6.3	$ (6.4)	$ —	$ (0.1)
Total revenue	$ 6.3	$ 173.6	$ —	$ 179.9

(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) Relates to power sold to BC Hydro under the power purchase agreement for the Bear Mountain Wind Park, which is accounted for as an operating lease. The lease revenue earned are from variable lease payments which are recorded when actual electricity is generated and delivered.

Three months ended June 30, 2018

	Renewable Energy	Utilities	Corporate	Total
Revenue from contracts with customers				
Gas sales and transportation services	$ —	$ 54.0	$ —	$ 54.0
Other	—	0.4	—	0.4
Total revenue from contracts with customers	$ —	$ 54.4	$ —	$ 54.4
Other sources of revenue				
Revenue from alternative revenue programs [(a)]	$ —	$ 0.6	$ —	$ 0.6
Leasing revenue [(b)]	4.1	—	—	4.1
Other	—	0.8	—	0.8
Total revenue from other sources	$ 4.1	$ 1.4	$ —	$ 5.5
Total revenue	$ 4.1	$ 55.8	$ —	$ 59.9

(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) *Relates to power sold to BC Hydro under the power purchase agreement for the Bear Mountain Wind Park, which is accounted for as an operating lease. The lease revenue earned are from variable lease payments which are recorded when actual electricity is generated and delivered.*

Six months ended June 30, 2018

	Renewable Energy	Utilities	Corporate	Total
Revenue from contracts with customers				
Gas sales and transportation services	$ —	$ 162.6	$ —	$ 162.6
Other	—	0.9	—	0.9
Total revenue from contracts with customers	$ —	$ 163.5	$ —	$ 163.5
Other sources of revenue				
Revenue from alternative revenue programs [(a)]	$ —	$ (4.5)	$ —	$ (4.5)
Leasing revenue [(b)]	7.5	—	—	7.5
Other	—	3.2	—	3.2
Total revenue from other sources	$ 7.5	$ (1.3)	$ —	$ 6.2
Total revenue	$ 7.5	$ 162.2	$ —	$ 169.7

(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) *Relates to power sold to BC Hydro under the power purchase agreement for the Bear Mountain Wind Park, which is accounted for as an operating lease. The lease revenue earned are from variable lease payments which are recorded when actual electricity is generated and delivered.*

Accounts receivable as at June 30, 2019 include unbilled receivables of $6.4 million (December 31, 2018 - $15.7 million) related to gas sales and transportation services rendered to customers but not billed at period end.

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 at June 30, 2019:

	Remainder of 2019	**2020**	**2021**	**2022**	**2023**	**> 2023**	**Total**
Gas sales and transportation services	$ 10.3	$ 22.3	$ 22.4	$ 16.6	$ 16.4	$ 224.4	**$ 312.4**

The Company 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 the Company 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 gas sales and transportation service contracts contain variable consideration whereby uncertainty related to the associated variable consideration will be resolved (usually on a daily basis) as gas is delivered or as service is provided.

8. INCOME TAXES

For the three and six months ended June 30, 2019, the Company recognized an income tax recovery of $2.0 million and an income tax expense of $0.8 million, respectively (three and six months ended June 30, 2018 – income tax expense of $0.5 million and $3.2 million, respectively). The decrease in income tax expense for the three and six months ended June 30, 2019 was mainly due to a one-time deferred income tax recovery related to the reduction in the Alberta statutory rate in June 2019, the decrease in current income tax expense due to accelerated tax deductions related to PP&E, and a lower pre-tax income.

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of accounts receivable, foreign exchange contracts, accounts payable and accrued liabilities, short-term debt, current portion of long-term debt, and long-term debt.

Fair Value Hierarchy

The Company 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.

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. The Company uses derivative instruments to manage fluctuations in foreign exchange rates. The Company estimates forward prices based on published sources.

Level 3 - fair values are based on inputs for the asset or liability that are not based on observable market data. The Company uses valuation techniques when observable market data is not available.

Accounts receivable, accounts payable and accrued liabilities, and short-term debt - the carrying amounts approximate fair value because of the short maturity of these instruments.

					June 30, 2019
	Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Financial liabilities					
Fair value through net income					
Foreign exchange contracts liability	**$ 0.5**	**$ —**	**$ 0.5**	**$ —**	**$ 0.5**
Amortized cost					
Current portion of long-term debt [(a)]	**$ 1.0**	**$ —**	**$ 1.0**	**$ —**	**$ 1.0**
Long-term debt [(a)]	**634.0**	**—**	**677.5**	**—**	**677.5**
	$ 635.5	**$ —**	**$ 679.0**	**$ —**	**$ 679.0**

(a) Excludes deferred financing costs and debt discount.

										December 31, 2018
		Carrying Amount		Level 1		Level 2		Level 3		Total Fair Value
Financial assets										
Fair value through net income										
Foreign exchange contracts asset	$	1.4	$	—	$	1.4	$	—	$	1.4
	$	1.4	$	—	$	1.4	$	—	$	1.4
Financial liabilities										
Amortized cost										
Current portion of long-term debt [(a)]	$	1.0	$	—	$	1.1	$	—	$	1.1
Long-term debt [(a)]		641.3		—		650.7		—		650.7
	$	642.3	$	—	$	651.8	$	—	$	651.8

(a) Excludes deferred financing costs and debt discount.

Foreign Exchange Contracts

A vast majority of HGL's natural gas supply costs are denominated in U.S. dollars. The Company has entered into foreign exchange forward contracts to manage the risk of fluctuations in gas costs for customers as a result of changes in foreign exchange rates. As at June 30, 2019, the Company had outstanding foreign exchange forward contracts for US$27.3 million at an average rate of $1.33 Canadian per U.S. dollar. As at December 31, 2018, the Company had outstanding foreign exchange forward contracts of US$23.6 million at an average rate of $1.30 Canadian per U.S. dollar. For the three and six months ended June 30, 2019, the Company recognized an unrealized loss of $0.7 million and $1.9 million, respectively in relation to these contracts (three and six months ended June 30, 2018 – unrealized loss of $0.1 million and unrealized gain of $1.1 million, respectively).

10. SHAREHOLDERS' EQUITY

Authorized share capital

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

Common shares issued and outstanding:

	Number of shares		Amount
As at January 1, 2018	143,140,001	$	—
Consolidation of common shares on a 28:1 basis	(138,027,858)		—
Shares issued to AltaGas in connection with the Acquisition	5,912,857		58.4
Shares issued on public offering, net of issuance costs (after tax)	16,500,000		228.1
Shares issued pursuant to the Over-Allotment Option (after tax)	2,475,000		34.5
As at December 31, 2018	30,000,000		321.0
As at June 30, 2019	**30,000,000**	**$**	**321.0**

Share Option Plan

The Company has a Share Option Plan under which directors, officers and employees are eligible to receive grants. As at June 30, 2019, 965,234 shares were reserved for issuance under the plan. Options granted under the plan have a term of 6 years until expiry and vest no longer than over a 4 year period.

As at June 30, 2019, the unexpensed fair value of share option compensation cost associated with future periods was $0.9 million (December 31, 2018 - $0.3 million).

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

As at	**June 30, 2019**			December 31, 2018		
	Number of options		**Exercise price (a)**	Number of options		Exercise price (a)
Share options outstanding, beginning of period	**200,375**	**$**	**14.65**	—	$	—
Granted	**334,391**		**20.90**	200,375		14.65
Share options outstanding, end of period	**534,766**	**$**	**18.56**	200,375	$	14.65
Share options exercisable, end of period	**—**	**$**	**—**	—	$	—

(a) Weighted average

As at June 30, 2019, the aggregate intrinsic value of the total options exercisable was $nil (December 31, 2018 - $nil) and the total intrinsic value of options outstanding was $2.9 million (December 31, 2018 - $0.3 million).

The following table summarizes employee share options outstanding and exercisable as at June 30, 2019:

	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
$14.65	200,375	$	14.65	5.43	—	$	—	—
$15.73	11,888		15.73	5.52	—		—	—
$21.09	322,503		21.09	5.88	—		—	—
	534,766	**$**	**18.56**	**5.70**	**—**	**$**	**—**	**—**

Medium-Term Incentive Plan ("MTIP") and Deferred Share Unit Plan ("DSUP")

The Company has a MTIP for employees and executive officers, which includes restricted share units ("RSUs") and performance share units ("PSUs") with vesting periods of 36 months from the grant date. In addition, the Company has a deferred share unit plan ("DSUP"), which allows granting of deferred share units ("DSUs") to directors. DSUs granted under the DSUP vests immediately but settlement of the DSUs occur when the individual ceases to be a director.

PSUs, RSUs, and DSUs	**June 30, 2019**	December 31, 2018
(number of units)		
Balance, beginning of period	**92,502**	—
Granted	**112,694**	92,502
Vested and paid out	**—**	—
Forfeited	**—**	—
Units in lieu of dividends	**3,415**	—
Outstanding, end of period	**208,611**	92,502

The compensation expense recorded for the MTIP and DSUP for the three and six months ended June 30, 2019, was $0.3 million and $0.7 million, respectively (three and six months ended June 30, 2018 - $nil). As at June 30, 2019, the unrecognized compensation expense relating to the remaining vesting period for the MTIP was $4.1 million (December 31, 2018 - $1.4 million) and is expected to be recognized over the vesting period.

11. NET INCOME PER COMMON SHARE

Basic net income per common share is based on net income after taxes and is calculated using the weighted average number of common shares outstanding during the periods presented. For comparative purposes, the consolidation of common shares on a 28:1 basis and the common shares issued pursuant to the initial public offering, including the Over-Allotment Option, have been assumed to have occurred as of the beginning of each period presented.

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

	Three months ended June 30 **2019**	Three months ended June 30 2018	Six months ended June 30 **2019**	Six months ended June 30 2018
Numerator:				
Net income after taxes	**$ 3.9**	$ 3.7	**$ 23.2**	$ 23.9
Denominator *(millions)*:				
Weighted average number of common shares outstanding - basic	**30.0**	30.0	**30.0**	30.0
Dilutive equity instruments	—	—	**—**	—
Weighted average number of common shares outstanding - diluted	**30.0**	30.0	**30.0**	30.0
Basic net income per common share	**$ 0.13**	$ 0.12	**$ 0.77**	$ 0.80
Diluted net income per common share	**$ 0.13**	$ 0.12	**$ 0.77**	$ 0.80

For the three and six months ended June 30, 2019, no share options (three and six months ended June 30, 2018 – nil) were excluded from the diluted net income per share calculation as their effects were anti-dilutive.

12. 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.

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

Three months ended June 30, 2019	**Defined Benefit**	**Post-Retirement Benefits**	**Total**
Current service cost [(a)]	**$ 1.6**	**$ 0.2**	**$ 1.8**
Interest cost [(b)]	**1.1**	**0.1**	**1.2**
Expected return on plan assets [(b)]	**(1.4)**	**(0.1)**	**(1.5)**
Amortization of regulatory asset [(b)]	**0.3**	**—**	**0.3**
Net benefit cost recognized	**$ 1.6**	**$ 0.2**	**$ 1.8**

(a) Recorded under the line item "Operating and administrative" expenses on the condensed interim consolidated statement of income.
(b) Recorded under the line item "Other loss" on the condensed interim consolidated statement of income.

Six months ended June 30, 2019	**Defined Benefit**	**Post-Retirement Benefits**	**Total**
Current service cost [(a)]	**$ 3.2**	**$ 0.4**	**$ 3.6**
Interest cost [(b)]	**2.2**	**0.2**	**2.4**
Expected return on plan assets [(b)]	**(2.8)**	**(0.2)**	**(3.0)**
Amortization of regulatory asset [(b)]	**0.6**	**—**	**0.6**
Net benefit cost recognized	**$ 3.2**	**$ 0.4**	**$ 3.6**

(a) Recorded under the line item "Operating and administrative" expenses on the condensed interim consolidated statement of income.
(b) Recorded under the line item "Other loss" on the condensed interim consolidated statement of income

Three months ended June 30, 2018		Defined Benefit		Post-Retirement Benefits		Total
Current service cost [a]	$	1.6	$	0.2	$	1.8
Interest cost [b]		1.0		0.1		1.1
Expected return on plan assets [b]		(1.4)		(0.1)		(1.5)
Amortization of regulatory asset [b]		0.4		—		0.4
Net benefit cost recognized	$	1.6	$	0.2	$	1.8

(a) Recorded under the line item "Operating and administrative" expenses on the condensed interim consolidated statement of income.
(b) Recorded under the line item "Other loss" on the condensed interim consolidated statement of income.

Six months ended June 30, 2018		Defined Benefit		Post-Retirement Benefits		Total
Current service cost [a]	$	3.2	$	0.3	$	3.5
Interest cost [b]		2.1		0.2		2.3
Expected return on plan assets [b]		(2.8)		(0.1)		(2.9)
Amortization of regulatory asset [b]		0.7		—		0.7
Net benefit cost recognized	$	3.2	$	0.4	$	3.6

(a) Recorded under the line item "Operating and administrative" expenses on the condensed interim consolidated statement of income.
(b) Recorded under the line item "Other loss" on the condensed interim consolidated statement of income.

13. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments

The Company has long-term natural gas purchase and transportation arrangements, service agreements and operating leases for office space and office equipment, all of which are transacted at market prices and in the normal course of business. There were no material changes in commitments from those disclosed in the Company's 2018 annual audited consolidated financial statements.

Guarantees

In October 2014, HGL entered into a throughput service contract with Enbridge Inc. (formerly Spectra Energy Corp.) for the use of the expansion of its Algonquin Gas Transmission and Maritimes & Northeast Pipeline systems (the Atlantic Bridge Project). The contract will commence upon completion of the construction of the pipelines and it will expire 15 years thereafter. AltaGas issued two guarantees with an aggregate maximum liability of US$91.7 million, guaranteeing HGL's payment obligations under the throughput service contract with Enbridge Inc. Effective October 25, 2018, the two guarantees issued by AltaGas were cancelled and reissued by the Company.

On October 22, 2018, the Company issued a guarantee with a maximum liability of $0.3 million related to the right of way for permanent access and power line access at Bear Mountain Wind Park.

The Company, through HGL has agreements in place with Union Gas Limited ("UGL") to purchase, deliver, and store natural gas. In October 25, 2018, the Company issued a guarantee with a maximum liability of $0.3 million guaranteeing UGL's reasonable costs incurred to enforce obligations created under those agreements.

Contingencies

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

14. RELATED PARTY TRANSACTIONS AND BALANCES

Pre-Acquisition Relationship with AltaGas

Prior to the Acquisition, the Company has historically been managed and operated in the normal course of business by AltaGas along with other AltaGas affiliates. Accordingly, certain shared costs have been allocated to the Company and reflected as expenses in the condensed interim consolidated financial statements. Management of AltaGas and the Company consider the allocation methodologies used to be reasonable and appropriate reflections of the related expenses attributable to the Company for purposes of the condensed interim consolidated financial statements; however, the expenses reflected may not be indicative of the actual expenses that would have been incurred during the three and six months ended June 30, 2018 as presented if the Company historically operated as a separate entity.

For the three and six months ended June 30, 2018, the significant transactions with AltaGas were as follows:

Net Parental Investment

AltaGas' net investment in the Company pre-acquisition is presented as "Net Parental Investment" in lieu of shareholders' equity in the statement of changes in equity for the three and six months ended June 30, 2018 as there was no share ownership between AltaGas and the assets acquired from the Acquisition.

Pension and Other Post-Employment Benefit Plans

The Company sponsors several pension and post-employment plans. In addition, the Company's employees also participate in certain pension plan and post-employment benefit plans sponsored by AltaGas. There is no contractual agreement or stated policy between the Company and AltaGas for charging the costs of these plans.

All obligations pursuant to these plans were obligations of AltaGas. AltaGas allocated to the Company, the net periodic benefit costs associated with employees that are beneficiaries of pensions and other employment benefit costs. These costs have been included in operating and administrative expenses and other loss in the condensed interim statement of income for the three and six months ended June 30, 2018. AltaGas also contributed to these plans. The amount contributed to certain of these plans by AltaGas on the Company's behalf cannot be determined.

Derivatives

Derivatives that relate to the Company were entered into on behalf of the Company by an AltaGas entity during the three and six months ended June 30, 2018.

Allocated Corporate Costs

Allocated costs include AltaGas charges including, but not limited to: board of directors, executive management, finance, accounting and tax, legal and compliance, office services and corporate resources, information technology and procurement. These costs have been included in operating and administrative expenses in the condensed interim statement for the three and six months ended June 30, 2018 and have a pre-tax total of $2.3 million and $4.7 million, respectively. The costs were allocated to the Company based on similar methodology used to allocate costs within AltaGas, which is a combination of asset values, payroll expenses and earnings. Note that these expenses may have been different had the Company been a separate entity during the period presented.

Transition Services Agreement

Concurrent with the Acquisition on October 18, 2018, the Company entered into a Transition Services Agreement with AltaGas pursuant to which AltaGas provides certain general administrative and corporate services required by the Company, which include: accounting, tax, finance, legal and regulatory, payroll, corporate human resources and pension management, environmental, health and safety administration, procurement, enterprise resource planning and information technology. AltaGas will provide the services on a cost recovery basis only. The Transition Services Agreement will operate until June 30, 2020, subject to earlier termination in certain circumstances, and is extendable by mutual agreement of the parties.

Related party balances

Amounts due to or from related parties on the Consolidated Balance Sheets, arising from transactions with the Company's affiliates, including AltaGas and its affiliates, are measured at the exchange amount and are as follows:

As at		**June 30, 2019**		December 31, 2018
Due from related parties				
Foreign exchange contracts asset - current [(a)]	**$**	**—**	$	0.9
	$	**—**	$	0.9
Due to related parties				
Accounts payable [(b)]	**$**	**2.7**	$	16.4
	$	**2.7**	$	16.4

(a) Foreign exchange hedges with AltaGas.

(b) Payables to AltaGas and affiliates of AltaGas.

Related party transactions

The following transactions with the Company's affiliates including AltaGas and its affiliates are measured at the exchange amount and have been recorded on the Consolidated Statements of Income:

	Three months ended				Six months ended			
				June 30				June 30
		2019		2018		**2019**		2018
Revenue [(a)]	**$**	**0.1**	$	1.1	**$**	**0.5**	$	2.3
Unrealized gain (loss) on foreign exchange contracts with AltaGas	**$**	**(0.1)**	$	(0.1)		**(0.9)**		1.1
Cost of sales [(b)]	**$**	**(14.3)**	$	(10.2)		**(71.2)**		(52.9)
Operating and administrative expenses [(c)]	**$**	**(0.5)**	$	(2.5)		**(1.2)**		(5.1)
Interest expense [(d)]	**$**	**—**	$	(5.7)		**—**		(11.7)

(a) In the normal course of business, the Company provided gas sales and transportation services to related parties.

(b) In the normal course of business, the Company purchased natural gas from a related party.

(c) Operating and administrative expenses include the allocation of corporate costs for the three and six months ended June 30, 2018 from AltaGas, fees paid to AltaGas for transition services, and administrative costs recovered from affiliates.

(d) Interest expense on debt due to related parties.

15. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended June 30		Six months ended June 30	
	2019	2018	**2019**	2018
Source (use) of cash:				
Accounts receivable	**$ 34.7**	$ 14.6	**$ 30.5**	$ 26.0
Inventory	**(0.2)**	(0.1)	**0.3**	0.7
Other current assets	**0.2**	0.4	**(0.9)**	(2.3)
Regulatory assets (current)	**1.3**	0.6	**(0.9)**	(0.3)
Accounts payable and accrued liabilities	**(24.7)**	(0.6)	**(27.4)**	(26.1)
Customer deposits	**(0.5)**	0.2	**(2.2)**	(1.4)
Regulatory liabilities (current)	**1.3**	4.6	**(4.2)**	1.9
Other current liabilities	**0.1**	—	**0.2**	—
Net change in regulatory assets and liabilities (long-term)[(a)]	**0.7**	(1.4)	**8.6**	3.9
Changes in operating assets and liabilities	**$ 12.9**	$ 18.3	**$ 4.0**	$ 2.4

(a) Inclusive of a decrease in the revenue deficiency account (source of cash) of $0.1 million and $7.1 million during the three and six months ended June 30, 2019, respectively (three months ended June 30, 2018 – an increase in the revenue deficiency account (use of cash) of $0.9 million; six months ended June 30, 2018 - a decrease in the revenue deficiency account (source of cash) of $3.8 million).

The following cash payments have been included in the determination of net income after taxes:

	Three months ended June 30		Six months ended June 30	
	2019	2018	**2019**	2018
Interest paid	**$ 9.6**	$ 5.9	**$ 14.5**	$ 12.7
Income taxes paid (net of refunds)	**$ 0.8**	$ 0.9	**$ 0.5**	$ 2.0

16. SEGMENTED INFORMATION

The following describes the Company's three reporting segments:

Renewable Energy	–	Includes the 102 MW Bear Mountain Wind Park, and an approximate 10 percent indirect equity investment in Coast LP, which indirectly owns and operates three run-of-river hydroelectric power generation assets in northwest British Columbia.
Utilities	–	Includes the rate-regulated natural gas distribution assets in Alberta, British Columbia and Nova Scotia as well as an approximately 33.3 percent equity investment in Inuvik Gas Ltd.
Corporate	–	Includes the cost of providing corporate services, financial and general corporate support and corporate assets.

The following tables show the composition by segment:

	Three months ended June 30, 2019				
	Utilities	**Renewable Energy**	**Corporate**	**Intersegment Elimination**	**Total**
Revenue	**$ 58.0**	**$ 3.3**	**$ —**	**$ —**	**$ 61.3**
Cost of sales	**(21.4)**	**—**	**—**	**—**	**(21.4)**
Operating and administrative	**(22.8)**	**(1.1)**	**(0.7)**	**—**	**(24.6)**
Depreciation and amortization	**(5.6)**	**(1.8)**	**—**	**—**	**(7.4)**
Income from equity investments	**—**	**1.4**	**—**	**—**	**1.4**
Unrealized loss on foreign exchange contracts	**(0.7)**	**—**	**—**	**—**	**(0.7)**
Other loss	**(0.1)**	**—**	**—**	**—**	**(0.1)**
Operating income (loss)	**$ 7.4**	**$ 1.8**	**$ (0.7)**	**$ —**	**$ 8.5**
Interest expense	**(0.8)**	**—**	**(5.8)**	**—**	**(6.6)**
Income (loss) before income taxes	**$ 6.6**	**$ 1.8**	**$ (6.5)**	**$ —**	**$ 1.9**
Net additions (reductions) to:					
Property, plant and equipment[(a)]	**$ 11.9**	**$ —**	**$ 0.2**	**$ —**	**$ 12.1**
Intangible assets	**$ 1.1**	**$ —**	**$ —**	**$ —**	**$ 1.1**

(a) Net additions to property, plant, and equipment, and intangible assets may not agree to changes reflected in the Consolidated Statement of Cash Flows due to classification differences.

	Six months ended June 30, 2019				
	Utilities	**Renewable Energy**	**Corporate**	**Intersegment Elimination**	**Total**
Revenue	**$ 173.6**	**$ 6.3**	**$ —**	**$ —**	**$ 179.9**
Cost of sales	**(77.6)**	**(0.1)**	**—**	**—**	**(77.7)**
Operating and administrative	**(45.9)**	**(2.1)**	**(0.9)**	**—**	**(48.9)**
Accretion	**(0.1)**	**—**	**—**	**—**	**(0.1)**
Depreciation and amortization	**(11.1)**	**(3.6)**	**—**	**—**	**(14.7)**
Income from equity investments	**—**	**0.6**	**—**	**—**	**0.6**
Unrealized loss on foreign exchange contracts	**(1.9)**	**—**	**—**	**—**	**(1.9)**
Other loss	**(0.1)**	**—**	**—**	**—**	**(0.1)**
Operating income (loss)	**$ 36.9**	**$ 1.1**	**$ (0.9)**	**$ —**	**$ 37.1**
Interest expense	**(1.5)**	**—**	**(11.6)**	**—**	**(13.1)**
Income (loss) before income taxes	**$ 35.4**	**$ 1.1**	**$ (12.5)**	**$ —**	**$ 24.0**
Net additions (reductions) to:					
Property, plant and equipment[(a)]	**$ 18.7**	**$ —**	**$ 0.2**	**$ —**	**$ 18.9**
Intangible assets	**$ 1.6**	**$ —**	**$ —**	**$ —**	**$ 1.6**

(a) Net additions to property, plant, and equipment, and intangible assets may not agree to changes reflected in the Consolidated Statement of Cash Flows due to classification differences.

					Three months ended June 30, 2018
	Utilities	Renewable Energy	Corporate	Intersegment Elimination	Total
Revenue	$ 55.8	$ 4.1	$ —	$ —	$ 59.9
Cost of sales	(19.5)	(0.1)	—	—	(19.6)
Operating and administrative	(22.1)	(1.5)	—	—	(23.6)
Depreciation and amortization	(5.3)	(1.8)	—	—	(7.1)
Income from equity investments	—	1.8	—	—	1.8
Unrealized loss on foreign exchange contracts	(0.1)	—	—	—	(0.1)
Other loss	(0.1)	—	—	—	(0.1)
Operating income	$ 8.7	$ 2.5	$ —	$ —	$ 11.2
Interest expense	(7.0)	—	—	—	(7.0)
Income (loss) before income taxes	$ 1.7	$ 2.5	$ —	$ —	$ 4.2
Net additions (reductions) to:					
Property, plant and equipment[(a)]	$ 16.5	$ —	$ —	$ —	$ 16.5
Intangible assets	$ 0.2	$ —	$ —	$ —	$ 0.2

(a) Net additions to property, plant, and equipment, and intangible assets may not agree to changes reflected in the Consolidated Statement of Cash Flows due to classification differences.

					Six months ended June 30, 2018
	Utilities	Renewable Energy	Corporate	Intersegment Elimination	Total
Revenue	$ 162.2	$ 7.5	$ —	$ —	$ 169.7
Cost of sales	(69.0)	(0.1)	—	—	(69.1)
Operating and administrative	(44.4)	(2.7)	—	—	(47.1)
Accretion	(0.1)	—	—	—	(0.1)
Depreciation and amortization	(10.8)	(3.6)	—	—	(14.4)
Income from equity investments	—	0.8	—	—	0.8
Unrealized gain on foreign exchange contracts	1.1	—	—	—	1.1
Foreign exchange loss	—	—	(0.1)	—	(0.1)
Operating income (loss)	$ 39.0	$ 1.9	$ (0.1)	$ —	$ 40.8
Interest expense	(13.7)	—	—	—	(13.7)
Income (loss) before income taxes	$ 25.3	$ 1.9	$ (0.1)	$ —	$ 27.1
Net additions (reductions) to:					
Property, plant and equipment[(a)]	$ 22.1	$ —	$ —	$ —	$ 22.1
Intangible assets	$ 0.2	$ —	$ —	$ —	$ 0.2

(a) Net additions to property, plant, and equipment, and intangible assets may not agree to changes reflected in the Consolidated Statement of Cash Flows due to classification differences.

The following table shows goodwill and total assets by segment:

	Utilities	Renewable Energy	Corporate	Total
As at June 30, 2019				
Goodwill	**$ 119.1**	**$ —**	**$ —**	**$ 119.1**
Segmented assets	**$ 1,208.7**	**$ 266.4**	**$ 2.3**	**$ 1,477.4**
As at December 31, 2018				
Goodwill	$ 119.1	$ —	$ —	$ 119.1
Segmented assets	$ 1,244.9	$ 274.0	$ (3.4)	$ 1,515.5

17. SEASONALITY

The utility 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. In addition, the Company's equity investment in the Northwest Hydro Facilities is impacted by seasonal precipitation and snowpack melt, which create periods of high river flow typically during May through October of any given year, resulting in stronger results during this time period.

18. SUBSEQUENT EVENTS

Subsequent events have been reviewed through August 7, 2019, the date on which these condensed interim consolidated financial statements were approved for issue by the Board of Directors. There were no subsequent events requiring disclosure of adjustment to the unaudited condensed interim consolidated financial statements.