AltaGas Ltd. 2023 Investor Day
December 5, 2023

Corporate Speakers:

- Jon Morrison; AltaGas Ltd; Senior Vice President of Corporate Development and Investor Relations
- Vern Yu; AltaGas Ltd; Chief Executive Officer
- Randy Toone; AltaGas Ltd; Executive Vice President and President, Midstream
- Donald (Blue) Jenkins; AltaGas Ltd; Executive Vice President, President Utilities, President Washington Gas
- James Harbilas; AltaGas Ltd; Executive Vice President; Chief Financial Officer

Participants:

- Rob Hope; ScotiaBank; Analyst
- Ben Pham; BMO Capital Markets; Analyst
- Linda Ezergailis; TD Cowen; Analyst
- Unidentified Participant; Unknown; Analyst
- Robert Kwan; RBC Capital Markets; Analyst
- Patrick Kenny; National Bank Financial; Analyst

PRESENTATION

Jon Morrison^ Good morning. Welcome to AltaGas's 2021 Investor Day. My name is Jon Morrison, and I'm the Senior Vice President of Corporate Development and Investor Relations at AltaGas. And we're pleased that you've taken the opportunity to be with us today.

Before we begin, we'd like to go over a couple of housekeeping items. We'll start by reminding everyone that we're going to be referring to forward-looking information. This information is subject to certain risks and uncertainties as outlined in our forward-looking information disclosures on this slide. For those of us attending in person, I'd also like to take a moment to have a brief safety moment and discuss what we do in the case of an emergency.

Should an emergency happen, you'll hear an alarm. And if necessary, this will be followed by an announcement to evacuate the building. If that occurs, please exit through the double doors at the back of the room, turn left, go down the hallway, turn left again and exit through the double doors.

We'll meet across the street in the courtyard of the TD Center as our muster point.

On behalf of all of us at AltaGas, we respectfully acknowledge that we work on the traditional lands of the indigenous people of Canada and the United States. And we're grateful for their stewardship, sharing, and celebration of these territories.

We value building trusting and enduring relationships with indigenous groups. And we recognize that we've got much to learn from the people who have stewarded this land for generations. We believe that by working together, we can create a future that's more inclusive, sustainable, and prosperous for all. Since we held our last Investor Day in December of 2021, we've continued to advance our long-term strategic plan. We've also had some large positive developments, including Vern Yu joining as our new president and CEO.

We're excited to be here providing an update on the business. There's a lot of information that we're going to go over in the course of the day, but it'll focus on four main areas. One, revisiting the journey that we've been on. Two, sharing the key themes and fundamentals that are shaping our outlook. Three, discussing the major advancements since our last Investor Day. And four, sharing what excites us about the road ahead.

From a structure of how the day will unfold, we'll start with Vern Yu discussing our strategic overview, the macro fundamentals of our business, and sharing our corporate priorities. Then Randy Toone will provide an update on our midstream strategy, and Blue Jenkins will follow with an update on our utility strategy. Then we'll take a brief 10-minute break before James Harbilas will outline our capital and return strategy. We'll then have a moderated Q&A session where attendees from the audience can ask live questions, and virtual participants will be able to ask questions through the webcast.

We're excited to have you here today. And with that, I'll turn it over to Vern.

Vern Yu^ Thanks, Jon.

Good morning, everyone, and thanks for joining us today.

I wanted to start by reiterating Jon's remarks on how we respectfully acknowledge that the land I'm speaking from is the traditional territory of many nations, and we're grateful for their stewardship and sharing. I'm super excited to be here at my first AltaGas Investor Day. I'm going to start by reviewing our strategic priorities and our vision for the business. After I'm finished, Randy, Blue, James will do a much deeper dive into the various aspects.

When I joined AltaGas earlier this year, I saw that AltaGas had a unique set of assets with strong strategic moats. I also saw an opportunity to elevate these assets into a highly sustainable and growing infrastructure platform. Now that I've been here for a few months, I'm even more bullish about these prospects. I'm tremendously excited about the growth pipeline we have in front of us, which positions us to deliver industry-leading dividend growth through growing our cash flows stably and sustainably.

We're also going to improve AltaGas' risk profile through the initiatives that the team's going to talk about later in the presentation. If we can execute on this plan, we can deliver industry-leading value for our shareholders. Let's start with our strategic priorities.

I'm going to talk about what's changed and what's going to remain the same. We remain committed to an equity self-funding model. As we believe, this is the optimal approach to maximize shareholder value. We're enhancing our strategy to commercially de-risk the business through increased tolling and hedging in our midstream business. In utilities, we will continue to lean in on all of our regulatory activities and we'll ramp up our cost management efforts.

All of these things will result in enhanced stability of our earnings and our cash flows. We remain focused on achieving our debt-to-EBITDA target of 4.5 times and we see a clear path to that target now. Long term, we'd like to build some more dry powder, but I think it's important for us to get to 4.5 times first.

Asset optimization will continue to be a big focus for us. This will ensure we're able to earn the best possible return on the capital that we've already invested. Lastly, I'll end the priorities on capital allocation. I believe this is one of the most important decisions that we can make. We will evaluate all the investment opportunities in front of us and ensure that we allocate capital to the best risk-adjusted returning projects.

Over the last few years, most of this capital has gone to our utilities segment, but we're now seeing more and more attractive opportunities in midstream. And I believe over the next few years, you'll see us stream more capital to midstream.

Let's turn to the energy fundamentals. I think the fundamentals for natural gas and NGLs are a huge tailwind for us. We live in a complex and interconnected global economy, one where energy security and affordability are critical. The spotlight has shifted from a climate-only spotlight to one that's more balanced on affordability, reliability, and security as well.

Let's talk about that a little bit. Obviously, we need to reduce our GHG emissions, but we need to do that in a balanced manner, where affordability, reliability, and energy security are part of the mix. The Russian-Ukraine war, extreme weather events, supply chain challenges have put an emphasis on energy security and reliability. Higher interest rates and inflation that we've all witnessed these last couple years has also put energy affordability clearly back on the map. The macroeconomic conditions have changed, where cheap capital, whether that's capital to fund energy infrastructure or to fund consumer spending, is no longer available, and neither is cheap energy. Natural gas and NGLs are not transition fields. In fact, they're critical and structural parts of the supply stack, and will be part of the supply stack for decades to come. AltaGas is ideally suited to meet these long-term needs, both in our traditional businesses and with some growing energy transition opportunities that we're seeing in both utilities and midstream.

The energy fundamentals are robust, both near-term and long-term. Global energy demand, including natural gas and NGLs, will continue to grow at a very healthy pace. Led by Asia, where we're seeing increased standards of living requiring higher energy consumption.

At our utilities, natural gas continues to deliver affordable and reliable energy that heat people's homes, provide us with hot showers, and cook our food. Investment opportunities within midstream are ramping up, as producers are seeing strong returns and now have line of sight for more egress out of the basin. Population growth, a growing global middle class, and rising mobility are creating an ever-increasing demand for global energy. No major economy has prospered without increased energy consumption, and we don't see that changing.

Absolute demand for natural gas will continue to grow, although there are some forecasters calling for gas demand to flatline after 2040. My personal view is this is a highly unlikely scenario. It will be challenged by the high cost of renewables, the fact that natural gas is superior in providing reliability during peak power needs, and how natural gas is much more efficient in cold weather climates. As such, we remain constructive on the longevity of natural gas, and we believe the calls for its precipitous decline are way overblown.

Demand for NGLs are also very robust. Growth is most pronounced in Asia, where NGLs have increased in their importance. There's a large and growing petrochemical industry, and NGLs are being used to displace wood, coal, and oil for home heating and cooking in the emerging Asian market.

You should note that the world is adding five to six new LNG carriers and four new VLGCs each and every month. This demonstrates that the global demand for natural gas and NGLs continues to rise and is being largely supplied by liquids-rich North American basins. The good news is our West Coast export terminals are set up to capitalize on this opportunity.

Let's shift back to the gas utility. I cannot emphasize how critical a role natural gas will play for the long-term energy needs of the United States. The current delivered cost of electricity over natural gas is 300%. At these prices, a shift to electrical space heating would be crushing for the average household. On a full cycle basis, electrifying the average US home for heating and cooking would increase costs by 70%. The average monthly utility bill would go up by $275, or $3,000 a year. That effectively eliminates the average annual household savings of each family in the US. Simply put, gas LDCs are irreplaceable. There's no practical way to expand the power grid without ballooning costs and creating massive financial hardships. The reality is that broad-based gas bands are untenable, and natural gas will remain a critical energy supply source for decades to come, just as they have been for the last 175 years in our franchise areas.

After a decade of being structurally challenged by the lack of takeaway capacity, Canada is set to deliver strong production growth. West Coast LNG facilities such as LNG Canada and Woodfibre, just to name a couple, are game changers that will make the basin more globally connected, bringing a structural tailwind for WCSB production and create the need for additional midstream infrastructure in Alberta and B.C.

Our customers have fixed their balance sheets and have become highly profitable. They've also embarked on more methodical drilling and development programs, where they're most focused on the most profitable basins, which includes the Montney in northeast B.C. and Alberta, as well as the Deep Basin. We're ideally positioned to link growing WCSB supply with this strong Asian demand. This is further bolstered by the fact that Asia is the premier market for all of North America's energy, and AltaGas is the primary conduit of WCSB LPGs to this market.

Let's turn to our ESG priorities. We have four focus areas, and I'm happy to report we're making progress on all of these fronts. These four areas include governance, diversity inclusion, emissions reductions, and safety.

On governance, our diversity goal of having 50% female and ethnic board members by 2025 has been achieved. We've also made strong progress on management diversity for both females and underrepresented groups. On emissions, we also are making good progress. Through pipe modernization and replacement, we're enhancing the safety and reliability of our system, while at the same time reducing leaks and fugitive methane emissions.

At our largest emitting midstream facility, Harmattan, we've reduced emissions by 10% already, and we just completed an acid gas injection well. This will permanently reduce the emissions from that plant, allowing us to achieve our 15% scope one emissions reduction’s goal by 2026.

Finally, the work we need to do every day depends on being safe and reliable. We've made progress on reducing the severity of the incidents that we see in our business. However, we still need to focus on our long-term target of an incident-free operation.

Now that we've reviewed the fundamentals that affect our business, let's move to the path forward.

I highlighted the strategic priorities at the beginning of my remarks. Let's dive into seeing how these priorities shape our path forward. First, we remain committed to an equity self-funding model. We have tremendous growth opportunities in front of us, which need to be optimized, so that only the best risk-adjusted investments proceed and are funded through this model.

Commercially, increased tolling is the clearest way to de-risk our business. We made tremendous strides in 2023, where we saw an increase in our tolled volumes. For 2024, we have line of sight to reaching about 50% tolling for our global exports business.

Commercial de-risking also extends across the midstream value chain, through increased take or pay contracts and fee-for-service contracts, as well as diversifying across customers and basins. All of these factors were key drivers in our Pipestone acquisition. We're also making great strides in removing the volatility in our cost structure.

With ocean freight, we've already locked in costs on about 78% of our projected 2024 export volumes, and we've firmed up our rail costs with our recent long-term rail agreement with CN.

Commercial de-risking also applies for the utilities segment. This will come in primarily in the form of pursuing a very active rate case strategy, so we adequately embed our costs and rates, and we're also seeking to decouple our weather-driven earnings volatility.

On leverage, with the sale of MVP, we'll be close to our 4.5 times debt-to-EBITDA target, and once Pipestone 2 and REEF go into operation, we expect to be at or below our debt target. This should create plenty of dry powder for more organic growth, give us the potential to pursue asset

M&A, allow us to potentially pay down even more debt, and open up the possibility for share buybacks.

Low to no capital growth by optimizing our existing assets is the best return on capital that we can get, so we maximize what we earn on our existing assets. This could come from filling the white space in our midstream facilities, as egress and commodity prices encourage customers to dial up production, or at the utility, where we can create substantial value by closing the ROE gap.

Again, I'll reiterate that capital allocation is one of the important decisions that we'll need to work on. When I look at our two businesses, they're both very strong, and they both have very significant growth opportunities, but the fact is we won't have enough financial capacity to fund all of these investments. We will live within our means by only funding the best ones.

We maximize value by only picking the best opportunities available and weeding the other ones out.

We will strive to deliver the three core tenets, what long-term infrastructure investors are looking for. First, steady and visible growth across the business in EBITDA, and even more importantly, growth on a per share basis in FFO and EPS. We will operate a low-risk business model and deliver steady dividend growth, which will track our medium-term earnings growth outlook of 5% to 7% per year, all the while maintaining an industry-low 50% to 60% EPS payout ratio.

Collectively, we believe execution of this plan will deliver outsized shareholder returns in the years ahead. A combination of compounding growth, a premium valuation from a visible growth pipeline, lower leverage, and finally, a growing and sustainable dividend stream.

I'm extremely excited about our opportunity to deliver on this, and I'm very confident that AltaGas will deliver. I'm now going to just briefly touch on some of the strategic focus that we have in midstream and utilities, which will enable us to maximize the opportunities set in front of us.

In midstream, we'll leverage and optimize our existing assets to generate incremental cash flow through no to low capital investments. Our second priority is obviously to de-risk the business through increased tolling, adding more lower-risk contracts, hedging out our remaining exposures, and managing our costs, while increasing diversification across basins and customers.

Finally, we'll be rigorous and prudent in deploying capital, ensuring that only the strongest risk-adjusted projects go ahead.

In utilities, our number one objective is to improve our returns and close the ROE gap. We've made tremendous strides. However, the journey is not over. We need to lean in on all avenues, regulatory, capital, and cost management, to earn our allowed return.

We will invest in and explore growth opportunities related to climate initiatives, such as renewable natural gas and energy efficiency programs.

Lastly, as I've mentioned, we will be strong advocates for both natural gas and our business. We will need to change our advocacy playbook. I've seen this done before when I worked on pipeline projects both in Minnesota and Michigan. Here, we unlock the silent majority to have them speak up on the importance of energy affordability, on energy reliability, and in energy security, while at the same time tackling the climate issues in front of us.

So, I'm going to finish up with a value proposition. AltaGas is a low-risk energy infrastructure operator, providing stable and growing earnings and cash flows. We have assets with tremendous potential. As we execute on realizing this potential, we expect to generate outsized shareholder returns. We have an industry-leading visible growth across our two businesses, Midstream and Utilities, with emerging optionality coming from the energy transition.

These growth opportunities are both exciting and substantial.

Lastly, we operate with a very sound financial model, where we have sustainable leverage, a fully funded equity self-financed organic growth program, and the most sustainable dividend payout ratio in our industry.

We will keep and improve on our financial strength with a disciplined capital allocation process, where we only invest in the risk-adjusted returning projects.

With that, I'm going to now turn it over to Randy, who's going to walk us through Midstream.

Randy Toone^ Thank you, Vern. Good morning, everyone.

My name is Randy Toone, and I have the pleasure of leading the Midstream business. And as Vern mentioned, we are excited about our future, and I'm here today to share why.

We operate a fully integrated Midstream business that is focused on connecting Canadian producers with the best markets. Our assets are heavily weighted in the Montney and centered around global exports. We operate the only two large-scale LPG export terminals on the North American West Coast. This is our Ridley Island Propane Export Terminal, or RIPET, and Ferndale in Washington State. Approximately 80% of our business comes from investment-grade counterparties, with approximately 55% from take-or-pay or fee-for-service agreements. Now I'll dive into a few of our key themes driving our forward outlook. Western Canadian natural gas production is poised for significant growth. This is largely driven by the Montney and supported by LNG projects.

This production growth will drive a substantial increase in liquids and LPG supply. At the same time, demand for LPG in North America is expected to remain relatively flat. Our central assumption is that incremental production from Western Canada is best served exported to Asia.

We plan to leverage our distinct LPG export capabilities and fully integrated platform and partner with our customers to share the benefits of our structural shipping and pricing advantage.

This approach will be key to building and solidifying long-term relationships and continuing to grow and expand our midstream business.

With it being two years since our last Investor Day I think it's important to take some time to discuss what's changed since 2021. Overall, I'm proud of where we are and what the team has accomplished. We have optimized the export business significantly. This year we're going to ship approximately 110,000 barrels a day of LPG to Asia. This is more than 20% growth over the last two years. This is strong performance over a short period of time.

We have bolstered our midstream business by acquiring the remaining equity in Petrogas and also by purchasing the Pipestone assets earlier this year. The Pipestone deal will significantly strengthen our position in the Alberta Montney. It will add a number of marquee producers in the area, and it will give us years of growing opportunities in one of the most liquid-rich places. We also announced a joint venture with Vopak to build REEF. This is the next stage of growth for our export business. Commercially, we've increased our tolling volumes by 35% over the past two years. Looking ahead, we see a clear path to 175,000 barrels a day or more of exports. To get there, we are going to be laser-focused on additional tolling to de-risk this business.

We have a significant runway of highly probable organic expansion projects. This includes Pipestone 2, North Pine, and REEF.

The fundamentals of our business are strong. Vern touched on some of the high-level points. Now let's dig into some of the details.

First, Asian demand for LPGs is robust. This is expected to grow by 45% by 2040, driven by increase across all uses -- plastics, cooking, space heating, transportation. They are all growing demand markets in Asia. LPGs are a long-term input to economic expansion in Asia. This represents a tremendous opportunity for AltaGas and Canada to partner as a key supplier to the region. At the same time, Canada natural gas production is expected to increase by 40% by 2030. NGLs will track this growth and increase by a similar volume.

The Montney will be the engine behind this supply, and as one of the most prolific plays in the world, our assets are strategically located to assist in this growth. Alberta Montney NGLs will show strong growth as well. It is expected to represent more than 40% of the total Canadian NGL production over the next seven years. This was a key thesis behind our acquisition of the Pipestone asset and why we are excited about the opportunity. The Deep Basin will grow by upwards of 30%, which is expected will have a positive impact on our Harmattan facility. I'm also very excited about our assets in northeast BC. All of these facilities are located on Treaty 8 lands within the traditional territory of Blueberry River First Nation.

Earlier this year, the province and the Blueberry reached an agreement to work together on resource development while protecting the environment and wildlife. The agreement has been supportive of growth in the basin, and we have already seen significant activity from producers around our assets.

Fortunately, we have a very strong working relationship with the Blueberry First Nation and other Treaty 8 members, and we continue to have open and honest communication with them.

LNG developments will be a large tailwind for AltaGas. Phase 1 alone of LNG Canada will represent an incremental 50,000 barrels of propane and 20,000 to 25,000 barrels of butane. We are optimistic about Phase 2 being sanctioned shortly and the construction crews to carry on and not demobilize between stages. The Woodfibre project is moving forward, and there are optimistic data points on other LNG projects as well. These projects will further support natural gas production and Canada's position as a global supplier of reliable, affordable, and cleaner cleaning burning energy.

Outside of the Heartland Petrochemical Complex, LPG growth in Canada has been minimal. We expect this trend to continue. This will lead to significant LPG oversupply and place pressure on Canadian prices and keep the Asian and Canadian Arb wide. We feel strongly that we can capture a lion's share of these incremental barrels and that we are facilitating the best outcomes for the industry.

As it stands, Canada is oversupplied with LPG. These excess barrels have two options. Option one is to ship it down to the US, either to Mt. Bellevue in Texas, which is the US's largest NGL storage, fractionation, and distribution hub, or Conway in Kansas, a similar but smaller hub. At which point, a price is realized, and the product is passed along to aggregators. These barrels incur significant transport costs to arrive at the hub, so Canadian producers realize a (inaudible) price that is significantly discounted.

Option two is tolling through AltaGas, where producers can gain direct access to the Far East index pricing, less cost to get there. The winner of these two options is very clear. Over the past two years, producers would have received a $4 per barrel better net back on propane than shipping to Conway. Looking ahead to the next year, the net backs is about $7 per barrel, even better.

It takes about 10 days for us to deliver LPG to Asia from RIPET or Ferndale. This compares to 25 days of the US Gulf Coast or 18 days of the Middle East, representing a 60% to 40% savings, respectively. And these are the best-case scenarios for these markets. Both of these routes can be longer depending on maritime congestion or other challenges.

Stepping back a minute, over the past 10 years, the vast majority of Asian LPG demand growth has been satisfied by growing US exports. The US now represents half of the total LPG export globally. It also represents 80% of the exports into Japan and South Korea. But as you can see, given our close proximity and direct shipping route, AltaGas and Canada have made significant inroads as a new supplier. We now represent 16% of Japan's propane imports and 14% of South Korea's LPG imports.

As you are seeing with the current market, the Panama Canal is a problem. We are seeing significant congestion in the Panama Canal caused by lower water levels. Vessels are now waiting up to 10 days to get a transit ticket to get them to the canal, bringing shipping times to Asia closer to 35 to 40 days one way or one quarter of the year if it's a round-trip basis. When this happens, the Asia to US ARB widens and makes for higher shipping costs and for barrels to continue to flow to Asia. This also negatively impacts Asian security with 10-day delay in the Panama Canal representing 10 million barrels of LPG deliveries to Asia.

So, when we look across the fundamentals for our business, we are very bullish.

Natural gas and NGL production is rising, and the thesis for global connectivity only strengthens. We are bullish on our participation across the value chain from the wellhead to tidewater.

Now turning to the road ahead for AltaGas, as we look ahead, there are four strategic focuses for the midstream business. Leverage and optimize our existing asset base for maximum returns. De-risk operations, so minimize commodity and volume risk, and reduce operating costs and supply chain risks. Third, strengthen our value chain, build scale across the platform, and finally, prioritize capital for the best opportunities both internally and externally.

We're fortunate to have significant runway of growth opportunities. We have broken these out into three buckets. Low capital projects that require less than $25 million worth of capital, mid-sized projects that require between $25 to $200 million worth of capital, and projects that require more than $200 million of capital.

Looking at the low capital growth projects, these projects allow us to drive higher earnings at existing assets and increase our return on that invested capital. This includes opportunities to fill any white space within our existing facilities, namely Townsend, where recent regulatory clarity provides a visible path to strong production growth. It also includes opportunities to capture higher margins through reducing and locking in operating and logistics costs. We have recently signed a new five-year agreement with CN that provides cost and service predictability for RIPET, Ferndale, and for REEF.

Our time charters would also fit in this bucket. We will take delivery of our second time charter this month and expect the third in March of 2024. The last opportunity we are progressing is the methanol removal at RIPET, which will allow the propane to be delivered to more markets, including petrochemical facilities.

Moving on to the mid-sized projects, this bucket includes multiple opportunities across our platform to increase capacity and volumes at various existing facilities. This includes the continued optimization of our export facilities with debottlenecking efforts taking place across rail and logistics. We also have an opportunity to develop several low-cost brownfield expansions, such as adding a depropanizer or a debutanizer at Townsend, which will provide about 6,000 barrels a day of frack capacity. We're also looking at a bolt-on expansion at North Pine to add 20,000 barrels a day of capacity, effectively doubling the current capacity.

North Pine is currently operating at or above capacity with the given growth around the area.

Given the recent increase in activity in the area, we are seeing strong demand for additional frack capacity from both existing and new customers. Moving on to larger projects. These longer-lead projects provide long-term step changes in growth.

Our current focus is on Pipestone 2 and REEF. However, we feel there is strong potential for future growth phases for both of these assets. We are very constructive on all of these projects on this page and expect to be advancing them in short order. We continue to focus on de-risking the platform in numerous ways. We want to build a more stable and sustainable business.

We've made significant progress this year through, one, increasing our take-or-pay contracts within our global export business, which we believe will move towards 70% take-or-pay or fee-for-service over the long term. Two, we've implemented a strategic hedging strategy to minimize any residual commodity exposure.

Three, we've locked in various operating and logistics costs, including entering the long-term CN agreement. And four, we have materially de-risked maritime shipping costs with three-time charters in operation in 2024, and these will both lock in and reduce our costs. Then lastly, we'll continue to de-risk our export platform with supply through Pipestone acquisition, which will add steadily long-term LPG supply for exports.

I want to spend some time talking about how we feel confident we can achieve our global export take-or-pay target of 100,000 barrels a day.

First, as I outlined earlier, the fundamentals for exporting incremental LPG off the West Coast are compelling. As activity picks up in the Western Canadian sedimentary basin, growing barrels to support long-term LNG projects naturally should flow to these markets.

Currently, we're sitting at more than 40,000 barrels a day of tolling, and based on the existing and new customer conversations, we believe we can more than double this. This includes existing customers, new producers and aggregators, and Asian off takers.

This slide walks through our value chain and how we think about forward growth. Existing assets should be able to grow 2% to 3% per year through rising volumes and low to no capital investments. Pipestone 1, Pipestone 2, Dimsdale and REEF should be able to add another 2% to 4% of compounding annual growth.

And lastly, if we look ahead, some of the other organic opportunities we have, we can either increase growth above these levels or extend the growth horizon longer.

So, coming back to the Pipestone acquisition, we are very excited about this acquisition. The deal supports our long-term strategy by adding complementary assets that strengthen our footprint within the Alberta Montney. It diversifies our customer base with marquee independent producers. It provides multi-year growth opportunities, and it increases our take-or-pay or fee-for-service revenue.

And again, it provides long-term LPG supply for exports.

Moving over to our global export business, as mentioned, we've made great progress expanding our export business over the past five years since RIPET first came online. We have increased the export volumes from 35,000 barrels a day in 2019 to this year of 110,000 barrels.

In April, we entered into a new joint venture on REEF. This is an exciting opportunity to advance our global export strategy and continue our relationship with Vopak, the Port of Prince Rupert, and First Nations rightholders, and the local communities around Prince Rupert.

The facility will have the capability of exporting LPGs, methanol, and bulk liquids such as diesel or biodiesel. And we will look at potential opportunities of shipping hydrogen carriers like ammonia, but those are longer-term initiatives.

REEF will add another 50,000 to 60,000 barrels a day and bring strong synergies opportunities with RIPET on logistics. We are undergoing detailed engineering work to update our cost estimates while advancing commercial and stakeholder activities. We have recently started site clearing, actually this week, which gives an indication of our constructive outlook and how we expect to FID this project in the first half of 2024.

I also wanted to highlight a couple of opportunities that we're working on to advance our climate goals and initiatives. The first project is the Rolling Hills CO2 sequestration hub. This is an open-access project that would be near our Harmattan facility, and we've partnered up with Whitecap. We are currently evaluating work before making a final proposal for a long-term leasing of carbon with the Alberta government.

The other project we want to highlight is the Pacific Northwest Hydrogen Hub. These are early days, but we've partnered in a potential project that has been recognized by the DOE for a hydrogen hub funding near Ferndale. We have access to renewable power, the land is industrially zoned, and it has existing infrastructure that can be repurposed.

Early stages, but encouraged long-term projects with viability work ongoing.

In summary, the Canadian upstream industry will deliver significant natural gas and NGL growth in the coming years. The majority of this growth will be in the Montney and the Deep Basin, where we are strategically positioned.

We believe we can be a valued midstream partner from Wellhead to Tidewater. We're also taking specific actions to ensure our company and shareholders are realizing the greatest value through de-risking our overall platform.

Thank you. And that concludes my remarks, and I'll turn the podium over to Blue to talk about utilities.

Blue Jenkins^ Thanks, Randy. Good morning, everyone.

I'm excited to share with you some highlights of our utilities business and its strategic priorities. Our regulated natural gas utilities provide safe, reliable, and affordable energy to customers across two major utilities, serving 1.6 million customers in four strong economic growth regions in the US, including D.C., Maryland, Virginia, and Michigan. With approximately $5 billion US in rate base, our utilities account for approximately 55% of all to gas's operational earnings and provide our shareholders with visible, lower-risk earnings and cash flow growth.

Our earnings growth is underpinned by a rate-regulated cost-of-service model, providing durable and predictable results. Our utilities are also benefiting from strong population growth trends, customer additions, and pipeline modernization programs. Regulatory rate structures, including weather and usage decoupling in our Virginia and Maryland service territories, provide additional earnings stability. More than 90% of our customers and 70% of our revenues are from residential customers.

Additionally, with WGL serving the US Capitol, the federal government is our largest customer. The importance of affordability has been magnified over the past couple of years as our customers face greater economic uncertainty due to higher interest rates and inflation. More than ever, we are committed to ensuring the critical energy they need to fuel their daily lives without putting pressure on their financial well-being.

We understand the important role we play in the communities where we live and serve. This is why we're focused on continuously improving operations, upgrading and modernizing our network, and providing a better customer experience. In support of our broader strategy, we are committed to building a high-performance culture dedicated to operational excellence at all our utilities, and we're focused on continued and sustainable operational efficiencies and improved financial performance.

Now, since our last Investor Day I wanted to highlight a few key strategic priorities that we have meaningfully advanced over the last two years. We have continued to grow the rate base and improve returns, improving the ROE at WGL by 240 basis points since 2019. We continue to execute our secured accelerated pipeline replacement programs and have filed or will file to extend each one of them. We have started our journey toward lower carbon fuels with multiple renewable natural gas deals now in place, and I'll be sharing more on these topics later.

We are excited about the future and the opportunities to continue to improve the earnings, grow our core business, and invest in the energy transition, each of which I will detail further as we go.

Our ongoing progress toward closing the remaining ROE gap will require us to work closely with our regulators and focus on cost management and continued employing a disciplined approach to capital spending. Our demographics are exhibiting strong population and customer growth that is higher than the national average, which translates to approximately 1% annual new meter growth. Modernizing our aging pipelines with $1.7 billion of capital to deploy over the next five years through approved and filed accelerated pipeline replacement programs.

System extensions and reinforcement opportunities within the WGL and SEMCO service territories, aiming to bring natural gas to currently unserved markets and augment system reliability.

And finally, we're excited about our climate goals and decarbonizing our network. Energy efficiency will become something you will hear much more about from us as these initiatives drive better outcomes for our customers, stakeholders, and the environment.

There are four important themes that are common across the gas utility sector that I'll discuss first before sharing our philosophical views on the business and how we intend to deliver long-term value creation. Despite certain rhetoric, natural gas will be critical for long-term energy demand, and we stand firmly in this conviction. Energy security, reliability, and affordability have returned to the forefront. As I mentioned, the majority of our customers are residential, some of which are more vulnerable and subject to disproportionately negative outcomes when it comes to external forces. Our path forward has these customers at top of mind.

Electrification is not a panacea. Our research shows that material disadvantages on cost, reliability, and emissions relative to natural gas exists, and these have the potential top present real problems for our customers down the road.

We are excited about the growth opportunities ahead with a large inventory of vintage pipeline in need of modernizing, we are supporting our goals of reducing emissions while also pursuing lower carbon alternative fuels across our network.

And now, I'd like to dive into some of the macro trends of the Gas LDC landscape. Here's an illustrative view of the efficiency of the natural gas network, direct use of natural gas provides a 54% improvement in efficiency versus conversion to electricity.

That additional efficiency has a significant impact on both affordability and climate. It is important for us to explain that impact to customers and other key stakeholders to balance the messaging they are hearing about electrification and highlight the need for a balanced approach when it comes to solving for reliability, affordability, and climate.

As we highlight here, natural gas has advantages over electric for home heating. It uses less energy and produces fewer CO2 emissions. Additionally, the natural gas network has a significant reliability advantage, which is strengthening as the move to electrify the grid increases in stability. Full electrification at this point puts extreme pressure on the grid and will likely result in frequent outages, as customers have experienced in other places where the renewable generation represents a significantly higher proportion of the grid.

Additionally, as the PJM grid currently has less than 30% of its generation from renewable and nuclear sources, switching from direct use of natural gas to the existing grid will actually generate more CO2 emissions. We've already seen some negative outcomes transpire in other parts of the world, notably stalled economic activity in certain industrial sectors of Europe due to electrification.

The energy transition, when not properly managed or understood, can lead to negative impacts on customers, communities, and economies. We'll have to look that hard across Europe to see the effects of these challenges. We must learn from these mistakes and forge a pragmatic path forward with our regulators and all stakeholders or we risk the same fate.

In every jurisdiction we serve, natural gas is the primary source of household demand at a fraction of the cost of the alternatives. Nationally, this translates into natural gas accounting for 70% of energy demand and only a third of home energy costs. When we look at the substitution of electricity, the cost to switch to electricity is estimated to be over three times the cost of gas. We do not view that as a palatable, one-size-fits-all approach to energy. Customers and other key stakeholders are becoming aware of the importance of balancing affordability, reliability, and climate with an increasing push to retain customer choice across the US.

We will continue to focus on affordability and advocate for our customers' best interests through this transition, and that means taking a balanced approach to energy and energy choice, and most importantly, that this choice remains the customers to make.

Natural gas bans and related restrictions are getting a lot of headlines lately, and that includes within the jurisdictions that we serve. There are currently building standards in Maryland and the District of Columbia, either in place or being proposed, to reduce the climate impact of commercial buildings. While not currently impacting WGL, we see opportunities to work with these customers to provide solutions like combined heat and power, lower carbon fuels, and energy efficiency services to support their decarbonization efforts.

Additionally, we will need to continue to educate customers, legislators, and other key stakeholders about the advantage of a fuel-neutral approach to decarbonization, pursuing all options that help balance the affordability, reliability, and climate imperatives.

However, we think there's an opportunity here that we can take advantage of. There is a misconception that electrification will automatically achieve climate progress, and I think we have demonstrated the facts show otherwise. Electrification is not a one-size-fits-all solution. While targeted electrification makes sense in some scenarios, unilaterally mandating that outcome is intellectually dishonest and removes choices from customers where it belongs. We continue to work with all stakeholders around appropriate standards, including building standards, to achieve a balanced approach to the energy trilemma while allowing customers' voices to be heard.

Population growth in the WGL service territory has significantly outpaced the national average, translating into steady growth of new customers over the last decade. Current projections have population growth continuing to be strong over the next decade. These underlying demographic trends position our utilities favorably for steady growth.

Now let's get into the utility strategy. When we look at the road ahead, we get excited on a number of fronts. Our high-level priorities are consistent and build on what we have done over the last two years. This includes continuing to improve returns, investing in our core platform, pursuing growth opportunities related to climate initiatives, and continuing to build leadership in the policy and advocacy areas. Improving returns at WGL has continued to be a focus of ours. Through continued regulatory efforts, capital discipline, and cost management efforts, we have increased the ROE by 240 basis points since 2019, translating to about $70 million of net income.

We project that our Maryland DC rate cases will add another 100 basis points or about $35 million of annual net income.

Looking forward, we will pursue both internal and external efficiency opportunities that we believe can deliver another 40 to 80 basis points of improvement. Lastly, our WGL asset optimization programs continues to deliver value to our customers while contributing another 40 basis points that can help offset the inherent regulatory lag we experience in historical test year rate case process.

Overall, we have strong relationships with all of our regulators across our jurisdictions. It is something that our team has put a lot of focus on over the last number of years, and I think you can see the results as we continue to make progress towards closing the ROE gap at WGL.

With regard to DC, we remain active in the hearing room, and we continue to update our rates to reflect the sizable capital investments that we've made in that jurisdiction over the years to improve the safety and reliability of that system.

We are actively working through the rate case now as we speak. That rate case decision is decisional before the PSC, and that decision should come sometime between now and sometime into Q1 of 2024. Upon resolution of this case, we hope to close a good portion of the remaining ROE gap within DC.

The other rate case we're working through is Maryland. In May we filed a rate case seeking approval to increase base rates by an incremental $28 million, using an ROE of 10.75%. The increase in rates requested includes base rate growth and general cost increases in operational and maintenance expenses.

Once we get a resolution of these two rate cases, we expect that our rates will largely reflect the considerable capital investment that we've made in our networks to service our customers and provide safe and reliable service.

WGL's 175-year history means that our jurisdictions are among the oldest in the country, and we have significant opportunities to modernize, update, and improve the vintage pipe in our system. Here we are highlighting the age and composition of the natural gas distribution system, which demonstrates that we have decades of opportunities to modernize the system to improve safety and reliability, lower emissions, and prepare them for lower carbon fuels.

Relative to our other jurisdictions, the amount of pipe in need of replacing or modernizing in the District of Columbia appears small. It is, in fact, a significant proportion of the nation's capital network. D.C. has over 400 miles of cast iron, or a third of their mains, that will need replaced in the coming years.

Across our jurisdictions, the amount of at-risk pipe presents investment opportunities for the next several decades.

Our utilities are working hard to maintain pipeline safety and reliability through accelerated pipeline replacement programs or infrastructure reliability improvement programs. These programs grow rate base while also offering improved customer and climate benefits. They allow us to replace and upgrade our network by replacing cast iron and bare steel with new corrosion-resistant, high-density polyethylene pipe.

As you are aware, we have accelerated pipeline replacement programs in all of our jurisdictions, all of which have now been extended multiple times. This slide provides a snapshot of the existing and approved or requested extensions. We focus on pipeline replacement programs to get the most of our capital investment to reduce incoming leaks and emissions, drive down costs, and allow us to earn immediate returns of those investments.

We currently have APR programs in place in each of our WGL jurisdictions, as well as at SEMCO, totaling approximately $1.7 billion of system reinforcement projects over the next five years.

In May of 2022, WGL received approval for the largest APR case in Virginia's history through the SAVE plan, receiving $878 million in APR capital from the State Corporation Commission to continue modernizing our infrastructure across the Commonwealth during the periods of 2023 to 2027. We plan to file an extension of this program in 2027. In June of 2023, Maryland's STRIDE 3 plan was filed, seeking approval of $495 million for five years starting in 2024. We received a law judge order in October which authorized $332 million and now awaits final PSC approval.

In December of 2022, WGL filed its PROJECTpipes 3 plan in D.C., totaling $672 million over five years to 2028, which includes $240 million for the first three years of that program for D.C.-plugged work.

In November, WGL filed a request to extend the existing PROJECTpipes 2 through December of 2024 while the Commission continues to evaluate the PROJECTpipes 3 application. This was the same process that WGL utilized between PROJECTpipes 1 and PROJECTpipes 2.

We will also be filing this coming year to extend Michigan's main replacement program for an additional five years. All of that investment in our core system continues to pay off, not just with improved safety and reliability, but with less leaks translating into lower emissions. With a strong focus on capital planning and execution, we continue to modernize our system and reduce the environmental impact by upgrading targeted classes and segments of our pipe across all of our jurisdictions.

WGL has invested roughly $4 billion since 2018 in its system, and over that same period has achieved a 55% decline in leaks. We expect up to an 8% rate-based growth through the planning period of 2022 through 2028, underpinned by the need to invest in and upgrade our aging infrastructure.

In addition to modernization upgrades, we're also seeing a lot of opportunities to expand our system to serve new customers. As the data on the left shows, many households within our regions that we serve still rely on fuel oil or other fuels for their heating.

These households are excited about the opportunity to transition to natural gas.

The five projects highlighted here are just examples of opportunities that we're pursuing today to serve new customers while also supporting affordability, reliability, and climate.

WGL has opportunities to expand the system further into the Charles County, Maryland area, predominantly served by propane and heating oil today and we're projecting to add about 4,500 new customers from this expansion, with the potential to add an additional 2,200 customers in the future.

SEMCO's three projects are focused on bringing additional supply into capacity-constrained areas. These enhancements will provide resiliency and supply, promote conversion from higher carbon-intense fuels like propane and fuel oil, and create infrastructure that can move RNG and hydrogen-blended fuels into the future.

There's also considerable opportunity beyond these five projects. We continue to explore additional opportunities and evaluate as incremental or alternative investments, depending on the economics and market dynamics of each of those respective projects. Ultimately, our investments will be made where opportunities are the greatest and align with our investment criteria.

In addition to the core growth opportunities just covered, we're also seeing significant opportunities to advance energy efficiency and alternative fuels. The energy evolution provides long-term opportunities to make ancillary investments that can reinforce the core utilities distribution business.

Our distribution networks enable us to deliver low-carbon natural gas today and provide a foundation for the delivery of lower and low-carbon solutions in the years ahead, including renewable natural gas and hydrogen.

We will primarily pursue energy efficiency and RNG projects in the short run, as these are ready-now technologies. We'll also be looking at hydrogen longer term by starting with hydrogen-blending pilots in the newer parts of our system first.

These energy transition opportunities will likely require changes in our regulatory construct. A great example of how this can be accomplished is the Virginia Energy Innovation Act, or VEIA. In Virginia, the regulatory mechanisms and financial incentives drive alternative fuel projects, including the opportunity for WGL to earn 100 basis points above our approved ROE.

This legislation was passed through significant coordination with other utilities, stakeholders, and legislators and can be a model for similar legislation across our other jurisdictions.

A great example of our work in this space and how the VEIA can drive energy transition is our project with Opal Fuels to interconnect the Prince William County landfill in Virginia. This landfill is the largest source of RNG in the WGL service territory and the largest project to capture and inject RNG into our system to date and provides significant benefits to the county and the residents of Virginia.

Other compelling aspects of this project is the significant investment opportunity that this creates, which will spur additional RNG growth within Virginia and will have positive spillover effects into the greater Washington, D.C. area.

Virginia is our most advanced jurisdiction when it comes to regulatory support for energy evolution due to strong industry collaboration and engagement with regulators. We expect to build on our successes and lessons learned here and carry those through across to the rest of our jurisdictions.

In addition to the Prince William County landfill, we're actively pursuing additional RNG opportunities in all of our jurisdictions and the surrounding regions. We believe that economically viable in-service territory projects could provide up to 4 BCF of annual supply for WGL, with other projects adding another 10 to 15 BCF.

Locally, we're seeing growing interest in the development of landfill and wastewater facilities to monetize their biogas resources. In the past year, WGL has received requests for proposals from Prince George's County in Maryland and Arlington and Loudoun Counties in Virginia for RNG development projects.

In addition, we are seeing opportunities for RNG facilities in the poultry and in the food waste management arenas of our service territories.

In Michigan, SEMCO has a number of active landfill and dairy farm projects in process with developers, executing two interconnect agreements last month for the Zeeland Farms landfill and Spring Creek Dairy, both of which are currently under construction. In addition to helping us make progress towards our 10% supply decarbonization goal by 2030, these projects present significant investment opportunities in the range of $275 million to $550 million by 2030.

Actual investment will depend on our win rate, construction costs, and our role in the value chain. We will take on parts of the value chain we can effectively manage either directly or through strategic outsourcing. We are excited about these opportunities to decarbonize our supply, invest in the energy transition, and look forward to reporting on more transactions in the future.

Energy efficiency programs play a pivotal role in concurrently lowering customer costs and reducing emissions, directly supporting affordability and climate.

Through a combination of financial incentives, education, and technical assistance, energy efficiency programs have a proven track record of cost-effectively reducing energy consumption.

All public climate projections assume that significant progress in energy efficiency will be a major contributor to meeting our emissions reductions. While we are excited about the opportunity to invest in these programs and technologies to support our customers, our regions, and help them both hit their respective climate objectives.

Energy efficiency provides a mutually beneficial opportunity for increased investment that will drive emissions reductions. Both WGL and SEMCO have a long history of investing in energy efficiency programs. These programs benefit our customers by lowering their energy usage and saving them money, while also benefiting the community with lower emissions.

With more than 90% of our customers being residential, we are pursuing a long list of programs to help them reduce their energy usage. These opportunities include our ongoing work in weatherization, behavior response, and appliance re-break programs.

Additionally, we are currently exploring new opportunities that include heat pumps and net zero home offerings to support both retrofits and new build residential demand. Additionally, we see significant opportunities to invest in technologies to support our commercial and industrial customers to be more efficient. We have already supported some of our customers with the implementation of combined heat and power systems that maximize the use of natural gas for both heating and power generation, reducing both their costs and their emissions.

We see great opportunity in pursuing additional integrated energy systems with these customers.

All of these great growth opportunities will not come to fruition without a lot of work, especially with ongoing communications with our customers, regulators, communities, and other important stakeholders. We have an active advocacy and education program, as shown by our success in the Virginia Energy Innovation Act that we discussed earlier.

With increased conversation around climate in our jurisdictions, we're increasing our efforts in this space so that all of our stakeholders can be educated on the aspects of the energy trilemma, not just the headline conversations on climate. An active advocacy program provides constant and consistent communication on the issues surrounding energy affordability and reliability, reminding all stakeholders that if it's not affordable, it cannot be sustainable for customers.

The need for energy security to ensure we don't face some of the challenges our friends have faced in other parts of the globe. The benefits of natural gas and the upgraded evolution of energy that we needed to get to sustainable outcome. Raising awareness and educating our diverse stakeholders, including our customers, employees, unions, and partners on these issues, and giving them a voice to influence our policymakers towards development of sound policies and regulatory processes.

With a significant change in the legislative and regulatory bodies in some of our jurisdictions, we must also continue to educate those critical stakeholders, and we are not resting in these critical efforts.

So, we're excited about our business and investment opportunities that lie ahead. We're steadfast in our thesis for natural gas, and we will continue to advocate for its benefits, highlighting a balanced approach when it comes to reliability, affordability, and climate progress.

Much of this will center around educating all of our stakeholders. Our aging infrastructure and the significant inventory of pipe that needs replacing or modernizing sets us up for decades of future investment. Strong underlying population growth and the ensuing customer additions from the investments in the system extensions and reinforcements in the WGL and SEMCO service territories not only bring natural gas to currently unserved customers and improve system reliability, it's foundational to our core platform's growth trajectory.

RNG is the next near-term opportunity that really excites us, and we're dedicated to pursuing more great projects like the Prince William County landfill with Opal Fuels. RNG and down-the-road hydrogen will help us achieve our climate goals of decarbonizing our delivery system and represent significant future investment opportunities. And finally, you hear a lot more from us on energy efficiency, and we're excited about the opportunities that creates for both emissions reductions and the benefits it offers our customers through the various incentive programs.

All of this, including our continued rate case activity and focus on operational excellence, will help us close the remaining ROE gap at WGL, driving compounding value for our shareholders over the long term.

So, thank you. That completes my comments for today.

You'll hear from James next following a short 10-minute break.

James Harbilas^ Good morning. Welcome back from the break.

I wanted to start with a brief overview of some of the progress we've made since our last Investor Day and spend some time talking about what excites us moving forward. Since the last Investor Day we've continued to make strong progress on driving shareholder value. We have grown earnings per share by 15%, reduced leverage, and continue to execute on our long-term financial plan. This strong growth comes despite AltaGas having recycled more than $1.3 billion of capital in order to reduce leverage and fund our organic growth.

The monetization of the Alaskan utilities and the sale of our non-operated interest in Aitken Creek gave us the financial flexibility to acquire the remaining minority interest in the Ferndale LPG Terminal, which advanced our global export strategy on the West Coast.

The acquisition of the Pipestone assets that we announced in August will expand our midstream footprint and diversify our customer and basin exposure while providing long-term structural growth opportunities.

The transaction will be EPS and FFO per share accretive and was structured in a manner that will improve our long-term leverage ratios.

Over this period, we've also increased dividends by 12% and returned more than $600 million of capital to shareholders while maintaining a low and sustainable payout ratio.

In addition to continuing to de-risk our capital structure through reduced leverage, we have turned out our debt maturity profile and currently carry only 12% floating rate exposure, of which one-third is held at the utilities and rate recoverable.

We are also very excited about the road ahead. Our utilities and midstream segments both have strong organic growth pipelines that will strengthen our business for the long term and continue to compound shareholder value.

After a very active four years of capital recycling and more than $8 billion of aggregate divestitures, we are well positioned to move towards our long-term debt target of four and a half times net debt to normalized EBITDA. We are also well positioned to execute on our shareholder return strategy and should be able to grow dividends by a 5% to 7% CAGR over the next five years, which is top decile amongst our energy infrastructure peers.

Turning to the macro setup, I'll touch on the key economic factors that will have a bearing on the business, as well as discuss how we'll position ourselves to benefit from these trends or mitigate risks.

We've obviously seen interest rates rise aggressively over the last 24 months. However, there are growing data points that suggest rates have peaked, with central banks monitoring key economic data before any decisions are made around potential cuts in the future.

We have positioned AltaGas to overcome this headwind that rates could remain higher for longer by reducing leverage and the amount of variable rate debt in our capital stack. With global economies normalizing, we have started to see inflationary pressures abate across supply chains. Despite that, our business continues to be well insulated from inflation.

Within the utilities, we operate through cost-of-service models, so the only net challenge is some regulatory lag that we continue to manage through active rate cases. Within the midstream segment, approximately 54% of our EBITDA is from take or pay or fee for service contracts, which have pass-through mechanics that protect us from increasing costs.

When evaluating and executing our capital program in the midstream segment, we will be very active on mitigating inflation through effective project management, modular construction of equipment, strong procurement processes, and our proven track record for large project execution, such as RIPET, Townsend, and North Pine, all of which have been on time and on budget.

Looking to factors that specifically impact the utility side of the business, customer affordability continues to look favorable. While we have seen some volatility in gas costs over the last few years, natural gas continues to be the most cost-effective energy source to meet the energy needs of our customers by a wide margin. Heating a home with electricity is on average three times more expensive and emits 20% more carbon dioxide based on the current power stack.

Employment and population growth continue to be robust in our service territories, and our regulatory jurisdictions continue to be supportive of infrastructure investment related to natural gas delivery.

Turning to factors specifically impacting the midstream side of the business, we have seen continued strength in commodity prices across the industry, with crude and LPG pricing at five-year highs recently. This has resulted in compelling economics for producers, increased financial health aided by industry consolidation, rising producer CapEx levels, and growing natural gas and NGL production volumes. We expect this positive macro backdrop to continue as key infrastructure projects like LNG Canada, Coastal Gas Link, and TMX near completion and dramatically improve egress for producers.

As we have demonstrated over the past couple of years, our diversified business model has delivered robust growth in a low-risk model that performs across a variety of cycles and markets. It's a model that has strong commercial underpinnings and high-quality counterparty credit.

Our focus going forward will be to increase the stability of our cash flows with more tolling, take or pay and fee-for-service contracts that will reduce our overall commodity exposure. Our financial strategy is straightforward and pragmatic. We will continue to focus on optimizing our assets for maximum returns. You have heard us say many times that there is no greater ROI than improving the returns on capital that has already been deployed.

This has been proven over the past five years, with AltaGas's corporate ROE nearly doubling. This came through filling latent capacity across our midstream platform, closing the ROE gap at WGL by 240 basis points, and being active on cost management. We have made significant progress in regaining our financial footing over the past five years. All our credit ratings are investment-grade with stable outlooks.

We have a clear path to moving towards our 4.5 times net debt to normalize EBITDA target over the near term. And once we bring some of our larger midstream projects online in the next couple of years, we will have the opportunity to build further dry powder and increase our financial flexibility.

We'll also continue to recycle capital from non-core assets, as these are often the lowest cost of capital, so then we can execute our equity self-funding model.

Over the long term, our equity self-funding model will include some increase in absolute debt levels, but include flat to modestly declining leverage ratios, with our credit metrics continuing to improve and move us closer to key upgrade thresholds that our rating agencies have communicated and we have been progressing towards.

I wanted to now unpack our equity self-funding model in a little more detail on this slide. As you can see, the organization will generate strong cash flows and investment capacity that will grow over the next five years. Once we get to our 4.5 times net debt to EBITDA target, through the sale of remaining non-core assets, we will have roughly $1.3 to $1.5 billion of annual capital investment capacity to deploy after our dividends.

This annual investment capacity will first be allocated to midstream maintenance and utility system betterment to ensure the safe and reliable operation of our infrastructure assets within both segments.

Next, we will invest in our accelerated replacement programs, which are estimated at approximately $400 million per year. These investments have been pre-approved by our regulators and are directed at modernizing our infrastructure for safety and reliability, while also reducing costs and fugitive emissions. These investments are not subject to regulatory lag as we recover these amounts through rate riders.

The remaining $400 million to $700 million will be allocated to opportunities with the highest risk-adjusted returns for both organic growth and tuck-in M&A opportunities.

Finally, once we have achieved our debt targets and our pipeline of investment opportunities reaches a more levelized state, we always have the optionality to consider share buybacks. Returns on share buybacks or additional debt repayments also serve as an important internal reminder to the business that there are multiple ways to create shareholder value and there will always be healthy competition for capital.

I wanted to turn to capital allocation priorities and our philosophy. We are purposely balancing our three main long-term objectives, financial strength and flexibility, self-funded organic growth, and long-term dividend growth, as we believe this is the path to providing the strongest shareholder returns over the long term.

While all three of these priorities can be in juxtaposition at points in time, when balanced together over the long term, they have the strongest ability to compound value in terms of growth income and long-term capital appreciation.

This model should allow us to continue to grow the enterprise by an average mid-single-digit CAGR while growing dividends by a 5% to 7% CAGR and having a strong balance sheet with strong financial flexibility.

Now that we've discussed our overall approach to capital allocation philosophy, let's take a look at each of these in a little more detail.

I will start with financial strength and flexibility.

We have been very active since 2019 when it comes to managing our liquidity and debt maturities. We currently have approximately $3 billion of liquidity on our credit facilities to draw on to fund growth or repay any near-term maturities should debt markets not be favorable on any short-term horizon.

We have also taken active steps to minimize our interest rate exposure by reducing our variable rate debt through 2023 down to 12% with 4% of that sitting at the utilities where we get rate recovery on interest costs.

We've also staggered our debt maturities effectively relative to the large maturities that existed five years ago, which reduces our refinancing risk and protects AltaGas in times of volatility in the credit markets.

In 2024, we have a minimum of $550 million of near-term maturities while also maintaining strong flexibility to reduce debt without penalties as any non-core asset sales are completed. Finally, we have taken actions to reduce the overall cost of our alternative capital through issuing hybrids rather than resetting rates on certain preferred shares due to cash savings.

This will result in $18 million of annual cost savings versus allowing the preferred shares to reset. In terms of achieving our leverage targets, we have been very successful since 2018 when it comes to capital recycling and reducing leverage. Since 2018, we've completed more than $18 billion in asset sales while redeploying those funds into debt reduction and funding core organic growth. With our current net debt to EBITDA sitting a touch above five times, we have clear line of sight to achieving our 4.5 times debt target that was set back in 2019.

We established this target by looking at our business mix between midstream and utilities and taking a weighted average of the leverage levels of our most comparable peers. This leverage target is also aligned with the BBB stable credit rating that we believe will result in broad access to debt markets at competitive rates.

As we have said in the past, the quickest path to achieving this target is the monetization of MVP. Now that the pipeline has received all key permits and continues to make progress towards its anticipated completion date in the first half of 2024, we will be in position to begin the monetization process for this key piece of infrastructure in the Marcellus.

Once we have completed some key midstream expansion projects, such as Pipestone 2 and REEF, we will focus on enhancing our financial flexibility and likely move slightly below 4.5 times.

Now I would like to turn to our investment criteria. In capital-intensive industries like energy infrastructure, value can be created in very short periods of time. Therefore, we spend a lot of time ensuring we are deploying capital effectively and efficiently. We discussed our strong organic growth profile, which is embedded in both platforms, but it is important to note that both organic and inorganic growth opportunities will face the same framework and scrutiny when it comes to making these investments and need to align with the five criteria that we share on this slide.

Within the utilities, our investments need to drive safe and reliable operations that will continue to connect our customers to affordable sources of energy. They will also generate returns equivalent to our allowed ROEs or better through asset optimization opportunities.

Our midstream investments will focus on long-term earnings and cash flow durability with projects that are expected to be undertaken at six to eight times build multiples, and we will be focused on expanding our global exports and midstream value chain that provide our customers with access to the best long-term markets.

Our focus on inorganic investments will be on strategic fit. In other words, how does this investment make us better or expand our integrated value chain, as well as focus on EPS accretion and an objective of structuring these investments to be neutral or accretive to debt metrics as evidenced by a recent acquisition of the Pipestone and Dimsdale assets and the Tuck-in acquisitions of PetroGas in 2021 and 2022.

As we look to deploy our investment capacity to organic growth opportunities, we will also focus on increasing the stability of our cash flows over the long term. Within the midstream segment, we are focused on reducing commodity exposure by achieving our medium-term tolling target of 60% of export volumes.

The expansion of our gathering and processing network when we complete Pipestone 2 will increase our take or pay and fee-for-service EBITDA by 3% in total. The remaining commodity exposure will be actively managed through systematic hedging programs.

At the utilities, we will be diligent on leveraging our ARP programs and pursuing regulatory changes that allow us to earn our allowed return. We will also remain active on the rate case front to ensure that we can achieve weather normalization across all our jurisdictions, like we have in Virginia and Maryland, and to ensure that our capital investments and current cost structure is reflected in rates to customers.

We believe that these initiatives will improve the stability of our cash flows and our returns to shareholders. I would now like to turn to our dividend philosophy. We believe returning capital to shareholders through regular and sustainable dividends is an important component of total shareholder returns and part of our long-term partnership with shareholders.

As we execute on our strategic plan and improve the stability of our cash flows, we are positioned to deliver regular, sustainable annual dividend increases that compound in the years ahead.

We are pleased to announce a 6% increase for the 2024 dividend, and we believe we should be positioned to continue to grow dividends by a 5% to 7% CAGR through 2028 while maintaining a payout ratio of 50% to 60%.

Philosophically, we view dividends as an output of our business model and not an input. This morning, we also rolled out our 2024 guidance. For normalized EPS, we anticipate landing between $2.05 to $2.25 per share, which represents growth of 10% versus 2023 midpoint guidance. We expect normalized EBITDA guidance of between $1.675 to $1.775 billion.

And lastly, we expect to deploy $1.2 billion of capital, which will advance key growth initiatives in our midstream and utilities platforms.

The slide up on your screen highlights a number of the key assumptions that went into our guidance for 2024. I won't go through the entire list, but a few of the key items I want to highlight include monetization of MVP in our guidance numbers and funding plan. This will reduce our leverage substantially. We will not access the equity markets to fund our growth, assuming that the Pipestone acquisition closes before 2023 year-end.

We are expecting a normalized effective tax rate of 21% and are using a CAD1.34 to $1 exchange rate. We expect global export volumes to be 115,000 to 120,000 barrels per day with 80% of those volumes tolled and hedged. While processing, fractionation, and extraction volumes are expected to grow between 3% to 5%.

We expect a full year contribution from the Pipestone 1 and Dimsdale acquisition. And finally, we are assuming that E-rates are in effect in Maryland by 2023 year-end and D.C. by Q2 2024, with rate-based growth at approximately 6% and U meter growth at approximately 1%.

We outlined the major headwinds and tailwinds for 2024 guidance on a year-over-year basis on this slide, which collectively should support a strong double-digit year-over-year EBITDA and EPS growth for the enterprise.

Now turning to our capital program. We expect to deploy $1.2 billion in CapEx in 2024, with an increased allocation to midstream, which totals $440 million, or 36% of total capital, to build up Pipestone 2, various optimization programs, turnarounds, and maintenance. We have always flagged that midstream expansion projects are less linear than utilities, and with key infrastructure projects that improve egress nearing completion in Western Canada, we see renewed demand for frack, processing, and export capacity within the western Canadian sedimentary basin.

Approximately 58%, or $700 million, of our capital program for 2024 will be directed to utilities. Of that total, roughly 52% will be directed to ARP programs, with the balance directed towards system betterment and new meter growth.

Similar to what we shared last year and to help on modeling, we've included a range to our anticipated seasonality of the business. As you can see, our utilities enjoy their strongest quarters in Q1 and Q4, which are winter heating seasons, with the shoulder seasons of Q2 and Q3 being the lowest. Our midstream business is fairly consistent from quarter to quarter, although the summer months typically experience stronger export volumes at Ferndale, given pipeline connectivity of refineries to that facility.

Turning to our risk management philosophy around commodity prices and cash flows. Within the midstream business, we are focused on limiting our commodity exposures through commercial constructs that connect customers and markets in the most efficient manner possible.

We have shown steady progress in increasing our tolling revenue across the global export business and expect that to continue in 2024 as we move towards our goals of achieving 60% of export volumes tolled in the next few years.

Where commodity exposure still exists, we believe that continuously and systematically de-risking these exposures is paramount to driving predictable returns and creating the greatest long-term value for our stakeholders.

In total, for 2024, we expect to be approximately 80% hedged on global exports and frac spread exposure through a combination of tolling and financial hedges. We are well on our way with exports currently hedged at 73% of expected export volumes at an average price of $15.60 per barrel on a blended basis for propane and butane prices.

On the ocean freight side, we are currently 78% hedged through a combination of time charters, financial hedges, and tolling.

In 2024, we will have three-time charters in the fleet, which will represent 40% of our overall export volume, and another charter on order, which will join our fleet in 2026. Our current long-term plan builds on the performance and journey of continuous improvement that we have been on over the last number of years, where we have been able to grow EPS by an 11% CAGR and normalized EBITDA by a 6% CAGR, while materially reducing our leverage ratios from our high watermark in 2018.

The value that we have created for shareholders has been rewarded by the markets, with our annual total shareholder return outperforming our energy infrastructure peers by roughly 10%.

Lastly, I'll close with our value proposition. AltaGas is a low-risk energy infrastructure operator, providing stable and growing earnings and cash flow. We have tremendous assets with great potential. As we execute on our growth pipeline, continue to de-risk our operations and balance sheet, and maximize the returns of the asset base, we expect to generate outsized shareholder returns through compounding dividends and share appreciation.

So in closing, expect us to exhibit the same discipline that we have over the past few years as we execute our current strategic plan that will continue to drive long-term value. That concludes our prepared remarks. We will now take a quick break as we move into the Q&A session.

QUESTIONS AND ANSWERS

Jon Morrison^ All right, so we will officially kick off the Q&A session. As I said earlier, I'd love to have healthy audience participation. We do have a couple of mics on both sides of the room, so Corey and Mike will bring those over to you. By all means, just throw up your hand and ask questions.

We've already had some come in from the webcast, and we are in typical AltaGas fashion running a little bit ahead of schedule, so we should be able to get everybody out of here a little bit early today as well. So maybe I'll kick off the questions with those that are coming in on the webcast, but by all means, throw up your hand and ask.

The first one is just on REEF. Congrats on getting it to the point that you're getting to site clearing. What are the gating items at this point to get to an FID and start moving into full construction?

Vern Yu^ Well, maybe I'll start out and then throw it over to Randy. REEF's obviously a very important project for us. We're very excited about it. It continues to -- it will continue to give us exclusivity for West Coast exports, and it will build for further optionality to increase exports over time. And I think Randy mentioned that the dock, when we finish the first phase, we'll only use about 10% of that dock space.

So, the most important thing for us is to lock down the capital cost. So, we're in a detailed engineering phase right now, and the site clearing that we started just recently is going to help us get a better handle on those capital costs.

By clearing the trees, we're able to get a better sense of the geotechnical conditions, and that should firm up our ability to lock down costs. The other thing we need to do is to get more tolling overall. And for us to FID, we want to have approximately 50% to 60% of all of our export volumes tolled prior to taking the FID.

So Randy, do you want to add anything else?

Randy Toone^ The only thing I would add is the work we're doing right now on the feed or really just locking down the design of the facility, going out and getting firm costs for equipment. Our goal here in execution is to do it mostly modular and have less construction at site. And if you look at other projects that are going on that have cost escalations, they're usually projects that have done a lot of work in the field, and so we're trying to minimize the amount of work that we do in the field and do most of it in a controlled fabrication yard.

Those are the key things that we're working on, and that will continue into the first half of next year to a point where we're comfortable with cost and we're comfortable with commercial, and we can make an FID decision.

Jon Morrison^ Mr. Hope.

Rob Hope^ All right. Morning, everyone. Rob Hope, Scotiabank. Thanks for the opportunity to speak.

Questions for James. So, on slide 80, AltaGas highlights a mid-single-digit EPS growth CAGR from 2024 to 2028. Can you maybe walk us through the key drivers here, given that the Utes will see an 8% rate based CAGR with potentially higher returns, and Midstream will have a 4% to 7% growth, absent any large projects. Without new shares, isn't mid-single digits looking a little conservative, or is there something else there?

James Harbilas^ No. I mean right now we're on the precipice of a multi-year build cycle in Midstream, right?

And what we've said in the past, that our rate-based growth tends to be very linear in terms of the build and the EBITDA contribution, whereas Midstream does have a little bit of lag from the time we put the CapEx in the ground to when the EBITDA is generated. So that's what's factored into some of those growth rates that we've cited over that period of time.

Rob Hope^ All right. Thanks for that.

And maybe as a follow-up question for Vern, today's commentary really highlighted the growth opportunities in both the utility and the Midstream business. Arguably, the market is not appropriately valuing each of the businesses. So, I guess how do you make sure the market is rewarding the company with an appropriate valuation, and what levers could you pull on a, we'll call it a near and longer-term basis, to appropriately value the company, and could this include a split?

Vern Yu^ Gee, I'm surprised you asked that question, Rob. So, I think this is a question that I've gotten a whole bunch of times since coming over to AltaGas. And really, the way we're kind of looking at it right now is the company has, as you mentioned, tremendous opportunities in front of us to grow the earnings and cash flow, coming both from the utilities and the Midstream segments.

In my history in energy infrastructure, I think if you're a well-managed business, where you have the fundamentals of energy behind you, you have visible growth, you have disciplined management of your risks, that you, regardless of what verticals you have in energy infrastructure, you can trade at a premium valuation, where you're actually trading at a sum of the parts premium, rather than a discount.

So really, it's up to us to highlight the stability of the business, to get people to understand that we're actively managing any residual risks. And that, over time, and executing on our capital projects, should deliver outsized growth, which should deliver a premium valuation.

As we roll forward, if we're not able to generate that premium valuation, obviously it's one of management's jobs to evaluate the structure and whether the structure makes sense. And if at that point in time, it doesn't look like we're generating the proper valuation, then we'll have to look at whether we'll have to change the structure. But at this point in time, I think there's lots of opportunity for us to work on all those things we've talked about today to show that we should trade at a premium.

Ben Pham^ Hi, thank you. Ben Pham, BMO Capital Markets. I appreciate the commentary around gas versus electrification. I totally agree with how you've seen expectations and where gas is going to go long term.

My question, then, is do you think that running a gas utility business over time, there's an inherently increased cost, whether that's carbon taxes in there or even funds flow from a portfolio manager perspective?

So, I'm curious about that.

Then, how do you think about the monetization cycle for gas?

I think electrification is more in the early stages of a high CapEx cycle. How long do you think the gas side, in terms of that high growth, could sustain?

Vern Yu^ Well, maybe I'll start, and then I'll let Blue Chip in here.

I think you've seen, even coming out of COP this week, lots of talk about reducing methane emissions. And one of the things that gas utilities need to do is obviously replace the older infrastructure, which tends to have more fugitive methane emissions, and replace it, as Blue talked about in his presentation, with newer vintage pipe, where those emissions are eliminated.

I think WGL has been on a journey of modernization. I think if you're going to use a baseball analogy, we're in the early part of the middle innings, and we have quite a bit of runway left. I think we've laid out the next five years, how there's very significant modernization capital available to us. We do have an older system, where more work is going to be required. So those are critical things we have to tackle.

And I think on your question of costs, we haven't seen, in our US jurisdictions, a talk of a carbon tax at this point. But I do think infrastructure, period, is becoming more expensive. It is just harder to permit and build anywhere, whether you're a gas utility, an electric utility, a pipeline company. The permitting is more challenging, the construction is more challenging, and costs are just going to creep up.

Over to you, Blue.

Donald Jenkins^ Yes. I agree with those comments. Certainly, I would build on the fact, just to remind, we've got pipeline replacement mechanisms in place in every jurisdiction. Those have been renewed multiple times. You saw the scale of those projects, the conversations with customers to ensure they understand what does energy choice mean what does it mean to them as individuals, what does it mean to their pocketbooks, et cetera.

I do think we've got a good run rate and a good pace in modernizing our systems across both utilities, and that's helpful. I think you're right in terms of we're at a steady state, perhaps even a potential to increase that growth or that replacement cycle, while the electric utilities are figuring out what does that curve look like for them.

It would be we have those conversations with our electric utility providers in every jurisdiction that we serve, and we have those conversations either directly or through customers or both. So, we have a pretty good understanding, we think of how that demand profile looks like, and it's creating opportunities in the near term for the gas infrastructure, given the timing and the ability for us, I think to modernize our system fairly quickly.

Ben Pham^ One more quickly, the payout ratios slide I found quite interesting is you look at your payout ratio, understand how you've set up your matching the self-funded balance sheet, but all of your peers are trading at a premium valuation to you, despite their payout ratios being substantially higher than where you are.

So, do you think maybe the payout ratio target, that might be a bit too conservative, that you're not getting the benefit of that in your valuation?

Vern Yu^ Well, I can say I'm much happier with the payout ratio at my new employer than my last employer. So with that, I'll turn it over to James.

James Harbilas^ Well I think that is a fair observation, that our payout ratio tends to be very strong relative to peers, but we've touched on it a couple of times that we want to be able to get to our optimal debt structure before we become more aggressive from a capital allocation standpoint on dividends. And obviously if we do that, then we would expect to be rewarded from the market. But right now, we're trying to balance capital allocation priorities and solidifying the balance sheet and getting to our overall debt targets is one of those levers that we want to pull before we revisit that.

Linda Ezergailis^ Linda Ezergailis, TD Cowen. Vern, you mentioned that a well-run energy infrastructure company can attract a premium independent of what verticals they operate. So maybe we could just think blue sky long term as we look at energy transitions, and maybe this is also a question for Blue. Might there be synergies as we decarbonize to considering owning electric utilities potentially or other verticals, and maybe you can comment even on other types of energy infrastructure such as carbon capture, ammonia, hydrogen. How big could those opportunities be, and how synergistic are they to accomplishing what your vision is for the company?

Vern Yu^ That's a great question, Linda. I think the energy transition is obviously complicated, and there's lots of moving parts to it. So, the thing that we've tried to highlight in our presentation is the critical part that natural gas plays in it. So, if you think about just space heating, on a peak day we provide 300% of the energy that's available for power generation in the franchise areas that we operate in. So, if you wanted to eliminate natural gas, you've got to triple the power generation. Then you've got to triple the transmission wires. Then you've got to triple the distribution wires. And quite frankly, we work and have franchises in very busy metropolitan areas where it's very, very challenging to make any of that happen.

So how do we play a role?

We play a role by encouraging our customers to use less energy, and that's a huge potential rate-based opportunity for us where you've seen other utilities in the US and Canada effectively put energy efficiency capital into rate base, which allows you to grow your company despite the fact that your customers are using less energy.

One of the other areas is obviously greening up that energy source, whether it's renewable natural gas and longer-term, potentially hydrogen. I think you've -- my former employer in Toronto right now, there is hydrogen flowing as part of the natural gas stream in Markham.

So those things are in front of us. Those are all very exciting. I think where there's complementary opportunities between midstream and utility is on the energy transition front where Randy's business is looking at carbon capture and sequestration at Harmattan right now. We're seeing lots of interest from industrial users to use the geology that we have right underneath our gas plant for carbon capture. Obviously, we have rail loading facilities there as well, which potentially long-term could move lower carbon ammonia or hydrogen to market.

And I think the biggest factor we have again is once we build REEF, that dock will have the ability to move all kinds of products off of it as it'll be much larger at the outset than the NGL exports that we plan.

So, there's lots of exciting opportunities. I think it's important for us to stay in the businesses that we know to make sure that we're adding value and not becoming a bleeding-edge company. So, I'm excited about our opportunities, but for sure we're going to be disciplined about how we go after them. Do you want to add anything, Blue?

Donald Jenkins^ I think you hit the highlights. There are opportunities that are ancillary, clearly, in a gas utility to provide energy solutions. I talked about a few of those. There are locations on the grid to Vern's point that cannot be built out where CHP and other solutions make more sense to balance the energy stability in a particular region. And those are all conversations that we're looking at.

When you look at our footprint, there are combo utilities owned by other holding companies, and you can see they're very vocal on the gas necessity of the utilities they hold. So I think there are real opportunities there, and we're seeing those come together. I think it will take us some time to understand where we go through that process.

Linda Ezergailis^ I can just add a follow-up question for Vern. You've been in the seat for almost half a year now. So just wondering what you see in terms of not just the revenue side of the equation, which I realize is quite significant, but on the cost side of the equation. There's always ways to reimagine processes. You've got now AI and other enabling technologies in the mix. We've seen how we can do things differently remotely and agile during the pandemic. Can you just comment on any low-hanging fruit or longer-term opportunities you see to harness technology and just our human spirits and ability to innovate on the cost side?

Vern Yu^ Great. Thanks, Linda.

Yes, for sure. Revenues growth is obviously in front of us, but cost growth is something that -- cost containment and declining costs are something we're actively going after as well. You've seen us do that in midstream where we've renegotiated and put in long-term shipping agreements with CN, where we're actually not just locking in a rate but actually reducing the rate that we're paying. As we move more volume, we'll get more discounts on those rail rates.

I think you've seen the company be very active on time charters, which is another way for us to lower costs in that global export value chain. We have been actively looking at how we manage our midstream business to make sure that everything is handled logistically the best it can be, and we're putting asset managers in place to minimize those costs.

But I think the area where we have a lot of opportunity, and the company's been working on this already, is within the utility, where I think every dollar that we save goes directly to our bottom line and helps close that ROE gap. Maybe I'll let Blue talk about some of the things we're thinking about at the utility.

Donald Jenkins^ Sure. Yes, as Vern mentioned, we've been on a journey. When we look at our cost base from 2022, 2023, into 2024, it's actually quite flat, so it shows some of that progress. We are doing exactly what you would suggest and looking at reimagining the way we process and execute work, whether that's digital solutions or just the way we structure and dispatch and execute that work that we think drives real opportunities.

We are running a couple. They're very early stages, so not a lot of details to share. To your point, how do we use AI in our customer service model, and how does that drive that down?

How do we use it in some of our regulatory processes, and what might that mean for both being quicker, if you will, to the response and more efficient?

We continue to look at the jurisdictions we operate in and can we work with those governing bodies to make our work rules, if you will, more efficient for everybody. We've given them real examples of projects we've run that have shown where we could drop that cost significantly with slight changes into the work rules. All of those things give us opportunities, and we have a very clear focus. To Vern's point, every dollar we spend matters. How do we maximize it, and how do we get the most out of it?

Jon Morrison^ I think Ryan was next. Just right here, next to Linda.

Unidentified Participant^ Hi, thanks. Just two questions. One on the gas utilities. You're seeing a lot of news on manufacturing construction spend going really robustly in the US, so just a comment on how that's affecting you in your jurisdictions. Are you seeing more industrial hookups and higher value consumers, and how are they thinking about their gas needs versus electrical needs?

The second one's just on the midstream investment and the inflection higher in midstream investment over the past year and going forward. You were kind of two-thirds utilities, call it a year or two ago, and now heading maybe more towards two-thirds midstream coming out of this investment cycle. Just curious how you see that evolving going forward on a long-term basis.

Vern Yu^ Why don't you start, Blue, on the utility question?

Donald Jenkins^ Yes, so the utility question, I'll answer it this way. We don't have a lot of industrial mix in our DMV area, but what we do have are customer segments, for example. We have the world's largest data center alley in the area in which we serve. That continues to grow very, very quickly to the point where at one point they worried how much green energy can I get?

Now they're worried about can I get energy?

That's creating opportunities and conversations for us to think about how we provide solutions for them both near, mid, and long-term. And so that dialogue is opening up.

We are certainly having lots of conversation. The federal government's our largest customer. You heard that. You know that. And so, in that transition, what does it actually mean?

It's one thing to make a statement. It's another thing to actually execute that. And we're having lots of conversations on what that means, even as we extend service contracts to provide that energy necessary while we figure that out.

So, I think there are some targeted spaces where we see that growth. In Michigan, we see a bit more industrial activity, and we think that that will continue. But it's primarily around how do we provide energy solutions near, medium, and long-term is where we're seeing the conversation take us.

Vern Yu^ So, on the second question about the allocating the capital, I think we've talked about this. I talked about it in my prepared remarks. James talked about it in his remarks. It's really about allocating the capital to the best projects on a risk-adjusted basis. So over the next couple of years, we feel like Pipestone 2 and REEF will be very important projects for us strategically. They're going to be highly financially attractive as well. So, they will out-compete certain utility projects.

The good news for us is if we defer a utility project, it doesn't mean it goes away. It just gets deferred a year or two. So, the growth will still be there. So, I think you're just seeing us deploy what we talked about, allocating capital to the best risk-returning projects, not getting over our skis and overcommitting to capital that we don't have the balance sheet to fund, and being disciplined in how we try to grow the company.

Jon Morrison^ Maybe we'll squeeze in a couple from the webcast and then go back to the audience. First one, just on MVP, any progress update that you can give?

And secondarily, if you elected not to sell it, if the asset market wasn't super strong for valuations, should we see any deleveraging in 2024?

Vern Yu^ Go ahead, James.

James Harbilas^ Yes. So, the pipeline itself is making substantial forward progress. We get regular updates from the operator and our partners as part of the consortium. So it is on track, from our understanding, in terms of hitting its completion date and in-service date. And as we've said in the past, we do still consider this to be a very valuable infrastructure asset that can be expanded and will generate some very, very strong free cash flow. So, we do believe there is a market for it. In the event, though, that we don't like the valuations and we see the retention value being greater for us, we do still see some natural deleveraging occurring from us holding onto the asset.

So, we've obviously run our math. If we can monetize it at an EBD multiple that's where we believe is market, we can get 0.4 turns of deleveraging. If we keep it, the incremental EBITDA that that'll generate will give us probably half of that in terms of incremental debt capacity to be able to continue to fund growth projects within the organization.

Jon Morrison^ Perfect. And the next one was just on Pipestone. Anything you can share on customer demand and has it been as strong as you would have hoped?

Randy Toone^ I guess we've had really strong customer demand. And so initially when we looked at this acquisition, there's a handful of customers that were ready to move forward and we've actually had a few more come to us. So, there's a huge demand for processing in the area and we've already started looking at, say Pipestone 3 in the future. So, I would say great demand. You want to add to it?

Donald Jenkins^ Yes. I would just echo what Randy said. The only thing I would like to add is that the discussions with the producers in the region have been going extremely well. They're excited to have a well-capitalized midstream partner within the basin and our discussions with respect to commercial discussions are far advanced. We're trying to obviously lock down.

We're in the late stages of locking down capital costs on Pipestone 2 and continue to try to push towards a year-end close on that project.

Jon Morrison^ Maybe we'll go to Mr. Kwan next.

Robert Kwan^ So, you've laid out a plan here to strengthen the cash flows to grow the business and then as well de-lever and actually just quickly as a related question to the MVP one, whether you think the Equitrans process or potential process to sell itself, how that changes things for you.

But if you think about all of those things, they should increase value, Vern, just as the relatively new CEO though. What's your timeframe for kind of squaring up where the market is on the share price versus where you think it's worth before you actually take something in more of a direct action on the share price and value?

Vern Yu^ Well, I think we have a bunch of catalysts in front of us over the next 12 to 24 months. I think the first thing on the roster is to close the Pipestone transaction. The next catalyst would be to FID REEF over that period of time. Hopefully, the MVP gets completed. We then are able to hope sometime mid to later middle to later part of next year sell the asset and materially de-leverage.

Then we'll see more contracting. You'll see us quarter after quarter deliver the results that we're promising. Then we'll see Pipestone 2 come into service. Hopefully you see REEF come into service. And all along, the utility is chunking away and adding good rate-based growth.

So, I think we have to see how these catalysts play out. I think a lot of people in the market are watching and waiting for these events to happen. So, that'll be informative on how we view the structure of the company going forward. But I think until we see some of these things play out, we're just all speculating on where the share price is going to go.

Robert Kwan^ And Equitrans.

Vern Yu^ James, you want to --

James Harbilas^ Robert, from our standpoint, we're not aware of any announcement from Equitrans. I know it's something that's rumored and we don't feel comfortable commenting on rumors involving another organization. Other than to say it's a valuable asset, they're the operator. Ours is a passive interest. We'll make our decisions as a passive investor in that asset.

Robert Kwan^ Got it. Okay. And if I can just finish here just on the tolling and where you want to get to. So, if I look at slide 45, roughly speaking, it looks like you need to double the amount of tolling. What gives you the confidence to see that you're going to get there over the next six months so that you can get REEF off the ground?

Then what duration of tolling, on average, do you need kind of across the entire portfolio to be able to sanction REEF?

Vern Yu^ Well, I think what we're seeing, Robert, is people are getting extremely bullish on LNG Canada coming into service. And the amount of drilling activity or plans for drilling activity have gone up very significantly over the last six months. And the second factor that we're seeing is obviously that the FEI to Belvieu spread or the FEI to Port Saskatchewan spread, to be more correct, has blown up. It's a massive number.

So historically, upstream producers have been just focused on natural gas and condensate and crude oil. Propane and butane have been byproducts where they haven't paid much attention to it. And you'd be surprised if you talk to upstream companies on how little they've focused on the value that they've been leaving on the table.

Now that these spreads are extremely wide, and as Randy talked about, now that there's even more competition from US NGLs, that they see the value proposition more clearly. So, the existing supply that's going to the US should be highly incented to go offshore. What we're also seeing is increased supply coming from the new drilling. That's leading to more and more customer conversations about taking product to the Far East.

And the buyers of the propane and butane are also actively now looking into Canada to firm up long-term contracts because they see a significant price advantage for them over the long term. So, if you go back and think about it, the RIPET facility has only been up since 2019. Back in 2019, I think Randy mentioned, we were shipping 35,000 barrels a day. Today we're on a spot basis doing closer to 120,000 barrels.

So, I think the business as a whole is just maturing. And as we mature and we show that there's this very strong value proposition, we're going to be able to get to those tolling numbers we want to get to. And I think Randy showed on his chart how we plan on getting there. And we have more than enough conversations going on right now that even if we're only successful on a 50% hit ratio, that we're going to get to the levels we'd like to get to. The length of the contracts are going to vary. I think we would love to see on average to have five to seven-year contracts on average, but that's still up for commercial conversation right now.

Anything you want to add, Randy?

Randy Toone^ I would just add that you'll see a lot of our customers, say the E&P producers in Western Canada, they're really focused on market diversity. You can see that with their natural gas sales. They're not just going to one market or like AECO. They've tried to diversify into Sumas, AECO, Dawn, and then even LNG off the US Gulf Coast. Those are the same conversations we're having with these producers now about their LPG. You have Conway or Bellevue, but you should also have some FEI exposure. Those conversations have strengthened over the last while, and that's why we feel confident that we'll get there.

Jon Morrison^ Other questions from the audience at all?

Patrick Kenney^ Pat Kenney, National Bank. Maybe just to follow up on that 50% to 60% contracting target. It looks like the majority of new tolling agreements are expected to come from your upstream customers, but Vern, just given your experience with negotiating contracts with downstream customers in the pipeline world and in light of the Panama Canal issues that you highlighted, just your thoughts on being able to attract more high-quality off-takers to sign up for long-term commitments, especially if the market ascribes, say a higher valuation to downstream customers relative to upstream?

Vern Yu^ That's a great question. I think Randy showed on, I think one of his slides that propane and butane demand, import demand in Asia is about 2.5 million barrels a day today and it's forecast to grow to 5 million barrels a day by 2040.

Obviously, those off-takers are going to be keen to lock down the cheapest supply that they can get their hands on. We've done some tolling deals with off-takers this past year. They've been shorter in duration. A lot of this was to check out the spec of the product that we're sending to that market as Western Canadian propane and butane is slightly different than Gulf Coast propane and butane.

One of the things we learned as we've done that is we've got a little bit too much methanol in the propane stream, and that's why Randy talked about that methanol extraction project we're going to get underway at RIPET. That will open up by itself a million tons of incremental demand in Japan that we can't access today and it'll open up all of the Chinese PDH facilities that we can't access today.

So, the reality is we're still early in this business, and as we show rateability, quality of product, as you know downstream customers are very keen on specs of the product, we'll see more and more interest from the buyers.

Patrick Kenney^ Great. Then maybe just for James on the self-funded model and the desire to build some dry powder here once you reach four and a half times, while at the same time fund all these new growth opportunities within midstream, just wondering your thoughts on executing some level of annual capital recycling program versus having to, say dial back your organic growth program or not tap into your incremental debt capacity.

James Harbilas^ Yes. And I mean that's something that we want to get through the sale of our non-core assets, which we've highlighted, and MVP is front and center on that.

But going forward, I think we've talked about it quite openly that even absent any other capital recycling opportunities, running a diversified platform allows us to ratchet capital up and down between utilities and midstream and really go after the best risk adjusted returns, which is what we focused on from our capital allocation strategy.

And I echo what Vern said earlier. I don't think that if we shift capital from utilities into midstream because those are the best risk adjusted returns for a period of time as we build out capacity, that the opportunity to invest in the utility goes away. We can then rotate back to the utility after we've gone through this build cycle. And obviously as we've seen in the past, midstream build cycles tend to be a lot lumpier than utilities. We get very linear growth in the utilities, and we get a lot lumpier CapEx profile. And right now, with some of those large egress projects that are coming online off the west coast of North America, we're at the precipice of another build cycle within midstream. So that's what we're looking to execute on right now.

Patrick Kenney^ Thanks.

Jon Morrison^ We probably have a couple minutes left for a couple last questions.

All right. Maybe we'll squeeze in one last one from the webcast, which is focused on Michigan. They came out with the energy package earlier this week in terms of clean energy. And is there anything that can be added from that update?

Blue, it's probably --

Donald Jenkins^ Yes. Thanks, Jon. Yes, lots of activity this week, right, with COP 28 and everything else. So, the short version is natural gas is still well positioned in what came out in terms of the long cycle. So, we're still evaluating and looking at those details, but our initial pass is that natural gas is well positioned. We continue to see strong growth.

You saw the demand profile. We don't expect any of that was impacted by what came out this week in Michigan.

Jon Morrison^ Perfect. Well with that, we're officially out of time. So, we appreciate everyone spending the time with us. We realize that you've got a lot of calls on your time, and we appreciate you carving out for two and a half hours with us.

For those of you attending in person, we'd love for you to stay for lunch if you have the time. But thanks a lot for attending. And I don't know if there was anything else you wanted to close with, Vern.

Vern Yu^ Well, it's great to be here and talk about the AltaGas story. I think the team and I, we're super excited about what we have in front of us, and we're going to do our very best to deliver on what we talked about today.

So thanks, everybody.