2016 THIRD QUARTER EARNINGS CALL

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PRESENTATION

Operator

Good morning ladies and gentlemen and welcome to the AltaGas Ltd. Q3 2016 conference call. I would now like to turn the meeting over to Mr. Jess Nieukerk, Senior Director, Investor Relations. Please go ahead, Mr. Nieukerk.

Jess Nieukerk - AltaGas Ltd. – *Senior Director Investor Relations*

Thank you. Good morning everyone. Welcome to AltaGas third quarter 2016 conference call. Speaking today are David Harris, President and Chief Executive Officer; and Tim Watson, Executive Vice President and Chief Financial Officer. After some formal comments this morning, we will have a question and answer session.

Before we begin, I'd like to remind you that certain information presented today may include forward-looking statements.
Such statements reflect the corporation's current expectations, estimates, projections and assumptions.

These forward-looking statements are not guarantees of future performance and they are subject to certain risks, which could cause actual performance and financial results to vary materially from those contemplated in the forward-looking statements. For additional information on these risks, please take a look at our annual information form, under the heading Risk Factors. I'll now turn the call over to David Harris.

David Harris - AltaGas Ltd. *- President & CEO*

Thank you, Jess. Good morning everyone.

Over the last quarter we continued to move forward many of our key initiatives while delivering strong results. We had a significantly strong third quarter with normalized EBITDA reaching $176 million, up 41% from $125 million achieved a year ago. Normalized funds from operations increased 34% to $137 million, or $0.84 per share, up from $102 million or $0.75 per share a year ago.

Our strong financial performance in the quarter is primarily attributed to the edition of San Joaquin facilities at the end of November 2015, which contributed over $25 million in EBITDA in the quarter and to McLymont, the last of our Northwest Hydro facilities that was brought online in October 2015. We also had strong results at Forrest Kerr with strong water flows and operational efficiencies resulting in Q3 2016 being our highest generation quarter to date.

We also made excellent progress on the execution of our Northeast BC growth strategy. In July, we successfully started up our Townsend Facility, associated infrastructure, the gas gathering lines, the liquids egress lines, and the Alaska Highway truck terminal. Combined these all came in ahead of schedule and approximately $40 million under our original budget. Painted Pony has been steadily ramping up volumes throughout the quarter and the Townsend Facility is currently processing approximately 115 Mmcf per day. We anticipate volumes at the facility will continue to increase through the remainder of the year.

This morning we announced a positive FID on our North Pine NGL Separation Facility. We will construct the facility with two liquid separation trains; each capable of processing up to 10,000 barrels per day of propane plus NGL mix for a total of 20,000 barrels per day. The first train will also include approximately 6,000 barrels per day of condensate terminalling capacity and we will ultimately reach capacity for up to 20,000 barrels per day. Site preparation and civil design work for the first NGL separation train is expected to begin in Q1 2017, with then expected on-stream date of Q2 2018.

The total cost of the first train and NGL supply pipelines is expected to be approximately $125 million to $135 million. This investment will be backstopped by long-term supply agreements with Painted Pony for a portion of the total capacity and will include dedication of all of Painted Pony's NGL produced at the Townsend and Blair Creek facilities. The second 10,000 barrel per day NGL separation train is expected to follow shortly after completion of the first train.

North Pine will be connected to rail and can connect directly to our proposed Ridley Island Propane Export Terminal. Just two days ago we received NEB approval to export up to 1.3 million tons a year of propane and now we are just waiting on regulatory approval; which we expect this quarter. We continue to work closely with the First Nations, the Port of Prince Rupert, and Federal Regulators to achieve FID by the end of the year. Through the combination of our North Pine Facility and RTI, we can offer services throughout the full energy value chain and can offer superb and preferential access to existing and new markets for producers that use our value chain.

As we have previously mentioned, we also see significant potential for expansion of our proposed capabilities in Northeast B.C. and we are very advanced on Townsend Phase 2. Townsend Phase 2 would be a standalone 100 Mmcf per day shallow-cut gas processing facility on the existing Townsend site and will also provide additional liquids to our North Pine Facility. The regulatory application for Townsend 2 also includes a plan to modify our existing Townsend Facility to enhance liquids recovery. We expect to receive approvals on Townsend 2 by Q2 next year and expect to bring the unit online by the end of 2017.

With our major modern gas processing facilities in this area, we have significant competitive advantages to others -- to offer further capacity to our producers in the region and we maintain our views of potentially achieving one Bcf of processing capacity in the region.

In California, we continue to execute on our strategy and work on all potential options for re-contracting, optimization, and expansion of our sites.
The California and Desert Southwest markets are very fluid but provide excellent opportunities for those that stay ahead of the curve and have strategically placed assets. Our recently announced 10-year agreement with Southern California Edison to build and operate the Pomona Energy Storage Project is a clear example of this. This is a significant battery storage project – the largest of its kind to date and we expect to have it in service by year end. We have a long-term service agreement which enables us to spend the minimal capital dollars over the 10-year Energy Storage Agreement and at the end of the 10-year term, be left with the full 20 MW or 80 MWh of energy storage.

All of our power sites in California have the capability to host battery storage and we anticipate that these opportunities will increase in the future. In fact, we expect storage RFO's to be issued by both Southern California Edison and PG&E in December. Our development of the Pomona Energy Storage Project provides us with unique insights on the development and construction of these types of projects. To reliably manage the grid, the California ISO needs flexible resources with the right operational characteristics, including the ability to start and stop multiple times per day in the right geographical locations. These needs will be met by a combination of technology types, including gas-fired generation, energy storage, and solar. Our California sites can also meet this wide variety of energy products. There is continued need for resource adequacy and resource adequacy market prices are expected to strengthen over the next several years. In addition, increased renewable production will lead to an increased reliance on and the payment for ancillary services from gas plants which will also provide revenue opportunities. We know that steel in the ground has significant value to the market and our diversification and ability to offer different products, like firming through a combination of solar, energy storage, and gas-fired generation provide us with strong advantages in the market. Some of our sites also have different transmission options and we are actively working to determine the best transmission avenue for our generation output.

To summarize, we continue to maintain an excellent track record as it relates to execution. Our construction capabilities are top tier and we are certainly able to deliver projects on time and below budget – providing producers with the lowest cost options for their product. Our full Northeast B.C. and Canadian LPG export strategy is coming together which will provide producers with a full energy value chain and access to Asian markets. On top of this, our third quarter results keep us on track to deliver on our guidance of approximately 20% growth in normalized EBITDA and approximately 15% growth in normalized funds from operations over 2015.

Let me now turn the call over to Tim.

Tim Watson - AltaGas Ltd. – *Executive Vice President & CFO*

Thank you, David. Good morning everyone.

As Dave, mentioned normalized EBITDA was up 41% in the third quarter of 2016 to $176 million compared to $125 million in the same quarter of 2015. Across our three business lines, power EBITDA was up 77% in the third quarter of 2016, at $104 million versus $59 million last year. Power represents 58% of AltaGas' total normalized EBITDA in the quarter. The acquisition of the San Joaquin power assets in California was a significant contributing factor, adding approximately $25 million in normalized EBITDA.

Our Northwest British Columbia Hydro Facilities also exhibited strong performance as a result of the startup of McLymont, in the fourth quarter of 2015 and strong performance at Forrest Kerr. To put that in perspective, Forrest Kerr hit its highest generation levels to date, which we're up 18% compared to the third quarter 2015.

Normalized EBITDA at our regulated gas distribution utilities was $33 million, up moderately compared to the third quarter of 2015. A stronger US dollar, favorable services revenue, and rate base and customer growth across all five utilities were beneficial in this quarter. These positive variances were partially offset by the customer retention program, which was approved at Heritage Gas, warmer weather at a number of our utilities, as well as certain higher costs at the U.S. utilities.

Finally, EBITDA from the gas midstream assets, excluding Petrogas was $40 million which represents an 8% increase over third quarter of 2015. Gas accounted for 24% of total normalized AltaGas EBITDA in Q3. Key positive drivers included the start of commercial operations at Townsend, higher volumes at the extraction facilities primarily the Harmattan and Younger facilities, and lower operating expenses. Offsetting this were lower realized frac spreads as a result of lower hedging gains, lower field gathering and processing volumes primarily due to the sale of the Tidewater assets in the first quarter of 2016, which represented about 120 Mmcf/d in the prior year's quarter. And finally, lower incremental fee-for-service revenues at the Gordondale Facility due to lower volumes delivered in excess of take-or-pay levels. So what I am saying is, we were delivering in excess of take-or-pay but the volumes were just a little lower than in the past quarter.

Following a strong first half of the year, Petrogas earnings decreased in the quarter as compared to the third quarter last year due to weaker netbacks in July and August on export shipments from Ferndale, and lower results in its wellsite fluids and fuels business, driven by reduced activity in the upstream sector. This was, however, partially offset by dividend income earned from the preferred share investment.

For the third quarter of 2016, AltaGas reported normalized funds from operations of $137 million, or $0.84 per share compared to $102 million or $0.75 per share in the third quarter of 2015. This represents a 34% increase in funds from operations year-over-year. Normalized FFO was up as a result of stronger results in the power segment combined with higher common share dividends from Petrogas, partially offset by higher current income tax and interest expense.

In the third quarter, we received $6 million in common share dividends and $3 million in preferred share dividends from Petrogas which was in line with our expectations. Year-to-date, we have received $18 million in common share dividends and $3 million in preferred share dividends from Petrogas compared to only $11 million common share dividends throughout all of 2015. We expect to receive an additional $6 million in Petrogas common share dividends and $3 million in preferred share dividends in the fourth quarter of this year.

Normalized net income for the third quarter of 2016 was $38 million, or $0.23 per share compared to $19 million or $0.14 per share in third quarter of 2015. Normalized net income was higher due to the same factors impacting normalized EBITDA mentioned previously, partially offset by higher depreciation amortization, interest expense, and preferred share dividends. Normalizing adjustments in the third quarter of 2016 relate primarily to unrealized gains on risk management contracts and long-term investments and recovery of development costs for the PNG Pipeline Looping Project.

On a US GAAP basis, net income applicable to common shares for the third quarter of 2016 was $46 million or $0.28 per share. This compares to $20 million or $0.15 per share for third quarter 2015.

For the third quarter of 2016, interest expense was $39 million compared to $31 million for the same quarter in 2015. The increase was driven by higher average debt outstanding as a result of the purchase of the San Joaquin facilities and lower capitalized interest, as assets such as McLymont and Townsend were brought into service. This was partially offset by lower overall interest rates.

Depreciation and amortization was $67 million in the third quarter of 2016 compared to $53 million in the third quarter of 2015, again, mainly due to the acquisition of the San Joaquin facilities and new assets placed into service.

For the third quarter of 2016, income tax expense was $17 million compared to $5 million in the third quarter of 2015. The increase was mainly due to higher taxable earnings in the quarter, including higher taxable earnings from US operations which bear higher corporate income tax rates. On a full year basis we expect the effective tax rate at AltaGas to be in the 20% to 25% range.

Net invested capital in the third quarter 2016 was $108 million compared to $180 million in third quarter 2015. Investment in property plant and equipment decreased as we completed construction of the Townsend Facility and related infrastructure early in the third quarter.

AltaGas' balance sheet is in a strong position and fully funded for 2016. At the end of the third quarter of 2016, debt to total capital was 45%, down from 48% at the end of the third quarter of 2015. This remains well below our bank and term note covenant levels of 65% to 70%. We have approximately $1.3 billion available on existing credit facilities. We also have strong access to capital markets as evidenced by almost $800 million raised in debt and equity in 2016 year to date. New projects such as Townsend Phases 1 and 2, North Pine, Pomona Battery Storage and ultimately Ridley Island as well as acquisitions such as the San Joaquin Power Assets have been and will continue to be appropriately capitalized. In doing so, new assets like these will further strengthen the balance sheet in an accretive way from a credit perspective. The strength and stability of our funds from operations is what drives our business and provides strong security in our dividend. AltaGas has one of the lowest dividend pay-out ratios based on cash flow in its peer group. To put this in perspective, even with the recent increase in our annual dividend to $2.10 per share cash flow from our regulate utilities combined with our Northwest Hydro projects alone, more than covers total cash dividends paid after factoring in the dividend reinvestment plan. This means that cash flow from all our other assets within AltaGas can be directed to other investment opportunities.

Turning quickly to 2016, I would say it is largely consistent with what we discussed last quarter but I will give you a few highlights. The power assets are expected to contribute the majority of the 20% growth in total normalized AltaGas EBITDA year-over-year. Approximately, 41% of AltaGas' total 2016 expected normalized EBITDA will come from power, driven mainly by our full year contribution from the San Joaquin Power Assets and McLymont Hydro Facility, as well significantly higher production at Forrest Kerr.

Following the seasonally stronger quarter in Q3 at the Northwest Hydro Facilities, we are seeing the expected decline in the seasonal water flow patterns for Q4. Actual seasonal water flows vary with regional temperatures and precipitation levels. To date in the fourth quarter, precipitation in the region has been unseasonably low; however, this is fully accounted for in our full-year outlook. Regulated gas distribution utilities are expected to see a moderate increase in normalized EBITDA compared to 2015, on a full year basis. Notwithstanding warmer weather experienced at four out of the five North American utility franchises that we have, 37% of our total 2016 normalized EBITDA is expected to come from the utility division.

Growth in utilities is driven by rate base and customer growth including at SEMCO gas which will benefit from a full year contribution of its mainline replacement program, or MRP. CINGSA is also expected to earn higher storage revenues in 2016 and in June 2016 ENSTAR filed its 2016 rate case requesting interim and refundable annual rate increase of approximately $5 million on an annualized basis, effective August of this year, with final rates to be set in Q3 2017. And further to this point, on July 18, the Alaska Public Utilities Commission did approve the interim refundable rates. These increases will be partially offset by the recent approval of the customer retention program at Heritage Gas which is anticipated to decrease annual EBITDA by $3 million. Earnings at all the utilities, except PNG, are affected by weather in their franchise areas, with colder weather generally benefiting earnings. Approximately three quarters of AltaGas utility customers are in the US and the US-based utilities have benefited from a favorable US dollar exchange rate.

Finally, gas midstream is expected to account for approximately 22% of AltaGas' 2016 total normalized EBITDA. Compared to 2015, the gas segment is expected to see a small decline in normalized EBITDA. Positive drivers in 2016 include the addition of Townsend which is expected to add approximately $20 million of EBITDA this year as volumes from Painted Pony progressively increase through year-end. In addition, the absence of turnarounds at Harmattan and Younger, as well as higher total contributions from Petrogas, is positive contributing factors. These year-over-year gains however are more than offset by lower contributions from commodity prices, as a result of higher hedging gains that we achieved in 2015, the sale of the Tidewater gas assets earlier this year, and moderately lower volumes at Gordondale and our non-core gas facilities as mentioned previously.

Approximately two-thirds of 2016 gas EBITDA is underpinned by take-or-pay and cost-of-service contracts with no direct price or volume exposure. We have had no material impacts on midstream counterpart exposure year-to-date, which continues the positive experience from last year. We continue to expect full-year volumes at Gordondale to average approximately 90 Mmcf/d to 100 million Mmcf/d. Birchcliff's announced development plans include drilling an additional six wells in 2016 in the Gordondale area, with the potential for increased activity in the area in 2017. Gordondale will be the most efficient deep-cut facility within Birchcliff's focus area, with significant expansion capability. The take-or-pay provisions under the contract are based on cumulative production. We anticipate Birchcliff will reach this cumulative production in and around 2020, but that of course, is subject to their planned rate of area development. We value the relationship that we have with Birchcliff and we believe that the Gordondale Facility will continue to serve as an important element of Birchcliff's midstream strategy.

Over the last few months frac prices have strengthened as mentioned. Therefore we reduced the amount of liquids we have been re-injecting. The total that AltaGas produces just over 60,000 a day of gas liquids and I am talking ethane, propane, butane, and condensate, but only up to a maximum of about 10,000 a day or 1/6 of that total can be contractually exposed to frac spread pricing. Based on current forecasted prices we expect to increase the amount of extraction volumes exposed to frac spreads to about 7,500 barrels per day for the fourth quarter of 2016. As frac spreads recover AltaGas is well positioned to deliver additional normalized EBITDA growth as can we continue to increase the production of exposed natural gas liquids. For the remainder of the year, we have hedges in place with volumes ranging from 1,700 to 3,900 barrels to date, an average price of approximately $21 per barrel, excluding basis differentials. Note that every plus or minus $1 per barrel change in the frac spread results in approximately $1 million charge to our 2016 EBITDA.

Turning to capital expenditures, we now expect to spend between $550 million and $600 million this year. This is within the original range for capital expenditures that we communicated at the outset of the year, but on the lower end, due to capital efficiencies realized. Up to the end of Q3 2016, we have approximately $400 million of capital expenditures incurred. Excluding the $40 million to $45 million US of Pomona Energy Storage Project outlays, the remaining 2016 growth capital expenditures are discretionary and AltaGas has the flexibility to adjust the pace of spending at its option.

Maintenance capital for the gas and power businesses in 2016 is now expected to be approximately $25 million, with $12 million spent so far this year. In 2017, our initial expectations are for approximately $600 million of total capital. However, I would emphasize that our final 2017 capital budget will not be finalized until later this year.

We expect approximately $290 million for depreciation amortization and accretion expense for 2016.

The corporation also continues to focus on enhancing productivity and streamlining businesses, including the dispositions of smaller non-core assets. Approximately 50% of our total expected 2016 EBITDA for AltaGas will come from the US and reflects our diversified business platform across three major energy infrastructure business lines. For every plus or minus $0.05 change in the Canadian US FX rate, the annual impact to our 2016 EBITDA is about CAD$14 million. In summary, we just completed an exceptionally strong third quarter and we do remain on track to deliver approximately 20% growth in normalized EBITDA and approximately 15% growth in normalized funds from operations for 2016.

Looking a little further out at 2017, we expect moderate growth, absent any acquisitions. I do want to put this in context, in the years leading up to 2016, AltaGas grew in the mid to high single-digit range absent acquisitions. We would expect a similar performance to that in 2017. We expect the gas segment to experience solid growth driven by a full year at Townsend representing approximately $20 million to $30 million in year-over-year EBITDA growth, combined with moderate strength in the frac spreads, prior Gordondale volumes, newly realized liquid blending revenues, and a partial year impact from Townsend 2 as Dave described earlier. Partially offset by the sale of the Ethylene Delivery Systems and the Joffrey FEED stock pipeline to Nova, which has an approximate $10 million EBITDA impact, as well as normally scheduled turnarounds for both EEEP and Gordondale, which has a $7 million EBITDA impact. Power is expected to be up moderately, driven in part by a full year from the Pomona Energy Storage Project while regulated gas distribution utilities are expected to be up moderately and should benefit if weather returns to a more normalized state relative to last winter. A full year of cost savings from the recently completed restructuring and from other efficiency initiatives should also be reflected in 2017. To recap, 2016 is shaping up as a record year for AltaGas. Looking into to 2017 we see further growth as well as an exciting new project starting to take shape.

All of this will continue to be supplemented with an attractive well-funded dividend which is currently yielding in excess of 6%.

With that I will turn it back to Jess.

Jess Nieukerk - AltaGas Ltd. – *Senior Director Investor Relations*

Thank you, Tim. Operator, I'll now open it up for question and answer to the analyst community.

QUESTION AND ANSWER

Operator

The first question is from Linda Ezergailis TD Securities.

Linda Ezergailis - TD Securities - *Analyst*

Thank you, congratulations on a strong quarter.

I have a question with respect to your North Pine Facility. Can you give us a sense of what percent of the first train is contracted and for what duration? And is this base capacity providing adequate returns for the Company? And what those returns might be and how quickly it might fill up?

David Harris - AltaGas Ltd. - *President & CEO*

This is David Harris. We are fairly well contracted with this asset right now. Just with the liquids that come off the existing Townsend Facilities – the two trains that we have. Townsend 2 is tracking very, very well as expected and expect that online by the tail end of the next year. That puts us all the way there with maybe 1,000 or 1,500 barrels that we'll chase over the next year which we're in conversation on and have clear line of sight to. We expect the first 10,000 trains to fill up quite nicely and on an expected return basis would be in the high single-digits to low-teens on an expected return.

Linda Ezergailis - TD Securities - *Analyst*

That's helpful. For your second train for North Pine, have you not yet achieved a positive FID? And what conditions might be required to achieve that? And what is your timing do you think on that?

David Harris - AltaGas Ltd. - *President & CEO*

We expect with the pace, with the increased interest with respect to what we are doing in Northeast B.C., we expect that to follow right behind the heels of train 1 when it's completed. We are very confident on the ability to fill that train, as well. We are just sequencing it with respect to just how we are spending the capital and how the barrels are coming in to be contracted to underpin the assets.

Tim Watson - AltaGas Ltd. - *EVP & CFO*

I think with that second train it will be more efficient from a capital perspective, simply because we put iron in the ground for the first one. The dollar outlay will be less and that will mean the returns are better even than the first phase. We are clearly motivated to move forward on that one as quickly as we can.

Linda Ezergailis - TD Securities - *Analyst*

What is the CapEx for the second train?

Tim Watson - AltaGas Ltd. - *EVP & CFO*

It would be around $50 million.

Linda Ezergailis - TD Securities - *Analyst*

Just to be clear on Townsend Phase 2, are all the commercial commitments firmed up and what are the gating factors to get to proceeding next year? Is it just regulatory approvals you are waiting for?

David Harris - AltaGas Ltd. - *President & CEO*

We are fairly well along. We're within a 3-foot putt of having all the commercial terms squared away on Townsend 2. It comes down to the regulatory approval process. We are expecting at the front side of Q2 next year.

Linda Ezergailis - TD Securities - *Analyst*

That's helpful. Is it Painted Pony or are there other parties you are talking to?

David Harris - AltaGas Ltd. - *President & CEO*

We will just leave it at that. We don't want to talk about who at this point.

Linda Ezergailis - TD Securities - *Analyst*

Okay. Thank you.

Operator

The following question is from Rob Hope from Scotia Bank.

Rob Hope - Scotia Bank *- Analyst*

Thank you for taking my question. Just a follow-up question on the North Pine Facility, in terms of the contractual underpinning of that asset, will you be taking any commodity exposure on the outlet of that facility? Or will there largely be a fee-for-service asset?

Tim Watson - AltaGas Ltd. *- EVP & CFO*

It's a fee-for-service. To be clear, it is a very integral part of our value chain. As you know it is proximate to Townsend, our truck terminal, it is on the railroad leading to the West Coast to Ridley Island project. It can also go east from there as well. A lot of functionality or marketability that we are offering selected producers who have committed to the volumes to move us forward on North Pine.

Rob Hope - Scotia Bank *- Analyst*

That's helpful. Just moving over to Gordondale, it looks like the volumes are still in excess of take-or-pay but maybe not where they were in prior quarters. I want to know if you can update us on any conversations you're having with Birchcliff regarding reworking the contract or what it could look like after its initial term?

David Harris - AltaGas Ltd. *- President & CEO*

We certainly talk to Birchcliff. I would say it was premature to say anything at this point – more to follow when we get into the beginning of the year.

Rob Hope - Scotia Bank *- Analyst*

Thank you.

Operator

The following question is from David Galison from Canaccord Genuity.

David Galison - Canaccord Genuity *- Analyst*

Good morning everyone. I just wanted to follow up on the Gordondale Facility. You had mentioned that you are looking to divest some assets that are non-core. Could Gordondale actually be part of the discussion as well? Is there any color you could add around that?

Tim Watson - AltaGas Ltd. *- EVP & CFO*

No, I made that comment because as you are aware we did do a non-core disposition Q1 of this year to Tidewater. That if there was an opportunity that presented itself for other small non-core, clearly more legacy type, I would say smaller types of assets, we would be open to that. We would not put Gordondale in the category. Gordondale is almost a brand-new – it's not brand new – but it's of recent vintage. It's the most efficient plant in that area. That area is prospective. We're actually encouraged by what Birchcliff's signaling here because that was a very important transaction to Birchcliff. We're confident they will be active in that area for the next decade. I think it will come down to just ultimately working with them commercially and growing with them.

David Galison - Canaccord Genuity – *Analyst*

To touch on North Pine, you had mentioned that you are expecting the returns to be in the high single-digits to low double-digits. When the first train ramps up in Q2, would you expect that to be a slower ramp – my question would relate around how long do you think it will take to get to those types of returns? Would you see that within 2018? Or would you need to have everything completed?

Tim Watson - AltaGas Ltd. *- EVP & CFO*

We would. To be clear and to echo Dave's comment – that range of returns – which is what our standard range is for these types of infrastructure projects, we fully expect that is the range we will be looking at for that first train itself in 2018. So its first train stands by itself and meets our returns and thresholds.

David Galison - Canaccord Genuity – *Analyst*

Since the second train is going to be more capital efficient, what type of returns would you expect on that? Higher than the range you've given or the same range?

Tim Watson - AltaGas Ltd. *- EVP & CFO*

I think it would be higher. If you're talking simply on an incremental basis which that rounded number $50 million would be – it will be higher. But it is part of the same site. Ultimately, when all the dust settles and we bring the second train on shortly thereafter we will be looking at that whole North Pine Facility on a combined basis. That's the way we will be thinking about it.

David Galison - Canaccord Genuity – *Analyst*

One maintenance question, you had mentioned, was it $600 million that you said was the CapEx target for 2017?

Tim Watson - AltaGas Ltd. *- EVP & CFO*

Yes, in round numbers and just to caveat that that is not a final board-approved, management-approved number yet. We're just trying to give you some general guidance.

David Galison - Canaccord Genuity – *Analyst*

Would you be able to give a rough percentage contribution from each segment in 2017? Is it roughly the same as we're seeing in 2016, or will it move around a bit in 2017?

Tim Watson - AltaGas Ltd. *- EVP & CFO*

You're talking of the total EBITDA, which we haven't given for 2017; you're asking what the contribution from each of our business lines would be?

David Galison - Canaccord Genuity *- Analyst*

Yes, would 40% be from power, 20% from gas - that mix?

Tim Watson - AltaGas Ltd. - *EVP & CFO*

It will be roughly that. Gas will be up a little bit because we will have a full year from Townsend which is meaningful to see at $20 million and $30 million of incremental cash flow next year versus this year. That alone will move things a little bit. I think the split that we have shown you for 2016 is going to be not too dissimilar in 2017.

David Galison - Canaccord Genuity – *Analyst*

Thank you very much.

Operator

The following question is from Robert Catellier from CIBC World Markets.

Robert Catellier – CIBC World Markets- *Analyst*

Good morning. Thanks for the updates. I wondered if you could talk a little bit more about Ridley Island. Other than the regulatory approval, what else has to be accomplished to achieve FID? And maybe you can specifically comment on the status of the First Nations discussions and how you might achieve incremental offtake agreements if any are required in light of the weaker netbacks that you referenced at Ferndale in the MD&A?

David Harris - AltaGas Ltd. - *President & CEO*

First with the First Nations, the First Nation consultation is going exceptionally well. We finished the public comment period both with the general public and the First Nations. There were really no material comments whatsoever. There is a lot of positive momentum behind the project in the area. We are looking to move here pretty quickly with impacts and benefits agreements with key First Nations. Dialogue with the government and Prince Rupert Port Authority is going exceptionally well. Once we finish with the First Nations there are really no hurdles left with our environmental permit at that point. We are anticipating receiving that by the end of the year. On the commercial side, conversations are going quite well. We're well into conversations with a number of parties. We are seeing the commercial underpinning of this coming together quite nicely that will support the – what we're planning to do as an FID by the end of the year. That is about as deep as I want to go on the commercial discussions at this point with the project.

Robert Catellier – CIBC World Markets- *Analyst*

You don't think current marketing conditions in the weaker netbacks at Ferndale have any relevance here to the long-term outlook for Ridley Island?

David Harris - AltaGas Ltd. - *President & CEO*

No, not really. It's certainly a data point. You never want to not pay attention to a data point but the data point is not stagnant, right? It doesn't stay still, so that will move over time. As we have seen in our discussions with producers, they are certainly thirsting for market optionality and egress and exit and this project certainly provides that in spades.

Tim Watson - AltaGas Ltd. - *EVP & CFO*

I would just say, you put yourself in the shoes of producer sitting at Edmonton and you look at what their alternatives are, they can go south and through the Panama Canal, or they can go off the West Coast. If you run the numbers, we are happy to share those. Some of those are on the investor slides anyhow. It is a superior proposition for producers. That holds today, Robert, with FEI index at $0.72 and Bellevue at $0.58 and Edmonton at $0.35/US per gallon. It works today, it worked six months ago. We like the trend going forward there.

Robert Catellier – CIBC World Markets- *Analyst*

Just from the power side, can you detail the improvement – the improved performance capability of Forrest Kerr, so the year-over-year impact that had and the sustainability there?

John O'Brien - AltaGas Ltd. *- President AltaGas Services US*

I think that what we've done this year is from an operational perspective, things like the de-sander and other equipment like that. The seals have all been updated and improved. So operationally we have continued through another full year of operation to really make those improvements and gain a better knowledge as a staff.

As an example, operationally as a staff, when we look to do maintenance and so forth, we're optimizing the times in which we do that and have to bring a unit down. I think both from a staff commercial education standpoint and then operationally from the equipment and technology that we are putting up there, those are the operational improvements that we are inputting and we are also – I would say we are very proud of our team up there. They are really gaining knowledge of the river and how the units run, along with the equipment updates we have made. I think those two things will continue year in and year out as we understand the river more. Operationally, the equipment we've put in is making the hydro facility that much better from a performance standpoint.

Robert Catellier – CIBC World Markets- *Analyst*

It sounds like you characterize these as normal operating gains that you can sustain.

Tim Watson - AltaGas Ltd. *- EVP & CFO*

Absolutely.

John O'Brien - AltaGas Ltd. *- President AltaGas Services US*

As we learn about how to deal with the sand and the stuff that gets trapped, trash rates, all of those things are updated and are sustainable.

David Harris - AltaGas Ltd. *- President & CEO*

Robert, our price didn't really change year-over-year for the quarter. It wasn't a price-driven thing. It was a productivity factor increase.

Robert Catellier – CIBC World Markets- *Analyst*

I hate to mention this because you had such a good quarter in power but can you update the PPA process? Is there any way to quantify what costs the balancing pool may have incurred on the Sundance B PPAs since they were returned?

John Lowe - AltaGas Ltd. *- EVP*

It's John Lowe. The numbers that the balancing pool may have incurred bounced around from $2 billion originally mentioned by the Alberta government and then I think Andrew Leach came out with a study which put the number more in the $900 million to $650 million range.

Robert Catellier – CIBC World Markets- *Analyst*

Right, but what is the exposure on the Sundance B PPA? Would it be capacity proportionate?

John Lowe - AltaGas Ltd. *- EVP*

Yes, I think roughly – they all vary. There is an article by Dr. Leach, it is power-play of the PPAs and he does break out the values of the different PPAs. If you are trying to back in the Sundance PPA, it would be – I think in the – call it $100 million range.

Tim Watson - AltaGas Ltd. *- EVP & CFO*

I guess – just one quick thing. You will see Robert in our MD&A, in one of the footnotes, I don't have it in front of me – there is a disclosure that we have given you for our liability exposure as at the end of Q3.

Robert Catellier – CIBC World Markets- *Analyst*

Okay.

Tim Watson - AltaGas Ltd. *- EVP & CFO*

It's not material to our Company. There's also other disclosure further up at the start of the MD&A on this issue.

Robert Catellier – CIBC World Markets- *Analyst*

Understanding it's for the courts and the sensitivities and associated with that in the arbitration, how would you characterize how the process is evolving?

John Lowe - AltaGas Ltd. *- EVP*

It's John Lowe. I think the government chose to have the matter determined by the courts. The case is being court managed by the Chief Justice and there is a process set out. At the same time there's an arbitration dispute resolution mechanism in the PPAs. That is long-standing and well understood. We've engaged that mechanism as well. This will be resolved by the courts. Again, I think these are long-standing instruments and they will be determined in accordance with their terms.

Robert Catellier – CIBC World Markets- *Analyst*

Okay. Thanks for answering my questions.

Operator

The following question is from Robert Kwan from RBC Capital Markets.

Robert Kwan - RBC Capital Markets *- Analyst*

Good morning, if I could come back to North Pine, I think your previous disclosure had the EBITDA multiple to 8 to 9 times. I am wondering is that still a good range? And then as you think about – I think that was for both phases. Would you be at the high end or even a little bit higher than the high end of the range for Phase 1? And then Tim as you had mentioned, you have a pretty attractive capital efficiencies for Phase 2 and that's what would drive you back into that range?

Tim Watson - AltaGas Ltd. *- EVP & CFO*

I think that's directionally right, Robert. I don't have all my numbers here in front of me for that project. That is directionally the way to think about it. That slide won't change as a result of this announcement today.

Robert Kwan - RBC Capital Markets – *Analyst*

On the contract and the long-term supply agreements, there's a comment there around dedication and not necessarily something around take-or-pay. But that being said, is it really a situation where you have the take-or-pay at facilities like Townsend and if it's dedicated out of that? That's where you get comfortable around – you have an upstream take-or-pick commitment to feed North Pine?

Tim Watson - AltaGas Ltd. *- EVP & CFO*

Certainly Townsend will be physically connected right in there by pipeline. That clearly is one of the inputs to the supply at North Pine. As David said, Townsend 2 beginning Q4 next year, but we will also source supply from the Blair Creek area which is multiple producers, not just Painted Pony, that is under commitment here, as well.

Robert Kwan - RBC Capital Markets *- Analyst*

Specifically the North Pine contract is not take-or-pay?

Tim Watson - AltaGas Ltd. *- EVP & CFO*

It's a dedicated contract based on the available liquids. The take-or-pay exists at Townsend so the take-or-pay liquids are coming out at Townsend, flowing on our egress lines to the truck terminal. There's nowhere to go but from the truck terminal down to North Pine.

Robert Kwan - RBC Capital Markets *- Analyst*

Got it. If I can just finish the question on California specifically, Pomona, when you look at the EBITDA that you are forecasting, currently i.e., hence the contract expiration, with the upside on the storage project, how does that compare to the EBITDA prior to the contract expiration and if you want to talk dollars that's great, but if you think it's possible even to talk about the percentage change?

Tim Watson - AltaGas Ltd. *- EVP & CFO*

On the contract you mean, the battery contract that we're engaged in now and when that contract ends?

Robert Kwan - RBC Capital Markets *- Analyst*

More so if you look at the EBITDA from Pomona for 2015 while you were still under contract and then you look at what your forecast is with it just being open, but pro forma, the upside from the battery contract, call it the EBITDA maybe 2017 because the battery contract will be done then. What would be in your plan for 2017 versus what the EBITDA profile was in 2015?

David Harris - AltaGas Ltd. *- President & CEO*

Robert, this is David Harris. It may be slightly below but not material. As we get into actually running Pomona and see of these other ancillary services capability after that. We could see a path to being – maintaining neutrality compared to what we lost from the original PPA falling off.

Robert Kwan - RBC Capital Markets *- Analyst*

That's great. Thank you very much.

David Harris - AltaGas Ltd. *- President & CEO*

But look at it as about par for all practical purposes.

Tim Watson - AltaGas Ltd. *- EVP & CFO*

Robert, I want to come back to original question on North Pine. I just was going through some numbers while we were answering your other questions. Our number in North Pine, we've communicated as 8 to 9 times our capital to EBITDA. It will be the low end of that range on Phase 1.

Robert Kwan - RBC Capital Markets – *Analyst*

You will be at the low end of the range. When you say low you mean closer to the 8 times?

Tim Watson - AltaGas Ltd. *- EVP & CFO*

Yes.

Robert Kwan - RBC Capital Markets – *Analyst*

Put differently, I think the capital spend numbers that you have on that slide are for both phases. And if Phase 2 will be even more capital efficient assuming that you don't cut the fee proportionately. North Pine as it is set up right now is likely going to be much lower than that range.

David Harris - AltaGas Ltd. *- President & CEO*

Could be. We won't comment on Phase 2 specifically. Obviously there are a couple inputs that have to get finalized there over the next 12 months or so. Certainly Phase 1 as I said at the outset stands by itself. Even better, it's at the low end of that range. Based on what we are committed to --

Robert Kwan - RBC Capital Markets – *Analyst*

That's great. Thank you.

Operator

The following question is from Ben Pham from BMO Capital Markets.

Ben Pham – BMO Capital Markets *- Analyst*

Thanks. Good morning. I have a question on your commentary about 2017 in terms of the expectation for growth there. I was wondering if you can clarify the magnitude of your frac spread expectation into 2017 and any sort of gas volume increases? And also can also comment on your per share metrics into 2017? It looks like if you are hitting the $600 million in CapEx can you find out what the growth in the maintenance program you have?

Tim Watson - AltaGas Ltd. *- EVP & CFO*

We're not in a position yet as we are sitting here, in October, to give you firm guidance yet. We have to complete our 2017 capital budget and run it by our board and have them approve it. Our guidance is going to be therefore, by definition, less than it will be in a couple months or so. Frac spreads we're encouraged by what we've seen here in the past several months. They have trended up, as we have said, we have increased our frac exposure volumes because we like what we are seeing on the spread side. We have also hit some hedges because we like the market so it was worth putting some hedges in place at these types of levels. You look at where the market is next year on the quantity price basis; it's not backward dated on the liquid side. It is still contango, meaning people are seeing not a massive jump but a reasonable increase into 2017 on liquids prices and the NGL prices, there is correlation there. And on the gas side, ideally we see a spread between the liquids and gas prices. Gas prices are actually in backwardation as you get into the next year or two. We think it's not going to be a massive increase in frac spreads. The way we think about it there is reasonable prospect of a moderate increase there. That is all we are saying on that. We're not counting on it. We are just saying that's where it looks like it is trending. On volumes for FG&P, nothing dramatic, Townsend full-year benefit. Right? Gordondale will be pretty stable in that probably, in that 90-100 Mmcf/d. It could be a little bit higher than that, depending on how active Birchcliff is. I think that's directionally how we're thinking about that.

Ben Pham – BMO Capital Markets *- Analyst*

Tim, your thoughts on your balance sheet, heading into 2017 of equity offering that you did earlier this year, and looking at that and pickup next year in the drip program and enhancements to that?

Tim Watson - AltaGas Ltd. *- EVP & CFO*

I think we're very happy with the balance sheet. We have made great strides this year. In particular we made a strong stride on the FFO to debt that will continue through the year end. We see that continuing to move up next year, as well. That's an important criteria. We have lots of liquidity; lots of flexibility – well below all of our covenants as I said earlier. The balance sheet is there to support the growth that we see in our business lines. We have some exciting projects which we're moving forward now with into 2017. We're capitalizing appropriately because at the end of the day we think these new projects, which as we bring them on, are going to be credit friendly; meaning that we are going to improve ratios as these projects are executed efficiently and bring cash flow.

Ben Pham – BMO Capital Markets - *Analyst*

Okay. A question on the gas segment, going back to North Pine and include the Deep Basin Project, is the additional volumes that you need for commerciality on the second train in Deep Basin is that contingent in any way on the LPG export project occurring, or are you thinking about producers moving the volumes east and then south?

Tim Watson - AltaGas Ltd. - *EVP & CFO*

I think North Pine, in North Pine Phase 1, will be on as we said at second quarter 2018. Dave emphasized earlier we can bring the second phase – the second train in North Pine on very quickly thereafter. Which means that might be slightly ahead or coincident with Ridley coming on. They are not directly related but clearly as we build further momentum with Ridley, producers can't help but notice these are for real.

David Harris - AltaGas Ltd. - *President & CEO*

They are certainly complementary.

Ben Pham – BMO Capital Markets - *Analyst*

Okay. My last question, switching to power and the commentary about the expected RFPs into next year, is that – what are we looking for here? It looks like the RFP process has been pushed out a little bit, is it resource plans that need to be filed by the utilities? Is it regulatory policy at the federal level, what should we be looking for?

John O'Brien - AltaGas Ltd. - *President AltaGas Services US*

It's John O'Brien again. I think that its state-by-state in many ways. If you took at, yes, it's resource planning, if you look at California and you look at both the interaction of the ISO and the PUC there with the IOUs and the POUs, it's looking forward to both how they meet their renewable / storage commitments that they are under. As well as, what gas needs will be in the future. And similarly, if you look at states like Arizona and in that West area where we do look to Dave's comment about transmission and where we sit. We sit in CAISO but also with transmission ability possible into WAPA so you are looking at both of those systems. You're looking at how the states are going about planning and the utilities are going about looking at their resource needs into the next years and into 2020 and beyond. It is a state-by-state review as to where resources are going to be needed and what reserves are going to be desired by both the PUC and the companies.

David Harris - AltaGas Ltd. - *President & CEO*

Great. Thanks for taking my questions.

Operator

The next question is from Patrick Kenny from National Bank Financial.

Patrick Kenny – National Bank Financial - *Analyst*

On Ferndale, did the weaker propane netbacks have an impact on volumes in the quarter? And if we can get an update on current volumes at the terminal, as well as any expansion opportunities you might be looking at either on site or nearby? Thanks.

Tim Watson - AltaGas Ltd. - *EVP & CFO*

I would say in terms of the volumes, the volumes were a positive. We had higher volumes going through Ferndale in Q3 versus Q3 last year. We will have materially higher volumes for the full year this year versus last year. To rephrase your question, yes the margins are squeezed in part of Q3 but the volumes were an offset to some extent.

David Harris - AltaGas Ltd. *- President & CEO*

Sorry Patrick, this is Dave Harris on expansion at the terminal. No different than any facility. We always look at opportunities based off of market conditions to see if you can turn around and get more out, and then recently by above the Alcoa Intalco position and the wharf is certainly signs of expansion.

Patrick Kenny – National Bank Financial *- Analyst*

Perfect, thanks David. Switching to California for the energy storage in the vicinity in place and the San Joaquin plants, maybe for John, can you talk about the potential scale of those projects? Obviously 20 MW is significant for Pomona but relatively small percentage of the capacity at your larger plants. Do you see the technology around battery storage advancing quickly enough to become meaningful for your larger plants?

John O'Brien - AltaGas Ltd. *- President AltaGas Services US*

I think first if you look at possible RFO's that are going to be out, I believe SCE in total is going to be looking for about 120 MW of storage in this next RFO. On the one hand, it's not of a magnitude of a 500 MW plant, in that regard, you are looking at smaller sizes, that is for sure. When we think about this, there is an opportunity to combine a conventional plant, a renewable for storage resource, for what – for instance publicly owned utilities are looking at. Public owned utilities are looking for something that they have renewable with a firming component that comes with gas. That could be storage with a firming component of gas. So it won't be of a big magnitude, the battery piece but it can be in combination with your plant to achieve a larger scale. I think what we do is we would look at, in particular our peaking facilities, like our Pomona facility, where you have the ability and the land to deal with 20 MWs or larger, while that's not a huge amount that is a way to optimize our peaking facility. As you look at our larger facilities in our larger opportunities you are looking, I think, at combinations. So that you show the innovation that the utilities are needing from a California policy standpoint. When you look at our larger facilities, it's almost – you're looking at something that is innovative and combined with your gas plant to provide that firming capacity.

Patrick Kenny – National Bank Financial – *Analyst*

That's great, John. That's all I had.

Operator

There are no further questions registered at this time. I would now like to turn the meeting back over to Mr. Nieukerk.

Jess Nieukerk - AltaGas Ltd. – *Senior Director Investor Relations*

Thank you, Mary. I would like to thank everyone for joining us today on our call. As always, Ashley and myself, we are available for any follow-up questions you have. Thank you.

Operator

Thank you. The conference has now ended; please disconnect your lines at this time thank you for your participation.