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PRESENTATION

Operator

Good morning, ladies and gentlemen. Thank you for standing by. Welcome to the AltaGas 2019 Outlook and Strategic Financial Review Conference Call. (Operator Instructions) As a reminder, this conference call is being broadcast live on the Internet and recorded.

I would now like to turn the conference call over to [Adam McKnight], Director of Investor Relations. Please go ahead, [Mr. McKnight].

Unidentified Company Representative

Thank you, Chris. Good morning, everyone, and thank you for joining us today for our 2019 outlook and strategic financial review conference call. Speaking on the call this morning will be Randy Crawford, President and Chief Executive Officer; and Tim Watson, Executive Vice President and Chief Financial Officer. And also joining us here on the call today are several other additional members of our executive team.

The prepared remarks on today's call will be followed by a question-and-answer period. And we'd also like to remind everyone that the Investor Relations team here at AltaGas will be available after the call for any follow-up questions that you might have. I'd like to point out that our presentation slides have been made available for today's webcast. So for those of you joining us on the phone lines, the slides are available on our Events and Presentations webpage and we encourage you to view them.

Before we begin, I'll remind everyone that we will refer to forward-looking information on today's call. This information is subject to certain risks and uncertainties as outlined in the forward-looking information disclosure on Slide 2 of the presentation and more fully within our public disclosure filings on both the SEDAR and EDGAR systems.

And with that, I'll now turn the call over to Randy Crawford.

Randall L. Crawford - AltaGas Ltd. - CEO & Director

Thank you, Adam, and good morning. It's my pleasure to welcome you to our 2019 financial operational outlook conference call. Today, we announced our 2019 capital plan and EBITDA guidance. The plan consist of $1.3 billion of capital investment that is primarily focused on organic growth projects in our midstream and U.S. Utility businesses. We also outline the various initiatives that we've taken to efficiently fund our capital program, while maintaining our investment-grade credit rating.

Before I dive into the details of this presentation, I'd like to thank David and the Board of Directors for the trust they have placed in me. It is a distinct honor to serve as your Chief Executive Officer. Thank you.

I come from the midstream and utility businesses at EQT Corporation, which for those of you who may not be familiar was an integrated energy company with an emphasis on natural gas production, gathering, transmission and distribution in the United States. While at EQT, I saw firsthand how a company with strategically located assets could transform itself to a focused organic growth strategy. Without question, I see the opportunity at AltaGas.

Our premier midstream and utility assets are located in some of the fastest-growing markets in North America. With a significant footprint in the Montney and the Marcellus/Utica and utility operations in 5 states, we have established a solid integrated platform that has the potential to deliver sustained value to our customers and our shareholders.

In order to effectively leverage the full value of these assets, we have some work to do to strengthen our balance sheet and ultimately, reset our financial position. This work is mission-critical. Over the past year, AltaGas has undergone significant transformation, and the team has been working diligently on (technical difficulty) these priorities and moving our organization to a position of strength.

We successfully completed $2.4 billion in asset sales, which includes a 35% interest in Northwest Hydro, with sale of some non-core midstream and power assets in the ACI IPO. Today, we are outlining the next steps of our balance funding plan, and the measures we have taken to continue to improve our financial strength and efficiently fund our organic growth initiatives.

We have eliminated the need for equity and reduced the cost of capital by suspending the premium dividend component of the PDRIP. We have reset our dividend payout to $0.96 annually, a reduction of 56%. And we are continuing to advance asset sales that we announced in October.

On that note, I'm pleased to announce that we have a definitive agreement for the sale of our remaining 55% interest in our Northwest Hydro facilities for $1.39 billion, an evaluation that is largely in line with what you saw back in June. We anticipate a closing date in Q1 2019.

And just a quick comment on asset sales. Monetizing strategically selected assets has been an effective lever for us and something we had great success executing. These sales align our businesses to assets that complement our innovative platform in midstream and U.S. utilities, help delever the balance sheet and provide an efficient source of capital to fund growth.

Our final step will be to execute an additional $1.5 billion to $2 billion of non-core asset sales to further delever, eliminate near-term equity requirements and position us to self fund future growth initiatives.

The need for capital discipline is imperative because the reality is the capital is precious. We need to put every dollar we spend to work to drive superior and timely returns. We do this -- when we do this, we will be well on the path to recapturing share value and executing on our long-term strategy of leveraging and enhancing the value of our midstream and utilities footprint.

I'll provide more color on our strategy later in the presentation. I'm now going to turn it over to Tim to walk you through the details of the plan and provide guidance on our 2019 financial outlook.

Timothy William Watson - AltaGas Ltd. - Executive VP & CFO

Thanks, Randy, and good morning, everyone. As Randy noted, we have world-class assets and a number of high-quality growth opportunities available to us. Our priority is to position ourselves to execute on these opportunities and earn a superior return in excess of our cost of capital. To do that, we must regain our financial strength and flexibility and optimize our cost of capital, which are 2 of the primary tenets of the balance funding plan we'll outline today.

We finalized our 2019 capital plan and have outlined a criteria set to ensure we're supporting high-quality and high-return projects. This will ultimately drive long-term per-share earnings and cash flow growth. We now have a clear view of our 2019 outlook, including our credit profile.

Today, I'm going to walk you through our balanced capital and funding plans, which are designed to delever and strengthen our balance sheet and fund our capital growth in the midstream and U.S. utilities businesses.

Turning to Slide 13 in the presentation. I'll begin with our new dividend policy, perhaps the most noteworthy development of today. We've conducted a comprehensive review of our dividend policy with the goal of optimizing our cost of capital, alleviating the need for external common equity aside from the DRIP and delevering the balance sheet. On December 12, the Board of Directors approved a reset of the annual dividend to $0.96 per share. This represents a 56% reduction from the current level of $2.19. On a monthly basis, this is $0.08 per share and it will become effective starting with the January 15, 2019 payment date.

The board supports a dividend payout that at the midpoint of our guidance range is less than 100% of net income and less than 50% of distributable cash flow as measured by UAFFO. UAFFO is an acronym referring to funds from operations adjusted for preferred share dividends, non-controlling interests, midstream and power maintenance capital and utility depreciation.

At our current share price, our cost of external funding is not an economic source of capital. So rather than forego our premier suite of opportunities, our best path forward is to retain a portion of our dividend to efficiently fund growth and strength our balance sheet, moving towards a self-sustaining funding model that eliminates equity market reliance and funding risk.

The new policy establishes a stable and sustainable payout under the updated asset mix and provide us with greater financial flexibility. This is not an easy decision for our board, but is necessary to ensure the stability and sustainability of the company and the capital program moving forward.

Now moving to Slide 14. The graph on the right illustrates the impact of our new dividend policy on retained cash flow for strengthening our balance sheet and funding growth. You'll see that there is a meaningful impact on our retained cash flow of approximately $1.3 billion through our planning period. Using these funds to further strengthen our balance sheet and fund our capital growth program increases our financial flexibility, drives per-share earnings and cash flow growth and helps to limit our share count. Over the longer term, this benefit increases due to the compounding effect from a lower share count. And as our excess cash flow per share continues to grow, we'll have greater flexibility.

Depending on the opportunities available to us, we can use any excess cash to fund growth, further delever or return it to shareholders through dividends. We're not going to provide dividend growth guidance beyond 2019 in today's call, but we would expect that over the long term, dividend growth will be in line with cash flow.

So to summarize, in the current market environment where equity investors are less willing to fund growth, we prioritize the best interests of the company and our shareholders over the longer term with a focus on total shareholder return versus just short-term yield.

Moving to Slide 15 in our balance sheet and credit profile. Let me start by saying that we value our investment-grade credit rating. A strong balance sheet and credit rating are fundamental to our strategy. It will give us greater financial flexibility and a stronger cost of capital, supporting growth going forward.

AltaGas' business risk profile has been strengthened this year with the regulated utilities becoming the largest business, the contracted midstream business being the second largest and power now the smallest. We have been working very closely with S&P as they complete their annual review and expect them to finalize this very soon.

We have designed our 2019 capital and funding plan to maintain an investment-grade credit rating, and we're confident that our plan will accomplish that goal. We've also been in dialogue with DBRS and Fitch.

As illustrated, we expect our FFO to debt ratio to move comfortably into the 13% to 15% range through our planning period, as we complete the remaining asset sales. Our credit profile is expected to improve significantly through 2023, as we continue to execute our growth capital program and new projects enter service.

Although not shown on this page, I will also point out that we see debt-to-EBITDA in the 5.0% to 5.5% range, starting at the higher end in 2019 and improving over the planning period. The debt-to-capitalization ratio is forecast to be in the very low 50% range starting in 2019, which is well below our 65% to 70% covenant levels.

We've already made significant progress on our asset sale strategy and funding plan to date. Including the pending sale of the additional 55% in Northwest Hydro, we successfully monetized approximately $3.8 billion in non-core assets, all of which has occurred once -- or since the WGL transaction closed in July. So we're highly confident we can execute on the remaining asset sales in a timely fashion and we have next steps already underway.

The asset sale program is a key component of our deleveraging and funding strategy in the near term. It provides an efficient source of capital and can be used to pay down debt or invest in growth projects that meet or exceed our return requirements. Asset sales are also helping us to reshape our portfolio and prioritize our core focus areas.

We've made numerous announcements regarding asset sales. So for clarity, I'll spend a minute on this slide reviewing where we currently sit. Altogether, we've announced 3 separate phases of asset sales. The first phase, as you recall, was announced in late spring, has been largely completed and it raised approximately $2.4 billion, as Randy said. This exceeded our initial expectations and guidance of up to $2 billion. This first phase included the initial 35% interest in Northwest Hydro, the non-core gas and power assets and the IPO of AltaGas Canada Inc.

The second phase, which we announced with our third quarter disclosure in late October, is now well in hand, with the agreement announced today to sell the remaining 55% indirect equity interest in Northwest Hydro for $1.39 billion, with expected closing by the end of January 2019. So as I mentioned, we have already raised $3.8 billion in proceeds in phases 1 and 2.

Finally, today, we announced a third phase of approximately $1.5 billion to $2.0 billion in incremental non-core asset sales that we expect to execute in 2019. As you know, we're not able to give any specifics around these assets at this time, but we will provide updates as we progress over the next several quarters.

All in all, when you add all 3 of these asset sale phases together, we expect to raise between approximately $5.3 billion and $5.8 billion in total proceeds before the end of 2019. The majority of proceeds will be used to pay down debt as part of our accelerated deleveraging strategy and as an efficient source of funding for attractive growth capital projects.

This brings me to Slide 17, and the strengthening of our balance sheet. By the end of 2019, we will have raised significantly more than enough funds to pay down the bridge facility with up to $2 billion in excess funds, which can be redeployed to debt or growth. Recall that there is approximately $1.2 billion that currently remains on the original bridge facility used to fund a portion of the WGL transaction.

Not withstanding that the bridge facility does not mature until January 2020, we are targeting to refinance the remaining USD 1.2 billion with a new revolving credit facility by year-end 2018. This provides enhanced financial flexibility overall, lowers costs and speaks to the very strong support that exists for the AltaGas name.

When the 55% sale of Northwest Hydro closes in Q1 2019, the proceeds will be used to reduce debt further. And exiting 2019, we expect a material improvement in our balance sheet with up to $3 billion of debt being repaid. Key credit metrics strengthen significantly in 2019 and then improve further into 2020 and through the medium-term planning period. The growing liquidity and financial strength that you can see in this chart provides us with further confidence to execute on our business funding strategy.

Moving to Slide 18. We have a rich and diverse platform of organic growth opportunities. So capital discipline will be instrumental in creating value. We've identified $1.3 billion of only the highest quality capital projects that we plan to allocate capital to in 2019. The total opportunity set was much greater than this. However, we sharpened our pencil and are only funding projects that fit within our strategy and provide ongoing organic growth potential, favorable risk profiles, the strongest risk-adjusted returns with immediate payback. This is a prudent approach to deploying capital as we continue to focus on strengthening our balance sheet without impacting longer-term value.

As outlined in the chart on the left, almost 90% of our capital -- of our project capital will be spent within the Utility business and the Northeast B.C. gas midstream business, where we see the greatest opportunities. There is also $112 million allocated to the completion of the Mountain Valley Pipeline in 2019, and there are certain protections in place to limit the capital that AltaGas is exposed to on this project. We also note that the Power segment remains on a capital-light strategy.

Moving on to Slide 19, and our sources and uses of cash in 2019. This is where our funding plan, our strategy for strengthening our balance sheet and our capital growth opportunities all come together. We have a total capital plan for 2019 of approximately $4.9 billion. This includes the $1.3 billion in capital projects, I discussed earlier, along with just over $800 million in debt maturities across the enterprise, including subsidiaries, for total funding requirements before any deleveraging of $2.1 billion.

As you can see from the breakdown of the sources of capital, just the bar on the right on this chart, after the dividend reset, we expect to retain approximately $680 million in cash flow, net of preferred and common dividends. This is also inclusive of the DRIP. We expect WGL utility to access the debt markets for Canadian equivalent $300 million to finance capital and debt maturities at the utility level. The sale of the remaining interest in Northwest Hydro will bring in funding just under $1.4 billion at a very attractive sale price. And finally, the remaining phase 3 asset sales are expected to generate additional funding of $1.5 billion to $2.0 billion. That completes the sources of funding.

So when you add it all up, after funding our $1.3 billion capital program, we expect to pay down up to $3 billion in debt, as I mentioned earlier. We will pay down $560 million of existing debt maturities, which is net of this CAD 300 million being financed at WGL, plus an additional amount of over $2.1 billion. This is before any hybrids or preferred share issuances or any new term debt MTN issuances by AltaGas, which we will consider on an opportunistic basis consistent with how we thought those in the past.

Now to repeat what I mentioned at the start, our 2019 funding -- capital funding plan makes great strides in deleveraging and stabilizing the balance sheet through a combination of asset sales, a prudent and disciplined approach to capital allocation and a repositioning of our dividend. Importantly, this will eliminate any need for near-term common equity outside of the DRIP.

So let me shift gears now and talk a little bit about the financial outlook for 2019, and on Slide 21. Most here is our diverse secured and capital rich platform of secured organic growth opportunities. Before jumping into the numbers, it's worth looking at the capital program and focusing on when capital comes into service because that's what is driving our outlook. A big driver of year-over-year EBITDA growth will be new capital and assets being placed into service in both 2018 and 2019, including attractive projects like, for example, Central Penn. If we focus on the left-hand side of the slide, you can see that just over $2 billion of capital spent over the past couple of years supported new growth projects, which come into services beginning in 2019. Of course, we will also generate EBITDA growth from existing assets as we optimize the business.

Another key point is that our priority capital projects have attractive investment multiples with midstream projects targeted at approximately 7 to 9x investment multiple of EBITDA, and utilities projects at approximately 9 to 11x given their lower risk regulated profiles.

Looking at the table on the slide, which is the right-hand side, 2019 is expected to be another big year for project completions, with several major projects scheduled to come into service. These include the Ridley Island Propane Export Terminal with the first ship arriving in early Q2, Northeast British Columbia integrated gas infrastructure at Townsend and Aitken and the regulated Marquette Connector Pipeline in Michigan.

Mountain Valley Pipeline is expected to be completed at the end of 2019, and it should be noted again, as I said before, that our portion of the capital spend is fixed at USD 350 million for our 10% ownership interest. So we're not impacted by the recent cost increase. Approximately 2/3 of the capital spent at our utilities in 2019 will focus on customer additions and accelerated replacement programs, both of which generate immediate returns.

Now moving on to our 2019 outlook and segmented EBITDA on Slide 22. This slide summarizes our consolidated outlook for 2019, segmented by each of our reporting segments. There are a lot of numbers on the slide, so please permit me a minute to explain how we have laid things out.

The chart on the left illustrates our consolidated normalized EBITDA guidance range of $1.2 billion to $1.3 billion. This range is net of the asset sales anticipated to close in 2019, which includes the remaining 55% interest in Northwest Hydro. A Canadian/U.S. FX rate of 1.32 has been assumed for this estimate. And again, as a reminder, for every 0.05 change in the Canadian to U.S dollar exchange rate, there is a corresponding CAD 35 million impact on 2019 EBITDA, which represents less than 3% of our expected total EBITDA.

In the table on the right, you'll see our EBITDA guidance by segment along with the key drivers for year-over-year performance. Please note that the segmented guidance ranges in this table are before the impact of 2019 asset sales with the exception of Power where the announced sale of Northwest Hydro is reflected.

Towards the bottom of the table, we've provided a separate line item outlining a range of $50 million to $100 million for impacts associated with the outstanding 2019 asset sales, excluding Northwest Hydro on 2019 EBITDA.

Within each segment, the performance of the underlying businesses has potential to vary. However, in most cases, we would expect this variability to be modest given the stability and predictability of our businesses. The main drivers for each segment are highlighted in the far right column on the slide.

In the Utility segment, a full year of WGL will be the largest contributor to growth along with new capital and rate base growth. Growth in the midstream segment will largely be driven by new assets coming into service. Primary one will be RIPET, beginning early Q2 with the first scheduled ship, recent agreements with Kelt, Black Swan and other producers will see increased use of our integrated infrastructure in Northeast B.C., including North Pine. 2019 will be the first full year for Central Penn Pipeline, and also our full year from Stonewall gathering system.

Power will be impacted by the non-core power sales of 2018 as well as the remaining 55% interest in Northwest Hydro being sold. However, as a partial offset to this, 2019 will see a full year of contribution from WGL's existing contracted renewable power business as well as of the power marketing business. So altogether, with a full year of WGL on the books, along with some significant projects coming into service this year and next, 2019 is shaping up to be a strong year for the business.

Slide 23, the final slide shows a walk down of our EBITDA guidance to FFO, AFFO and AUFFO (sic) [UAFFO]. I won't go through all the numbers, but as you can see, we expect our year-over-year EBITDA growth to translate directly into cash flow growth. Starting with the $1.2 billion to $1.3 billion guidance for 2019 EBITDA, this works down to guidance of $850 million to $950 million for funds from operations. From there, adjusted funds from operations is expected to be approximately $750 million to $850 million. And finally, after deducting utility depreciation, this results in UAFFO of approximately $500 million to $600 million.

As you can see in the table on the right-hand side of the slide, we've shown the maintenance capital by segments. Our team can take you through the details of the slide further after the call.

That concludes my remarks, and I'll turn the call back over to Randy.

Randall L. Crawford - AltaGas Ltd. - CEO & Director

Thank you, Tim, for your very thorough review. I am confident that the plan we've outlined today will put us in a much stronger position from which we can effectively grow and deliver our strategy.

AltaGas has a unique value proposition. Our long-term strategy, simply put, is to drive operational excellence and achieve superior returns on invested capital in our midstream business and maximize the return across our utilities. To accomplish this, we will leverage and enhance the strength of our asset footprint and provide our customers with premier integrated solutions, including global access.

As it relates to our midstream business, we have premier assets in 2 prolific North American basins. We have committed approximately $2 billion that will be placed into service in 2019 to expand our existing asset base and enhance our integrated midstream offering in both the Montney and Marcellus/Utica.

The cornerstone of our strategy in the Montney is our RIPET propane export facility, the first propane export terminal on Canada's West Coast. It provides access to new global demand markets, creates leverage of our existing gathering, processing and fractionation assets, provides higher netbacks and market optionality for our producers and positions us to profitably expand and grow our midstream business in Northeast B.C.

RIPET will enable us to fill our existing plants, improve overall returns and position us for low-cost expansion. This is evidenced by our recent announcements of the Townsend expansion with Kelt and the Aitken Creek development with Black Swan. Both deals put us in a great position to expand our north plant fractionator. We expect to ship 1.2 million tons per year of propane to Asia or the equivalent of 40,000 barrels per day, all of which we expect to be fully contracted before the anticipated in-service date in early Q2 2019.

Given the success we have seen securing initial capacity at RIPET, we are well positioned to increase the facility's overall capacity and believe the increase can be achieved with minimal capital investment, significantly enhancing the total cash flow and returns from the project.

Looking to the U.S., gas production in the Marcellus/Utica is growing. We have some valuable pipeline investments that are well positioned to capitalize on this basin's enormous growth potential. The challenge for us is that these investments, while valuable, are fragmented. We will not be operator and each pipeline has different partners, which limits our ability to replicate the strategy we have in the Montney. My intention here is to consolidate these assets and invest in pipelines that are best positioned for maximum growth and complements the enormous footprint of our WGL asset.

Moving on to U.S. utilities. Our Utility segment is an integral part of our business as it balances our portfolio with regulated low-risk cash flows. We have a great footprint here, serving approximately 1.6 million customers in 5 states, all with constructive regulatory relationships.

In each jurisdiction, we see increased construction activities to connect new customers, improve the system and replace aging infrastructure. The challenge here is that we are not earning our allowed return on the invested rate base in some of our utility jurisdictions. The good news is the capital is already invested. Recent favorable decisions on our Maryland base rate and strike cases will begin to help us narrow the shortfall. However, we still have some work to do.

In my experience, the best way to position yourself to maximize your returns is by strengthening our operational excellence, improving the customer experience and achieving more timely recovery of invested capital. A great example of putting these 3 principles into play is happening as we speak at SEMCO, our Michigan utility, through the Marquette Connector Pipeline project. With this project, we are putting approximately $187 million of capital to work next year to improve system reliability and connect new customers. The pipeline is anticipated to be placed in service by year-end 2019, with rate recovery beginning February 2020. This is the type of timely recovery of capital I expect across all of our utility jurisdictions.

In summary, I believe that AltaGas has a unique value proposition. Our premier midstream utility assets are located in some of the fastest-growing markets in North America. We have a midstream strategy anchored by RIPET, that distinguishes AltaGas. It leverages our existing processing of fractionation assets and positions us to capitalize on future organic growth projects.

Our utility strategy, which is anchored by 1.6 million customers in 5 states, provides stable, growing low-risk cash flows and significant opportunities to improve EBITDA to higher returns and attractive capital investments.

In order to capitalize on the significant growth these 2 very attractive businesses provide us, we had to make some hard choices. As such, we took steps to delever the balance sheet. That included the resetting of the dividend payout, the completion of $3.8 billion of asset sales and the commitment to sell another $1.5 billion to $2 billion of non-core assets. Collectively, these initiatives will stabilize our balance sheet and position AltaGas to exploit the numerous growth opportunities available to us.

In closing, our commitment is to ensure capital discipline and a keen focus on delivering timely and superior returns, that not only meet our stakeholders' expectations, but exceed them. I'm very optimistic and excited to lead the next chapter in AltaGas' growth story. I also know that our 3,000 strong team at AltaGas shares the same excitement.

I wish to thank all of our people for their tremendous efforts and commitment to our business. I look forward to working with all of them to advance our strategy and deliver sustainable growth for our company for years to come. Thank you.

Unidentified Company Representative

We now like to turn the call back over to the operator to facilitate the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Robert Kwan of RBC Capital Markets.

Robert Michael Kwan - RBC Capital Markets, LLC, Research Division - Analyst

In coming up with this plan, clearly, you've had to make tough decisions balancing cash flow, value preservation and the strategic nature of the assets that you're going to choose to monetize. So just wondering, generally, can you talk about how you've prioritized those items and, specifically, what was the hardest decision you had to make in coming up with a plan?

Randall L. Crawford - AltaGas Ltd. - CEO & Director

Thank you for the question. As we looked at the -- our future and the growth opportunities that we have, we obviously made some difficult decisions. Obviously, we're excited about the growth opportunities in the utility and the midstream, and the dividend cut, we wanted to make sure to ensure that we had ample capital to capitalize on an opportunity. And so as we look forward, we wanted to make sure that we had the capital to balance that dividend policy and our growth opportunities. Obviously, with respect to the asset sales, the delevering of the balance sheet is part of that process. But going forward, the importance of the asset sales as well on the non-core side is really to focus our business and to execute on the future growth that we have and the great opportunities in the utility and the midstream business.

Robert Michael Kwan - RBC Capital Markets, LLC, Research Division - Analyst

Okay. And I guess, just continuing then on the asset sale side, the stepped-up program is still a pretty decent size. Are you -- I know you don't want to get in probably to specifics. But are you able to rule out certain assets or given the focus on Western Canadian midstream and U.S. utilities, is it fair to say that you're not going to address anything there? That's kind of the first part. The second is, the $50 million to $100 million of lost EBITDA, is that run rate or is that assuming a partial year? Are you planning on selling minority interest? I'm just wondering that number seems small relative to the $1.5 billion to $2 billion.

Randall L. Crawford - AltaGas Ltd. - CEO & Director

I'll let Tim address the second half of that. And the first part of your question, Robert, is that we haven't made decisions particularly as to what assets. I've been here 3 days. And so we're evaluating each particular asset that goes forward. But I think you can tell by the way we're deploying the capital, what is core to us and where we see the growth opportunities to create shareholder value. But obviously, we're going to look at all of the assets and the returns and make the decisions as we go forward. Tim, do you want to address the second half?

Timothy William Watson - AltaGas Ltd. - Executive VP & CFO

Sure, Robert. So first just to answer the question, that is a partial year for 2019. And as I said, we had some things already planned and underway here, but the reality is that those asset sales would -- that remaining portion of those asset sales would occur as we get into the middle of 2019, likelihood and close them. And so that's a partial year impact estimated at $50 million to $100 million.

Robert Michael Kwan - RBC Capital Markets, LLC, Research Division - Analyst

Got it. And that's already baked into the FFO guidance as well?

Timothy William Watson - AltaGas Ltd. - Executive VP & CFO

Yes.

Robert Michael Kwan - RBC Capital Markets, LLC, Research Division - Analyst

Okay. Maybe to finish, Randy, given your background in the Marcellus and Utica, just your strategy for growing and specifically, you talked about consolidating the equity interest, is that trying to actually buy in the ones that you've got or is that just as you go forward using -- whether it's using WGL's LDC demand pull or just general investment to want to own controlling positions in assets as we go forward?

Randall L. Crawford - AltaGas Ltd. - CEO & Director

Right. We do have -- I do have some familiarity with the Marcellus and Utica growth. That's been a bit of my background. As I look at our assets, as I mentioned in my prepared remarks, this pipeline assets are very valuable and they're very premier assets to have high potential for growth. From my perspective, though, having 3 or 4 investments that you own a percentage in is really not strategic, right? And then, therefore, what we want to do is evaluate each one of those investments to determine for us, which one has the economies of scale, the most significant upside and then we would like to be able to consolidate into that particular investment as we make that decision. And really, I think it's complementary to our large demand position with WGL. So ultimately, we think we're well positioned to build the midstream business going forward, but obviously, we want to look at something that is a bit more strategic going forward, and we'll do that over the next few months.

Robert Michael Kwan - RBC Capital Markets, LLC, Research Division - Analyst

So do those assets go one of two ways in your mind, either you look to consolidate to a majority position or you accept the position?

Randall L. Crawford - AltaGas Ltd. - CEO & Director

We haven't made that decision right now. I think, we're going to look at each one of those investments and determine which one has the potential for growth. And with respect to our significant demand market at WGL, we may look to consolidate those positions and get larger in one. But I haven't made that decision at this point. We'll have to look at each one of those and make a determination going forward.

Operator

Your next question comes from Robert Catellier of CIBC Capital Markets.

Robert Catellier - CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research

I just wanted a little more clarity on the dividend, specifically how you picked the specific level? And we know what the payout ratios are that fall out of that from the guidance. But curious as to why not suspend the DRIP entirely alternatively. What do you have to achieve to be able to suspend the DRIP?

Randall L. Crawford - AltaGas Ltd. - CEO & Director

Tim, I'll let you address the specifics on the DRIP.

Timothy William Watson - AltaGas Ltd. - Executive VP & CFO

I mean -- I think we've had the DRIP in place for well over a decade. And what is more recent, of course, is the turning off of the premium DRIP component. The DRIP itself has various ways to adjust it up and down. And so we can -- you can adjust the dividend, eliminate, not the dividend, the discount on the DRIP, for example. So there is ways to modulate that DRIP itself. And I think, to the broader question, I think, first and foremost, we're looking at a self-funding financial plan here that's balanced, that eliminates the need for near-term equity and yet supports the growth -- the exciting growth that we have in the business. So we viewed it as a way to retain cash flow, as we said, up to $1.3 billion over the next 4 or 5 years, provide very efficient source of capital, gives us that financial flexibility that we talked about several times and has a very meaningful impact on the credit profile. So we view it as being able to achieve a number of different key objectives here.

Randall L. Crawford - AltaGas Ltd. - CEO & Director

And I'll just add, Robert, that, obviously, with respect to dividend policy, we need to balance that policy with the growth opportunities. The key being the sustainability of that dividend, which I'm confident in, and the ability to grow it going forward. But particularly, we see significant opportunities to create shareholder value going forward with the capital investments, and we needed to balance both, the dividend policy and the growth opportunities. And I think we've reached a good balance.

Robert Catellier - CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research

Okay. And then what needs to happen to complete the credit facility to pay down the remainder of the bridge? I mean, I think, Tim, you said, by the end of the year. So that's obviously imminent. Is it contingent on specific rating agency outcome or is there something else involved there?

Timothy William Watson - AltaGas Ltd. - Executive VP & CFO

No. I mean, we've been keeping the banks fully priced here, and we expect that to wrap up very imminently. So as you know, the year is coming to a close quite quickly. And so we've been working on this for a while, and we're in great shape.

Robert Catellier - CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research

And finally, just on the sale of Northwest Hydro, what are the key contingencies there to be able to effect that sale? And specifically, I'm curious to know if you've received consent from the Tahltan.

Randall L. Crawford - AltaGas Ltd. - CEO & Director

Yes. On the latter point, yes. I think we're in pretty good shape...

THOMSON REUTERS

Timothy William Watson - AltaGas Ltd. - Executive VP & CFO

Yes, we're in very good shape. We most certainly got the -- we do have the consent of the Tahltan in hand. And of course, there is -- near similar to the first phase, we'll secure the B.C. Hydro approval, and we also have steps on our way for Competition Act, which is a formality, but it's something we have to go through, and it will be a quick process. And as I said, by the end of January, we would expect to have the deal actually closed. Of course, we announced an agreed-upon transaction today with a closing by the end of January.

Operator

Your next question comes from Linda Ezergailis of TD Securities.

Linda Ezergailis - TD Securities Equity Research - Research Analyst

I just want to get some more clarification on the comment that Tim made regarding the self-funding model. Are you referring to next year or through 2023? And can you help us understand from a capital allocation perspective going forward, how you'll screen new opportunities and how important staying within credit metrics and being self-funding are as criteria in terms of your capacity?

Randall L. Crawford - AltaGas Ltd. - CEO & Director

Sure. I'll -- I have to take that, Linda. This is Randy. Clearly, our investment-grade position is important in delevering the balance sheet. Going forward, right, I can see where we could be self-funded. Obviously, we see opportunities that are going to generate very high returns and we're focused in our 2 areas of our midstream and our utility going forward. And we'll make those decisions based on the fact of -- of the projects that come forward. But clearly, with every investment opportunity, we're looking to expand our footprint, increase our optionality of our assets. And that really, in my experience, is what makes you distinctive going forward. And so here, we have a couple of projects, the Marquette Connector and MVP that are onetime, and those will drop off. And so as I look out into 2020 and a growing EBITDA, I'm confident that we can fund additional growth going forward as well as our dividend with the internal cash flows going forward.

Linda Ezergailis - TD Securities Equity Research - Research Analyst

Okay. And maybe just also to clarify an earlier comment about on the U.S. midstream side, either consolidating or potentially exiting still haven't decided. You have a minority interest in ACI. How do you think about the merits of holding on to that versus exiting, given it's kind of a less core region and not a majority?

Randall L. Crawford - AltaGas Ltd. - CEO & Director

Sure. I mean, we're going to look at all of our assets. Obviously, we have some restrictions with respect to the IPO, and that's an excellent business and we like that business. But we have not made any decisions going forward, in particular, with respect to ACI or any of the assets. And as I said, I'm early in my tenure and I'm evaluating each and every one of those assets and -- as we go forward what are core and provide future growth for the company.

Linda Ezergailis - TD Securities Equity Research - Research Analyst

All right. And just one final question. I feel like very early days for you. But I'm wondering if any opportunities for efficiencies have jumped out at you or if that's clearly not in the cards, or is that still something that you're going to put some thought to?

Randall L. Crawford - AltaGas Ltd. - CEO & Director

Well, obviously, we're running a company and looking at the ability to continue to drive operational excellence. Embedded in that is efficiencies and effectiveness of our capital deployment. And so, sure, early on I'm looking at this, we'll look at all metrics and we'll continue to run our business effectively and efficiently and will look across all of our costs going forward. And certainly, there will be opportunities as we proceed.

Operator

Your next question comes from Patrick Kenny of National Bank Financial.

Patrick Kenny - National Bank Financial, Inc., Research Division - Research Analyst

As you guys pointed out, the $1.5 billion to $2 billion of asset sales next year are a key component of the plan. So just given credit markets, clearly, they have been a bit shaky of late. Wondering if there is a plan B if, for whatever reason, 2019 isn't a great year for selling assets or what other leverage you might have to shore up the balance sheet?

Randall L. Crawford - AltaGas Ltd. - CEO & Director

Sure. Obviously, I'm very confident. We've had a great track record of monetizing and selling assets. And we understand the message from the market as well that from a cost of capital standpoint, that's our first lever. And I'm confident we're going to be able to execute on that on a going forward basis. So we're always looking at a variety of options. We have plenty of levers. But from the CEO's perspective, I'm confident we can execute on this plan.

Patrick Kenny - National Bank Financial, Inc., Research Division - Research Analyst

And then just back to your comments on the importance of the investment-grade credit rating. Just want to confirm if you expect this plan to maintain a BBB flat rating or would you be okay with a one notch downgrade at year-end here to BBB minus?

Randall L. Crawford - AltaGas Ltd. - CEO & Director

Well, I'll stress the importance of how we view the investment grading. And we put a plan together that we believe supports an investment-grade rating. And we obviously are not the rating agency, but we believe that we'll be able to maintain that rating. Tim, do you have any specifics?

Timothy William Watson - AltaGas Ltd. - Executive VP & CFO

Yes, I mean, I think the key point is that, to be very clear, we very much -- we view our plan as clearly maintaining investment-grade credit rating. And I think we're focused on things like certain of the key credit metrics and you'd have seen that in a couple of slides, the typical measures you see such as FFO to debt and how that metric changes over time. And so we're focused on running our business and having metrics like that directionally trending in a way that we've shown at and improving over time here. And we believe that we'll maintain the investment-grade credit rating. We can't go further than that. As Randy said, that's ultimately the agencies themselves who put forth that view.

Patrick Kenny - National Bank Financial, Inc., Research Division - Research Analyst

And then last question, if I could. I know this is not an ACI call, but given your ownership and influence there, any comment on ACI's intention to hold onto its 10% interest in Northwest Hydro? Or would you be supportive of ACI also monetizing that 10% at today's valuation?

Randall L. Crawford - AltaGas Ltd. - CEO & Director

Yes. Well, with respect to your question of do we have a comment, no. That's not our call.

Operator

Your next question comes from Ben Pham of BMO.

Benjamin Pham - BMO Capital Markets Equity Research - Analyst

I was wondering that have you -- do you know the extent of what your -- if you were to go down a BBB low one notch, how your cost of debt and prefs would change in that scenario?

Randall L. Crawford - AltaGas Ltd. - CEO & Director

Yes. I think we've got a general sense just through the typical feedback we would get from our various banking group members. But I don't -- I can't give you the specifics on that. I think, in general, that we would still continue to maintain strong market access at very competitive costs of funding. And really that is one of the paramount focuses for us. As we said before, maintaining a competitive cost of capital to help us fund our exciting growth platform.

Benjamin Pham - BMO Capital Markets Equity Research - Analyst

Okay. And I know you uploaded that outlook, I wanted to clarify that calculation of 15%. Is that aligned with how the agencies look at it? Does it include the prefs in there? And then is there, should we say, if we do sell $1.5 billion to $2 billion assets, it sounds like I'm hearing that there is likely no equity need beyond the DRIP through 2023?

Timothy William Watson - AltaGas Ltd. - Executive VP & CFO

Yes. Well, look, that's our plan for 2019 going forward with the asset sales, improving the balance sheet, growing our EBITDA. As we grow our EBITDA and generate the internal cash flows, we're confident we can continue to execute, obviously, on our growth initiatives and continue to drive value. And that's for this year. And certainly, that's the intention going forward. Obviously, as projects come in and we look...

(technical difficulty)

Timothy William Watson - AltaGas Ltd. - Executive VP & CFO

Ben, on your first question, first of all, the question just to the metric FFO to debt, is it consistent with S&P? And how they do it? Yes, it is.

Benjamin Pham - BMO Capital Markets Equity Research - Analyst

Okay. And then can I clean up on some of the asset sales that you mostly tackled the assets that are operating, spending cash flows, you get the most value from that. But are you also considering assets under construction here where you might not get the PV value, but you won't lose the full EBITDA impact in '19?

Randall L. Crawford - AltaGas Ltd. - CEO & Director

Well, obviously we're looking at all of our assets going forward and those that make sense, that are non-core as well. So obviously, I really don't want to comment any further really in terms of which assets that we're looking and might monetize. I think you can tell by our overall comments and where we're putting our capital, and where we feel those assets that are core and generate the most value for our -- all of our stakeholders.

Operator

Your next question comes from Elias Foscolos of Industrial Alliance.

Elias A. Foscolos - Industrial Alliance Securities Inc., Research Division - Equity Research Analyst

I have a couple of questions to ask. The first one sort of being the asset sales for phase 3. We've been guided to $1.5 billion to $2 billion. But I'm curious are you really targeting towards the upper end of the range? Because as we look at the funds flow table, I think that has $1.9 billion. So comment on that, please.

Randall L. Crawford - AltaGas Ltd. - CEO & Director

Sure. I mean, look, we -- I think that we are targeting in that range, obviously. That's why we provided the range. And we feel confident that we can get within that. The charts that were presented in the presentation certainly, I think, look at a slightly higher, right, within that range on the higher end. But obviously, we think we can maintain our investment grade in our metrics if we -- when we execute within that range.

Elias A. Foscolos - Industrial Alliance Securities Inc., Research Division - Equity Research Analyst

Okay. Thanks very much for that color. Moving to project capital of approximately $1.2 billion to about $1.3 billion. Is that -- that is inclusive of utilities maintenance CapEx, correct?

Timothy William Watson - AltaGas Ltd. - Executive VP & CFO

Yes. That's correct.

Elias A. Foscolos - Industrial Alliance Securities Inc., Research Division - Equity Research Analyst

And would it be fair to follow up to say that the utilities maintenance CapEx would be pretty much mirroring the utilities depreciation?

Randall L. Crawford - AltaGas Ltd. - CEO & Director

Yes. I would say that, that's -- I can't tell you that that's exactly right as I've got to dig into that, but in general -- that generally is the case. But obviously, we have accelerated rate treatment that recovers the replacement of infrastructure going forward. But...

Elias A. Foscolos - Industrial Alliance Securities Inc., Research Division - Equity Research Analyst

Right. And we would view that as above that certain amount. I think I understand that.

Randall L. Crawford - AltaGas Ltd. - CEO & Director

Yes.

Elias A. Foscolos - Industrial Alliance Securities Inc., Research Division - Equity Research Analyst

One last question, then. Looking forward to the, I would call, that external funding plans for 2019, we have prefs as a possibility or hybrid. Wondering how you're thinking about the allocation or how you might think of recommending between the allocation of those 2? I mean, to me, the hybrid for the most part being term debt versus pref is the way I'm thinking about it.

Randall L. Crawford - AltaGas Ltd. - CEO & Director

Tim, how are you planning on that?

Timothy William Watson - AltaGas Ltd. - Executive VP & CFO

I mean I think there is -- we'll go several ways. But I think you focus on those respective markets, the capacity and the interest and -- as well as obviously the rates that you can issue at. But -- so I think you can look at any number of issues in the pref share market this year in this quarter in terms of the typical deal sizes and what's available and similarly, on the hybrids. I mean the hybrids, I would point out, is a hybrid. So by definition, the rating agencies do give you a blended treatment of debt and equity. So there are some positive impacts with both those products in terms of how they impact the balance sheet and help ensure that we've got a balanced funding strategy that incorporates the debt component and the equity component within those securities. So I think we can go either way with those and -- in Canadian dollars or U.S. dollars.

Elias A. Foscolos - Industrial Alliance Securities Inc., Research Division - Equity Research Analyst

So to sum it up, you'll be looking at the markets, be opportunistic and see -- is probably one of the last moving pieces and see how the asset sales go with that fall through?

Timothy William Watson - AltaGas Ltd. - Executive VP & CFO

Yes. I mean, the assets sale are of front center for us. I mean, clearly, they have been for a few months here as you've seen as we've executed. And as I mentioned earlier, we've got additional ones actually being planned in the works. And moreover, we get lots of unsolicited interest too, I should point out, in terms of things. So I think that's the foremost priority here. And we talked about the banks funding as well and the support there. And we have that flexibility under our U.S. dollar debt shelf, which includes hybrids to access our market at any point over the next couple of years, as we do with the Canadian market as well under our Canadian shelf.

Operator

Your last question comes from Robert Catellier of CIBC Capital Markets.

Robert Catellier - CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research

Sure. I just had 2 quick follow-ups. One to Linda's question about how you achieve that operating excellence? And from what I gathered in the comments, most will focus on enhancing return really has to do with high grading the capital investment as well as focusing on projects that have a quick recovery of capital. But is there anything on the operating side that comes to mind in terms of how you might enhance returns?

Randall L. Crawford - AltaGas Ltd. - CEO & Director

Sure. Probably we need to, as I've said, core end of our business is operational excellence, right, and that is being efficient and effective with capital deployment as well as operating our assets at a very high level. And so, clearly, if you take, for example, the utility segment, as we deploy additional capital, improve the infrastructure going forward, right, that should drive down operating cost, reduce trips, right, reduce activities, improve -- reduce the outstanding lead balance. And so we'll continue to focus at that. We'll put a significant focus on looking at overhead in all of our cost structures across all of our business. That's just good business. And so we'll definitely -- that's under the definition of operational excellence. And we will look at all aspects of that, Rob.

Robert Catellier - CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research

Okay. And my last question on RIPET. Clearly, this is turning out to be a good project, and you alluded to the ability to increase capacity on a capital-efficient basis. Can you maybe elaborate on that? And it does seem like it could be pretty high returning. So what are the hurdles in terms of making that decision and how much capital might be involved?

Randall L. Crawford - AltaGas Ltd. - CEO & Director

When you expand an asset such as RIPET going forward, once we put it online, it's very -- that will certainly increase returns and it's a minimal amount of capital. I don't have the exact number with us, but it's small. Really, when you talk about RIPET, and I'm very excited about that, I'm actually glad you asked that question because when you look at our first-mover advantage right on the West Coast to Canada, it's the shortest travel time, we have a significant cost advantage and it's very attractive for us and our midstream company having that competitive advantage. It's hard to replicate, right? So as we look forward, it's the highest value propane market in Canada. And we'll use it to expand our midstream business. And when I look at this from a macro perspective, we're really opening up significant production and that's strategic for us. And it translates back through the value chain and fills up all of our facilities and opens up the basin (inaudible) for more production. And so we're seeing robust demand and certainly with our producers as well. So increasing netback, opening up the basin and really increasing returns across all of our assets. So it is quite exciting. And we'll have more as the months ahead of the opportunities to continue to expand, we'll just need to get into service here.

Operator

This concludes the Q&A portion of today's call. I will now turn the call back to [Mr. McKnight].

Unidentified Company Representative

Okay. Thanks, Chris. We've covered a lot of material here this morning. So just as a reminder, the Investor Relations team will be available after the call for any follow-up questions that you might have. I'd also like to thank everyone, once again, for joining us this morning and for your interest in AltaGas. That concludes our call this morning, and have a great day.

Operator

Ladies and gentlemen, this concludes the conference call for today. Thank you for participating. Please disconnect your lines.