AltaGas

March 23, 2021

Dear Fellow Shareholders:

The past year was one like we have not seen and included great disruptions across every part of the globe. Despite these challenges, AltaGas persevered and delivered robust financial and operational results that yielded positive outcomes for all our stakeholders. We delivered 14% normalized EPS[1] growth and continued to build AltaGas' organizational capacity and advanced our corporate strategy. We executed one of the largest capital programs in our history with more than $900 million of organic capex deployed. In addition, we invested another $715 million to advance our global export strategy through the acquisition of an increased ownership stake in Petrogas Energy Corp. (Petrogas), taking operational responsibility for the assets, and we now control both operational Liquified Petroleum Gas (LPG) export terminals on the North American West Coast. And through it all, we positioned AltaGas to excel in an evolving ecosystem with the energy transition that is upon us.

We have built a culture that is geared to delivering outstanding results for all our stakeholders. It's focused on performance; it's fueled by accountability; and it's underpinned by collaboration and pushing the envelope. For two years running we have delivered normalized EPS growth that has materially eclipsed our U.S. Gas Utilities and Canadian Midstream peers. Our stock performance was also at the top of our peer group for the second year running. Amid this performance, we have continued to improve our balance sheet and our credit position. We have continued to progress towards our goal of de-risking the platform in numerous ways and are building a more sustainable business.

This past year was also an environment that provided AltaGas with validation of the resiliency of the platform, our people, and the purposeful actions we have taken over the past two years to create an enduring business that is focused on creating long-term value for all of our stakeholders. We also take great pride in being able to play a part in lending a helping hand to the communities where we serve during this time of need.

As we continue to prepare for what we believe is the tail end of the pandemic, we remain focused on the health and safety of our employees, delivering critical energy to our customers, and honoring the social and moral commitment we have with all of our stakeholders. We have come a long way over the past two years when we first announced our strategy to re-focus our business to transition to a diversified, low-risk, high-growth Utilities and Midstream business. Our steady progress continues to exceed my expectations and is a direct reflection of the hard work and dedication of our employees and the talent we have been able to attract and develop at AltaGas.

There are four key areas I wanted to highlight in this years letter: 1) our 2020 financial performance; 2) the ongoing Petrogas integration; 3) our role in an evolving energy market; and 4) what you can expect from AltaGas on the road ahead.

2020 Performance:

Our Utilities segment demonstrated the strong and resilient performance that we worked hard to achieve in 2020, including delivering 12% year-over-year normalized run-rate EBITDA[1] growth. This provides us with high confidence that we will capture the full value of our forecasted 8% rate base CAGR through 2025. We continue to realize the benefits of our acute capital discipline, judicious cost management, reduction in incoming leaks which were down more than 15% year-over-year, and our regulatory approach that is designed to deliver better customer outcomes and keep our rates in line with our current operating and planned cost structure.

We successfully closed the ROE gap at Washington Gas Light (WGL) by approximately 150 bps in 2020, in line with the target set. This keeps us on track to close the remaining 150 bps gap and achieve our allowed return over 2021. The D.C. and Maryland rate cases that we filed in 2020 are expected to have an impact at the start of the second quarter of 2021. In December 2020 we reached a settlement agreement with the District of Columbia Public Service Commission that included a revenue increase of US$19.5 million. D.C. currently has the largest gap between our earned and allowed returns and this rate case is the first since 2016, so it will go a long way towards closing the ROE gap at WGL. The updated D.C. rates have been approved to become effective April 1, 2021.

1. *Non-GAAP measure; see discussion in the advisories of this letter and reconciliation to US GAAP financial measures shown in AltaGas' Management's Discussion and Analysis (MD&A) as at and for the period ended December 31, 2020, which is available on www.sedar.com.*

Within our Midstream business, we made significant progress in advancing our global export strategy, including a full year of operations at the Ridley Island Propane Export Terminal (RIPET) and acquiring Petrogas. We also completed the North Pine and Townsend 2B expansions, which significantly increased our processing and fractionation capacity within the Montney region. AltaGas' throughput volumes in the company's core Northeastern B.C. (NEBC) region increased by 12% Y/Y in 2020, as customers continue to grow into contractual agreements at Townsend and North Pine.

Recent upstream consolidation has provided us significantly improved counterparty credit risk. Upstream consolidation transactions build scale and create financially stronger companies, which support the longer-term growth plans in the region and align with our thesis to build an industry-leading footprint in NEBC. In 2020, we made significant progress on our operational and logistical capabilities at RIPET, including achieving our 50,000 Bbls/d exit rate target. In 2020, we exported 27 VLGCs, which contained approximately 1.2 million metric tons or 15 million Bbls of Western Canadian propane to Asia, providing tangible benefits to the Canadian upstream and Midstream industries. We also took advantage of strengthening commodity prices and frac spreads near the end of 2020 and early in 2021 to de-risk our commodity exposure and position AltaGas to provide steady and reliable performance in the year ahead.

Petrogas Integration:

Although we are in the early days of the integration, Petrogas' employees have already been a great cultural fit within AltaGas and we are benefiting from of their deep midstream and energy export knowledge and experience. We are implementing the best practices within the new organization to maximize this combined experience to drive operational excellence across our rail, logistics and maritime shipping practices. We remain highly confident of being able to realize the $30 million in run-rate cost savings and logistics optimization opportunities that we originally identified for 2021.

The addition of the Ferndale terminal effectively doubled our LPG export capacity to approximately 100,000 Bbls/d with the ability to expand to in excess of 130,000 Bbls/d in the coming years, with minimal capital investment. The Petrogas assets also provide us with greater access to NGL supply and storage in Fort Saskatchewan, which further advances our energy export value proposition and supports further volume growth. The integration of the commercial and operational knowledge and experience of the Petrogas employees, along with AltaGas' people and platform, will yield large dividends to our stakeholders.

Energy Transition:

As we continue to move towards a more decarbonized ecosystem, we believe natural gas will play a critical part as the transition fuel of the future. The U.S. has reduced carbon emission by 10% since 2000 and remains a world leader in emission reductions, with a large part being driven though increased adoption of natural gas. On average, coal-to-gas switching reduces emissions by 50% when producing electricity and by a third when providing heat.

Affordability and critical infrastructure reliability remain key variables in the future energy equation. Our moral and social responsibility to ensure we advocate for the consumer in our collective push for better societal and environmental outcomes is paramount. At the end of the day, a natural gas heated home in the U.S. was less than a third the cost of the equivalent electric heated home and it emitted 20% less CO^2 on a full-cycle generation basis. As such, we believe that natural gas will be a critical transition fuel on a very long bridge.

Our Utilities distribution network is comprised of critical infrastructure that enables us to deliver lower carbon natural gas today and provides a foundation for the delivery of carbon-free solutions in the years ahead, including renewable natural gas and hydrogen. It is for this reason that we place a strong emphasis on our accelerated pipeline replacement program (ARP) spending within WGL as it replaces aging infrastructure and reduces methane emissions through leak remediation. First and foremost, it improves the safety and reliable delivery of lower carbon and affordable energy that is critical to keep society moving forward while preserving optionality for delivery of carbon free fuels in the future. We have a demonstrated track record of delivering on this initiative through other parts of AltaGas, including our SEMCO operations in Michigan, where we have reduced emissions by 50% since 2010 and we continue to advance these environment stewardship initiatives across the AltaGas platform.

In addition, our ability to deliver lower carbon emitting fuels to Asia through our Midstream platform creates the potential for us to help lower global carbon emissions. Our combined LPG export capacity at RIPET and Ferndale has the potential to reduce the equivalent of ~500,000 average Asian citizens' total carbon footprints per year when compared to using more carbon-intensive fuels, like thermal coal. We are also undergoing engineering work on various emission reductions opportunities across our Midstream network with a focus on steadily reducing AltaGas' emission intensity over time.

AltaGas has a long history of operating with social purpose and delivering strong environmental stewardship. You can expect the same from us in the years ahead.

2021 Outlook:

Looking ahead, we are steadfast in our goal to reduce leverage to below 5.0x Net Debt to EBITDA over the medium-term as our credit ratings and de-risking plans remain a top priority. We will continue to execute our strategy and take advantage of our distinctive Utilities and Midstream businesses that are well-positioned to deliver strong and highly visible growth.

In the year ahead we remain acutely focused on: 1) optimizing returns through previously deployed capital as there is simply no greater way to create value for our stakeholders than improving the returns on capital that has already been deployed; 2) growing our Midstream segment through the investments we have made in Northeastern B.C. and our global exports platform, where we have deployed more than $2 billion of capital since 2015; and 3) making disciplined investments in our Utilities platform that drive better customer outcomes and provides steady returns while having positive environmental impacts.

It is with this approach that we are building a diversified, low-risk, high-growth Utilities and Midstream business that is delivering resilient and durable value for our stakeholders that should compound in the years ahead.

Sincerely,

Randy Crawford
President and Chief Executive Officer