# ALTAGAS REPORTS STRONG THIRD QUARTER 2023 RESULTS

## Continued Execution of AltaGas' Strategic Plan Strongly Positions the Company to Deliver on 2023 Guidance and Drive Shareholder Value Creation

**Calgary, Alberta (November 3, 2023)**

**AltaGas Ltd. ("AltaGas" or the "Company") (TSX: ALA)** today reported third quarter 2023 financial results and provided an update on the Company's operations and other corporate developments.

## HIGHLIGHTS

*(all financial figures are unaudited and in Canadian dollars unless otherwise noted)*

- Normalized EPS[1] was $0.10 in the third quarter of 2023 compared to $0.10 in the third quarter of 2022, while GAAP EPS[2] was a $0.18 loss in the third quarter of 2023 compared a $0.17 loss in the third quarter of 2022. Normalized EPS was ahead of AltaGas' expectations and strongly positions the Company to deliver on its 2023 guidance, including current expectations of achieving results in the upper half of the guidance range.

- Normalized EBITDA[1] was $252 million in the third quarter of 2023 compared to $233 million in the third quarter of 2022, while loss before income taxes was $51 million in the third quarter of 2023 compared to income before income taxes of $48 million in the same quarter of 2022. Third quarter results included robust performance from the Midstream segment while the Utilities segment was in line with AltaGas' expectations and reflective of the typical seasonal low for natural gas usage during the shoulder season.

- Normalized FFO per share[1] was $0.50 in the third quarter of 2023 compared to $0.60 in the third quarter of 2022, while Cash from Operations per share[3] was $0.01 in the third quarter of 2023 compared to cash used by operations of $1.37 per share in the third quarter of 2022. The decrease in normalized FFO per share was principally driven by higher interest expense, including hybrid debt which replaced preferred shares, and lower current normalized income tax recovery in the quarter. The increase in Cash from Operations per share was principally driven by changes in working capital.

- The Midstream segment reported strong operating results with normalized EBITDA of $185 million in the third quarter of 2023 compared to $108 million in the third quarter of 2022, while income before taxes in the segment was $61 million in the third quarter of 2023 compared to income before taxes of $71 million in the third quarter of 2022. The largest drivers of the strong year-over-year results were meaningfully stronger performance from global exports business due to solid operational execution, strong volumes and pricing, and benefit of Allowance for Funds Used During Construction ("AFUDC") on the Mountain Valley Pipeline ("MVP") as the project progresses to final completion in early 2024.

- The Utilities segment reported normalized EBITDA of $71 million in the third quarter of 2023 compared to $115 million in the third quarter of 2022, while loss before taxes was $16 million in the third quarter of 2023 compared to income before taxes of $54 million in the same quarter of 2022. The largest driver of the year-over-year decrease in financial contribution was the lack of the larger-then-normal asset optimization that was present in last year's results, and is shared with our customers, and the lost contribution of the Alaskan Utilities, which were divested on March 1, 2023, and had contributed $13 million in normalized EBITDA in the third quarter of 2022.

*(1) Non-GAAP measure; see discussion and reconciliation to US GAAP financial measures in the advisories of this news release or in AltaGas' Management's Discussion and Analysis (MD&A) as at and for the period ended September 30, 2023, which is available on www.sedarplus.ca. (2) GAAP EPS is equivalent to Net income applicable to common shares divided by shares outstanding. (3) Cash from Operations per share is equivalent to cash from operations divided by shares outstanding.*

- On August 31, 2023, AltaGas announced that it has entered into a definitive agreement to acquire the Pipestone natural gas processing and storage infrastructure assets located in the Alberta Montney for total consideration of $650 million from Tidewater Midstream and Infrastructure Ltd. (“Tidewater”). Subsequent to the announcement, AltaGas has received all material regulatory approvals, including Competition Act approval, and is currently working on other condition precedents to close the transaction, which continues to be anticipated prior to 2023 year-end.
- On October 20, 2023, AltaGas entered a five-year transportation agreement with Canadian National Railway Company (“CN”). The agreement provides AltaGas and its customers with cost and service predictability to support AltaGas’ growing LPG exports to Asia, which support ongoing resource development across Western Canada, and provides energy security to the Company’s downstream customers in Asia.
- Commissioning on two of AltaGas’ new very large gas carriers (“VLGCs”) progressed well over the third quarter of 2023 with the Boreal Pioneer expected to have its maiden voyage in December of 2023 with the Boreal Voyager expected to follow in March of 2024. These two seven-year time charters with optional extensions will reduce total shipping costs to Asia by approximately 25 percent compared to a standard VLGC. The vessels’ deployment will also remove pricing volatility and de-risk maritime shipping costs on a long-term basis and is part of the Company’s plan to commercially de-risk its Midstream business. In total, AltaGas will have three Time Charters operating in 2024 with a fourth under construction, which is set to be commissioned in the first half of 2026.
- On October 20, 2023, Washington Gas executed a definitive agreement with Opal Fuels Inc. (“Opal Fuels”) to support a renewable natural gas (“RNG”) project at the Prince William County Landfill in Virginia. As part of the agreement, Washington Gas will become an offtake customer for RNG production and purchase key interconnect infrastructure for approximately US$25 million. The interconnect infrastructure is anticipated to become part of Washington Gas’ rate base and will be eligible to earn a 100-bps premium to its allowed ROE in the jurisdiction as part of the Virginia Energy Innovation Act, subject to regulatory approval.
- AltaGas is pleased with the construction progress on MVP. The pipeline is expected to be placed into service during the first quarter of 2024 and will provide critical energy security to customers in the Eastern U.S. The updated aggregate capital cost of the pipeline is US$7.2 billion with AltaGas' cash contribution contractually capped at its original US$352 million investment for a ten percent equity interest in a non-dilutive ownership stake. As previously disclosed, AltaGas does not consider its equity stake as core and will consider a monetization as part of the Company’s plan to reach its 4.5x net debt to normalized EBITDA target.
- On August 29, 2023, the Commonwealth of Virginia State Corporation Commission (“SCC of VA”) adopted the Hearing Examiner's report for the Virginia rate case, approving approximately US$41 million of incremental base rates plus approximately US$32 million of SAVE surcharges for a total rate increase of approximately US$73 million.
- Effective September 1, 2023, AltaGas appointed a new independent Director, Angela Lekatsas, to AltaGas' Board of Directors. Ms. Lekatsas has over two decades of broad industry and corporate finance experience and will also serve as a member of AltaGas' Audit Committee.
- On October 19, 2023, Washington Gas issued US$200 million in private placement notes, which includes US$150 million at 6.06 percent maturing on October 14, 2033, and US$50 million at 6.43 percent maturing on October 15, 2053. The proceeds will be used for general corporate purposes.
- On December 5, 2023, AltaGas will be hosting its 2023 Investor Day, where management will provide an update on the Company’s corporate strategy and outlook, share its near- and- long-term corporate priorities, and provide 2024 financial guidance.

## CEO MESSAGE

“We are pleased with the third quarter operating and financial results and where we sit on a year-to-date basis” said Vern Yu, President and Chief Executive Officer of AltaGas. “This performance strongly positions the company to deliver on our 2023 guidance, including our current expectation to deliver results in the upper half of our guidance range, and continue to drive value creation for our stakeholders.

"Performance in the Midstream segment was robust and reflected record export volumes and the west coast advantage for Canadian LPGs. The Company has been actively working on de-risking Midstream while using strong risk management practices for residual commodity exposure. The Canadian upstream industry will deliver robust natural gas and NGL production growth in the coming years and we believe that AltaGas is positioned to provide the best value for LPG customers in North America and Asia.

"The Utilities segment performed relatively in line with our expectations and was reflective of the typical seasonal low for natural gas usage during the shoulder season. Our Utilities have a bright future with natural gas remaining the largest home energy source across all our jurisdictions where, on average, electrical substitution costs are more than three times the cost of natural gas on a delivered basis[1].

"In the years ahead, we will be acutely focused on balancing the critical needs of energy affordability and reliability with regional climate goals. Subsequent to quarter-end, we were pleased to sign an agreement to support a major RNG project at the Prince William County Landfill in Virginia. Through this agreement Washington Gas will become an offtake customer and purchase key interconnect infrastructure that will transport RNG through our network and lower the carbon-intensity of our energy supply.

"AltaGas has made tremendous progress on restructuring the platform over the past four years, including streamlining operations, refocusing the business, and de-risking the balance sheet. This includes significant leverage reduction, a shift in the debt portfolio with approximately 90 percent of the Company's debt being fixed under a properly staggered maturity ladder, and having built in optionality for additional debt repayments. These moves have strongly positioned AltaGas for the current operating environment and protected the Company from the material increases in interest rates over the past 18 months.

"We will continue this focus in the coming period as we look to complete our portfolio optimization, drive improved return on invested capital from our existing asset base, commercially and financially de-risk operations, and close our deleveraging journey to reach our 4.5x net debt to EBITDA target. AltaGas has a robust investment proposition that is supported by strong macro fundamentals and has a strong growth trajectory. We look forward to closing out a strong year in the fourth quarter and discussing the road ahead with our stakeholders at our Investor Day on December 5, 2023."

## RESULTS BY SEGMENT

| **Normalized EBITDA** [2] | | Three Months Ended September 30 | | |
|---|---|---|---|---|
| *($ millions)* | | **2023** | | 2022 |
| Utilities | **$** | **71** | $ | 115 |
| Midstream | | **185** | | 108 |
| Corporate/Other | | **(4)** | | 10 |
| Normalized EBITDA [2] | **$** | **252** | $ | 233 |

(1) Energy Analysis, AGA

(2) Non-GAAP financial measure; see discussion in *Non-GAAP Financial Measures* section of this new release.

| Income (Loss) Before Income Taxes | | Three Months Ended September 30 | |
|---|---|---|---|
| ($ millions) | | 2023 | 2022 |
| Utilities | $ | (16) $ | 54 |
| Midstream | | 61 | 71 |
| Corporate/Other | | (96) | (77) |
| Income (Loss) Before Income Taxes | $ | (51) $ | 48 |

## BUSINESS PERFORMANCE

### Midstream

The Midstream segment reported normalized EBITDA of $185 million in the third quarter of 2023 compared to $108 million in the third quarter of 2022. Income before income taxes in the Midstream segment was $61 million in the third quarter of 2023, compared to $71 million in the same quarter of 2022. Third quarter 2023 results included strong operations across the platform, including a significant improvement in the profitability of the global exports business due to robust export volumes, strong logistical performance, and high Asian-to-North American LPG margins. The quarter also benefitted from AFUDC being booked on MVP due to the resumption of construction activities in June of 2023, lower power costs at AltaGas' extraction facilities, and higher crude and NGL marketing margins.

AltaGas exported a record 118,213 Bbls/d of LPGs to Asia during the third quarter of 2023, including eleven full and one partially loaded VLGC at RIPET, and eight full and one partially loaded VLGC at Ferndale. The partially loaded vessels are a function of revenue recognition taking place at the point of ship loading and select loadings taking place over quarter ends. Higher export volumes were driven by continued improvement in AltaGas' operating and logistical capabilities, strong ongoing customer demand in Asia, and higher available LPG supply. AltaGas remains focused on partnering with North American producers, aggregators, and Asian downstream customers to increase direct market access through long-term LPG tolling arrangements. The Company made continued progress on tolling initiatives during the quarter and believes there is a path to push towards 60 percent or higher tolling over a multi-year time horizon. AltaGas also continued to actively hedge merchant export volumes to proactively lock-in structural margins and de-risk cashflows.

Performance across the balance of the Midstream platform was strong and in line with AltaGas' expectations. Although gas processing volumes were down modestly year-over-year during the third quarter of 2023 due to the turnaround at the Edmonton Ethane Extraction Plant ("EEEP") and lower processing volumes at the Harmattan Co-stream due to a pipeline tie-in, volumes have since recovered and continue to reflect the improved industry activity levels and strong macro fundamentals. Volumes across the balance of the platform were strong and included nine percent year-over-year growth in the Montney during the third quarter with a strong resumption of development activity. Fractionation volumes were up 12 percent year-over-year during the third quarter of 2023, including strong increases across Harmattan, Younger, and North Pine. AltaGas' realized frac spread averaged $23.75/Bbl, after transportation costs, as most of AltaGas' frac exposed volumes were hedged at approximately US$27.33/Bbl in the third quarter of 2023, prior to transportation costs.

AltaGas is well hedged for the remainder of 2023 with 87 percent of AltaGas' fourth quarter 2023 expected global export volumes tolled or financially hedged with merchant volumes hedged at an average Far East Index (FEI) to North American financial hedge price of approximately US$18.13/Bbl. The Company has also have been actively hedging its 2024 exposure, with 76 percent of AltaGas' first quarter 2024 expected global export volumes tolled or financially hedged with merchant volumes hedged at an average FEI to North American financial hedge price of approximately US$17.17/Bbl. AltaGas is also more than 50 percent tolled or financially hedged for second and third quarter of 2024 expected global export volumes. In addition, approximately 77 percent of the Company's fourth quarter 2023 expected frac exposed volumes are hedged at approximately US$26.83/Bbl, prior to transportation costs. AltaGas continues to actively manage risk across the Midstream platform through commercial constructs and a systematic hedging program that covers key revenue and operating costs.

On October 20, 2023, AltaGas entered a five-year transportation agreement with CN. The agreement provides AltaGas and its customers with cost and service predictability to support AltaGas' growing LPG exports to Asia, which support ongoing resource development across Western Canada, and provides energy security to the Company's downstream customers in Asia.

**Midstream Hedge Program**

| | Q4 2023 | Q1 2024 |
|---|---|---|
| Global Exports volume hedged (%)(1) | 87 | 76 |
| Average propane/butane FEI to North America Average hedge (US$/Bbl)(2) | 18.13 | 17.17 |
| Fractionation volume hedged (%)(3) | 77 | 76 |
| Frac spread hedge rate - (US$/Bbl)(3) | 26.83 | 28.05 |

1) Approximate expected volumes hedged. Includes contracted tolling volumes and financial hedges. Based on AltaGas' internally assumed export volumes. AltaGas is hedged at a higher percentage for firmly committed volumes.
2) Approximate average for the period. Does not include physical differential to FSK for C3 volumes. Butane is hedged as a percentage of WTI.
3) Approximate average for the period.

## Utilities

Normalized EBITDA in the Utilities segment was $71 million in the third quarter of 2023, compared to $115 million in the same quarter of 2022 with a loss before income taxes of $16 million in the third quarter of 2023 compared to income before income taxes of $54 million in the same quarter of 2022. The largest driver of the year-over-year decrease in Utilities financial performance was the larger-than-normal third quarter 2022 asset optimization contribution at Washington Gas, which is shared with customers, and the lost contribution of the Alaskan Utilities, which were divested in March of 2023, and had contributed $13 million of normalized EBITDA in the third quarter of 2022. Other factors impacting third quarter results on a year-over-year basis included higher operating and administrative expenses during the third quarter of 2023 and modestly lower contribution from the WGL Retail Energy business. These factors were partially offset by contributions from ongoing asset investments across the network through various Accelerated Replacement Programs ("ARPs") and a favorable foreign exchange rate.

AltaGas continued to upgrade critical infrastructure and make ongoing investments on behalf of its customers during the third quarter of 2023 with the deployment of $204 million of invested capital, including $130 million deployed across the Company's various ARP modernization programs. These investments continue to be directed towards improving the safety and reliability of the system and connecting new customers to the critical energy they require to carry out everyday life. The modernization investments should also bring long-term operating cost benefits to our customers. AltaGas will continue to make these critical investments on behalf of our customers in the years ahead, while balancing the need for ongoing customer affordability. This latter focus is particularly important during the current economic environment of higher interest rates and inflation across the broader economy. AltaGas continues to be acutely focused on cost management across the Utilities platform, managing capital investments, and driving the best outcomes for its customers and stakeholders.

On August 29, 2023, the SCC of VA adopted the Hearing Examiner's report for the Virginia rate case, approving approximately US$41 million of incremental base rates plus approximately US$32 million of SAVE surcharges for a total rate increase of approximately US$73 million and ROE of 9.65 percent.

On October 20, 2023, Washington Gas executed a definitive agreement with Opal Fuels to support a RNG project at the Prince William County Landfill in Virginia. As part of the agreement, Washington Gas will become an offtake customer for RNG production volumes and purchase key interconnect infrastructure for approximately US$25 million, which is anticipated to become part of the Washington Gas' rate base and will be eligible to earn a 100-bps premium to its allowed ROE in the jurisdiction as part of the Virginia Energy Innovation Act, subject to regulatory approval.

On October 25, 2023, Washington Gas received a proposed system modernization extension in Maryland which will run through to 2028. The Public Law Judge has recommended that the commission approve approximately US$330 million of capital to modernize our system and improve safety and reliability. This builds on our ARP program in Virginia that was recently extended to the end of 2027.

Washington Gas' D.C. and Maryland rate cases remain ongoing, and the Company expects a decision prior to 2023 year-end in Maryland and during the first quarter of 2024 in D.C.

**Corporate/Other**

The Corporate/Other segment realized a $4 million normalized EBITDA loss in for the third quarter of 2023, compared to income of $10 million in the same quarter of 2022. Loss before income taxes in the Corporate/Other segment was $96 million in the third quarter of 2023, compared to a loss of $77 million in the same quarter of 2022. The decrease in normalized EBITDA was mainly due to a lower contribution from Blythe, higher expenses related to employee incentive plans due to the increase in AltaGas' share price during the third quarter of 2023, as well as higher operating and administrative expenses.

## Pipestone Asset Acquisition

On August 31, 2023, AltaGas announced that it has entered into a definitive agreement with Tidewater to acquire: 1) the Pipestone Natural Gas Processing Plant Phase I and Phase II expansion project; 2) the adjacent Dimsdale Natural Gas Storage Facility; 3) the Pipestone condensate truck-in/truck-out terminal; and 4) the associated gathering pipeline systems required to operate these assets for total consideration of $650 million. This equated to approximately 7.2x estimated run-rate normalized EBITDA, inclusive of synergies and the incremental capital that AltaGas will deploy to complete the Pipestone Phase II development project.

The Pipestone transaction strengthens AltaGas' midstream value chain through an expanded footprint in the Alberta Montney and provides meaningful long-term LPG supply for our global exports' platform. The transaction is expected to be five percent EPS accretive in 2025 forward while being 0.1x net debt to normalized EBITDA credit accretive in 2025 forward. The acquisition is contingent on Tidewater and AltaGas making a positive final investment decision on the Pipestone Phase II project.

Subsequent to the announcement AltaGas has received all material regulatory approvals, including Competition Act approval, and is currently working on other condition precedents to close the transaction, which continues to be anticipated prior to 2023 year-end.

## AltaGas 2023 Investor Day

AltaGas will host a 2023 Investor Day, where the Company will provide an update on its corporate strategy and outlook, share its near- and- long-term priorities, and provide 2024 financial guidance. To register select the link below or go to AltaGas' Events and Presentations webpage.

| | |
|---|---|
| Date: | Tuesday, December 5th, 2023 |
| Time: | 9:00 a.m. ET – 12:00pm ET |
| Registration: | Click Here to Register |

## CONSOLIDATED FINANCIAL RESULTS

| | | Three Months Ended September 30 | | |
|---|---|---|---|---|
| *($ millions)* | | **2023** | | 2022 |
| **Normalized EBITDA** (1) | **$** | **252** | $ | 233 |
| Add (deduct): | | | | |
| Depreciation and amortization | | **(109)** | | (106) |
| Interest expense | | **(95)** | | (85) |
| Normalized income tax expense | | **(12)** | | (6) |
| Preferred share dividends | | **(7)** | | (10) |
| Other (2) | | **(1)** | | 1 |
| **Normalized net income** (1) | **$** | **28** | $ | 27 |
| | | | | |
| **Net income (loss) applicable to common shares** | **$** | **(50)** | $ | (48) |
| **Normalized funds from operations** (1) | **$** | **142** | $ | 170 |
| | | | | |
| *($ per share, except shares outstanding)* | | | | |
| Shares outstanding - basic (millions) | | | | |
| During the period (3) | | **282** | | 281 |
| End of period | | **282** | | 282 |
| | | | | |
| Normalized net income - basic (1) | | **0.10** | | 0.10 |
| Normalized net income - diluted (1) | | **0.10** | | 0.10 |
| | | | | |
| Net income (loss) per common share - basic | | **(0.18)** | | (0.17) |
| Net income (loss) per common share - diluted | | **(0.18)** | | (0.17) |

(1) Non-GAAP financial measure; see discussion in Non-GAAP Financial Measures section at the end of this news release.
(2) "Other" includes accretion expense, net income applicable to non-controlling interests, foreign exchange gains, and NCI portion of non-GAAP adjustments. The portion of non-GAAP adjustments applicable to non-controlling interests are excluded in the computation of normalized net income to ensure consistency of normalizations applied to controlling and non-controlling interests. These amounts are included in the "net income applicable to non-controlling interests" line item on the Consolidated Statements of Income.
(3) Weighted average

Normalized EBITDA for the third quarter of 2023 was $252 million, compared to $233 million for the same quarter in 2022. There were several positive and negative contributors underpinning the year-over-year variance. The largest factors leading to the variance are described in the Business Performance sections above.

For the third quarter of 2023, the average Canadian/U.S. dollar exchange rate increased to 1.34 from an average of 1.31 in the same period of 2022, resulting in an increase in normalized EBITDA of approximately $4 million.

Loss before income taxes for the third quarter of 2023 was $51 million, compared to income before income taxes of $48 million for the same quarter in 2022. Net loss applicable to common shares for the third quarter of 2023 was $50 million ($0.18 per share), compared to $48 million ($0.17 per share) for the same quarter in 2022. Please refer to the "*Three Months Ended September 30*" section of the Q3 2023 MD&A for further details on the variance in income before income taxes and net income applicable to common shareholders.

Normalized net income was $28 million ($0.10 per share) for the third quarter of 2023, compared to $27 million ($0.10 per share) for the same quarter of 2022. The slight increase was mainly due to the same factors impacting normalized EBITDA and lower preferred share dividends, partially offset by higher interest expense, higher normalized income tax expense, and higher depreciation expense. Please refer to the "*Non-GAAP Financial Measures*" section of the Q3 2023 MD&A for further details on normalization adjustments.

Normalized funds from operations for the third quarter of 2023 was $142 million ($0.50 per share), compared to $170 million ($0.60 per share) for the same quarter in 2022. The decrease was mainly due to lower net income after taxes after adjusting for non-cash items, higher interest expense and lower normalized current income tax recovery, partially offset by the same factors impacting normalized EBITDA.

Interest expense for the third quarter of 2023 was $95 million, compared to $85 million for the same quarter in 2022. The increase was driven by higher average interest rates, a higher average Canadian/U.S. dollar exchange rate, $2 million of incremental hybrid interest costs due to hybrid notes replacing preferred shares, which was partially offset by lower average debt balances. For the three months ended September 30, 2023, AltaGas recorded total interest expense of $9 million on the subordinated hybrid notes.

AltaGas recorded an income tax recovery of $12 million for the third quarter of 2023, compared to income tax expense of $7 million for the same quarter of 2022. The decrease in income tax expense was mainly due to lower income before income taxes. Current tax recovery of $7 million was recorded in the third quarter of 2023, compared to current tax recovery of $13 million recorded in the same quarter of 2022. The decrease in current tax recovery was mainly due to the composition of loss before income taxes.

## FORWARD FOCUS, GUIDANCE AND FUNDING

AltaGas continues to focus on executing on its long-term corporate strategy of building a diversified platform that operates long-life energy infrastructure assets that connect customers and markets and are positioned to provide resilient and growing value for the Company’s stakeholders.

Following the third quarter results, AltaGas expects to achieve the upper half of guidance ranges that were previously disclosed in December 2022, including:

- 2023 Normalized EPS guidance of $1.85 - $2.05, compared to normalized EPS of $1.89 and GAAP EPS of $1.42 in 2022; and
- 2023 Normalized EBITDA guidance of $1.5 billion - $1.6 billion, compared to normalized EBITDA of $1.54 billion and income before taxes of $716 million in 2022.

AltaGas continues to focus on delivering resilient and growing normalized EPS and FFO per share while targeting lowering leverage ratios. This strategy should support steady dividend growth and provide the opportunity for ongoing capital appreciation for its long-term shareholders. This includes AltaGas having announced plans to deliver regular, sustainable, and annual dividend increases that compound in the years ahead. Annual dividend increases will be a function of financial performance and determined by the Board on an annual basis.

AltaGas is maintaining a disciplined, self-funded capital program of approximately $1 billion in 2023, excluding asset retirement obligations. The capital spend includes approximately $90 million of capital investments that were approved in 2022 to rollover and be deployed in 2023. The 2023 capital program includes continued strong investments in the Utilities and Midstream businesses that are focused on ensuring long-term safety and reliability of the asset base and position AltaGas to meet its customers long-term needs and drive the best collective outcomes for all stakeholders.

## QUARTERLY COMMON SHARE DIVIDEND AND PREFERRED SHARE DIVIDENDS

The Board of Directors approved the following schedule of Dividends:

| Type | Dividend (per share) | Period | Payment Date | Record |
|---|---|---|---|---|
| Common Shares[1] | $0.28 | n.a. | 29-Dec-23 | 15-Dec-23 |
| **Series A** Preferred Shares | $0.19125 | 30-Sept-23 to 30-Dec-23 | 29-Dec-23 | 15-Dec-23 |
| **Series B** Preferred Shares | $0.49258 | 30-Sept-23 to 30-Dec-23 | 29-Dec-23 | 15-Dec-23 |
| **Series E** Preferred Shares | $0.337063 | 30-Sept-23 to 30-Dec-23 | 29-Dec-23 | 15-Dec-23 |
| **Series G** Preferred Shares | $0.265125 | 30-Sept-23 to 30-Dec-23 | 29-Dec-23 | 15-Dec-23 |
| **Series H** Preferred Shares | $0.51778 | 30-Sept-23 to 30-Dec-23 | 29-Dec-23 | 15-Dec-23 |

1. Dividends on common shares and preferred shares are eligible dividends for Canadian income tax purposes.

## CONFERENCE CALL AND WEBCAST DETAILS

AltaGas will hold a conference call today, November 3, at 9:00 a.m. MT (11:00 a.m. ET) to discuss third quarter 2023 results and other corporate developments.

| | |
|---|---|
| Date: | Friday, November 3, 2023 |
| Time: | 9:00 a.m. MT (11:00 a.m. ET) |
| Webcast: | https://events.q4inc.com/attendee/502093728 |
| Dial-in (Audio only): | 1-646-307-1591 or toll free at 1-800-599-5188 |

Shortly after the conclusion of the call a replay will be available on the Company's website or by dialing 647-362-9199 or toll free 1-800-770-2030, Conference ID 9053242#.

AltaGas' Consolidated Financial Statements and accompanying notes for the third quarter 2023, as well as its related Management's Discussion and Analysis, are now available online at www.altagas.ca. All documents will be filed with the Canadian securities regulatory authorities and will be posted under AltaGas' SEDAR profile at www.sedarplus.ca.

## NON-GAAP MEASURES

This news release contains references to certain financial measures that do not have a standardized meaning prescribed by US GAAP and may not be comparable to similar measures presented by other entities. The non-GAAP measures and their reconciliation to US GAAP financial measures are shown below and within AltaGas' Management's Discussion and Analysis (MD&A) as at and for the period ended September 30, 2023. These non-GAAP measures provide additional information that management believes is meaningful regarding AltaGas' operational performance, liquidity and capacity to fund dividends, capital expenditures, and other investing activities. Readers are cautioned that these non-GAAP measures should not be construed as alternatives to other measures of financial performance calculated in accordance with US GAAP.

### Normalized EBITDA

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *($ millions)* | **2023** | 2022 | **2023** | 2022 |
| Income (loss) before income taxes (GAAP financial measure) | **$ (51)** | $ 48 | **$ 751** | $ 638 |
| Add: | | | | |
| Depreciation and amortization | **109** | 106 | **331** | 327 |
| Interest expense | **95** | 85 | **293** | 231 |
| EBITDA | **$ 153** | $ 239 | **$ 1,375** | $ 1,196 |
| Add (deduct): | | | | |
| Transaction costs related to acquisitions and dispositions (1) | **10** | 2 | **31** | 4 |
| Unrealized losses (gains) on risk management contracts (2) | **91** | (3) | **(24)** | (107) |
| Losses (gains) on sale of assets (3) | **—** | 3 | **(319)** | (3) |
| CEO transition (4) | **1** | — | **6** | — |
| Settlement of pension plan (5) | **—** | — | **2** | — |
| Reversal of provisions on investments accounted for by the equity method (6) | **—** | (3) | **—** | (3) |
| Accretion expenses | **3** | 2 | **8** | 5 |
| Foreign exchange gains | **(6)** | (7) | **(6)** | (9) |
| Normalized EBITDA | **$ 252** | $ 233 | **$ 1,073** | $ 1,083 |

(1) Comprised of transaction costs related to acquisitions and dispositions of assets and/or equity investments in the period. These costs are included in the "cost of sales" and "operating and administrative" line items on the Consolidated Statements of Income (Loss). Transaction costs include expenses, such as legal fees, which are directly attributable to the acquisition or disposition. Please refer to Note 3 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2023 for further details regarding AltaGas' disposition of assets in the period.

(2) Included in the "revenue" and "cost of sales" line items on the Consolidated Statements of Income (Loss). Please refer to Note 13 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2023 for further details regarding AltaGas' risk management activities.

(3) Included in the "other income" line item on the Consolidated Statements of Income (Loss). Please refer to Note 3 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2023 for further details regarding AltaGas' disposition of assets in the period.

(4) Comprised of costs related to the transition of AltaGas' CEO. These costs are included in the "operating and administrative" line items on the Consolidated Statements of Income (Loss).

(5) Relates to the completion of the wind-up of the Canadian defined benefit pension plan in the second quarter of 2023. The settlement charge is included in the "other income" line on the Consolidated Statements of Income (Loss). Please refer to Note 18 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2023 for further details regarding the wind-up of the pension plan.

(6) Relates to the return of certain costs associated with the Constitution pipeline project as a result of its cancellation in February 2020. These costs are included in the "income from equity investments" line item on the Consolidated Statements of Income (Loss).

EBITDA is a measure of AltaGas' operating profitability prior to how business activities are financed, assets are amortized, or earnings are taxed. EBITDA is calculated from the Consolidated Statements of Income (Loss) using income (loss) before income taxes adjusted for pre-tax depreciation and amortization, interest expense.

AltaGas presents normalized EBITDA as a supplemental measure. Normalized EBITDA is used by Management to enhance the understanding of AltaGas' earnings over periods, as well as for budgeting and compensation related purposes. The metric is frequently used by analysts and investors in the evaluation of entities within the industry as it excludes items that can vary substantially between entities depending on the accounting policies chosen, the book value of assets, and the capital structure.

### Normalized Net Income

| ($ millions) | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| Net income (loss) applicable to common shares (GAAP financial measure) | **$ (50)** | $ (48) | **$ 528** | $ 345 |
| Add (deduct) after-tax: | | | | |
| Transaction costs related to acquisitions and dispositions (1) | **7** | 1 | **22** | 2 |
| Unrealized losses (gains) on risk management contracts (2) | **70** | (1) | **(19)** | (78) |
| Non-controlling interest portion of non-GAAP adjustments (3) | **—** | — | **—** | 5 |
| Losses (gains) on sale of assets (4) | **—** | 3 | **(217)** | (4) |
| CEO transition (5) | **1** | — | **5** | — |
| Loss on redemption of preferred shares, including foreign exchange impact (6) | **—** | 74 | **—** | 84 |
| Settlement of pension plan (7) | **—** | — | **2** | — |
| Reversal of provisions on investments accounted for by the equity method (8) | **—** | (2) | **—** | (2) |
| Normalized net income | **$ 28** | $ 27 | **$ 321** | $ 352 |

(1) Comprised of transaction costs related to acquisitions and dispositions of assets and/or equity investments in the period. The pre-tax costs are included in the "cost of sales" and "operating and administrative" line items on the Consolidated Statements of Income (Loss). Transaction costs include expenses, such as legal fees, which are directly attributable to the acquisition or disposition. Please refer to Note 3 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2023 for further details regarding AltaGas' disposition of assets in the period.

(2) The pre-tax amounts are included in the "revenue" and "cost of sales" line items on the Consolidated Statements of Income (Loss). Please refer to Note 13 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2023 for further details regarding AltaGas' risk management activities.

(3) The portion of non-GAAP adjustments applicable to non-controlling interests are excluded in the computation of normalized net income to ensure consistency of normalizations applied to controlling and non-controlling interests. These amounts are included in the "net income applicable to non-controlling interests" line item on the Consolidated Statements of Income (Loss).

(4) The pre-tax amounts are included in the "other income" line item on the Consolidated Statements of Income (Loss). Please refer to Note 3 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2023 for further details regarding AltaGas' disposition of assets in the period.

(5) Comprised of costs related to the transition of AltaGas' CEO. The pre-tax costs are included in the "operating and administrative" line items on the Consolidated Statements of Income (Loss).

(6) Comprised of the loss on the redemption of Series K Preferred Shares on March 31, 2022 and the redemption of U.S. dollar denominated Series C Preferred Shares on September 30, 2022, including an associated foreign exchange loss of approximately $69 million. The loss on redemption of preferred shares is recorded on the "loss of redemption of preferred shares" line on the Consolidated Statements of Income (Loss).

(7) Relates to the completion of the wind-up of the Canadian defined benefit pension plan in the second quarter of 2023. The settlement charge is included in the "other income" line on the Consolidated Statements of Income (Loss). Please refer to Note 18 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2023 for further details regarding the wind-up of the pension plan.

(8) Relates to the return of certain costs associated with the Constitution pipeline project as a result of its cancellation in February 2020. These costs are included in the "income from equity investments" line item on the Consolidated Statements of Income (Loss).

Normalized net income and normalized net income per share are used by Management to enhance the comparability of AltaGas' earnings, as these metrics reflect the underlying performance of AltaGas' business activities.

### Normalized Funds From Operations

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *($ millions)* | **2023** | 2022 | **2023** | 2022 |
| Cash from (used by) operations (GAAP financial measure) | **$ 3** | $ (384) | **$ 967** | $ 827 |
| Add (deduct): | | | | |
| Net change in operating assets and liabilities | **124** | 550 | **(298)** | (3) |
| Asset retirement obligations settled | **7** | 2 | **12** | 5 |
| Funds from operations | **$ 134** | $ 168 | **$ 681** | $ 829 |
| Add (deduct): | | | | |
| Transaction costs related to acquisitions and dispositions (1) | **10** | 2 | **31** | 4 |
| CEO transition (2) | **1** | — | **6** | — |
| Current tax expense (recovery) on asset sales (3) | **(3)** | — | **34** | (1) |
| Normalized funds from operations | **$ 142** | $ 170 | **$ 752** | $ 832 |

(1) Comprised of costs related to acquisitions and dispositions of assets and/or equity investments in the period. These costs exclude any non-cash amounts and are included in the "cost of sales" and "operating and administrative" line items on the Consolidated Statements of Income (Loss). Transaction costs include expenses, such as legal fees, which are directly attributable to the acquisition or disposition. Please refer to Note 3 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2023 for further details regarding AltaGas' disposition of assets in the period.

(2) Comprised of costs related to the transition of AltaGas' CEO. These costs are included in the "operating and administrative" line items on the Consolidated Statements of Income (Loss).

(3) Included in the "current income tax expense (recovery)" line item on the Consolidated Statements of Income (Loss).

Normalized funds from operations and funds from operations are used to assist Management and investors in analyzing the liquidity of the Corporation. Management uses these measures to understand the ability to generate funds for capital investments, debt repayment, dividend payments, and other investing activities.

Funds from operations and normalized funds from operations as presented should not be viewed as an alternative to cash from operations or other cash flow measures calculated in accordance with GAAP.

### Invested Capital and Net Invested Capital

| | | Three Months Ended September 30 | | | Nine Months Ended September 30 | |
|---|---|---|---|---|---|---|
| *($ millions)* | | **2023** | 2022 | | **2023** | 2022 |
| Cash used in (from) investing activities (GAAP financial measure) | **$** | **243** | $ 534 | **$** | **(395)** | $ 661 |
| Add (deduct): | | | | | | |
| Net change in non-cash capital expenditures (1) | | **12** | (2) | | **(23)** | 1 |
| Net invested capital | **$** | **255** | $ 532 | **$** | **(418)** | $ 662 |
| Asset dispositions | | **1** | — | | **1,073** | 245 |
| Disposals of equity investments (2) | | **1** | — | | **1** | — |
| Invested capital | **$** | **257** | $ 532 | **$** | **656** | $ 907 |

(1) Comprised of non-cash capital expenditures included in the "accounts payable and accrued liabilities" line item on the Consolidated Balance Sheets. Please refer to Note 19 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2023 for further details.

(2) Relates to escrow account proceeds received from AltaGas' previous investment in Meade Pipeline Co. LLC (Meade). Upon close of the sale in 2019, various escrow accounts were established to provide the purchaser a form of recourse for the settlement of indemnification obligations.

Invested capital is a measure of AltaGas' use of funds for capital expenditure activities. It includes expenditures relating to property, plant, and equipment and intangible assets, capital contributed to long term investments, and contributions from non-controlling interests. Invested capital is used by Management, investors, and analysts to enhance the understanding of AltaGas' capital expenditures from period to period and provide additional detail on the Company's use of capital.

## CONSOLIDATED FINANCIAL REVIEW

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *($ millions, except effective income tax rates)* | **2023** | 2022 | **2023** | 2022 |
| Revenue | **3,030** | 3,056 | **9,709** | 10,190 |
| Normalized EBITDA [1] | **252** | 233 | **1,073** | 1,083 |
| Income (loss) before income taxes | **(51)** | 48 | **751** | 638 |
| Net income (loss) applicable to common shares | **(50)** | (48) | **528** | 345 |
| Normalized net income [1] | **28** | 27 | **321** | 352 |
| Total assets | **22,183** | 23,504 | **22,183** | 23,504 |
| Total long-term liabilities | **11,073** | 11,991 | **11,073** | 11,991 |
| Invested capital [1] | **257** | 532 | **656** | 907 |
| Cash from (used in) investing activities | **(243)** | (534) | **395** | (661) |
| Dividends declared [2] | **79** | 74 | **237** | 223 |
| Cash from (used by) operations | **3** | (384) | **967** | 827 |
| Normalized funds from operations [1] | **142** | 170 | **752** | 832 |
| Normalized effective income tax rate (%) [1] | **23.5** | 12.5 | **20.6** | 19.7 |
| Effective income tax rate (%) | **23.2** | 14.3 | **25.3** | 20.5 |

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *($ per share, except shares outstanding)* | **2023** | 2022 | **2023** | 2022 |
| Net income (loss) per common share - basic | **(0.18)** | (0.17) | **1.87** | 1.23 |
| Net income (loss) per common share - diluted | **(0.18)** | (0.17) | **1.86** | 1.22 |
| Normalized net income - basic [1] | **0.10** | 0.10 | **1.14** | 1.25 |
| Normalized net income - diluted [1] | **0.10** | 0.10 | **1.13** | 1.24 |
| Dividends declared [2] | **0.28** | 0.27 | **0.84** | 0.80 |
| Cash from (used by) operations | **0.01** | (1.37) | **3.43** | 2.94 |
| Normalized funds from operations [1] | **0.50** | 0.60 | **2.67** | 2.96 |
| Shares outstanding - basic (millions) | | | | |
| During the period [3] | **282** | 281 | **282** | 281 |
| End of period | **282** | 282 | **282** | 282 |

1) Non-GAAP financial measure or non-GAAP financial ratio; see discussion in Non-GAAP Financial Measures section of the MD&A.
2) Dividend declared per common share per quarter: $0.265 per share beginning March 2022, increased to $0.28 per share effective March 31, 2023.
3) Weighted average.

## ABOUT ALTAGAS

AltaGas is a leading North American infrastructure company that connects customers and markets to affordable and reliable sources of energy. The Company operates a diversified, lower-risk, high-growth Utilities and Midstream business that is focused on delivering resilient and durable value for its stakeholders.

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## FORWARD-LOOKING INFORMATION

*This news release contains forward-looking information (forward-looking statements). Words such as "may", "can", "would", "could", "should", "likely", "will", "intend", "plan", "anticipate", "believe", "aim", "seek", "future", "commit", "propose", "contemplate", "estimate", "focus", "strive", "forecast", "expect", "project", "potential", "target", "guarantee", "potential", "objective", "continue", "outlook", "guidance", "growth", "long-term", "vision", "opportunity" and similar expressions suggesting future events or future performance, as they relate to the Corporation or any affiliate of the Corporation, are intended to identify forward-looking statements. In particular, this news release contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. Specifically, such forward-looking statements included in this document include, but are not limited to, statements with respect to the following: the Company's ability to deliver on its 2023 guidance and the expectation that its results will be in the upper half of the guidance range; the expected project costs, progress and completion of the MVP project and the timing thereof; anticipated benefits of the MVP project for customers; the Company considering a monetization of its equity stake in the MVP project as part of its plan to reach its net debt to normalized EBITDA target; the anticipated benefits of the transaction with Tidewater and the expected closing date thereof; the expectation that AltaGas will deploy incremental capital to complete the Pipestone Phase II development project; the expectation that the Pipestone transaction will be EPS accretive, net debt to normalized EBITDA credit accretive and the timing thereof; the expectation that Tidewater and AltaGas will make a positive final investment decision on the Pipestone Phase II project; anticipated benefits of the five-year transportation agreement with CN for AltaGas, its customers, resource development in Western Canada and customers in Asia; expected timing of the maiden voyages for each of the Boreal Pioneer and the Boreal Voyager; anticipated benefits of AltaGas' two new VLGCs including reduction in shipping costs to Asia, removing pricing volatility and de-risking maritime shipping costs on a long-term basis; the impact of the Company's two new VLGCs on its plan to commercially de-risk its Midstream business; the expectation that AltaGas will have three Time Charters operating in 2024; anticipated construction of a fourth time charter and the timing thereof; the expectation that Washington Gas will become an offtake customer for RNG production, that it will purchase key interconnect infrastructure and the expected cost thereof in connection with the agreement entered into with Opal Fuels; anticipated benefits of the agreement Washington Gas entered into with Opal Fuels including the interconnect infrastructure becoming part of its rate base, the expected premium to Washington Gas' allowed ROE, subject to regulatory approvals, and the expectation that transportation of RNG through the network will lower the carbon-intensity of energy supply; the expected use of proceeds from Washington Gas' US$200 million private placement; topics to be discussed at AltaGas' 2023 Investor Day and the timing thereof; AltaGas' continued commitment to driving value creation for its stakeholders and de-risking the Midstream business; the belief that Canada's upstream industry will deliver robust natural gas and NGL production growth and the expected impacts therefrom; AltaGas' ability to provide the best value for LPG customers in North America and Asia; the Company's focus on energy affordability and reliability with regional climate goals; AltaGas' ability to execute its strategic priorities; the Company's focus on portfolio optimization, improving return on invested capital, commercially and financially de-risking operations and deleveraging to reach AltaGas' net debt to EBITDA target; the growth trajectory of AltaGas' investment proposition; AltaGas' ability to increase direct market access through long-term LPG tolling agreements, the progress of its tolling initiatives and the belief that AltaGas can increase tolling; expectations for AltaGas' active hedging program and expected outcomes therefrom; AltaGas' continued commitment to upgrading critical infrastructure and making ongoing investments through the Company's ARP modernization programs and the anticipated benefits therefrom; the Company's focus on cost management across the Utilities platform, managing capital investments and best outcomes for its customers and stakeholders; the expectation that the extension for Washington Gas' proposed modernization extension in Maryland will run through to 2028; anticipated timing, results and impacts of applications, hearings, and decisions of rate cases before Utilities regulators; AltaGas' ability to execute its long-term corporate strategy; AltaGas' focus on growing normalized EPS and FFO while targeting lower leverage ratios; the expectation that AltaGas' long-term strategy will support steady dividend growth and ongoing capital appreciation for its long-term shareholders; AltaGas' long-term objectives for managing capital; and expected self-funded capital program of $930 million in 2023 including rollover of $90 million capital investments from 2022, excluding asset retirement obligations.*

*These statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events, and achievements to differ materially from those expressed or implied by such statements. Such statements reflect AltaGas' current expectations, estimates, and projections based on certain material factors and assumptions at the time the statement was made. Material assumptions include: anticipated timing of asset sale and acquisition closings, effective tax rates, financing initiatives, degree day variance from normal, pension discount rate, the performance of the businesses underlying each sector, impacts of the hedging program, expected commodity supply, demand and pricing, volumes and rates, exchange rates, inflation, interest rates, credit ratings, regulatory approvals and policies, future operating and capital costs, capacity expectations, weather, frac spread, access to capital, planned and unplanned plant outages, timing of in-service dates of new projects and acquisition and divestiture activities, returns on investments, and dividend levels.*

*AltaGas' forward-looking statements are subject to certain risks and uncertainties which could cause results or events to differ from current expectations, including, without limitation: risks related to conflict in Eastern Europe; health and safety risks; operating risks; infrastructure; natural gas supply risks; volume throughput; service interruptions; transportation of petroleum products; market risk; inflation; general economic conditions; cyber security, information, and control systems; climate-related risks; environmental regulation risks; regulatory risks; litigation; changes in law; Indigenous and treaty rights; dependence on certain partners; political uncertainty and civil unrest; decommissioning, abandonment and reclamation costs; reputation risk; weather data; capital market and liquidity risks; interest rates; internal credit risk; foreign exchange risk; debt financing, refinancing, and debt service risk; counterparty and supplier risk; technical systems and processes incidents; growth strategy risk; construction and development; underinsured and uninsured losses; impact of competition in AltaGas' businesses; counterparty credit risk; composition risk; collateral; rep agreements; market value of common shares and other securities; variability of dividends; potential sales of additional shares; labor relations; key personnel; risk management costs and limitations; cost of providing retirement plan benefits; failure of service providers; risks related to pandemics, epidemics or disease outbreaks; and the other factors discussed under the heading "Risk Factors" in the Corporation's Annual Information Form for the year ended December 31, 2022 and set out in AltaGas' other continuous disclosure documents.*

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

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

*Additional information relating to AltaGas, including its quarterly and annual MD&A and Consolidated Financial Statements, Annual Information Form, and press releases are available through AltaGas' website at www.altagas.ca or through SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).*

# MANAGEMENT'S DISCUSSION AND ANALYSIS

*This Management's Discussion and Analysis (MD&A) dated November 2, 2023 is provided to enable readers to assess the results of operations, liquidity, and capital resources of AltaGas Ltd. ("AltaGas", the "Company" or the "Corporation") as at and for the three and nine months ended September 30, 2023. This MD&A should be read in conjunction with the accompanying unaudited condensed interim Consolidated Financial Statements and notes thereto of AltaGas as at and for the three and nine months ended September 30, 2023 and the audited Consolidated Financial Statements and MD&A as at and for the year ended December 31, 2022.*

*The Consolidated Financial Statements and comparative information have been prepared in accordance with United States (U.S.) generally accepted accounting principles (U.S. GAAP) and in Canadian dollars, unless otherwise indicated. Throughout this MD&A, references to GAAP refer to U.S. GAAP and dollars refer to Canadian dollars, unless otherwise indicated.*

*Abbreviations, acronyms, and capitalized terms used in this MD&A without express definition shall have the same meanings given to those terms in the MD&A as at and for the year ended December 31, 2022 or the Annual Information Form for the year ended December 31, 2022.*

*This MD&A contains forward-looking information (forward-looking statements). Words such as “expect”, “anticipate”, "remain", "believe", "can", “will”, "should", "would", "could", “continues”, “estimate”, "forecast", "future", "commit", "guarantee", “growth”, “plans”, "target", "long-term", "potential", "opportunity", "may" and similar expressions suggesting future events or future performance, as they relate to the Corporation or any affiliate of the Corporation, are intended to identify forward-looking statements. In particular, this MD&A contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities, and financial results. Specifically, such forward-looking statements included in this document include, but are not limited to, statements with respect to the following: AltaGas' role in the energy ecosystem and expected outcomes therefrom; AltaGas' belief in the role and importance of global resource exports; AltaGas' growth strategy to expand in existing and new markets including the anticipated benefits from the Company’s basin strategy; AltaGas' ability to operate in strong partnership with its customers; the expected closing date of the Pipestone Acquisition; the expected amount of cash consideration payable to Tidewater pursuant to the Pipestone Acquisition; the parties reaching FID on the Pipestone Phase II expansion project; timing for repayment of amounts refundable to customers following the order regarding the Virginia rate case; potential development of AltaGas' REEF project, its capabilities and the expected timing of project phases and deliverables; AltaGas' expected working interest in the REEF project and the capacity for future phases; the expectation that the Harmattan carbon capture project is near completion and the anticipated cost savings therefrom; the Company's ability to deliver on its 2023 guidance and the expectation that its results will be in the upper half of the guidance ranges, including annual consolidated normalized EBITDA of approximately $1.5 to $1.6 billion and normalized earnings of approximately $1.85 to $2.05 per share in 2023; expectation that the Utilities segment will contribute 55 to 60 percent of 2023 normalized EBITDA; expectation that the Midstream segment will contribute 40 to 45 percent of 2023 normalized EBITDA; growth levels and drivers expected in the Utilities and Midstream segments; expectation for normalized EBITDA to be higher in the Corporate/Other segment in 2023 than in 2022; factors impacting the expected variance in normalized EBITDA and normalized earnings per share; anticipated effect of key variables on AltaGas' financial performance; market risks and their anticipated impact on the trading price of AltaGas' securities, the amount of dividends paid to shareholders and the ability of the Company to service its debt obligations; future employee obligations; unrecognized compensation expenses relating to the remaining vesting period for certain benefit plans being recognized over the vesting period; the cost of AltaGas' defined benefit and post-retirement benefit plans and the expected return on plan assets; AltaGas' ability to de-risk its business and manage direct commodity price exposure; expectation for an active hedging program in 2023 and the expected outcomes therefrom; the percentage of AltaGas' expected 2023 frac exposed volumes that are hedged; the percentage of AltaGas' expected 2023 export volumes that are tolled or financially hedged; AltaGas' ability to be highly hedged for the global export business through tolling agreements and financial hedges; the ability of AltaGas'* *subsidiaries to deploy effective hedging strategies; estimated impact of changes in commodity prices, exchange rates, and weather on normalized annual EBITDA and normalized earnings per share; fluctuations in working capital; estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied as of the date hereof; estimates as to the fair market value of each significant class of financial instrument; potential collateral requirements; designations of AltaGas' U.S. dollar-denominated debt or certain U.S. dollar-denominated loans and the effects as a foreign currency translation gain or loss for its U.S. subsidiaries; AltaGas' commitment to maintaining a disciplined, self-funded capital program; expected invested capital of $1.0 billion in 2023, excluding the acquisition of the Pipestone assets; anticipated segment allocation and focus of capital expenditures in 2023; expectation that growth capital will be funded through internally-generated cash flow, asset sales, and normal course borrowings on existing committed credit facilities; expected cost, completion, impacts and in-service dates of growth capital projects; anticipated timing, deliverables required, results and effects of applications, hearings, and decisions of rate cases before Utilities regulators; anticipated benefits of Pipestone Phase II and the expectation that post-FID, Pipestone Phase II will be fully committed under firm take-or-pay and fee-for-service agreements; expectations regarding REEF including the construction of a deep water marine jetty, that the Company will be responsible for the construction and operational stewardship of the facility, that future phases of the project may be developed and the Company's anticipated working interest in the project; the targeted in-service date and expected project costs for MVP; whether the proposed order approving the STRIDE3 plan will be revised, modified or finalized and the timing thereof; anticipated timing and results of regulatory applications or court hearings; adequacy of provisions made in respect of legal claims and actions against the Company and the anticipated impact on its financial position or results of operations; expected impacts of Washington Gas' dividend restrictions on AltaGas' ability to meet its obligations; AltaGas' long-term objectives for managing capital; future changes in accounting policies, AltaGas' adoption of new accounting standards and their impact on its financial statements; ability of investors to compare certain financial measures used by AltaGas to similar measures presented by other entities; and the expected in-service date of new very large gas carriers (VLGCs).*

*These statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events, and achievements to differ materially from those expressed or implied by such statements. Such statements reflect AltaGas' current expectations, estimates, and projections based on certain material factors and assumptions at the time the statement was made. Material assumptions include: anticipated timing of asset acquisition and sale closings, effective tax rates, financing initiatives, degree day variance from normal, pension discount rate, the performance of the businesses underlying each sector, impacts of the hedging program, expected commodity supply, demand and pricing, volumes and rates, exchange rates, inflation, interest rates, credit ratings, regulatory approvals and policies, future operating and capital costs, capacity expectations, weather, frac spread, access to capital, planned and unplanned plant outages, timing of in-service dates of new projects and acquisition and divestiture activities, returns on investments, dividend levels and transaction costs.*

*AltaGas' forward-looking statements are subject to certain risks and uncertainties which could cause results or events to differ from current expectations, including, without limitation: risks related to conflict in Eastern Europe; health and safety risks; operating risks; infrastructure; natural gas supply risks; volume throughput; service interruptions; transportation of petroleum products; market risk; inflation; general economic conditions; cyber security, information, and control systems; climate-related risks; environmental regulation risks; regulatory risks; litigation; changes in law; Indigenous and treaty rights; dependence on certain partners; political uncertainty and civil unrest; decommissioning, abandonment and reclamation costs; reputation risk; weather data; capital market and liquidity risks; interest rates; internal credit risk; foreign exchange risk; debt financing, refinancing, and debt service risk; counterparty and supplier risk; technical systems and processes incidents; growth strategy risk; construction and development; underinsured and uninsured losses; impact of competition in AltaGas' businesses; counterparty credit risk; composition risk; collateral; rep agreements; market value of common shares and other securities; variability of dividends; potential sales of additional shares; labor relations; key personnel; risk management costs and limitations; commitments associated with regulatory approvals for the acquisition of WGL; cost of providing retirement plan benefits; failure of service providers; risks related to pandemics, epidemics or disease outbreaks; and the other factors discussed under the heading "Risk Factors" in the Corporation's Annual Information Form for the year ended December 31, 2022 and set out in AltaGas' other continuous disclosure documents.*

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

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

*Additional information relating to AltaGas, including its quarterly and annual MD&A and Consolidated Financial Statements, Annual Information Form, and press releases are available through AltaGas' website at www.altagas.ca or through SEDAR at www.sedarplus.ca.*

## AltaGas Business Overview and Organization

AltaGas is a leading North American energy infrastructure company that connects customers and markets to affordable and reliable sources of energy. The Company operates a diversified, lower-risk, high-growth energy infrastructure business that is focused on delivering resilient and durable value for its stakeholders. AltaGas has three reporting segments - Utilities, Midstream, and Corporate/Other.

**Utilities Segment**

AltaGas' Utilities segment owns and operates franchised, cost-of-service, rate-regulated natural gas distribution and storage utilities that are focused on providing safe, reliable, and affordable energy to its customers. AltaGas' Utilities provide energy to approximately 1.6 million residential and commercial customers with an average rate base of approximately US$5.0 billion.

The Utilities segment includes two utilities that operate across four major U.S. jurisdictions:

- Washington Gas Light Company, which is the Company's largest operating utility that serves approximately 1.2 million customers across Maryland, Virginia and the District of Columbia; and
- SEMCO Energy, Inc., which delivers essential energy to approximately 324,000 customers in Southern Michigan and Michigan's Upper Peninsula.

The Utilities segment also includes other storage facilities and contracts for interstate natural gas transportation and storage services, as well as WGL Energy Services, Inc., an affiliated retail energy marketing business, which sells natural gas and electricity directly to residential, commercial, and industrial customers located in Maryland, Virginia, Delaware, Pennsylvania, Ohio, and the District of Columbia. AltaGas also previously owned ENSTAR Natural Gas Company and a 65 percent indirect interest in Cook Inlet Natural Gas Storage Alaska (CINGSA) and other ancillary operations in Alaska, which were divested to TriSummit Utilities Inc. on March 1, 2023 (the Alaska Utilities Disposition).

**Midstream Segment**

AltaGas' Midstream segment is a leading North American platform that connects customers and markets. From wellhead to tidewater, the Company is focused on providing its customers with safe and reliable service and connectivity that facilitates the best outcomes for their businesses. This includes global market access for North American Liquified Petroleum Gases (LPGs), which provides North American producers and aggregators with attractive netbacks for propane and butane while delivering diversity of supply and supporting stronger energy security in Asia to AltaGas' downstream customers.

Throughout AltaGas' Midstream operations, the Company is playing a vital role within the larger energy ecosystem that keeps the global economy moving forward in a safe, reliable and affordable manner.

AltaGas' Midstream platform is heavily focused on the Montney and Deep Basin resource plays and centers around global exports, which is where the Company believes the market is headed for resource development over the long-term. AltaGas also operates a broader set of midstream infrastructure assets across the Western Canadian Sedimentary Basin (WCSB) and select regions in the U.S., which are all focused on connecting customers and markets in the most efficient manner possible.

There are three core pillars to AltaGas' Midstream platform that are integral to each other and facilitate the Company's wellhead to tidewater and beyond value chain. These include:

- Global Exports, which includes AltaGas' two LPG export terminals where the Company has capacity to export up to 150,000 Bbl/d of propane and butane to key markets in Asia;
- Natural Gas Gathering, Processing and Extraction, which includes 1.2 Bcf/d of extraction processing capacity and approximately 1.1 Bcf/d of raw field gas processing capacity, which is heavily focused on the Montney and Deep Basin; and
- Fractionation and Liquids Handling platform, which includes 65 MBbl/d of fractionation capacity and a sizable liquids handling footprint.

The Midstream segment also consists of natural gas and NGL marketing businesses, domestic logistics, trucking and rail terminals, and approximately 3.2 million barrels of liquid storage capability through a network of underground salt caverns through the Company's Strathcona Storage JV with ATCO Energy Solutions Ltd., as well as AltaGas' 10 percent interest in the Mountain Valley Pipeline (MVP).

**Corporate/Other Segment**

AltaGas' Corporate/Other segment consists of the Company's corporate activities and a small portfolio of gas-fired power generation and distribution assets capable of generating 508 MW of power primarily in California.

## Subsidiary Entities

The businesses of AltaGas are operated by the Company and a number of its subsidiaries including, without limitation, AltaGas Services (U.S.) Inc., AltaGas Utility Holdings (U.S.) Inc., WGL Holdings, Inc. (WGL), Wrangler 1 LLC, Wrangler SPE LLC, Washington Gas Resources Corp., WGL Energy Services, Inc. (WGL Energy Services), and SEMCO Holding Corporation; in regard to the Utilities business, Washington Gas Light Company (Washington Gas), Hampshire Gas Company, and SEMCO Energy, Inc. (SEMCO); and in regard to the Midstream business, AltaGas Extraction and Transmission Limited Partnership, AltaGas Pipeline Partnership, AltaGas Processing Partnership, AltaGas Northwest Processing Limited Partnership, Harmattan Gas Processing Limited Partnership, Ridley Island LPG Export Limited Partnership, AltaGas Pacific Partnership, AltaGas LPG Limited Partnership, Petrogas Energy Corporation (Petrogas), Petrogas Holdings Partnership, and Petrogas Inc. In the Corporate/Other segment, subsidiaries include AltaGas Power Holdings (U.S.) Inc., WGL Energy Systems, Inc. (WGL Energy Systems), and Blythe Energy Inc. (Blythe). SEMCO conducts its Michigan natural gas distribution business under the name SEMCO Energy Gas Company (SEMCO Gas).

## Third Quarter Highlights

*(Normalized EBITDA, normalized funds from operations, normalized net income, and net debt are non-GAAP financial measures. Normalized funds from operations per share and normalized net income per share are non-GAAP ratios. Please see Non-GAAP Financial Measures section of this MD&A.)*

- On August 31, 2023, AltaGas announced that it has entered into a definitive agreement with Tidewater Midstream and Infrastructure Ltd. (Tidewater) to acquire natural gas processing and storage infrastructure assets in the Pipestone area of the Alberta Montney (the Pipestone Acquisition) for total consideration of $650 million, which is comprised of $325 million in cash and the issuance of approximately 12.5 million AltaGas common shares to Tidewater priced at $26.07. The Pipestone Acquisition includes the Pipestone Natural Gas Processing Facility Phase I, the Pipestone Phase II expansion project which is being developed, the Dimsdale Natural Gas Storage Facility, the Pipestone Condensate Truck-in/Truck-out Terminal, and the associated gathering pipeline systems required to operate these assets. The Pipestone Acquisition is contingent on Tidewater and AltaGas making a positive final investment decision (FID) on the Pipestone Phase II expansion project. To facilitate reaching FID, AltaGas and Tidewater have also entered into an agreement to create a new joint venture to advance the final steps required to develop and construct the project. Subsequent to the announcement, AltaGas has received all material regulatory approvals, including Competition Act approval, and is currently working on other condition precedents to close the transaction, which continues to be anticipated prior to 2023 year-end;
- Effective July 1, 2023, Vern Yu joined AltaGas as President and Chief Executive Officer and was appointed to AltaGas' Board of Directors. Mr. Yu has over three decades of experience in energy infrastructure, including the Utilities and Midstream sectors across North America;
- Effective September 1, 2023, AltaGas appointed a new independent Director, Angela Lekatsas, to AltaGas' Board of Directors. Ms. Lekatsas has over two decades of broad industry and corporate finance experience and will also serve as a member of AltaGas' Audit Committee;
- On August 29, 2023, the Commonwealth of Virginia State Corporation Commission (SCC of VA) adopted the Hearing Examiner's report for the Virginia rate case, approving approximately US$41 million of incremental base rates plus approximately US$32 million of SAVE surcharges for a total rate increase of approximately US$73 million. Amounts refundable to customers will be repaid with interest within 90 days of the issuance of this order;
- Normalized EBITDA was $252 million compared to $233 million in the third quarter of 2022;
    - Normalized EBITDA for the Utilities segment was $71 million compared to $115 million in the third quarter of 2022. The largest drivers of the decrease were the lack of the larger-than-normal asset optimization impact at Washington Gas which was present in last year's results, and the absence of the contribution from the Alaskan Utilities which were divested in March 2023;

  - Normalized EBITDA for the Midstream segment was $185 million compared to $108 million in the third quarter of 2022. The largest drivers of the strong year-over-year results were stronger performance from the global exports business due to solid operational execution, strong volumes and pricing, and the benefit of Allowance for Funds Used During Construction (AFUDC) on MVP as the project progresses to final completion in early 2024;
- Loss before income taxes was $51 million compared to income before income taxes of $48 million in the third quarter of 2022;
- Cash from operations was $3 million ($0.01 per share) compared to cash used by operations of $384 million ($1.37 per share) in the third quarter of 2022;
- Normalized funds from operations was $142 million ($0.50 per share) compared to $170 million ($0.60 per share) in the third quarter of 2022;
- Net loss applicable to common shares was $50 million ($0.18 per share) compared to $48 million ($0.17 per share) in the third quarter of 2022;
- Normalized net income was $28 million ($0.10 per share) compared to $27 million ($0.10 per share) in the third quarter of 2022;
- Net debt, including subordinated hybrid notes, was $8.7 billion as at September 30, 2023, compared to $9.9 billion at December 31, 2022; and
- Total long-term debt, including subordinated hybrid notes, was $8.4 billion as at September 30, 2023, compared to $9.6 billion at December 31, 2022.

## Highlights Subsequent to Quarter End

- On October 19, 2023, Washington Gas issued US$200 million in private placement notes, which includes US$150 million at 6.06 percent maturing on October 14, 2033 and US$50 million at 6.43 percent maturing on October 15, 2053. The proceeds will be used for general corporate purposes.

## Consolidated Financial Review

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *($ millions, except effective income tax rates)* | **2023** | 2022 | **2023** | 2022 |
| Revenue | **3,030** | 3,056 | **9,709** | 10,190 |
| Normalized EBITDA (1) | **252** | 233 | **1,073** | 1,083 |
| Income (loss) before income taxes | **(51)** | 48 | **751** | 638 |
| Net income (loss) applicable to common shares | **(50)** | (48) | **528** | 345 |
| Normalized net income (1) | **28** | 27 | **321** | 352 |
| Total assets | **22,183** | 23,504 | **22,183** | 23,504 |
| Total long-term liabilities | **11,073** | 11,991 | **11,073** | 11,991 |
| Invested capital (1) | **257** | 532 | **656** | 907 |
| Cash from (used in) investing activities | **(243)** | (534) | **395** | (661) |
| Dividends declared (2) | **79** | 74 | **237** | 223 |
| Cash from (used by) operations | **3** | (384) | **967** | 827 |
| Normalized funds from operations (1) | **142** | 170 | **752** | 832 |
| Normalized effective income tax rate (%) (1) | **23.5** | 12.5 | **20.6** | 19.7 |
| Effective income tax rate (%) | **23.2** | 14.3 | **25.3** | 20.5 |

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *($ per share, except shares outstanding)* | **2023** | 2022 | **2023** | 2022 |
| Net income (loss) per common share - basic | **(0.18)** | (0.17) | **1.87** | 1.23 |
| Net income (loss) per common share - diluted | **(0.18)** | (0.17) | **1.86** | 1.22 |
| Normalized net income - basic (1) | **0.10** | 0.10 | **1.14** | 1.25 |
| Normalized net income - diluted (1) | **0.10** | 0.10 | **1.13** | 1.24 |
| Dividends declared (2) | **0.28** | 0.27 | **0.84** | 0.80 |
| Cash from (used by) operations | **0.01** | (1.37) | **3.43** | 2.94 |
| Normalized funds from operations (1) | **0.50** | 0.60 | **2.67** | 2.96 |
| Shares outstanding - basic (millions) | | | | |
| During the period (3) | **282** | 281 | **282** | 281 |
| End of period | **282** | 282 | **282** | 282 |

(1) Non-GAAP financial measure or non-GAAP financial ratio; see discussion in *Non-GAAP Financial Measures* section of this MD&A.
(2) Dividend declared per common share per quarter: $0.265 per share beginning March 2022, increased to $0.28 per share effective March 31, 2023.
(3) Weighted average.

## Three Months Ended September 30

Normalized EBITDA for the third quarter of 2023 was $252 million, compared to $233 million for the same quarter in 2022. There were several positive and negative contributors underpinning the year-over-year variance. Factors positively impacting normalized EBITDA included strong performance from the global exports business as a result of year-over-year tolling growth, higher Asian-to-North American propane spreads, and higher realized butane margins, as well as higher power margins from WGL's retail marketing business, higher crude and NGL marketing margins, AFUDC at MVP as a result of the resumption of construction activities in June 2023, and higher revenue from accelerated pipe replacement program spend. Factors negatively impacting AltaGas' normalized EBITDA in the third quarter of 2023 included lower gas margins from WGL's retail marketing business, the absence of turnaround recoveries in the third quarter of 2022, decreased asset optimization activities at Washington Gas relative to the larger-than-normal contribution in the same period in 2022, higher operating and administrative expenses at the Utilities, the impact of the Alaska Utilities Disposition, and higher expenses related to employee incentive plans. For the three months ended September 30, 2023, the average Canadian/U.S. dollar exchange rate increased to 1.34 from an average of 1.31 in the same period of 2022, resulting in an increase in normalized EBITDA of approximately $4 million.

Loss before income taxes for the third quarter of 2023 was $51 million, compared to income before income taxes of $48 million for the same quarter in 2022. The decrease was mainly due to higher unrealized losses on risk management contracts, higher interest expense, higher transaction costs related to acquisitions and dispositions, and higher depreciation and amortization expense, partially offset by the same previously referenced factors impacting normalized EBITDA and the absence of losses on asset sales in the third quarter of 2022. Net loss applicable to common shares for the third quarter of 2023 was $50 million ($0.18 per share), compared to $48 million ($0.17 per share) for the same quarter in 2022. The increase in loss was mainly due to the same previously referenced factors impacting loss before income taxes, partially offset by the absence of the loss on the redemption of preferred shares in the third quarter of 2022, lower income tax expense, and lower preferred share dividends.

Normalized funds from operations for the third quarter of 2023 was $142 million ($0.50 per share), compared to $170 million ($0.60 per share) for the same quarter in 2022. The decrease was mainly due to lower net income after taxes after adjusting for non-cash items, higher interest expense, and lower normalized current income tax recovery, partially offset by the same factors impacting normalized EBITDA.

Cash from operations in the third quarter of 2023 was $3 million ($0.01 per share), compared to cash used by operations of $384 million ($1.37 per share) for the same quarter in 2022. The increase was mainly due to favourable variances in the net change in operating assets and liabilities, primarily as a result of fluctuations in commodity prices and sales volumes, partially offset by lower net income after taxes after adjusting for non-cash items. Please refer to the *Liquidity* section of this MD&A for further details on the variance in cash from operations.

In the third quarter of 2022, AltaGas recorded a pre-tax loss on disposition of assets of approximately $3 million, which was primarily due to expenses incurred related to asset sales which closed in previous periods.

Operating and administrative expenses for the third quarter of 2023 were $379 million, compared to $387 million for the same quarter in 2022. The decrease was due to a number of factors, including the impact of the Alaska Utilities Disposition and lower power costs at the extraction facilities, partially offset by higher expenses at the Utilities and higher expenses related to employee incentive plans as a result of the increase in AltaGas' share price in the third quarter of 2023. Depreciation and amortization expense for the third quarter of 2023 was $109 million, compared to $106 million for the same quarter in 2022. The slight increase was mainly due to new assets placed in-service, partially offset by the impact of the Alaska Utilities Disposition. Interest expense for the third quarter of 2023 was $95 million, compared to $85 million for the same quarter in 2022. The increase was mainly due to higher average interest rates and a higher average Canadian/U.S. dollar exchange rate, partially offset by lower average debt balances. For the three months ended September 30, 2023, AltaGas recorded total interest expense of $9 million on the subordinated hybrid notes.

AltaGas recorded an income tax recovery of $12 million for the third quarter of 2023, compared to income tax expense of $7 million for the same quarter of 2022. The decrease in income tax expense was mainly due to lower income before income taxes. Current tax recovery of $7 million was recorded in the third quarter of 2023, compared to current tax recovery of $13 million recorded in the same quarter of 2022. The decrease in current tax recovery was mainly due to the composition of loss before income taxes.

Normalized net income was $28 million ($0.10 per share) for the third quarter of 2023, compared to $27 million ($0.10 per share) for the same quarter of 2022. The slight increase was mainly due to the same factors impacting normalized EBITDA and lower preferred share dividends, partially offset by higher interest expense, higher normalized income tax expense, and higher depreciation expense. Normalizing items in the third quarter of 2023 increased normalized net income by $78 million and included after-tax amounts related to unrealized losses on risk management contracts, transaction costs related to acquisitions and dispositions, and CEO transition costs. Normalizing items in the third quarter of 2022 increased normalized net income by $75 million and included after-tax amounts for transaction costs related to acquisitions and dispositions, losses on sale of assets, loss on redemption of preferred shares, including foreign exchange impact, reversal of provisions of investments accounted for by the equity method, and unrealized gains on risk management contracts. Please refer to the *Non-GAAP Financial Measures* section of this MD&A for further details on normalization adjustments.

### Nine Months Ended September 30

Normalized EBITDA for the first nine months of 2023 was $1,073 million, compared to $1,083 million for the same period in 2022. There were several positive and negative contributors underpinning the year-over-year variance. Factors positively impacting normalized EBITDA included year-over-year tolling volume growth as well as higher Asian-to-North American propane spreads within the global exports business, higher power margins from WGL's retail marketing business, the favourable resolution of certain commercial disputes and contingencies, the impact of the 2022 Virginia rate case, AFUDC at MVP as a result of the resumption of construction activities in June 2023, higher revenue from accelerated pipe replacement program spend, the gain resulting from the partial debt defeasance associated with the Alaska Utilities Disposition in the first quarter of 2023 (please refer to Note 9 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2023 for further details), and customer growth at the Utilities. Factors negatively impacting AltaGas' normalized EBITDA in the first nine months of 2023 included lower gas margins from WGL's retail business including swap timing, the impact of the Alaska Utilities Disposition in the first quarter of 2023, higher operating and administrative expenses at the Utilities, lower realized butane margins in the global export business, decreased asset optimization activities at Washington Gas relative to the larger-than-normal contribution in the same period in 2022, warmer weather in Michigan and the District of Columbia where the Utilities do not have weather normalization, the absence of turnaround recoveries that were present in the third quarter of 2022, the impact of the sale of AltaGas' interest in the Aitken Creek processing facilities in the second quarter of 2022, lower inventory withdrawals, and lower marketing margins and volumes. In the first nine months of 2023, the average Canadian/U.S. dollar exchange rate increased to 1.35 from an average of 1.28 in the same period of 2022, resulting in an increase in normalized EBITDA of approximately $33 million.

Income before income taxes for the first nine months of 2023 was $751 million, compared to $638 million for the same period in 2022. The increase was mainly due to the gain on the Alaska Utilities Disposition and additional proceeds received due to contract contingencies on the sale of an energy storage development project in Goleta, California (Goleta) in the first quarter of 2022, partially offset by lower unrealized gains on risk management contracts, higher interest expense, higher transaction costs related to acquisitions and dispositions, the same previously referenced factors impacting normalized EBITDA, costs related to the CEO transition, and higher depreciation and amortization expense. Net income applicable to common shares for the first nine months of 2023 was $528 million ($1.87 per share), compared to $345 million ($1.23 per share) for the same period in 2022. The increase was mainly due to the same previously referenced factors impacting income before income taxes, lower net income applicable to non-controlling interests, the absence of the loss on the redemption of preferred shares in 2022, and lower preferred share dividends, partially offset by higher income tax expense.

Normalized funds from operations for the first nine months of 2023 was $752 million ($2.67 per share), compared to $832 million ($2.96 per share) for the same period in 2022. The decrease was mainly due to higher interest expense, lower net income after taxes after adjusting for non-cash items, and the same factors impacting normalized EBITDA, partially offset by lower normalized current income tax expense.

Cash from operations for the first nine months of 2023 was $967 million ($3.43 per share), compared to $827 million ($2.94 per share) for the same period in 2022. The increase was mainly due to favourable variances in the net change in operating assets and liabilities, primarily as a result of fluctuations in commodity prices and sales volumes, partially offset by lower net income after taxes after adjusting for non-cash items. Please refer to the *Liquidity* section of this MD&A for further details on the variance in cash from operations.

In the first nine months of 2023, AltaGas recorded pre-tax gains on dispositions of assets of approximately $319 million which was primarily comprised of the gain on the Alaska Utilities Disposition, additional proceeds received for the favourable settlement of contract contingencies related to the sale of Goleta, and the cash proceeds received in the second quarter of 2023 from an escrow account related to the 2019 disposition of AltaGas' investment in Meade Pipeline Co. LLC (Meade), which held WGL Midstream's indirect, non-operating interest in the Central Penn pipeline (Central Penn). In the first nine months of 2022, AltaGas recorded pre-tax gains on dispositions of assets of approximately $3 million which was comprised of the previously mentioned expenses incurred related to asset sales which closed in previous periods, a pre-tax gain of $1 million on the sale of AltaGas' interest in the Aitken Creek processing facilities in the second quarter of 2022, a pre-tax loss of $2 million on the sale of a power plant in Brush, Colorado in the second quarter or 2022, and a pre-tax gain of $7 million on the sale of Goleta, California in the first quarter of 2022.

Operating and administrative expenses for the first nine months of 2023 were $1,152 million, compared to $1,146 million for the same period in 2022. The increase was due to a number of factors, including higher expenses at the Utilities and within the global exports business, partially offset by the impact of the Alaska Utilities Disposition, the favourable resolution of select commercial disputes and contingencies, and lower power costs at the extraction facilities. Depreciation and amortization expense for the first nine months of 2023 was $331 million, compared to $327 million for the same period in 2022. The increase was mainly due to new assets placed in-service and the impact of a higher average Canadian/U.S. dollar exchange rate, partially offset by the impact of the Alaska Utilities Disposition. Interest expense for the first nine months of 2023 was $293 million, compared to $231 million for the same period in 2022. The increase was predominantly due to higher average interest rates, higher average debt balances, $12 million of incremental hybrid interest costs due to hybrid notes replacing preferred shares, and a higher average Canadian/U.S. dollar exchange rate. For the nine months ended September 30, 2023, AltaGas recorded total interest expense of $26 million on the subordinated hybrid notes.

AltaGas recorded income tax expense of $190 million for the first nine months of 2023, compared to $131 million in the same period of 2022. The increase in tax expense was mainly due to higher income before income taxes and the tax impact of the Alaska Utilities Disposition. Current tax expense of approximately $32 million was recorded in the first nine months of 2023, compared to $30 million recorded in the same period of 2022. The slight increase in current tax expense was mainly due to the tax impact of the Alaska Utilities Disposition in the first quarter of 2023, partially offset by composition of income before income taxes.

Normalized net income was $321 million ($1.14 per share) for the first nine months of 2023, compared to $352 million ($1.25 per share) for the same period in 2022. The decrease was mainly due to higher interest expense, the same previously referenced factors impacting normalized EBITDA, higher depreciation expense, higher accretion expense, and lower foreign exchange gains, partially offset by lower net income applicable to non-controlling interests, lower preferred share dividends, and lower normalized income tax expense. Normalizing items in the first nine months of 2023 reduced normalized net income by $207 million and included after-tax amounts related to gains on sale of assets, unrealized gains on risk management contracts, transaction costs related to acquisitions and dispositions, CEO transition costs, and the settlement of the Canadian defined benefit pension plan. Normalizing items in the first nine months of 2022 increased normalized net income by $7 million and included after-tax amounts related to unrealized gains on risk management contracts, transaction costs related to acquisitions and dispositions, non-controlling interest portion of non-GAAP adjustments, loss on redemption preferred shares, including foreign exchange impact, reversal of provisions on investments accounted for by the equity method, and gains on sale of assets. Please refer to the *Non-GAAP Financial Measures* section of this MD&A for further details on normalization adjustments.

## 2023 Outlook

Following the third quarter 2023 results, AltaGas expects to achieve the upper half of guidance ranges that were previously disclosed in December 2022, including 2023 annual consolidated normalized EBITDA of approximately $1.5 to $1.6 billion compared to actual normalized EBITDA of $1.54 billion in 2022, and normalized earnings of approximately $1.85 to $2.05 per share compared to actual normalized earnings per share and net income per share of $1.89 per share and $1.42 per share, respectively in 2022, assuming an effective tax rate of approximately 22 percent. For the year ended December 31, 2022, income before income taxes and net income applicable to common shares were $716 million and $399 million, respectively.

The Utilities segment is expected to contribute approximately 55 to 60 percent of normalized EBITDA, with growth driven primarily by revenue growth from the Virginia rate case, continued rate base growth through ongoing capital investments in accelerated pipe replacement programs on behalf of AltaGas' customers, and modest customer growth, partially offset by the impact of the Alaska Utilities Disposition, lower realized margins from the asset optimization business that are more in line with historical contribution of the activity, and lower natural gas margins from WGL's retail marketing business. Midstream segment earnings are expected to contribute approximately 40 to 45 percent of normalized EBITDA, with expected growth driven by higher expected global export margins and volumes, AFUDC at MVP, and higher volumes and asset utilization at AltaGas' Northeastern B.C. (NEBC) facilities. These positive factors are expected to be partially offset by the full year impact of the Aitken Creek processing facilities disposition in 2022, lower fractionation spreads, and the absence of the recovery of turnaround costs present in income in 2022. Normalized EBITDA from the Corporate/Other segment, which includes AltaGas' remaining power assets, is expected to be higher in 2023 mainly due to lower general and administrative expenses.

The expected variance in normalized earnings per share from $1.89 per share in 2022 to approximately $1.85 to $2.05 per share in 2023 is expected to be primarily due to the same factors impacting normalized EBITDA, lower expected income applicable to non-controlling interests, and lower expected preferred share dividends, partially offset by higher expected interest expense and depreciation and amortization expense.

The forecasted normalized EBITDA and earnings per share include assumptions around the Canadian/U.S. dollar exchange rate. Within each segment, the performance of the underlying businesses has the potential to vary. Any variance from AltaGas' current assumptions could impact the forecasted normalized EBITDA and normalized earnings per share. Please refer to the *Risk Management* section of this MD&A for further discussions of the risks impacting AltaGas.

AltaGas continues to focus on de-risking its business and managing direct commodity price exposure to drive predictable and durable returns. While the Company does have exposure, it plans to maintain an active hedging program that proactively hedges commodity price and spread risk to mitigate the impact of fluctuations in margins and cash flows. For the remainder of 2023, AltaGas has hedged approximately 77 percent of its expected frac exposed volumes hedged at approximately US$27/Bbl, prior to transportation costs. In addition, approximately 87 percent of AltaGas' expected export volumes for the remainder of 2023 are either tolled or financially hedged with an average FEI to North American financial hedge price of approximately US$18/Bbl for non-tolled propane and butane volumes. AltaGas is targeting to be highly hedged for the global export business through a combination of tolling agreements and financial hedges.

| Midstream Hedge Program | Remainder of 2023 |
|---|---|
| Global Exports volumes hedged (%) (1) | 87 |
| Average propane/butane FEI to North America average hedge (US$/Bbl) (2) | 18.13 |
| Fractionation volumes hedged (%) (3) | 77 |
| Frac spread hedge rate (US$/Bbl) (3) | 26.83 |

(1) Approximate expected volumes hedged. Includes contracted tolling volumes and financial hedges. Based on AltaGas' internally assumed export volumes. AltaGas is hedged at a higher percentage for firmly committed volumes.
(2) Approximate average for the period. Does not include physical differential to FSK for C3 volumes. Butane is hedged as a percentage of WTI.
(3) Approximate average for the period.

## Sensitivity Analysis

AltaGas' financial performance is affected by factors such as changes in commodity prices, exchange rates, and weather. The following table illustrates the approximate effect of these key variables on AltaGas' expected normalized EBITDA for 2023:

| Factor | Increase or decrease | Approximate impact on normalized annual EBITDA *($ millions)* |
|---|---|---|
| Degree day variance from normal - Utilities (1) | 5 percent | 8 |
| Change in Canadian dollar per U.S. dollar exchange rate | 0.05 | 14 |
| Propane and butane Far East Index to Mont Belvieu spreads (2) | US$1/Bbl | 1 |
| Pension discount rate | 1 percent | 18 |

(1) Degree days – Utilities relate to SEMCO Gas and District of Columbia service areas. Degree days are a measure of coldness determined daily as the number of degrees the average temperature during the day in question is below 65 degrees Fahrenheit. Degree days for a particular period are the average of degree days during the prior 15 years for SEMCO Gas and during the prior 30 years for Washington Gas.

(2) The sensitivity is net of hedges currently in place. The impact on normalized EBITDA due to changes in the spread will vary and is being managed through an active hedging program.

## Growth Capital

AltaGas is maintaining a disciplined, self-funded capital program and currently expects invested capital of approximately $1.0 billion in 2023, including approximately $90 million of discretionary Midstream capital which was deferred from 2022 to 2023, compared to invested capital of $1.2 billion in 2022. These figures exclude the previously announced acquisition of the Pipestone assets for total consideration of $650 million. The decrease in expected invested capital in 2023 compared to 2022 is primarily due to the absence of cash paid to purchase the remaining equity ownership of Petrogas in the third quarter of 2022, the absence of capital expenditures related to the Alaskan Utilities due to its divestiture in the first quarter of 2023, and lower spend on system betterment at Washington Gas, partially offset by the previously mentioned deferral of certain discretionary Midstream capital to 2023, higher spend on accelerated pipe replacement programs, growth capital projects in the Midstream segment, including REEF and the Harmattan Carbon Capture and Acid Gas Injection well, and higher spend on environmental initiatives. The majority of 2023 capital expenditures are expected to focus on projects within the Utilities platform that are anticipated to deliver strong organic rate base growth, positive risk-adjusted returns, and safe, reliable service for customers. The Utilities segment is expected to account for approximately 73 percent of total capital expenditures, while the Midstream segment is expected to account for approximately 25 percent and the Corporate/Other segment is expected to account for any remainder. In 2023, AltaGas' capital expenditures for the Utilities segment will focus primarily on maintenance, safety, and reliability programs including system betterment, accelerated pipe replacement programs, and customer additions. In the Midstream segment, capital expenditures are anticipated to primarily relate to new business development, maintenance and administrative capital, optimization of existing assets, investment in environmental initiatives, and facility turnarounds. The Corporation continues to focus on capital efficient organic growth and disciplined capital allocation while improving balance sheet strength and flexibility.

AltaGas' 2023 committed capital program is expected to be funded through internally-generated cash flow, asset sales including the Alaska Utilities Disposition, and normal course borrowings on existing committed credit facilities.

Please refer to the *Net Invested Capital* and *Non-GAAP Financial Measures* sections of this MD&A for additional information on the components of AltaGas' invested capital.

### Growth Capital Project Updates

The following table summarizes the status of AltaGas' significant growth projects:

| Project | AltaGas' Ownership Interest | Estimated Cost (1) | Expenditures to Date (2) | Status | Expected In-Service Date |
|---|---|---|---|---|---|
| **Midstream Projects** | | | | | |
| Pipestone Phase II Expansion | 100% | Currently undergoing cost estimations. | Less than $1 million | On August 31, 2023, AltaGas entered into an agreement with Tidewater to acquire natural gas processing and storage infrastructure assets in the Pipestone area of the Alberta Montney, including the Pipestone Phase II expansion project. Pipestone Phase II is a fully permitted, shovel-ready expansion project that is expected to provide an additional 100 Mmcf/d of sour deep-cut natural gas processing capacity and an additional 20,000 Bbls/d of liquids handling capabilities. Post FID, the project is expected to be fully committed under firm take-or-pay and fee-for-service service agreements. Pipestone Phase II is expected to reduce operating costs and enhance run-time efficiencies for the broader Pipestone complex. To facilitate reaching FID, AltaGas and Tidewater have entered into an agreement to create a new joint venture to advance the final steps required to develop and construct the project. Upon close of the Pipestone Acquisition, AltaGas will own a 100 percent interest in the project. | 2025 |
| Ridley Island Energy Export Facility | 50% | Currently undergoing FEED and cost estimations. | $29 million (net of partner recoveries) | AltaGas and its partner, Vopak Development Canada Holdings Inc., have agreed to further evaluate the development of REEF, a large-scale LPG and bulk liquids terminal and marine infrastructure on Ridley Island, British Columbia. The project is located adjacent to the existing RIPET facility near Prince Rupert, British Columbia. Should REEF reach a positive final investment decision, it is planned to be developed and brought online in phases. This approach will provide the most capital efficient build out of the project, match energy export supply with throughput capacity, mitigate the challenges that a large development project can have on the local community, and provide local construction and employment opportunities that would extend over longer time horizons. AltaGas has executed a long-term commercial agreement with the joint venture for 100 percent of the capacity for the first phase (98,000 CBM) of LPG volumes, subject to a positive FID, where AltaGas will also be responsible for the construction and operational stewardship of the facility. Future phases of the project may be developed as additional long-term commercial and critical milestones are executed and the project can deliver the maximum value for all stakeholders. AltaGas will hold a 50 percent working interest in the project. If a positive initial FID is made, Phase 1 is anticipated to include construction of a new deep water marine jetty with significant capacity for potential future phases. | Currently undergoing FEED and evaluating an in-service date. |

| Project | AltaGas' Ownership Interest | Estimated Cost (1) | Expenditures to Date (2) | Status | Expected In-Service Date |
|---|---|---|---|---|---|
| **Midstream Projects, continued** | | | | | |
| Harmattan Carbon Capture and Acid Gas Injection Well | 100% | $48 million | $43 million | AltaGas is nearing the completion of an opportunity to capture up to 60,000 tonnes/year of carbon emissions at Harmattan. The project involves decommissioning Harmattan's existing sulfur plant, which significantly reduces the facility's operational complexity and extends the facility's turnaround cycle from 4 years to 5 years, which is expected to result in cost savings. Phase 1 of this project, which involves drilling an acid gas injection well, has been completed. | Fourth quarter of 2023 |
| Mountain Valley Pipeline (MVP) | 10% | US$352 million | US$352 million | MVP obtained all necessary permits and full construction activities have recommenced, with a targeted in-service date now expected in the first quarter of 2024. The total project costs are estimated to be US$7.2 billion, which includes US$120 million of contingency. AltaGas' exposure is contractually capped to the original estimated contributions of approximately US$352 million. In the fourth quarter of 2021, AltaGas impaired its equity investment in MVP to its original carrying value of US$352 million as a result of legal and regulatory challenges the pipeline project has encountered. | First quarter of 2024. |
| MVP Southgate Project | 5% | US$20 million | US$4 million | MVP continues to evaluate the MVP Southgate project, including engaging in discussions with the shipper regarding options for the project and potential changes to the project design and timing in lieu of pursuing the project as originally contemplated. In the fourth quarter of 2021, AltaGas impaired its equity investment in the MVP Southgate project to a carrying value of $nil as a result of these ongoing legal and regulatory challenges. | Completion date under review. |

| Project | AltaGas' Ownership Interest | Estimated Cost (1) | Expenditures to Date (2) | Status | Expected In-Service Date |
|---|---|---|---|---|---|
| **Utilities Projects** | | | | | |
| Accelerated Utility Pipe Replacement Programs – ***District of Columbia*** | 100% | Estimated US$150 million over the three year period from January 2021 to December 2023, plus additional expenditures for subsequent phases upon approval. | US$132 million (3) | On December 22, 2022, Washington Gas filed an application with the Public Service Commission of the District of Columbia (PSC of DC) for PROJECTpipes 3, seeking approval of approximately US$672 million for the five-year period from January 1, 2024 to December 31, 2028. Parties comment to Washington Gas filing was filed on June 16, 2023 and reply comment from Washington Gas was filed on July 17, 2023. | Individual assets are placed into service throughout the program. |
| Accelerated Utility Pipe Replacement Programs – ***Maryland*** | 100% | Estimated US$350 million over the five year period from January 2019 to December 2023, plus additional expenditures for subsequent phases upon approval. | US$336 million (3) | The second phase of the accelerated utility pipe replacement programs in Maryland (STRIDE 2.0) ends in December 2023. Beginning in March 2022, the PSC of MD has issued orders reducing the STRIDE surcharge for 2022 and 2023 by 14.7 percent each year. Recovery of STRIDE expenditures not included in this surcharge will be requested through the normal rate-making process. On June 16, 2023, Washington Gas filed an application with the PSC of MD for the third phase of its modernization ARP program, seeking approval for approximately US$495 million of modernization investments on behalf of customers over the five-year period from January 1, 2024 to December 31, 2028. On October 25, 2023, a public utility law judge issued a proposed order to approve the STRIDE3 plan, subject to a reduced number of replacement projects equal to a reduction to the five-year budget by approximately one-third. Washington Gas must notify the Commission on or before November 13, 2023 whether it accepts this order, or file an appeal. The proposed order will become a final order on November 25, 2023 unless the proposed order is revised or modified by the PSC of MD. | Individual assets are placed into service throughout the program. |
| Accelerated Utility Pipe Replacement Programs – ***Virginia*** | 100% | Estimated US$878 million over the five year period from January 2023 to December 2027, plus additional expenditures for subsequent phases upon approval. | US$110 million (3) | On May 26, 2022, the SCC of VA approved Washington Gas' proposed amendment for the 2023 to 2027 SAVE Plan with a total five-year spending cap of approximately US$878 million, which may be exceeded by up to 5 percent. | Individual assets are placed into service throughout the program. |

| Project | AltaGas' Ownership Interest | Estimated Cost (1) | Expenditures to Date (2) | Status | Expected In-Service Date |
|---|---|---|---|---|---|
| **Utilities Projects** | | | | | |
| Accelerated Mains Replacement and Infrastructure Reliability Improvement Programs – ***Michigan*** | 100% | Estimated US$115 million over five year period from 2021 to 2025, plus additional expenditures for subsequent phases upon approval. | US$61 million (3) | A Main Replacement Program (MRP) was agreed to in SEMCO's last rate case settled in December 2019. The five-year MRP program began in 2021 with a total spend of approximately US$60 million. In addition to the MRP program, SEMCO was also granted an Infrastructure Reliability Improvement Program (IRIP), which is also a five-year program with a total spend of approximately US$55 million beginning in 2021. | Individual assets are placed into service throughout the program. |

(1) These amounts are estimates and are subject to change based on various factors. Where appropriate, the amounts reflect AltaGas' share of the various projects.
(2) Expenditures to date reflect total cumulative capital expenditures incurred from inception of the project's current phase to September 30, 2023.
(3) The utility accelerated replacement programs are long-term projects with multiple phases for which expenditures are approved by the regulators and managed in multi-year increments. Expenditures to date only include amounts for the current programs described above, and exclude any expenditures made under prior increments of the programs. Actual regulatory filings may differ from reported amounts.

## Non-GAAP Financial Measures

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

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

## Normalized EBITDA

| | | Three Months Ended September 30 | | | Nine Months Ended September 30 | |
|---|---|---|---|---|---|---|
| *($ millions)* | | **2023** | 2022 | | **2023** | 2022 |
| Income (loss) before income taxes (GAAP financial measure) | **$** | **(51)** | $ 48 | **$** | **751** | $ 638 |
| Add: | | | | | | |
| Depreciation and amortization | | **109** | 106 | | **331** | 327 |
| Interest expense | | **95** | 85 | | **293** | 231 |
| EBITDA | **$** | **153** | $ 239 | **$** | **1,375** | $ 1,196 |
| Add (deduct): | | | | | | |
| Transaction costs related to acquisitions and dispositions (1) | | **10** | 2 | | **31** | 4 |
| Unrealized losses (gains) on risk management contracts (2) | | **91** | (3) | | **(24)** | (107) |
| Losses (gains) on sale of assets (3) | | **—** | 3 | | **(319)** | (3) |
| CEO transition (4) | | **1** | — | | **6** | — |
| Settlement of pension plan (5) | | **—** | — | | **2** | — |
| Reversal of provisions on investments accounted for by the equity method (6) | | **—** | (3) | | **—** | (3) |
| Accretion expenses | | **3** | 2 | | **8** | 5 |
| Foreign exchange gains | | **(6)** | (7) | | **(6)** | (9) |
| Normalized EBITDA | **$** | **252** | $ 233 | **$** | **1,073** | $ 1,083 |

(1) Comprised of transaction costs related to acquisitions and dispositions of assets and/or equity investments in the period. These costs are included in the "cost of sales" and "operating and administrative" line items on the Consolidated Statements of Income (Loss). Transaction costs include expenses, such as legal fees, which are directly attributable to the acquisition or disposition. Please refer to Note 3 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2023 for further details regarding AltaGas' disposition of assets in the period.

(2) Included in the "revenue" and "cost of sales" line items on the Consolidated Statements of Income (Loss). Please refer to Note 13 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2023 for further details regarding AltaGas' risk management activities.

(3) Included in the "other income" line item on the Consolidated Statements of Income (Loss). Please refer to Note 3 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2023 for further details regarding AltaGas' disposition of assets in the period.

(4) Comprised of costs related to the transition of AltaGas' CEO. These costs are included in the "operating and administrative" line items on the Consolidated Statements of Income (Loss).

(5) Relates to the completion of the wind-up of the Canadian defined benefit pension plan in the second quarter of 2023. The settlement charge is included in the "other income" line on the Consolidated Statements of Income (Loss). Please refer to Note 18 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2023 for further details regarding the wind-up of the pension plan.

(6) Relates to the return of certain costs associated with the Constitution pipeline project as a result of its cancellation in February 2020. These costs are included in the "income from equity investments" line item on the Consolidated Statements of Income (Loss).

EBITDA is a measure of AltaGas' operating profitability prior to how business activities are financed, assets are amortized, or earnings are taxed. EBITDA is calculated from the Consolidated Statements of Income (Loss) using income (loss) before income taxes adjusted for pre-tax depreciation and amortization, and interest expense.

AltaGas presents normalized EBITDA as a supplemental measure. Normalized EBITDA is used by Management to enhance the understanding of AltaGas' earnings over periods, as well as for budgeting and compensation related purposes. The metric is frequently used by analysts and investors in the evaluation of entities within the industry as it excludes items that can vary substantially between entities depending on the accounting policies chosen, the book value of assets, and the capital structure.

## Normalized Net Income

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *($ millions)* | **2023** | 2022 | **2023** | 2022 |
| Net income (loss) applicable to common shares (GAAP financial measure) | **$ (50)** | $ (48) | **$ 528** | $ 345 |
| Add (deduct) after-tax: | | | | |
| Transaction costs related to acquisitions and dispositions (1) | **7** | 1 | **22** | 2 |
| Unrealized losses (gains) on risk management contracts (2) | **70** | (1) | **(19)** | (78) |
| Non-controlling interest portion of non-GAAP adjustments (3) | **—** | — | **—** | 5 |
| Losses (gains) on sale of assets (4) | **—** | 3 | **(217)** | (4) |
| CEO transition (5) | **1** | — | **5** | — |
| Loss on redemption of preferred shares, including foreign exchange impact (6) | **—** | 74 | **—** | 84 |
| Settlement of pension plan (7) | **—** | — | **2** | — |
| Reversal of provisions on investments accounted for by the equity method (8) | **—** | (2) | **—** | (2) |
| Normalized net income | **$ 28** | $ 27 | **$ 321** | $ 352 |

(1) Comprised of transaction costs related to acquisitions and dispositions of assets and/or equity investments in the period. The pre-tax costs are included in the "cost of sales" and "operating and administrative" line items on the Consolidated Statements of Income (Loss). Transaction costs include expenses, such as legal fees, which are directly attributable to the acquisition or disposition. Please refer to Note 3 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2023 for further details regarding AltaGas' disposition of assets in the period.

(2) The pre-tax amounts are included in the "revenue" and "cost of sales" line items on the Consolidated Statements of Income (Loss). Please refer to Note 13 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2023 for further details regarding AltaGas' risk management activities.

(3) The portion of non-GAAP adjustments applicable to non-controlling interests are excluded in the computation of normalized net income to ensure consistency of normalizations applied to controlling and non-controlling interests. These amounts are included in the "net income applicable to non-controlling interests" line item on the Consolidated Statements of Income (Loss).

(4) The pre-tax amounts are included in the "other income" line item on the Consolidated Statements of Income (Loss). Please refer to Note 3 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2023 for further details regarding AltaGas' disposition of assets in the period.

(5) Comprised of costs related to the transition of AltaGas' CEO. The pre-tax costs are included in the "operating and administrative" line items on the Consolidated Statements of Income (Loss).

(6) Comprised of the loss on the redemption of Series K Preferred Shares on March 31, 2022 and the redemption of U.S. dollar denominated Series C Preferred Shares on September 30, 2022, including an associated foreign exchange loss of approximately $69 million. The loss on redemption of preferred shares is recorded on the "loss of redemption of preferred shares" line on the Consolidated Statements of Income (Loss).

(7) Relates to the completion of the wind-up of the Canadian defined benefit pension plan in the second quarter of 2023. The settlement charge is included in the "other income" line on the Consolidated Statements of Income (Loss). Please refer to Note 18 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2023 for further details regarding the wind-up of the pension plan.

(8) Relates to the return of certain costs associated with the Constitution pipeline project as a result of its cancellation in February 2020. These costs are included in the "income from equity investments" line item on the Consolidated Statements of Income (Loss).

Normalized net income and normalized net income per share are used by Management to enhance the comparability of AltaGas' earnings, as these metrics reflect the underlying performance of AltaGas' business activities.

### Normalized Funds from Operations

| | | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|---|
| *($ millions)* | | **2023** | 2022 | **2023** | 2022 |
| Cash from (used by) operations (GAAP financial measure) | **$** | **3** | $ (384) | **$ 967** | $ 827 |
| Add (deduct): | | | | | |
| Net change in operating assets and liabilities | | **124** | 550 | **(298)** | (3) |
| Asset retirement obligations settled | | **7** | 2 | **12** | 5 |
| Funds from operations | **$** | **134** | $ 168 | **$ 681** | $ 829 |
| Add (deduct): | | | | | |
| Transaction costs related to acquisitions and dispositions (1) | | **10** | 2 | **31** | 4 |
| CEO transition (2) | | **1** | — | **6** | — |
| Current tax expense (recovery) on asset sales (3) | | **(3)** | — | **34** | (1) |
| Normalized funds from operations | **$** | **142** | $ 170 | **$ 752** | $ 832 |

(1) Comprised of costs related to acquisitions and dispositions of assets and/or equity investments in the period. These costs exclude any non-cash amounts and are included in the "cost of sales" and "operating and administrative" line items on the Consolidated Statements of Income (Loss). Transaction costs include expenses, such as legal fees, which are directly attributable to the acquisition or disposition. Please refer to Note 3 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2023 for further details regarding AltaGas' disposition of assets in the period.

(2) Comprised of costs related to the transition of AltaGas' CEO. These costs are included in the "operating and administrative" line items on the Consolidated Statements of Income (Loss).

(3) Included in the "current income tax expense (recovery)" line item on the Consolidated Statements of Income (Loss).

Normalized funds from operations and funds from operations are used to assist Management and investors in analyzing the liquidity of the Corporation. Management uses these measures to understand the ability to generate funds for capital investments, debt repayment, dividend payments, and other investing activities.

Funds from operations and normalized funds from operations as presented should not be viewed as an alternative to cash from (used by) operations or other cash flow measures calculated in accordance with GAAP.

### Normalized Income Tax Expense

| | | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|---|
| *($ millions)* | | **2023** | 2022 | **2023** | 2022 |
| Income tax expense (recovery) (GAAP financial measure) | **$** | **(12)** | $ 7 | **$ 190** | $ 131 |
| Add (deduct) tax impact of: | | | | | |
| Transaction costs related to acquisitions and dispositions | | **3** | 1 | **8** | 2 |
| Unrealized losses (gains) on risk management contracts | | **21** | (1) | **(5)** | (29) |
| Losses (gains) on sale of assets | | **—** | — | **(102)** | 1 |
| CEO transition | | **—** | — | **1** | — |
| Reversal of provisions on investments accounted for by the equity method | | **—** | (1) | **—** | (1) |
| Normalized income tax expense | **$** | **12** | $ 6 | **$ 92** | $ 104 |

The above table provides a reconciliation of normalized income tax expense from the GAAP financial measure, income tax expense (recovery). The reconciling items are comprised of the income tax impacts of normalizing items present in the calculation of normalized net income. For more information on the individual normalizing items, please refer to the normalized net income reconciliation above.

Normalized income tax expense is used by Management to enhance the comparability of the impact of income tax on AltaGas' earnings, as it reflects the underlying performance of AltaGas' business activities, and is presented to provide this perspective to analysts and investors.

**Net Debt and Net Debt to Total Capitalization**

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

**Invested Capital and Net Invested Capital**

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *($ millions)* | **2023** | 2022 | **2023** | 2022 |
| Cash used in (from) investing activities (GAAP financial measure) | **$ 243** | $ 534 | **$ (395)** | $ 661 |
| Add (deduct): | | | | |
| Net change in non-cash capital expenditures (1) | **12** | (2) | **(23)** | 1 |
| Net invested capital | **$ 255** | $ 532 | **$ (418)** | $ 662 |
| Asset dispositions | **1** | — | **1,073** | 245 |
| Disposals of equity investments (2) | **1** | — | **1** | — |
| Invested capital | **$ 257** | $ 532 | **$ 656** | $ 907 |

(1) Comprised of non-cash capital expenditures included in the "accounts payable and accrued liabilities" line item on the Consolidated Balance Sheets. Please refer to Note 19 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2023 for further details.

(2) Relates to escrow account proceeds received from AltaGas' previous investment in Meade Pipeline Co. LLC (Meade). Upon close of the sale in 2019, various escrow accounts were established to provide the purchaser a form of recourse for the settlement of indemnification obligations.

Invested capital is a measure of AltaGas' use of funds for capital expenditure activities. It includes expenditures relating to property, plant, and equipment and intangible assets, capital contributed to long term investments, and contributions from non-controlling interests. Net invested capital is invested capital presented net of any proceeds from disposals of assets and equity investments in the period. Net invested capital is calculated based on the investing activities section in the Consolidated Statements of Cash Flows, adjusted for items such as non-cash capital expenditures, AFUDC, and contributions from non-controlling interests. Invested capital and net invested capital are used by Management, investors, and analysts to enhance the understanding of AltaGas' capital expenditures from period to period and provide additional detail on the Company's use of capital.

## Supplemental Calculations

### Reconciliation of Normalized EBITDA to Normalized Net Income

The below table provides a supplemental reconciliation of normalized EBITDA to normalized net income. Both of these non-GAAP measures have been previously reconciled to the relevant GAAP financial measures in the section above. This supplemental information is provided as additional information to assist analysts and investors in comparing normalized EBITDA to normalized net income and is not intended as a substitute for the reconciliations to the nearest comparable GAAP measures. Readers should not place undue reliance on this supplemental reconciliation.

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *($ millions)* | **2023** | 2022 | **2023** | 2022 |
| Normalized EBITDA | **$ 252** | $ 233 | **$ 1,073** | $ 1,083 |
| Add (deduct): | | | | |
| Depreciation and amortization | **(109)** | (106) | **(331)** | (327) |
| Interest expense | **(95)** | (85) | **(293)** | (231) |
| Income tax expense (recovery) | **12** | (7) | **(190)** | (131) |
| Normalizing items impacting income taxes (1) | **(24)** | 2 | **97** | 27 |
| Accretion expenses | **(3)** | (2) | **(8)** | (5) |
| Foreign exchange gains | **6** | 7 | **6** | 9 |
| Non-controlling interest portion of non-GAAP adjustments (2) | **—** | — | **—** | 5 |
| Net income applicable to non-controlling interests | **(4)** | (5) | **(13)** | (45) |
| Preferred share dividends | **(7)** | (10) | **(20)** | (33) |
| Normalized net income | **$ 28** | $ 27 | **$ 321** | $ 352 |

(1) Represents the income tax impact related to the normalizing items included in the calculation of Normalized EBITDA.

(2) The portion of non-GAAP adjustments applicable to non-controlling interests are excluded in the computation of normalized net income to ensure consistency of normalizations applied to controlling and non-controlling interests. These amounts are included in the "net income applicable to non-controlling interests" line item on the Consolidated Statements of Income (Loss).

### Calculation of Normalized Effective Income Tax Rate

The below table provides a calculation of normalized effective income tax rate from normalized net income and normalized income tax expense. Both of these non-GAAP measures have been previously reconciled to the relevant GAAP measures in the section above. This supplemental calculation is provided as additional information to assist analysts and investors in comparing normalized income tax expense to normalized net income and is not intended as a substitute for the reconciliations to the nearest comparable GAAP measures. Readers should not place undue reliance on this supplemental calculation.

| ($ millions, except normalized effective income tax rate) | Three Months Ended September 30 2023 | 2022 | Nine Months Ended September 30 2023 | 2022 |
|---|---|---|---|---|
| Normalized net income | $ **28** | $ 27 | $ **321** | $ 352 |
| Add (deduct): | | | | |
| Normalized income tax expense (1) | **12** | 6 | **92** | 104 |
| Net income applicable to non-controlling interests | **4** | 5 | **13** | 45 |
| Non-controlling interest portion of non-GAAP adjustments (2) | **—** | — | **—** | (5) |
| Preferred share dividends | **7** | 10 | **20** | 33 |
| Normalized net income before taxes | $ **51** | $ 48 | $ **446** | $ 529 |
| | | | | |
| Normalized effective income tax rate (%) (3) | **23.5** | 12.5 | **20.6** | 19.7 |

(1) Calculated in the section above.
(2) The portion of non-GAAP adjustments applicable to non-controlling interests are excluded in the computation of normalized net income to ensure consistency of normalizations applied to controlling and non-controlling interests. These amounts are included in the "net income applicable to non-controlling interests" line item on the Consolidated Statements of Income (Loss).
(3) Calculated as normalized income tax expense divided by normalized net income before taxes.

## Results of Operations by Reporting Segment

| Normalized EBITDA (1) ($ millions) | Three Months Ended September 30 2023 | 2022 | Nine Months Ended September 30 2023 | 2022 |
|---|---|---|---|---|
| Utilities | $ **71** | $ 115 | $ **575** | $ 639 |
| Midstream | **185** | 108 | **502** | 444 |
| Sub-total: Operating Segments | $ **256** | $ 223 | $ **1,077** | $ 1,083 |
| Corporate/Other | **(4)** | 10 | **(4)** | — |
| | $ **252** | $ 233 | $ **1,073** | $ 1,083 |

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

| Income (Loss) Before Income Taxes ($ millions) | Three Months Ended September 30 2023 | 2022 | Nine Months Ended September 30 2023 | 2022 |
|---|---|---|---|---|
| Utilities | $ **(16)** | $ 54 | $ **679** | $ 470 |
| Midstream | **61** | 71 | **381** | 412 |
| Sub-total: Operating Segments | $ **45** | $ 125 | $ **1,060** | $ 882 |
| Corporate/Other | **(96)** | (77) | **(309)** | (244) |
| | $ **(51)** | $ 48 | $ **751** | $ 638 |

| Revenue ($ millions) | Three Months Ended September 30 2023 | 2022 | Nine Months Ended September 30 2023 | 2022 |
|---|---|---|---|---|
| Utilities | $ **767** | $ 822 | $ **3,539** | $ 3,256 |
| Midstream | **2,237** | 2,206 | **6,098** | 6,865 |
| Sub-total: Operating Segments | $ **3,004** | $ 3,028 | $ **9,637** | $ 10,121 |
| Corporate/Other | **26** | 28 | **72** | 69 |
| | $ **3,030** | $ 3,056 | $ **9,709** | $ 10,190 |

## Utilities

### Operating Statistics

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| Natural gas deliveries - end-use (Bcf) (1) | **8.5** | 12.6 | **85.2** | 110.3 |
| Natural gas deliveries - transportation (Bcf) (1) | **19.9** | 21.5 | **77.5** | 91.3 |
| Service sites (thousands) (2) | **1,553** | 1,695 | **1,553** | 1,695 |
| Degree day variance from normal - SEMCO Gas (%) (3) | **(19.4)** | (3.7) | **(11.0)** | 2.7 |
| Degree day variance from normal - ENSTAR (%) (3) | **n/a** | 12.6 | **(4.9)** | (5.7) |
| Degree day variance from normal - Washington Gas (%) (3) (4) (5) | **—** | 750.0 | **(22.7)** | 1.9 |
| Retail energy marketing - gas sales volumes (Mmcf) | **8,550** | 7,133 | **39,575** | 41,239 |
| Retail energy marketing - electricity sales volumes (GWh) | **4,134** | 3,670 | **10,821** | 9,889 |

(1) Bcf is one billion cubic feet.

(2) Service sites reflect all of the service sites of the utilities, including transportation and non-regulated business lines.

(3) A degree day is a measure of coldness determined daily as the number of degrees the average temperature during the day in question is below 65 degrees Fahrenheit. Degree days for a particular period are determined by adding the degree days incurred during each day of the period. Normal degree days for a particular period are the average of degree days during the prior 15 years for SEMCO Gas, during the prior 10 years for ENSTAR, and during the prior 30 years for Washington Gas. The degree day variance from normal for ENSTAR is for the period prior to the close of the Alaska Utilities Disposition on March 1, 2023.

(4) In certain of Washington Gas' jurisdictions (Virginia and Maryland) there are billing mechanisms in place which are designed to eliminate the effects of variance in customer usage caused by weather and other factors such as conservation. In the District of Columbia, there is no weather normalization billing mechanism nor does Washington Gas hedge to offset the effects of weather. As a result, colder or warmer weather will result in variances to financial results.

(5) The 750 percent degree day variance for Washington Gas in the third quarter of 2022 is a result of there being 2 normal degree days in the quarter, compared to 17 actual degree days. Given that the normal degree days in the quarter were so low compared to other quarters, any change causes a large variance when shown as a percentage.

During the third quarter of 2023, AltaGas' Utilities segment experienced warmer weather at SEMCO and Washington Gas compared to the same quarter of 2022, however was reflective of the typical seasonal low for natural gas usage during the shoulder season.

During the first nine months of 2023, AltaGas' Utilities segment experienced warmer weather at SEMCO and Washington Gas, and colder weather at ENSTAR prior to the close of the Alaska Utilities Disposition compared to the same period in 2022.

Service sites at September 30, 2023 decreased by approximately 142,000 sites compared to September 30, 2022 due to the impact of the close of the Alaska Utilities Disposition on March 1, 2023, which was partially offset by continued customer additions across the remaining jurisdictions.

In the third quarter of 2023, U.S. retail gas sales volumes were 8,550 Mmcf, compared to 7,133 Mmcf in the same quarter of 2022. The increase was primarily due to an increase in commercial customers served by the business compared to the same quarter of 2022. U.S. retail electricity sales volumes were 4,134 GWh in the third quarter of 2023, compared to 3,670 GWh in the same quarter of 2022. The increase was primarily due to an increase in commercial customers served by the business compared to the same quarter of 2022.

In the first nine months of 2023, U.S. retail gas sales volumes were 39,575 Mmcf, compared to 41,239 Mmcf in the same period in 2022. The decrease was primarily due to significantly warmer weather compared to the same period in 2022. U.S. retail electricity sales volumes were 10,821 GWh in the first nine months of 2023, compared to 9,889 GWh in the same period in 2022. The increase was primarily due to an increase in commercial customers served by the business.

**Three Months Ended September 30**

Normalized EBITDA in the Utilities segment was $71 million in the third quarter of 2023, compared to $115 million in the same quarter of 2022. The decrease in normalized EBITDA was mainly due to the larger-than-normal third quarter 2022 asset optimization contribution at Washington Gas, higher operating and administrative expenses, the impact of the Alaska Utilities Disposition, and lower contribution from the WGL Retail Energy business, partially offset by higher revenue from accelerated pipe replacement program spend, and a favorable impact of approximately $2 million due to movement in foreign exchange rates.

The Utilities segment loss before income taxes was $16 million in the third quarter of 2023, compared to income before income taxes of $54 million in the same quarter of 2022. The decrease was mainly due to the same previously referenced factors impacting normalized EBITDA, higher transaction costs related to acquisitions and dispositions, and higher unrealized losses on risk management contracts primarily within the retail marketing business.

**Nine Months Ended September 30**

The Utilities segment reported normalized EBITDA of $575 million in the first nine months of 2023, compared to $639 million in the same period in 2022. The decrease in normalized EBITDA was mainly due to lower gas margins from WGL's retail marketing business, the impact of the Alaska Utilities Disposition, higher operating and administrative expenses, decreased asset optimization activities at Washington Gas as a result of lower margins compared to the same period in 2022, and warmer weather in Michigan and the District of Columbia where the Utilities do not have weather normalization, partially offset by higher power margins from WGL's retail marketing business, an impact of approximately $33 million due to movement in foreign exchange rates, the impact of Washington Gas' 2022 Virginia rate case, higher revenue from accelerated pipe replacement program spend, the gain resulting from the partial debt defeasance associated with the Alaska Utilities Disposition in the first quarter of 2023, and customer growth.

The Utilities segment income before income taxes was $679 million in the first nine months of 2023, compared to $470 million in the same period of 2022. The increase was primarily due to the gain on the Alaska Utilities Disposition, partially offset by the same previously referenced factors impacting normalized EBITDA, higher transaction costs related to acquisitions and dispositions, and lower unrealized gains on risk management contracts within the retail marketing business.

In the first nine months of 2023, the Utilities segment recognized a pre-tax gain on disposition of assets of approximately $304 million due to the gain on the Alaska Utilities Disposition.

**Rate Case Updates**

| Utility/ Jurisdiction | Date Filed | Request | Status | Expected Timing of Decision |
|---|---|---|---|---|
| Washington Gas - Maryland | May 2023 | US$49 million increase in base rates, including US$21 million currently collected through the STRIDE surcharge for system upgrades. Therefore, the incremental amount of the base rate increase requested was approximately US$28 million. | On May 18, 2023, Washington Gas filed an application for authority to increase charges for gas service in Maryland. The requested rates are designed to collect approximately US$49 million in total annual revenues requesting a 10.75 percent return on equity. Of the requested revenue increase, approximately US$21 million represents costs currently collected through the STRIDE surcharge; therefore, the incremental amount of the base rate increase is approximately US$28 million. The PSC of MD has 210 days to consider the application, and a decision is expected around mid-December 2023. | Late 2023. |
| Washington Gas - District of Columbia | April 2022 | US$53 million increase in base rates, including US$5 million currently collected through the PROJECT*pipes* surcharge. Therefore, the incremental amount of the base rate increase requested was approximately US$48 million. | On April 4, 2022, Washington Gas filed an application for authority to increase charges for gas service in the District of Columbia. The requested rates are designed to collect approximately US$53 million in total annual revenues requesting a 10.4 percent rate of return on equity. Of the requested revenue increase, approximately US$5 million represents costs currently collected through the PROJECTpipes surcharge; therefore, the incremental amount of the base rate increase is approximately US$48 million. On June 23, 2023, the PSC of DC amended the procedural schedule. The DC Office of People's Counsel and Intervenor surrebuttal testimony was filed on May 19, 2023, Washington Gas rejoinder testimony was filed on June 28, 2023. The PSC of DC determined that an evidentiary hearing will not be held in this case; however, a hearing was held on September 13, 2023 for oral arguments, with limited briefs addressing the issues presented in oral arguments filed on September 1, 2023. Final briefs on the issues presented in the case were filed on October 11, 2023, and a final decision is expected around the first quarter of 2024. | Timing of decision not yet known; decision could be in the first quarter of 2024. |

| Utility/ Jurisdiction | Date Filed | Request | Status | Expected Timing of Decision |
|---|---|---|---|---|
| Washington Gas - Virginia | June 2022 | US$48 million increase in base rates, plus the request to transfer an additional US$39 million currently collected in SAVE surcharge into base rates, for a total increase of approximately US$87 million. | On June 29, 2022, Washington Gas filed an application for authority to increase rates in the Commonwealth of Virginia. The requested rates are designed to collect an incremental US$48 million in total annual revenues requesting a 10.75 percent rate of return on equity. In addition to the incremental revenues requested, the base rate increase also includes the transfer of US$39 million in revenues currently collected in the form of a surcharge relating to Washington Gas' SAVE Program. Washington Gas implemented the proposed rates (on an interim basis subject to refund) on the first billing cycle date for December 2022, which was 150 days after its application was filed, as permitted by Virginia law. On April 23, 2023, Washington Gas, SCC of VA Staff and the Office of the Attorney General filed a proposed stipulation for a settlement that includes a revenue increase of US$73 million and return on equity of 9.65 percent. On July 17, 2023, the Hearing Examiner report was issued and recommended the SCC of VA approve the proposed stipulation with certain recommendations. On August 29, 2023, the SCC of VA adopted the Hearing Examiner's report, approving approximately US$41 million of incremental base rates plus approximately US$32 million of SAVE surcharges for a total rate increase of approximately US$73 million. Amounts refundable to customers will be paid with interest within 90 days of the issuance of this order. | Final order received August 29, 2023. Interim rates went into effect on the first billing cycle for December 2022, subject to refund. |

| Utility/ Jurisdiction | Date Filed | Request | Status | Expected Timing of Decision |
|---|---|---|---|---|
| Washington Gas - Maryland | August 2020 | US$27 million increase in base rates, including US$6 million currently collected through STRIDE surcharge for system upgrades. Therefore, the incremental amount of the base rate increase requested was approximately US$21 million. | On April 9, 2021, a final order was received from the PSC of MD related to this rate increase application, authorizing Washington Gas to increase its Maryland natural gas distribution rates by approximately US$13 million (including US$6 million currently collected through the STRIDE surcharge), reflecting a return on equity of 9.70 percent. The revenue increase became effective on March 26, 2021. On May 14, 2021, the Maryland Office of People's Counsel (MD OPC) filed a petition for re-hearing of the PSC of MD's finding on merger synergy savings and certain rate base additions. The request was denied and on August 31, 2021, the MD OPC filed an appeal of the PSC of MD's denial of their petition for a re-hearing with the Circuit Court of Baltimore City (Circuit Court). On February 25, 2022, the Circuit Court reversed the July 29, 2021 order from the PSC of MD and remanded two issues back to the PSC of MD. On March 10, 2022, the PSC of MD filed a Motion to Alter or Amend Judgement to the Circuit Court's ruling on the merger synergy savings issue and the MD OPC filed a response. On May 31, 2022, the Circuit Court granted the PSC of MD and Washington Gas' joint motion, determining that the PSC of MD properly permitted Washington Gas' recovery of corporate costs and relieving the PSC of MD of the obligation to rule on merger synergy savings on remand. The Circuit Court did not disturb its ruling on certain rate base additions, and the PSC of MD stated in a subsequent filing that it will address future challenges to rate base in accordance with the Circuit Court's original ruling. On June 30, 2022, the MD OPC appealed the Circuit Court's new order on merger synergy savings to the Appellate Court of Maryland (formerly the Maryland Court of Special Appeals). On August 11, 2023, the Supreme Court of Maryland granted OPC's petition and OPC filed its brief on September 29, 2023. Respondents' briefs were filed on October 30, 2023. Oral argument will be held in December 2023. A final decision is expected in 2024. | Final order issued April 2021. Decision by Court of Special Appeals expected in 2024. |

## Midstream

### Operating Statistics

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| LPG export volumes (Bbls/d) [1] | **118,213** | 110,453 | **111,151** | 103,171 |
| Total inlet gas processed (Mmcf/d) [1] | **1,182** | 1,228 | **1,299** | 1,266 |
| Extracted ethane volumes (Bbls/d) [1] | **25,501** | 21,178 | **26,224** | 24,446 |
| Extracted NGL volumes (Bbls/d) [1] [2] | **36,070** | 31,483 | **35,415** | 32,203 |
| Fractionation volumes (Bbls/d) [1] | **39,699** | 35,578 | **40,622** | 32,547 |
| Frac spread - realized ($/Bbl) [1] [3] | **23.75** | 27.78 | **25.06** | 26.41 |
| Frac spread - average spot price ($/Bbl) [1] [4] | **21.31** | 36.25 | **23.54** | 35.20 |
| Propane Far East Index (FEI) to Mont Belvieu spread (US$/Bbl) [1] [5] | **21.30** | 10.48 | **18.77** | 12.10 |
| Butane FEI to Mont Belvieu spread (US$/Bbl) [1] [6] | **22.07** | 11.87 | **19.71** | 11.55 |

(1) Average for the period.
(2) NGL volumes refer to propane, butane and condensate.
(3) Realized frac spread or NGL margin, expressed in dollars per barrel of NGL, is derived from sales recorded by the segment during the period for frac spread exposed volumes plus the settlement value of frac hedges settled in the period less extraction premiums, divided by the total frac exposed volumes produced during the period.
(4) Average spot frac spread or NGL margin, expressed in dollars per barrel of NGL, is indicative of the average sales price that AltaGas receives for propane, butane and condensate less extraction premiums, before accounting for hedges, divided by the respective frac spread exposed volumes for the period.
(5) Average propane price spread between FEI and Mont Belvieu TET commercial index.
(6) Average butane price spread between FEI and Mont Belvieu TET commercial index.

LPG volumes exported to Asia from RIPET and Ferndale for the three months ended September 30, 2023 averaged 118,213 Bbls/d compared to 110,453 Bbls/d for the same period in 2022. There were 20 full shipments and one partial shipment in the third quarter of 2023 compared to 19 full shipments and one partial shipment in the same period of 2022. The partially loaded vessels are a function of revenue recognition taking place at the point of ship loading and select loadings taking place over quarter-ends. Higher export volumes were primarily the result of high Asian-to-North American LPG margins, increased offtake demand, higher available supply, and improved logistics.

LPG volumes exported to Asia from RIPET and Ferndale for the nine months ended September 30, 2023 averaged 111,151 Bbls/d compared to 103,171 Bbls/d for the same period in 2022. There were 56 full shipments and one partial shipment in the first nine months of 2023 compared to 52 full shipments and one partial shipment in the same period of 2022. Higher export volumes and shipments were the result of high Asian-to-North American LPG margins, increased offtake demand, higher available supply, and improved logistics.

Inlet gas processing volumes for the third quarter of 2023 decreased by 46 Mmcf/d compared to the same quarter of 2022. Lower inlet gas processing volumes were primarily due to lower volumes at EEEP due to a turnaround in September and lower frac exposed volumes, partially offset by higher producer volumes at the Townsend complex and higher volumes at the Harmattan co-stream facilities due to higher seasonal demand.

Inlet gas processing volumes for the first nine months of 2023 increased by 33 Mmcf/d compared to the same period in 2022. Higher inlet gas processing volumes were primarily a result of higher producer volumes at the Townsend complex, higher volumes at the Harmattan raw gas and co-stream facilities and at the Younger facility due to higher seasonal demand, and higher frac exposed volumes, partially offset by the impact of the Aitken Creek sale in the second quarter of 2022 and lower volumes at EEEP due to the turnaround in September 2023.

Average ethane volumes for the third quarter of 2023 increased by 4,323 Bbls/d, while average extracted NGL volumes increased by 4,587 Bbls/d compared to the same quarter of 2022. Higher ethane volumes were a result of higher raw gas and co-stream production at Harmattan, lower re-injection rates at PEEP, and higher volumes at JEEP due to the absence of a turnaround in the third quarter of 2022, partially offset by lower volumes at EEEP due to the previously mentioned turnaround in September 2023. Higher extracted NGL volumes were a result of increased production at the Townsend complex due to higher demand from third party customers and higher production at Harmattan.

Average ethane volumes for the first nine months of 2023 increased by 1,778 Bbls/d, while average extracted NGL volumes increased by 3,212 Bbls/d compared to the same period in 2022. Higher ethane volumes were a result of higher co-stream inlet volumes and higher raw gas production at Harmattan, lower reinjection rates at PEEP, and higher volumes at JEEP due to the absence of a turnaround in the third quarter of 2022, partially offset by lower volumes at EEEP due to the turnaround in September 2023. Higher extracted NGL volumes were a result of increased production at the Townsend facilities due to higher demand from third party customers and higher production at Harmattan due to the absence of a turnaround in the second quarter of 2022, partially offset by a third party pipeline outage which resulted in the re-injection of NGL volumes at Gordondale in the first quarter of 2023.

Fractionation volumes for the third quarter of 2023 increased by 4,121 Bbls/d compared to the same quarter of 2022. Higher fractionation volumes were a result of higher Harmattan trucked-in NGL mix and raw gas volumes, and higher volumes and utilization at the Younger facility.

Fractionation volumes for the first nine months of 2023 increased by 8,075 Bbls/d compared to the same period in 2022. Higher fractionation volumes were a result of higher North Pine volumes and utilization, higher Harmattan trucked-in NGL mix and raw gas volumes, and higher volumes and utilization at the Younger facility, partially offset by the impact of the wildfires at the NEBC facilities in the second quarter of 2023.

**Three Months Ended September 30**

The Midstream segment reported normalized EBITDA of $185 million in the third quarter of 2023 compared to $108 million in the same quarter of 2022. There were several positive and negative contributors underpinning the year-over-year variance. Positive factors included strong performance from the global exports business as a result of year-over-year tolling volume growth, higher Asian-to-North American propane spreads, and higher realized propane and butane margins, as well as AFUDC at MVP as a result of the resumption of construction activities in June 2023, lower power costs at the extraction facilities, and higher crude and NGL marketing margins. These were partially offset by the absence of turnaround recoveries in the third quarter of 2022, lower margins and volumes from certain of Ferndale's take or pay contracts, lower power revenue at Harmattan primarily due to lower power prices, lower inventory withdrawals, and higher operating costs within the global exports business.

Income before income taxes in the Midstream segment was $61 million in the third quarter of 2023, compared to $71 million in the same quarter of 2022. The decrease was mainly due to higher unrealized losses on risk management contracts, partially offset by the same previously referenced factors impacting normalized EBITDA.

In the third quarter of 2022, the Midstream segment recognized a pre-tax loss on disposition of assets of approximately $3 million primarily due to expenses incurred related to asset sales which closed in previous periods.

**Nine Months Ended September 30**

The Midstream segment reported normalized EBITDA of $502 million in the first nine months of 2023, compared to $444 million in the same period in 2022. There were several positive and negative contributors underpinning the year-over-year variance. Positive factors included strong performance from the global exports business as a result of year-over-year tolling volume growth and higher Asian-to-North American propane spreads, as well as the favourable resolution of certain commercial disputes and contingencies, AFUDC at MVP as a result of the resumption of construction activities in June 2023, higher fractionation and loading volumes, higher power revenue at Harmattan primarily due to higher power prices, a favourable impact related to the sale of greenhouse gas credits generated by the processing facilities, and lower operating costs in the trucking business. These were partially offset by lower realized butane margins and higher operating costs within the global export business, the absence of turnaround recoveries in the third quarter of 2022, the impact of the sale of AltaGas' interest in the Aitken Creek processing facilities in the second quarter of 2022, lower inventory withdrawals, lower margins and volumes from certain of Ferndale's take or pay contracts, and lower marketing margins and volumes. Other factors negatively impacting normalized EBITDA include the impact of the wildfires at the NEBC facilities which resulted in a declared force majeure of 12.5 days.

Income before income taxes in the Midstream segment was $381 million in the first nine months of 2023, compared to $412 million in the first nine months of 2022. The decrease was mainly due to higher unrealized losses on risk management contracts, partially offset by the same previously referenced factors impacting normalized EBITDA.

In the first nine months of 2023, the Midstream segment recognized a pre-tax gain on disposition of assets of approximately $1 million due to cash proceeds received in the second quarter of 2023 from an escrow account related to the 2019 disposition of AltaGas' investment in Meade, which held WGL Midstream's indirect, non-operating interest in Central Penn. In the first nine months of 2022, the Midstream segment recognized a pre-tax loss on disposition of assets of approximately $3 million related to the previously mentioned expenses incurred related to asset sales which closed in previous periods and the sale of AltaGas' interest in the Aitken Creek processing facilities in the second quarter of 2022.

**Midstream Hedges**

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| Frac spread exposed volumes (Bbls/d) | **8,346** | 9,885 | **9,881** | 10,276 |
| NGL volumes hedged (Bbls/d) | **7,348** | 8,000 | **7,326** | 8,273 |
| Average price of NGL volumes hedged ($/Bbl) (1) | **36** | 34 | **36** | 34 |
| Average export volumes hedged (Bbls/d) (2) | **70,619** | 41,693 | **64,209** | 54,307 |
| Average FEI to North American NGL price spread for volumes hedged (US$/Bbl) | **13** | 15 | **13** | 17 |

(1) Excludes basis differential.
(2) Represents volumes hedged using financial contracts excluding tolling and take or pay volumes.

## Corporate/Other

**Three Months Ended September 30**

In the Corporate/Other segment, normalized EBITDA for the third quarter of 2023 was a loss of $4 million, compared to income of $10 million in the same quarter of 2022. The decrease in normalized EBITDA was mainly due to higher expenses related to employee incentive plans as a result of the increase in share price in the third quarter of 2023 as well as a lower contribution from Blythe and higher operating and administrative expenses.

Loss before income taxes in the Corporate/Other segment was $96 million in the third quarter of 2023, compared to $77 million in the same quarter of 2022. The higher loss was mainly due to the same previously referenced factors impacting normalized EBITDA and higher interest expense, partially offset by lower transaction costs on acquisitions and dispositions.

**Nine Months Ended September 30**

In the Corporate/Other segment, normalized EBITDA for the first nine months of 2023 was a loss of $4 million, compared to a loss of less than $1 million in the same period in 2022. The decrease in normalized EBITDA was mainly due to a lower contribution from Blythe, partially offset by lower operating and administrative expenses.

Loss before income taxes in the Corporate/Other segment was $309 million in the first nine months of 2023, compared to $244 million in the same quarter of 2022. The higher loss was mainly due higher interest expense, higher transaction costs on acquisitions and dispositions, costs related to the CEO transition, and the same previously referenced factors impacting normalized EBITDA, partly offset by additional proceeds received due to contract contingencies on the sale of Goleta in the first quarter of 2023 and higher unrealized gains on risk management contracts.

In the first nine months of 2023, the Corporate/Other segment recognized an additional pre-tax gain of approximately $11 million on the sale of Goleta in 2022 as a result of a payment received in the first quarter of 2023 for the favourable settlement of outstanding contingencies based on contract outcomes. In the first nine months of 2022, the Corporate/Other segment recognized pre-tax gains on disposition of assets of approximately $5 million, which was comprised of a pre-tax gain of $7 million on the previously mentioned sale of Goleta, partially offset by a pre-tax loss of $2 million on the sale of a power plant in Brush, Colorado.

## Net Invested Capital

Invested capital and net invested capital are non-GAAP financial measures. Please refer to the *Non-GAAP Financial Measures* section of this MD&A for further discussion.

| | Three Months Ended September 30, 2023 | | | |
|---|---|---|---|---|
| *($ millions)* | **Utilities** | **Midstream** | **Corporate/ Other** | **Total** |
| Invested capital: | | | | |
| Property, plant and equipment | **$ 204** | **$ 50** | **$ 1** | **$ 255** |
| Intangible assets | **—** | **1** | **—** | **1** |
| Long-term investments | **—** | **1** | **—** | **1** |
| Invested capital | **$ 204** | **$ 52** | **$ 1** | **$ 257** |
| Disposals: | | | | |
| Asset dispositions | **—** | **(1)** | **—** | **(1)** |
| Equity method investments [(1)] | **—** | **(1)** | **—** | **(1)** |
| Net invested capital | **$ 204** | **$ 50** | **$ 1** | **$ 255** |

(1) Relates to escrow account proceeds received from AltaGas' previous investment in Meade Pipeline Co. LLC (Meade). Upon close of the sale in 2019, various escrow accounts were established to provide the purchaser a form of recourse for the settlement of indemnification obligations.

| | | Three Months Ended September 30, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *($ millions)* | | Utilities | | Midstream | | Corporate/ Other | | Total |
| Invested capital: | | | | | | | | |
| Property, plant and equipment | $ | 234 | $ | 14 | $ | 1 | $ | 249 |
| Intangible assets | | — | | 1 | | — | | 1 |
| Long-term investments | | — | | (3) | | — | | (3) |
| Purchase of remaining non-controlling interest in a subsidiary | | — | | 285 | | — | | 285 |
| Invested capital and net invested capital | $ | 234 | $ | 297 | $ | 1 | $ | 532 |

During the third quarter of 2023, AltaGas' invested capital was $257 million, compared to $532 million in the same quarter of 2022. The decrease in invested capital was primarily due to the absence of the cash paid to purchase the remaining equity ownership of Petrogas, partially offset by higher additions to Midstream property, plant, and equipment due to an increase in planned turnaround maintenance capital and higher growth capital spend primarily related to the Harmattan Carbon Capture and Acid Gas Injection well, the REEF project, new business development, and various optimization projects. Utility segment invested capital was lower primarily due to the impact of the Alaska Utilities Disposition and lower spend on system betterment and new business programs, partially offset by higher spend on accelerated pipe replacement programs at Washington Gas and the impact of the higher average Canadian/U.S. dollar exchange rate.

Invested capital in the third quarter of 2023 included maintenance capital of $16 million (2022 - $8 million) in the Midstream segment. The increase in Midstream maintenance capital in the third quarter of 2023 was primarily related to higher turnaround spend.

During the third quarter of 2023, AltaGas' cash flow from investing activities was an outflow of $243 million compared to $534 million in the same quarter of 2022. Please refer to the *Non-GAAP Financial Measures* and *Liquidity* sections of this MD&A for further information on AltaGas' cash flow from investing activities.

| | | **Nine Months Ended September 30, 2023** | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *($ millions)* | | **Utilities** | | **Midstream** | | **Corporate/ Other** | | **Total** |
| Invested capital: | | | | | | | | |
| Property, plant and equipment | **$** | **554** | **$** | **90** | **$** | **3** | **$** | **647** |
| Intangible assets | | **—** | | **4** | | **1** | | **5** |
| Long-term investments | | **—** | | **4** | | **—** | | **4** |
| Invested capital | **$** | **554** | **$** | **98** | **$** | **4** | **$** | **656** |
| Disposals: | | | | | | | | |
| Asset dispositions | | **(1,059)** | | **(3)** | | **(11)** | | **(1,073)** |
| Equity method investments (1) | | **—** | | **(1)** | | **—** | | **(1)** |
| Net invested capital | **$** | **(505)** | **$** | **94** | **$** | **(7)** | **$** | **(418)** |

(1) Relates to escrow account proceeds received from AltaGas' previous investment in Meade Pipeline Co. LLC (Meade). Upon close of the sale in 2019, various escrow accounts were established to provide the purchaser a form of recourse for the settlement of indemnification obligations.

| | | | | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| *($ millions)* | Utilities | Midstream | Corporate/ Other | Total |
| Invested capital: | | | | |
| Property, plant and equipment | $ 552 | $ 60 | $ 9 | $ 621 |
| Intangible assets | 1 | 2 | — | 3 |
| Long-term investments | — | (2) | — | (2) |
| Purchase of remaining non-controlling interest in a subsidiary | — | 285 | — | 285 |
| Invested capital | $ 553 | $ 345 | $ 9 | $ 907 |
| Disposals: | | | | |
| Asset dispositions | — | (225) | (20) | (245) |
| Net invested capital | $ 553 | $ 120 | $ (11) | $ 662 |

In the first nine months of 2023, AltaGas' invested capital was $656 million, compared to $907 million in the same period of 2022. The decrease in invested capital was primarily due to the absence of the cash paid to purchase the remaining equity ownership of Petrogas, the impact of the Alaska Utilities Disposition, lower maintenance capital in both the Midstream and Corporate/Other segments, and lower spend on system betterment in the Utility segment, partially offset by higher additions to property, plant, and equipment as a result of the impact of the higher average Canadian/U.S. dollar exchange rate, higher spend on accelerated pipe replacement programs at Washington Gas, and higher growth capital spend in the Midstream segment primarily related to the Harmattan Carbon Capture and Acid Gas Injection well, the REEF project, new business development, and various optimization projects. In the first nine months of 2023, asset dispositions primarily related to the Alaska Utilities Disposition and additional proceeds received for the favourable settlement of outstanding contingencies on the sale of Goleta in the first quarter of 2022. Asset dispositions in the first nine months of 2022 primarily related to the proceeds received from the sale of AltaGas' interest in the Aitken Creek processing facilities, a power plant in Brush, Colorado, and the previously mentioned sale of Goleta.

Invested capital in the first nine months of 2023 included maintenance capital of $23 million (2022 - $47 million) in the Midstream segment and $2 million (2022 - $8 million) related to the remaining power assets in the Corporate/Other segment. The decrease in Midstream maintenance capital in the first nine months of 2023 was primarily related to lower turnaround spend. The decrease in maintenance capital in the Corporate/Other segment was primarily due to lower maintenance costs at Blythe.

During the first nine months of 2023, AltaGas' cash flow from investing activities was an inflow of $395 million, compared to an outflow of $661 million in the first nine months of 2022. Please refer to the *Non-GAAP Financial Measures* and *Liquidity* sections of this MD&A for further information on AltaGas' cash flow from investing activities.

## Liquidity

As a result of certain commitments made to the PSC of DC, the PSC of MD, and the SCC of VA in respect of the WGL Acquisition, Washington Gas is subject to certain restrictions when paying dividends to AltaGas. However, AltaGas does not expect that this will have an impact on AltaGas' ability to meet its obligations.

In addition, Wrangler SPE LLC and Washington Gas made certain ring fencing commitments to the PSC of DC, the PSC of MD, and the SCC of VA with the intention of removing Washington Gas from the bankruptcy estate of AltaGas and its affiliates, other than Washington Gas and Wrangler SPE LLC (together, the Ring Fenced Entities). Because of these ring fencing measures, none of the assets of the Ring Fenced Entities would be available to satisfy the debt or contractual obligations of AltaGas or any non-Ring Fenced Entity Affiliate, including any indebtedness or other contractual obligations of AltaGas, and the Ring Fenced Entities do not bear any liability for indebtedness or other contractual obligations of any non-Ring Fenced Entity, and vice versa.

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *($ millions)* | **2023** | 2022 | **2023** | 2022 |
| Cash from (used by) operations | **$ 3** | $ (384) | **$ 967** | $ 827 |
| Investing activities | **(243)** | (534) | **395** | (661) |
| Financing activities | **218** | 818 | **(1,374)** | (104) |
| Increase (decrease) in cash, cash equivalents, and restricted cash | **$ (22)** | $ (100) | **$ (12)** | $ 62 |

### Cash From (Used By) Operations

Cash from operations increased by $140 million for the nine months ended September 30, 2023 compared to the same period in 2022, primarily due to favourable variances in the net change in operating assets and liabilities, partially offset by lower net income after taxes (after adjusting for non-cash items). The majority of the variance in net change in operating assets and liabilities was due to higher cash flows from inventory as a result of fluctuations in commodity prices as well as higher cash flows from accounts receivable as a result of fluctuations in commodity prices, sales volumes, and weather, partially offset by lower cash flows from accounts payable and accrued liabilities driven by fluctuations in commodity prices, lower cash flows from customer deposits due to a decrease in collateral received from counterparties as a result of lower commodity prices, and lower cash flows from regulatory liabilities due to warmer weather.

### Working Capital

| *($ millions, except working capital ratio)* | **September 30, 2023** | December 31, 2022 |
|---|---|---|
| Current assets | **$ 2,656** | $ 4,638 |
| Current liabilities | **3,223** | 3,407 |
| Working capital (deficiency) | **$ (567)** | $ 1,231 |
| Working capital ratio [(1)] | **0.82** | 1.36 |

(1) Calculated as current assets divided by current liabilities.

The decrease in the working capital ratio was primarily due to decreases in assets held for sale related to the Alaska Utilities Disposition, accounts receivable, inventory, risk management assets, and prepaid expenses and other current assets, as well as an increase in the current portion of long-term debt, partially offset by decreases in accounts payable and accrued liabilities, liabilities associated with assets held for sale, regulatory liabilities, and risk management liabilities, as well as an increase in regulatory assets. AltaGas' working capital will fluctuate in the normal course of business.

### Investing Activities

Cash from investing activities for the nine months ended September 30, 2023 was $395 million, compared to cash used in investing activities of $661 million in the same period in 2022. Investing activities for the nine months ended September 30, 2023 included proceeds of approximately $1.1 billion primarily related to the Alaska Utilities Disposition and additional proceeds received for the favourable settlement of outstanding contingencies on the sale of Goleta, partially offset by expenditures of approximately $675 million for property, plant and equipment and intangible assets, and approximately $4 million of contributions to equity investments. Investing activities for the nine months ended September 30, 2022 included proceeds of approximately $245 million primarily related to the disposition of the interest in the Aitken Creek processing facilities, the sale of Goleta, the sale of a power plant in Brush, Colorado, and approximately $2 million of net distributions from equity investments, partially offset by expenditures of approximately $623 million for property, plant and equipment and intangible assets, and a cash payment of approximately $285 million for the purchase of the remaining non-controlling interest of Petrogas.

### Financing Activities

Cash used in financing activities for the nine months ended September 30, 2023 was $1.4 billion, compared to $104 million in the same period in 2022. Financing activities for the nine months ended September 30, 2023 were primarily comprised of net repayments under credit facilities of $1.0 billion, repayment of long-term debt of $338 million, purchase of marketable securities in connection with debt defeasance of $193 million, dividends of $257 million, and distributions to non-controlling interests of $13 million, partially offset by the issuance of long-term debt (net of debt issuance costs) of $398 million, and proceeds from shares issued on exercise of options of $5 million. Financing activities for the nine months ended September 30, 2022 were primarily comprised of dividends of $256 million, redemption of preferred shares of $574 million, distributions to non-controlling interests of $15 million, net repayments under credit facilities of $422 million, and repayment of long-term debt of $11 million, partially offset by the net issuance of short-term debt of $155 million, long-term debt issuances of $449 million, issuance of subordinated hybrid notes, net of debt issuance costs, of $544 million, and proceeds from shares issued on exercise of options of $26 million.

## Capital Resources

AltaGas' objective for managing capital is to maintain its investment grade credit ratings, ensure adequate liquidity, optimize the profitability of its existing assets and grow its energy infrastructure to create long-term value and enhance returns for its investors. AltaGas' capital structure is comprised of shareholders' equity (including non-controlling interests), short-term and long-term debt (including the current portion and any debt classified as held for sale), and subordinated hybrid notes, less cash and cash equivalents.

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

| *($ millions, except net debt-to-total capitalization)* | | **September 30, 2023** | | December 31, 2022 |
|---|---|---|---|---|
| Short-term debt | **$** | **313** | $ | 293 |
| Current portion of long-term debt [1] | | **1,009** | | 334 |
| Long-term debt [2] | | **6,893** | | 8,694 |
| Subordinated hybrid notes [3] [4] | | **544** | | 544 |
| Debt classified as held for sale | | **—** | | 63 |
| Total debt | | **8,759** | | 9,928 |
| Less: cash and cash equivalents | | **(43)** | | (53) |
| Net debt | **$** | **8,716** | $ | 9,875 |
| Shareholders' equity | | **7,739** | | 7,456 |
| Non-controlling interests | | **148** | | 162 |
| Total capitalization | **$** | **16,603** | $ | 17,493 |
| | | | | |
| Net debt-to-total capitalization (%) | | **52** | | 56 |

(1) Net of debt issuance costs of less than $1 million as at September 30, 2023 (December 31, 2022 - less than $1 million).
(2) Net of debt issuance costs of $38 million as at September 30, 2023 (December 31, 2022 - $41 million).
(3) The $300 million subordinated hybrid notes, Series 1 have a coupon rate of 5.25 percent and are due on January 11, 2082. The $250 million subordinated hybrid notes, Series 2 have a coupon rate of 7.35 percent and are due on August 17, 2082.
(4) Net of debt issuance costs of $6 million as at September 30, 2023 (December 31, 2022 - $6 million).

As at September 30, 2023, AltaGas' total debt primarily consisted of outstanding medium term notes (MTNs) of $3.9 billion (December 31, 2022 - $3.8 billion), WGL and Washington Gas long-term debt of $2.8 billion (December 31, 2022 - $2.8 billion), reflecting fair value adjustments on acquisition, SEMCO long-term debt of $402 million (December 31, 2022 - $670 million, of which $63 million was classified as held for sale), $574 million drawn under the bank credit facilities (December 31, 2022 - $1.5 billion), $550 million of subordinated hybrid notes (December 31, 2022 - $550 million), and short-term debt of $313 million (December 31, 2022 - $293 million). In addition, AltaGas had $223 million of letters of credit outstanding (December 31, 2022 - $198 million).

As at September 30, 2023, AltaGas' total market capitalization was approximately $7.3 billion based on approximately 282 million common shares outstanding and a closing trading price on September 30, 2023 of $26.05 per common share.

AltaGas' earnings interest coverage for the rolling twelve months ended September 30, 2023 was 2.9 times (twelve months ended September 30, 2022 1.8 times).

| **Credit Facilities** *($ millions)* | Borrowing capacity | **Drawn at September 30, 2023** | Drawn at December 31, 2022 |
|---|---|---|---|
| AltaGas demand credit facilities (1) (2) | $ 70 | **$ 12** | $ — |
| AltaGas revolving credit facilities (1) (2) | 2,500 | **70** | 861 |
| AltaGas term credit facility (1) (3) | 450 | **450** | 450 |
| SEMCO Energy US$150 million credit facilities (1) (2) | 203 | **55** | 189 |
| WGL US$300 million revolving credit facility (1) (2) (4) | 406 | **178** | 250 |
| Washington Gas US$450 million revolving credit facility (1) (2) (4) | 608 | **448** | 429 |
| | $ 4,237 | **$ 1,213** | $ 2,179 |

(1) Amount drawn at September 30, 2023 converted at the month-end rate of 1 U.S. dollar = 1.352 Canadian dollar (December 31, 2022 - 1 U.S. dollar = 1.3544 Canadian dollar).
(2) All US$ borrowing capacity was converted at the September 30, 2023 Canadian/U.S. dollar month-end exchange rate.
(3) Draws on the facility can be by way of prime loans, U.S. base-rate loans, SOFR loans, or banker's acceptances where interest is prepaid and netted against the face value repayable at maturity. As at September 30, 2023 the net amount outstanding on the facility is $449 million.
(4) Amounts drawn include commercial paper that is supported by the long term facilities. WGL and Washington Gas have the right to request additional borrowings of up to US$100 million with the bank's approval, for a total of US$400 million and US$550 million on their respective facilities.

In addition to the facilities listed above, AltaGas has demand letter of credit facilities of $461 million (December 31, 2022 - $461 million). At September 30, 2023, there were letters of credit for $223 million (December 31, 2022 - $198 million) issued on these facilities and an additional less than $1 million (December 31, 2022 - less than $1 million) issued on the Company's revolving credit facilities.

WGL and Washington Gas use short-term debt in the form of commercial paper or unsecured short-term bank loans to fund seasonal cash requirements. Revolving committed credit facilities are maintained in an amount equal to or greater than the expected maximum commercial paper position. At September 30, 2023, commercial paper outstanding totaled $626 million for WGL and Washington Gas (December 31, 2022 – $679 million).

All of the borrowing facilities have covenants customary for these types of facilities, which must be met at each quarter end. AltaGas and its subsidiaries have been in compliance with all financial covenants each quarter since the establishment of the facilities. AltaGas and its subsidiaries are also in compliance with trust indenture requirements for its MTNs as at September 30, 2023 and December 31, 2022.

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

| **Ratios** | Debt covenant requirements | **As at September 30, 2023** |
|---|---|---|
| Bank debt-to-capitalization (1) (2) | not greater than 65% | less than 51% |
| Bank EBITDA-to-interest expense (1) (2) | not less than 2.5x | greater than 3.8x |
| Bank debt-to-capitalization (SEMCO) (2) (3) | not greater than 60% | less than 42% |
| Bank EBITDA-to-interest expense (SEMCO) (2) (3) | not less than 2.25x | greater than 5.0x |
| Bank debt-to-capitalization (WGL) (2) (4) | not greater than 65% | less than 48% |
| Bank debt-to-capitalization (Washington Gas) (2) (4) | not greater than 65% | less than 50% |

(1) Calculated in accordance with the Corporation's $2.3 billion credit facility agreement, which is available on SEDAR at www.sedarplus.ca. The covenants are equivalent and applicable to all the Corporation's committed credit facilities.
(2) Estimated, subject to final adjustments.
(3) Bank EBITDA-to-interest expense (SEMCO) and Bank debt-to-capitalization (SEMCO) are calculated based on SEMCO's consolidated financial statements and are calculated similarly to bank debt-to-capitalization and bank EBITDA-to-interest expense.
(4) WGL's bank debt-to-capitalization ratio is calculated based on WGL's consolidated financial statements.

On March 31, 2023, a short form base shelf prospectus for the issuance of certain types of future public debt and/or equity issuances was filed to replace the short form base shelf prospectus dated February 22, 2021. This enables AltaGas to access the Canadian capital markets on a timely basis during the 25-month period that the short form base shelf prospectus remains effective.

## Related Party Transactions

In the normal course of business, AltaGas transacts with its subsidiaries, affiliates, and joint ventures. There were no significant changes in the nature of the related party transactions described in Note 31 of the 2022 Annual Consolidated Financial Statements.

## Risk Management

AltaGas is subject to a variety of risks which could have a material impact on the financial results and operations of the Company. Shareholders and prospective investors should carefully evaluate risk factors noted by the Company before investing in the Company's securities, as each of these risks may negatively affect the trading price of the Company's securities, the amount of dividends paid to shareholders and the ability of the Company to fund its debt obligations, including debt obligations under its outstanding notes and any other debt securities that the Company may issue from time to time. For discussion of the risks and trends that could materially affect the Company's performance please refer to AltaGas' 2022 Annual Information Form, which is available on SEDAR at www.sedarplus.ca.

**Risk Management Contracts**

AltaGas is exposed to various market risks in the normal course of operations that could impact earnings and cash flows. AltaGas enters into physical and financial derivative contracts to manage exposure to fluctuations in commodity prices and foreign exchange rates, as well as to optimize certain owned and managed natural gas assets. These contracts do not eliminate AltaGas' exposure to risk associated with fluctuations in commodity prices or foreign exchange rates. The Board of Directors of AltaGas has established a risk management policy for the Corporation establishing AltaGas' risk management control framework. Derivative instruments are governed under, and subject to, this policy. As at September 30, 2023 and December 31, 2022, the fair values of the Corporation's derivatives were as follows:

| *($ millions)* | **September 30, 2023** | December 31, 2022 |
|---|---|---|
| Natural gas | **$ (19)** | $ (203) |
| Energy exports | **19** | 27 |
| NGL frac spread | **1** | (3) |
| Power | **(55)** | (78) |
| Crude oil and NGLs | **14** | 4 |
| Foreign exchange | **(1)** | — |
| Net derivative asset (liability) | **$ (41)** | $ (253) |

AltaGas strives to continuously and systematically de-risk the business in order to drive predictable and durable returns and maximize long-term value for stakeholders. For Midstream, this includes striving to match financial hedges with physical volumes, and for Utilities, this includes purchasing physical gas throughout the year to help shield customers from major cost spikes during peak winter demand. AltaGas may also enter into foreign exchange forward derivatives to manage the risk associated with variations in foreign exchange rates.

Commodity Price Contracts

- The average indicative spot NGL frac spread for the nine months ended September 30, 2023 was approximately $24/Bbl (2022 - $35/Bbl), inclusive of basis differentials. The average NGL frac spread realized by AltaGas (based on average spot price and realized hedge price inclusive of basis differentials) for the nine months ended September 30, 2023 was approximately $25/Bbl inclusive of basis differentials (2022 - $26/Bbl).
- AltaGas continues to focus on de-risking its business and managing direct commodity price exposure to drive predictable and durable returns. While the Company does have exposure, it plans to maintain an active hedging program that proactively hedges commodity price and spread risk to mitigate the impact of fluctuations in margins and cash flows. For the remainder of 2023, AltaGas has hedged approximately 77 percent of its expected 2023 frac exposed volumes hedged at approximately US$27/Bbl, prior to transportation costs. In addition, approximately 87 percent of AltaGas' expected export volumes for the remainder of 2023 are either tolled or financially hedged with an average FEI to North American financial hedge price of approximately US$18/Bbl for non-tolled propane and butane volumes. AltaGas is targeting to be highly hedged for the global export business through a combination of tolling agreements and financial hedges.

Foreign Exchange Contracts

The following foreign exchange forward contracts were outstanding as at September 30, 2023:

| **Foreign exchange forward contract** | **Duration** | | **Fair Value *($ millions)*** |
|---|---|---|---|
| Forward USD sales (deliverable) | Less than 1 month | $ | — |
| Forward USD sales (non-deliverable) | Less than 1 year | $ | (1) |

For the nine months ended September 30, 2023 a $1 million pre-tax unrealized loss on foreign exchange contracts was recorded in the Consolidated Statements of Income (Loss) under the line item "revenue" (nine months ended September 30, 2022 - $nil). AltaGas recorded no realized gains or losses on foreign exchange forward contracts during the nine months ended September 30, 2023 and nine months ended September 30, 2022.

Weather Instruments

- For the nine months ended September 30, 2023, a pre-tax loss of $8 million (nine months ended September 30, 2022 - $nil) was recorded related to heating degree day (HDD) and cooling degree day (CDD) instruments.

### The Effects of Derivative Instruments on the Consolidated Statements of Income (Loss)

The following table presents the unrealized gains (losses) on derivative instruments as recorded in the Corporation's Consolidated Statements of Income (Loss):

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *($ millions)* | **2023** | 2022 | **2023** | 2022 |
| Natural gas | **$ (4)** | $ 14 | **$ 17** | $ 41 |
| Energy exports | **(77)** | (22) | **(28)** | 33 |
| Crude oil and NGLs | **1** | (1) | **11** | 6 |
| NGL frac spread | **(17)** | 21 | **3** | 21 |
| Power | **7** | (9) | **22** | 6 |
| Foreign exchange | **(1)** | — | **(1)** | — |
| | **$ (91)** | $ 3 | **$ 24** | $ 107 |

Please refer to Note 24 of the 2022 Annual Consolidated Financial Statements and Note 13 of the unaudited condensed interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2023 for further details regarding AltaGas' risk management activities.

## Dividends

AltaGas declares and pays a quarterly dividend to its common shareholders. Dividends on preferred shares are also paid quarterly. Dividends are at the discretion of the Board of Directors and dividend levels are reviewed periodically, giving consideration to the ongoing sustainable cash flow from operating activities, maintenance and growth capital expenditures, and debt repayment requirements of AltaGas.

The following tables summarize AltaGas' dividend declaration history:

**Common Share Dividends**

| Year ended December 31 | | |
|---|---|---|
| *($ per common share)* | **2023** | 2022 |
| First quarter | **$ 0.280000** | $ 0.265000 |
| Second quarter | **0.280000** | 0.265000 |
| Third quarter | **0.280000** | 0.265000 |
| Fourth quarter | — | 0.265000 |
| **Total** | **$ 0.840000** | $ 1.060000 |

**Series A Preferred Share Dividends**

| Year ended December 31 | | |
|---|---|---|
| *($ per preferred share)* | **2023** | 2022 |
| First quarter | **$ 0.191250** | $ 0.191250 |
| Second quarter | **0.191250** | 0.191250 |
| Third quarter | **0.191250** | 0.191250 |
| Fourth quarter | — | 0.191250 |
| **Total** | **$ 0.573750** | $ 0.765000 |

**Series B Preferred Share Dividends**

| Year ended December 31 | | | | |
|---|---|---|---|---|
| *($ per preferred share)* | | **2023** | | 2022 |
| First quarter | **$** | **0.418750** | $ | 0.171920 |
| Second quarter | | **0.450260** | | 0.198020 |
| Third quarter | | **0.455150** | | 0.260690 |
| Fourth quarter | | **—** | | 0.376700 |
| **Total** | **$** | **1.324160** | $ | 1.007330 |

**Series C Preferred Share Dividends** [(1)]

| Year ended December 31 | | | | |
|---|---|---|---|---|
| *(US$ per preferred share)* | | **2023** | | 2022 |
| First quarter | **$** | **—** | $ | 0.330625 |
| Second quarter | | **—** | | 0.330625 |
| Third quarter | | **—** | | 0.330625 |
| **Total** | **$** | **—** | $ | 0.991875 |

(1) On September 30, 2022, AltaGas redeemed all of its outstanding Series C preferred shares.

**Series E Preferred Share Dividends**

| Year ended December 31 | | | | |
|---|---|---|---|---|
| *($ per preferred share)* | | **2023** | | 2022 |
| First quarter | **$** | **0.337063** | $ | 0.337063 |
| Second quarter | | **0.337063** | | 0.337063 |
| Third quarter | | **0.337063** | | 0.337063 |
| Fourth quarter | | **—** | | 0.337063 |
| **Total** | **$** | **1.011189** | $ | 1.348252 |

**Series G Preferred Share Dividends**

| Year ended December 31 | | | | |
|---|---|---|---|---|
| *($ per preferred share)* | | **2023** | | 2022 |
| First quarter | **$** | **0.265125** | $ | 0.265125 |
| Second quarter | | **0.265125** | | 0.265125 |
| Third quarter | | **0.265125** | | 0.265125 |
| Fourth quarter | | **—** | | 0.265125 |
| **Total** | **$** | **0.795375** | $ | 1.060500 |

**Series H Preferred Share Dividends**

| Year ended December 31 | | | | |
|---|---|---|---|---|
| *($ per preferred share)* | | **2023** | | 2022 |
| First quarter | **$** | **0.443404** | $ | 0.196582 |
| Second quarter | | **0.475190** | | 0.222950 |
| Third quarter | | **0.480350** | | 0.285890 |
| Fourth quarter | | **—** | | 0.401900 |
| **Total** | **$** | **1.398944** | $ | 1.107322 |

**Series K Preferred Share Dividends** (1)

| Year ended December 31 | | | | |
|---|---|---|---|---|
| *($ per preferred share)* | | **2023** | | 2022 |
| First quarter | **$** | **—** | $ | 0.312500 |
| **Total** | **$** | **—** | $ | 0.312500 |

(1) On March 31, 2022, AltaGas redeemed all of its outstanding Series K preferred shares.

## Critical Accounting Estimates

Since a determination of the value of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of AltaGas' Consolidated Financial Statements requires the use of estimates and assumptions that have been made using careful judgment. AltaGas' significant accounting policies have remained unchanged and are contained in the notes to the 2022 Annual Consolidated Financial Statements. Certain of these policies involve critical accounting estimates as a result of the requirement to make particularly subjective or complex judgments about matters that are inherently uncertain, and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. For a full discussion of AltaGas' critical accounting estimates and judgements, refer to Note 2 of the 2022 Annual Consolidated Financial Statements. There have been no material changes to AltaGas' critical estimates and judgements during the nine months ended September 30, 2023.

## Adoption of New Accounting Standards

Effective January 1, 2023, AltaGas adopted the following Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU):

- In October 2021, FASB issued ASU 2021-08 "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers". The amendments in this ASU require an entity to recognize and measure contract assets and liabilities acquired in a business combination in accordance with Topic 606. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements.

- In March 2022, FASB issued ASU No. 2022-01 "Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method". The amendments in this ASU will allow non-prepayable financial assets to be included in a closed portfolio hedged using the portfolio layer method and promote consistency in single and multiple hedged layers. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements.

- In March 2022, FASB issued ASU No. 2022-02 "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures". The amendments in this ASU will eliminate the accounting guidance for troubled debt restructurings (TDRs) by creditors while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty, as well as require the disclosure of current-period write offs by year of origination for financing receivables and net investments in leases. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements.

- In September 2022, FASB issued ASU No. 2022-04 "Liabilities (Subtopic 405-50) - Supplier Finance Programs". The amendments in this ASU will require a buyer in a supplier finance program to disclose the key terms of the program, the amount outstanding at the end of the period, a roll forward of that obligation during the period, and where the obligation is presented on the balance sheet. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements.

## Future Changes in Accounting Principles

In June 2022, FASB issued ASU No. 2022-03 "Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions". The amendments in this ASU clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security, and therefore, is not considered in measuring fair value. In addition, an entity cannot, as a separate unit of account, recognize a contractual sale restriction. Equity securities subject to contractual sale restrictions also require certain additional disclosures. The amendments in this ASU are effective for fiscal years beginning after December 15, 2023 and should be applied prospectively with adjustments as a result of adopting this ASU being recognized in earnings. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

In March 2023, FASB issued ASU No. 2023-01 "Leases (Topic 842): Common Control Arrangements". The relevant amendments in this ASU allow entities to amortize leasehold improvements under common control over the economic life of the leasehold improvements as long as the lessee controlled the use of the leased asset. The amendments in this ASU are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years and can be applied using one of the following three methods: 1) prospectively to all new leasehold improvements recognized on or after the date the entity applies the amendments, 2) prospectively to all new leasehold improvements recognized on or after the date the entity applies the amendments, with any remaining unamortized balance of existing leasehold improvements amortized over their remaining useful life to the common-control group determined at that date, or 3) retrospectively to the beginning of the period in which the entity first applied Topic 842, with any leasehold improvements that otherwise would not have been amortized or impaired recognized through a cumulative-effect adjustment to opening retained earnings at the beginning of the earliest period presented. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

In March 2023, FASB issued ASU No. 2023-02 "Investments - Equity Method and Joint Ventures (Topic 323) - Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method". The amendments in this ASU allow entities the option to elect to account for tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. The amendments in this ASU are effective for public business entities for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years and can applied on either a modified prospective or retrospective basis. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

## Off-Balance Sheet Arrangements

AltaGas did not enter into any material off-balance sheet arrangements during the nine months ended September 30, 2023. Reference should be made to the audited Consolidated Financial Statements and MD&A as at and for the year ended December 31, 2022 for further information on off-balance sheet arrangements.

## Disclosure Controls and Procedures (DCP) and Internal Control Over Financial Reporting (ICFR)

Management, including the Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining DCP and ICFR, as those terms are defined in National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings". The objective of this instrument is to improve the quality, reliability, and transparency of information that is filed or submitted under securities legislation.

Management, including the Chief Executive Officer and the Chief Financial Officer, has designed, or caused to be designed under their supervision, DCP and ICFR to provide reasonable assurance that information required to be disclosed by AltaGas in its annual filings, interim filings, or other reports to be filed or submitted by it under securities legislation is made known to them, is reported on a timely basis, financial reporting is reliable, and financial statements prepared for external purposes are in accordance with U.S. GAAP.

The ICFR has been designed based on the framework established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management has designed the existing framework to result in both a complete and accurate consolidation of related information. During the period covered by this MD&A, there were no changes made to AltaGas' ICFR that materially affected, or are reasonably likely to materially affect, its ICFR.

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

## Share Information

| | As at October 27, 2023 |
|---|---|
| **Issued and outstanding** | |
| Common shares | 281,832,475 |
| Preferred Shares | |
| Series A | 6,746,679 |
| Series B | 1,253,321 |
| Series E | 8,000,000 |
| Series G | 6,885,823 |
| Series H | 1,114,177 |
| **Issued** | |
| Share options | 6,209,251 |
| Share options exercisable | 5,630,798 |

## Summary of Consolidated Results for the Eight Most Recent Quarters (1)

| *($ millions)* | **Q3-23** | **Q2-23** | Q1-23 | Q4-22 | Q3-22 | Q2-22 | Q1-22 | Q4-21 |
|---|---|---|---|---|---|---|---|---|
| Total revenue | **3,030** | 2,631 | 4,048 | 3,898 | 3,056 | 3,241 | 3,892 | 3,140 |
| Normalized EBITDA (2) | **252** | 239 | 582 | 454 | 233 | 276 | 574 | 334 |
| Net income (loss) applicable to common shares | **(50)** | 133 | 445 | 54 | (48) | 35 | 357 | (156) |
| *($ per share)* | **Q3-23** | Q2-23 | Q1-23 | Q4-22 | Q3-22 | Q2-22 | Q1-22 | Q4-21 |
| Net income (loss) per common share | | | | | | | | |
| Basic | **(0.18)** | 0.47 | 1.58 | 0.19 | (0.17) | 0.12 | 1.27 | (0.56) |
| Diluted | **(0.18)** | 0.47 | 1.57 | 0.19 | (0.17) | 0.12 | 1.26 | (0.56) |
| Dividends declared | **0.28** | 0.28 | 0.28 | 0.27 | 0.27 | 0.27 | 0.27 | 0.25 |

(1) Amounts may not add due to rounding.
(2) Non-GAAP financial measure. Prior periods have been revised where applicable to reflect a change in the composition of normalized EBITDA made in the third quarter of 2022. See discussion in the *Non-GAAP Financial Measures* section of this MD&A.

AltaGas' quarter-over-quarter financial results are impacted by seasonality, fluctuations in commodity prices, weather, the Canadian/U.S. dollar exchange rate, planned and unplanned plant outages, timing of in-service dates of new projects, and acquisition and divestiture activities.

Revenue for the Utilities is generally the highest in the first and fourth quarters of any given year as the majority of natural gas demand occurs during the winter heating season, which typically extends from November to March.

Other significant items that impacted quarter-over-quarter revenue during the periods noted include:

- The impact of the sale of AltaGas' interest in the Aitken Creek processing facilities in the second quarter of 2022; and
- The impact of the Alaska Utilities Disposition in the first quarter of 2023.

Net income (loss) applicable to common shares is also affected by non-cash items such as deferred income tax, depreciation and amortization expense, accretion expense, provisions on assets, gains or losses on long-term investments, and gains or losses on the sale of assets. In addition, net income (loss) applicable to common shares is also impacted by preferred share dividends and gains or losses on the redemption of preferred shares. For these reasons, the net income (loss) may not necessarily reflect the same trends as revenue. Net income (loss) applicable to common shares during the periods noted was impacted by:

- After-tax transaction costs of approximately $22 million, $4 million, and $5 million incurred in the first nine months of 2023, throughout 2022, and the last quarter of 2021, respectively, primarily due to acquisitions and asset sales;
- The after-tax provision on equity investments of approximately $209 million recognized in the fourth quarter of 2021 related to AltaGas' investment in MVP, which includes the Mountain Valley Pipeline and MVP Southgate projects;
- The gain on the sale of Goleta in the first quarter of 2022 as well as an additional gain recorded in the first quarter of 2023 a result of the favourable settlement of outstanding contingencies;
- The loss on the Series K Preferred Shares that were redeemed on March 31, 2022;
- Favourable resolution of certain acquisition related commercial disputes and contingencies in 2022 and in the first half of 2023;

- The loss on the redemption of the U.S. dollar denominated Series C Preferred Shares in September 2022, including the associated foreign exchange impact;
- The gain resulting from the partial defeasance of SEMCO's First Mortgage Bonds in the first quarter of 2023; and
- The gain on the Alaska Utilities Disposition in the first half of 2023.

## CONSOLIDATED BALANCE SHEETS

(condensed and unaudited)

| As at *($ millions)* | | September 30, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents *(note 19)* | **$** | **43** | $ | 53 |
| Accounts receivable *(net of credit losses of $34 million) (note 13)* | | **1,505** | | 2,091 |
| Inventory *(note 4)* | | **855** | | 1,060 |
| Regulatory assets | | **70** | | 38 |
| Risk management assets *(note 13)* | | **66** | | 140 |
| Prepaid expenses and other current assets *(note 19)* | | **117** | | 169 |
| Assets held for sale | | **—** | | 1,087 |
| | | **2,656** | | 4,638 |
| **Property, plant and equipment** | | **12,094** | | 11,686 |
| **Intangible assets** | | **97** | | 120 |
| **Operating right of use assets** | | **272** | | 281 |
| **Goodwill** *(note 5)* | | **5,242** | | 5,250 |
| **Regulatory assets** | | **245** | | 448 |
| **Risk management assets** *(note 13)* | | **67** | | 77 |
| **Prepaid post-retirement benefits** | | **554** | | 538 |
| **Long-term investments and other assets** *(net of credit losses of $1 million) (notes 6, 13, and 19)* | | **278** | | 273 |
| **Investments accounted for by the equity method** *(note 8)* | | **678** | | 654 |
| | **$** | **22,183** | $ | 23,965 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | |
| **Current liabilities** | | | | |
| Accounts payable and accrued liabilities | **$** | **1,579** | $ | 1,902 |
| Short-term debt | | **313** | | 293 |
| Current portion of long-term debt *(notes 9 and 13)* | | **1,009** | | 334 |
| Customer deposits | | **90** | | 79 |
| Regulatory liabilities | | **54** | | 183 |
| Risk management liabilities *(note 13)* | | **56** | | 172 |
| Operating lease liabilities | | **85** | | 92 |
| Other current liabilities *(note 13)* | | **37** | | 57 |
| Liabilities associated with assets held for sale | | **—** | | 295 |
| | | **3,223** | | 3,407 |
| **Long-term debt** *(notes 9 and 13)* | | **6,893** | | 8,694 |
| **Asset retirement obligations** | | **456** | | 451 |
| **Unamortized investment tax credits** | | **1** | | 2 |
| **Deferred income taxes** | | **1,527** | | 1,369 |
| **Subordinated hybrid notes** *(notes 10 and 13)* | | **544** | | 544 |
| **Regulatory liabilities** | | **1,158** | | 1,201 |
| **Risk management liabilities** *(note 13)* | | **118** | | 298 |
| **Operating lease liabilities** | | **205** | | 215 |
| **Other long-term liabilities** | | **124** | | 122 |
| **Future employee obligations** | | **47** | | 44 |
| | **$** | **14,296** | $ | 16,347 |

| As at *($ millions)* | | **September 30, 2023** | | December 31, 2022 |
|---|---|---|---|---|
| **Shareholders' equity** | | | | |
| Common shares, no par values, unlimited shares authorized; 2023 - 281.8 million and 2022 - 281.5 million issued and outstanding *(note 15)* | **$** | **6,767** | $ | 6,761 |
| Preferred shares *(note 15)* | | **586** | | 586 |
| Contributed surplus | | **625** | | 625 |
| Accumulated deficit | | **(851)** | | (1,142) |
| Accumulated other comprehensive income (AOCI) *(note 11)* | | **612** | | 626 |
| **Total shareholders' equity** | | **7,739** | | 7,456 |
| **Non-controlling interests** | | **148** | | 162 |
| **Total equity** | **$** | **7,887** | $ | 7,618 |
| | **$** | **22,183** | $ | 23,965 |

*Variable interest entities (note 7)*

*Commitments, guarantees, and contingencies (note 17)*

*Seasonality (note 20)*

*Segmented information (note 21)*

*Subsequent events (note 22)*

*See accompanying notes to the Consolidated Financial Statements.*

## CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(condensed and unaudited)

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *($ millions except per share amounts)* | **2023** | 2022 | **2023** | 2022 |
| **REVENUE** *(note 12)* | **$ 3,030** | $ 3,056 | **$ 9,709** | $ 10,190 |
| **EXPENSES** | | | | |
| Cost of sales, exclusive of items shown separately | **2,543** | 2,459 | **7,597** | 7,936 |
| Operating and administrative | **379** | 387 | **1,152** | 1,146 |
| Accretion expenses | **3** | 2 | **8** | 5 |
| Depreciation and amortization | **109** | 106 | **331** | 327 |
| | **$ 3,034** | $ 2,954 | **$ 9,088** | $ 9,414 |
| **Income from equity investments** *(note 8)* | **21** | 5 | **32** | 11 |
| **Other income** *(note 3)* | **21** | 19 | **385** | 73 |
| **Foreign exchange gains** | **6** | 7 | **6** | 9 |
| **Interest expense** | **(95)** | (85) | **(293)** | (231) |
| **Income (loss) before income taxes** | **(51)** | 48 | **751** | 638 |
| **Income tax expense (recovery)** | | | | |
| Current | **(7)** | (13) | **32** | 30 |
| Deferred | **(5)** | 20 | **158** | 101 |
| **Net income (loss) after taxes** | **$ (39)** | $ 41 | **$ 561** | $ 507 |
| **Net income applicable to non-controlling interests** | **4** | 5 | **13** | 45 |
| **Net income (loss) applicable to controlling interests** | **(43)** | 36 | **548** | 462 |
| **Preferred share dividends** | **(7)** | (10) | **(20)** | (33) |
| **Loss on redemption of preferred shares** | **—** | (74) | **—** | (84) |
| **Net income (loss) applicable to common shares** | **$ (50)** | $ (48) | **$ 528** | $ 345 |
| **Net income (loss) per common share** *(note 16)* | | | | |
| Basic | **$ (0.18)** | $ (0.17) | **$ 1.87** | $ 1.23 |
| Diluted | **$ (0.18)** | $ (0.17) | **$ 1.86** | $ 1.22 |
| **Weighted average number of common shares outstanding** (millions) *(note 16)* | | | | |
| Basic | **281.7** | 281.2 | **281.7** | 280.8 |
| Diluted | **281.7** | 281.2 | **283.2** | 283.3 |

*See accompanying notes to the Consolidated Financial Statements.*

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(condensed and unaudited)

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *($ millions)* | **2023** | 2022 | **2023** | 2022 |
| **Net income (loss) after taxes** | **$ (39)** | $ 41 | **$ 561** | $ 507 |
| Other comprehensive income (loss), net of taxes | | | | |
| Gain (loss) on foreign currency translation | **215** | 606 | **(21)** | 763 |
| Unrealized gain (loss) on net investment hedge | **(18)** | (16) | **6** | (19) |
| Actuarial loss on pension plans and post-retirement benefit (PRB) plans *(note 11)* | **—** | — | **(1)** | — |
| Settlement of Canadian defined benefit pension plan *(note 18)* | **—** | — | **2** | — |
| **Total other comprehensive income (loss) (OCI), net of taxes** | **197** | 590 | **(14)** | 744 |
| **Comprehensive income attributable to controlling interests and non-controlling interests, net of taxes** | **$ 158** | $ 631 | **$ 547** | $ 1,251 |
| **Comprehensive income attributable to:** | | | | |
| Non-controlling interests | **$ 4** | $ 3 | **$ 13** | $ 49 |
| Controlling interests | **154** | 628 | **534** | 1,202 |
| | **$ 158** | $ 631 | **$ 547** | $ 1,251 |

*See accompanying notes to the Consolidated Financial Statements.*

## CONSOLIDATED STATEMENTS OF EQUITY

(condensed and unaudited)

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *($ millions)* | **2023** | 2022 | **2023** | 2022 |
| **Common shares** *(note 15)* | | | | |
| Balance, beginning of period | **$ 6,765** | $ 6,752 | **$ 6,761** | $ 6,735 |
| Shares issued for cash on exercise of options | **2** | 10 | **6** | 28 |
| Deferred taxes on share issuance costs | **—** | — | **—** | (1) |
| Balance, end of period | **$ 6,767** | $ 6,762 | **$ 6,767** | $ 6,762 |
| **Preferred shares** *(note 15)* | | | | |
| Balance, beginning of period | **$ 586** | $ 786 | **$ 586** | $ 1,076 |
| Redemption of preferred shares | **—** | (200) | **—** | (490) |
| Balance, end of period | **$ 586** | $ 586 | **$ 586** | $ 586 |
| **Contributed surplus** | | | | |
| Balance, beginning of period | **$ 625** | $ 388 | **$ 625** | $ 388 |
| Share options expense | **—** | — | **—** | 2 |
| Exercise of share options | **—** | (1) | **—** | (3) |
| Purchase of remaining non-controlling interest in a subsidiary | **—** | 237 | **—** | 237 |
| Balance, end of period | **$ 625** | $ 624 | **$ 625** | $ 624 |
| **Accumulated deficit** | | | | |
| Balance, beginning of period | **$ (722)** | $ (999) | **$ (1,142)** | $ (1,243) |
| Net income (loss) applicable to controlling interests | **(43)** | 36 | **548** | 462 |
| Common share dividends | **(79)** | (74) | **(237)** | (223) |
| Preferred share dividends | **(7)** | (10) | **(20)** | (33) |
| Loss on redemption of preferred shares | **—** | (74) | **—** | (84) |
| Balance, end of period | **$ (851)** | $ (1,121) | **$ (851)** | $ (1,121) |
| **AOCI** *(note 11)* | | | | |
| Balance, beginning of period | **$ 415** | $ 141 | **$ 626** | $ (7) |
| Other comprehensive income (loss) | **197** | 592 | **(14)** | 740 |
| Purchase of remaining non-controlling interest in a subsidiary | **—** | 5 | **—** | 5 |
| Balance, end of period | **$ 612** | $ 738 | **$ 612** | $ 738 |
| **Total shareholders' equity** | **$ 7,739** | $ 7,589 | **$ 7,739** | $ 7,589 |
| **Non-controlling interests** | | | | |
| Balance, beginning of period | **$ 147** | $ 688 | **$ 162** | $ 652 |
| Net income applicable to non-controlling interests | **4** | 5 | **13** | 45 |
| Foreign currency translation adjustments | **—** | (2) | **—** | 4 |
| Purchase of remaining non-controlling interest in a subsidiary | **—** | (522) | **—** | (522) |
| Contributions from non-controlling interests to subsidiaries | **2** | — | **29** | — |
| Distributions by subsidiaries to non-controlling interests | **(5)** | (5) | **(13)** | (15) |
| Adjustment on disposition of assets *(note 3)* | **—** | — | **(43)** | — |
| Balance, end of period | **$ 148** | $ 164 | **$ 148** | $ 164 |
| **Total equity** | **$ 7,887** | $ 7,753 | **$ 7,887** | $ 7,753 |

*See accompanying notes to the Consolidated Financial Statements.*

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(condensed and unaudited)

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *($ millions)* | **2023** | 2022 | **2023** | 2022 |
| **Cash from (used by) operations** | | | | |
| Net income (loss) after taxes | **$ (39)** | $ 41 | **$ 561** | $ 507 |
| Items not involving cash: | | | | |
| Depreciation and amortization | **109** | 106 | **331** | 327 |
| Accretion expenses | **3** | 2 | **8** | 5 |
| Share-based compensation *(note 15)* | **—** | 1 | **—** | 1 |
| Deferred income tax expense (recovery) | **(5)** | 20 | **158** | 101 |
| Losses (gains) on sale of assets *(note 3)* | **—** | 3 | **(319)** | (3) |
| Gain on debt defeasance *(note 9)* | **—** | — | **(14)** | — |
| Income from equity investments *(note 8)* | **(21)** | (5) | **(32)** | (11) |
| Unrealized losses (gains) on risk management contracts *(note 13)* | **91** | (3) | **(24)** | (107) |
| Amortization of deferred financing costs | **2** | 2 | **6** | 5 |
| Allowance for credit losses | **1** | 3 | **15** | 19 |
| Change in pension and other post-retirement benefits | **2** | (12) | **4** | (34) |
| Other | **(12)** | 7 | **(23)** | 8 |
| Asset retirement obligations settled | **(7)** | (2) | **(12)** | (5) |
| Distributions from equity investments | **3** | 3 | **10** | 11 |
| Changes in operating assets and liabilities *(note 19)* | **(124)** | (550) | **298** | 3 |
| | **$ 3** | $ (384) | **$ 967** | $ 827 |
| **Investing activities** | | | | |
| Capital expenditures - property, plant and equipment | **(242)** | (252) | **(671)** | (619) |
| Capital expenditures - intangible assets | **(2)** | — | **(4)** | (4) |
| Distributions from (contributions to) equity investments | **(1)** | 3 | **(4)** | 2 |
| Proceeds from disposition of equity investments | **1** | — | **1** | — |
| Proceeds from disposition of assets, net of transaction costs *(note 3)* | **1** | — | **1,073** | 245 |
| Purchase of remaining non-controlling interest in a subsidiary | **—** | (285) | **—** | (285) |
| | **$ (243)** | $ (534) | **$ 395** | $ (661) |
| **Financing activities** | | | | |
| Net issuance of short-term debt | **—** | 309 | **—** | 155 |
| Issuance of long-term debt, net of debt issuance costs | **1** | 448 | **398** | 449 |
| Purchase of marketable securities in connection with debt defeasance *(note 9)* | **—** | — | **(193)** | — |
| Repayment of long-term debt | **(4)** | (3) | **(338)** | (11) |
| Net borrowing (repayment) under credit facilities | **311** | 170 | **(976)** | (422) |
| Issuance of subordinated hybrid notes, net of debt issuance costs *(note 10)* | **—** | 247 | **—** | 544 |
| Dividends - common shares | **(79)** | (74) | **(237)** | (223) |
| Dividends - preferred shares | **(7)** | (10) | **(20)** | (33) |
| Distributions to non-controlling interests | **(5)** | (5) | **(13)** | (15) |
| Net proceeds from shares issued on exercise of options *(note 15)* | **1** | 10 | **5** | 26 |
| Redemption of preferred shares *(note 15)* | **—** | (274) | **—** | (574) |
| | **$ 218** | $ 818 | **$ (1,374)** | $ (104) |
| **Change in cash, cash equivalents, and restricted cash** | **(22)** | (100) | **(12)** | 62 |
| **Effect of exchange rate changes on cash, cash equivalents, and restricted cash** | **—** | 4 | **—** | 5 |
| **Net change in cash classified within assets held for sale** | **—** | — | **—** | (1) |
| **Cash, cash equivalents, and restricted cash, beginning of period** | **74** | 246 | **64** | 84 |
| **Cash, cash equivalents, and restricted cash, end of period** *(note 19)* | **$ 52** | $ 150 | **$ 52** | $ 150 |

*See accompanying notes to the Consolidated Financial Statements.*

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

## 1. Organization and Overview of the Business

The businesses of AltaGas are operated by the Company and a number of its subsidiaries including, without limitation, AltaGas Services (U.S.) Inc., AltaGas Utility Holdings (U.S.) Inc., WGL Holdings, Inc. (WGL), Wrangler 1 LLC, Wrangler SPE LLC, Washington Gas Resources Corp., WGL Energy Services, Inc. (WGL Energy Services), and SEMCO Holding Corporation; in regard to the Utilities business, Washington Gas Light Company (Washington Gas), Hampshire Gas Company, and SEMCO Energy, Inc. (SEMCO); and in regard to the Midstream business, AltaGas Extraction and Transmission Limited Partnership, AltaGas Pipeline Partnership, AltaGas Processing Partnership, AltaGas Northwest Processing Limited Partnership, Harmattan Gas Processing Limited Partnership, Ridley Island LPG Export Limited Partnership, AltaGas Pacific Partnership, AltaGas LPG Limited Partnership, Petrogas Energy Corporation (Petrogas), Petrogas Holdings Partnership, and Petrogas Inc. In the Corporate/Other segment, subsidiaries include AltaGas Power Holdings (U.S.) Inc., WGL Energy Systems, Inc. (WGL Energy Systems), and Blythe Energy Inc. (Blythe). SEMCO conducts its Michigan natural gas distribution business under the name SEMCO Energy Gas Company (SEMCO Gas).

AltaGas is a leading North American energy infrastructure company that connects natural gas and NGLs to domestic and global markets. The Company operates a diversified, lower-risk, high-growth energy infrastructure business that is focused on delivering resilient and durable value for its stakeholders.

AltaGas' operating segments include the following:

- Utilities, which owns and operates franchised, cost-of-service, rate regulated natural gas distribution and storage utilities that focus on providing safe, reliable, affordable energy to approximately 1.6 million residential and commercial customers. This includes operating two utilities that operate across four major U.S. jurisdictions with a rate base of approximately US$5.0 billion. The Utilities business also includes other storage facilities and contracts for interstate natural gas transportation and storage services, as well as WGL Energy Services, an affiliated retail energy marketing business, which sells natural gas and electricity directly to residential, commercial, and industrial customers located in Maryland, Virginia, Delaware, Pennsylvania, Ohio, and the District of Columbia; and

- Midstream, which is a leading North American platform that connects customers and markets from wellhead to tidewater and beyond. The three pillars of the Midstream business include: 1) global exports, which includes AltaGas' two LPG export terminals; 2) natural gas gathering, processing and extraction; and 3) fractionation and liquids handling. AltaGas' Midstream segment also includes its natural gas and NGL marketing business, domestic logistics, trucking and rail terminals, and liquid storage capability.

On August 31, 2023, AltaGas announced that it has entered into a definitive agreement with Tidewater Midstream and Infrastructure Ltd. (Tidewater) to acquire natural gas processing and storage infrastructure assets in the Pipestone area of the Alberta Montney (the Pipestone Acquisition). Upon close of the acquisition, these assets will be included in the Midstream segment. The transaction is expected to close in the fourth quarter of 2023.

The Corporate/Other segment consists of AltaGas' corporate activities and a small portfolio of gas-fired power generation and distribution assets capable of generating 508 MW of power primarily in the state of California.

## 2. Summary of Significant Accounting Policies

***BASIS OF PRESENTATION***

These unaudited condensed interim Consolidated Financial Statements have been prepared by Management in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP). As a result, these unaudited condensed interim Consolidated Financial Statements do not include all of the information and disclosures required in the annual Consolidated Financial Statements and should be read in conjunction with the Corporation's 2022 annual audited Consolidated Financial Statements prepared in accordance with U.S. GAAP. In Management's opinion, these unaudited condensed interim Consolidated Financial Statements include all adjustments that are of a recurring nature and necessary to present fairly the financial position of the Corporation.

Pursuant to National Instrument 52-107, "Acceptable Accounting Principles and Auditing Standards" (NI 52-107), U.S. GAAP reporting is generally permitted by Canadian securities laws for companies subject to reporting obligations under U.S. securities laws. On March 28, 2023, AltaGas filed Form 15 with the Securities and Exchange Commission (SEC) and as such, is no longer an SEC issuer and can no longer rely on the provisions of NI 52-107. Therefore, AltaGas sought and obtained exemptive relief by the securities regulators in Alberta and Ontario to permit it to prepare its financial statements in accordance with U.S. GAAP. The Alberta Securities Commission exemption will terminate on or after the earlier of January 1, 2027, the date to which AltaGas ceases to have activities subject to rate regulation, or the first day of AltaGas' fiscal year that commences on or following the latter of: a) the effective date prescribed by the IASB for a mandatory rate regulated standard; or b) two years after the IASB publishes the final version of a mandatory rate regulated standard.

***PRINCIPLES OF CONSOLIDATION***

These unaudited condensed interim Consolidated Financial Statements of AltaGas include the accounts of the Corporation, its subsidiaries, variable interest entities (VIEs) for which the Corporation is the primary beneficiary, and its interest in various partnerships and joint ventures where AltaGas has an undivided interest in the assets and liabilities. Investments in unconsolidated companies that AltaGas has significant influence, but not control over are accounted for using the equity method.

All intercompany balances and transactions are eliminated on consolidation. Where there is a party with a non-controlling interest in a subsidiary that AltaGas controls, that non-controlling interest is reflected as “non-controlling interests” in the Consolidated Financial Statements. The non-controlling interests in net income (or loss) of consolidated subsidiaries are shown as an allocation of the consolidated net income and are presented separately in "net income applicable to non-controlling interests".

***RECLASSIFICATION OF PRIOR PERIOD BALANCES***

Certain reclassifications of prior period amounts in the consolidated statements of income have been made to conform to current year presentation. These reclassifications have no effect on the reported net income.

***USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY***

The preparation of Consolidated Financial Statements in accordance with U.S. GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the period. Critical estimates and judgements used in the preparation of these condensed interim Consolidated Financial Statements are described in Note 2 of the Corporation's 2022 annual audited Consolidated Financial

Statements. There have been no material changes to AltaGas' critical estimates and judgements during the nine months ended September 30, 2023.

### *SIGNIFICANT ACCOUNTING POLICIES*

These unaudited condensed interim Consolidated Financial Statements have been prepared following the same accounting policies and methods as those used in preparing the Corporation's 2022 annual audited Consolidated Financial Statements.

### *ADOPTION OF NEW ACCOUNTING STANDARDS*

Effective January 1, 2023, AltaGas adopted the following Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU):

- In October 2021, FASB issued ASU 2021-08 "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers". The amendments in this ASU require an entity to recognize and measure contract assets and liabilities acquired in a business combination in accordance with Topic 606. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements.

- In March 2022, FASB issued ASU No. 2022-01 "Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method". The amendments in this ASU will allow non-prepayable financial assets to be included in a closed portfolio hedged using the portfolio layer method and promote consistency in single and multiple hedged layers. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements.

- In March 2022, FASB issued ASU No. 2022-02 "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures". The amendments in this ASU will eliminate the accounting guidance for troubled debt restructurings (TDRs) by creditors while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty, as well as require the disclosure of current-period write offs by year of origination for financing receivables and net investments in leases. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements.

- In September 2022, FASB issued ASU No. 2022-04 "Liabilities (Subtopic 405-50) - Supplier Finance Programs". The amendments in this ASU will require a buyer in a supplier finance program to disclose the key terms of the program, the amount outstanding at the end of the period, a roll forward of that obligation during the period, and where the obligation is presented on the balance sheet. The adoption of this ASU did not have a material impact on AltaGas' consolidated financial statements.

### *FUTURE CHANGES IN ACCOUNTING PRINCIPLES*

In June 2022, FASB issued ASU No. 2022-03 "Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions". The amendments in this ASU clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security, and therefore, is not considered in measuring fair value. In addition, an entity cannot, as a separate unit of account, recognize a contractual sale restriction. Equity securities subject to contractual sale restrictions also require certain additional disclosures. The amendments in this ASU are effective for fiscal years beginning after December 15, 2023 and should be applied prospectively with adjustments as a result of adopting this ASU being recognized in earnings. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

In March 2023, FASB issued ASU No. 2023-01 "Leases (Topic 842): Common Control Arrangements". The relevant amendments in this ASU allow entities to amortize leasehold improvements under common control over the economic life of the leasehold improvements as long as the lessee controlled the use of the leased asset. The amendments in this ASU are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years and can be applied using one of the following three methods: 1) prospectively to all new leasehold improvements recognized on or after the date the entity applies the amendments, 2) prospectively to all new leasehold improvements recognized on or after the date the entity applies the amendments, with any remaining unamortized balance of existing leasehold improvements amortized over their remaining useful life to the common-control group determined at that date, or 3) retrospectively to the beginning of the period in which the entity first applied Topic 842, with any leasehold improvements that otherwise would not have been amortized or impaired recognized through a cumulative-effect adjustment to opening retained earnings at the beginning of the earliest period presented. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

In March 2023, FASB issued ASU No. 2023-02 "Investments - Equity Method and Joint Ventures (Topic 323) - Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method". The amendments in this ASU allow entities the option to elect to account for tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. The amendments in this ASU are effective for public business entities for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years and can applied on either a modified prospective or retrospective basis. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on AltaGas' consolidated financial statements.

## 3. Dispositions

**Alaskan Utilities**

On March 1, 2023, AltaGas closed the sale of its 100 percent interest in ENSTAR and 65 percent indirect interest in CINGSA and other ancillary operations (Alaska Utilities Disposition), for consideration of approximately $1.1 billion (US$800 million), prior to closing adjustments. As a result, AltaGas recognized a pre-tax gain on disposition of approximately $304 million in the Consolidated Statements of Income (Loss) under the line item "other income" for the nine months ended September 30, 2023.

**Energy Storage Development Project**

In the first quarter of 2022, AltaGas completed the sale of a 60 MW stand-alone energy storage development project in Goleta, California for total proceeds of approximately $20 million (US$15 million), subject to certain contingencies. In February 2023, the parties reached an agreement on outstanding contingencies and as a result, the buyer paid AltaGas an additional payment of approximately $11 million (US$8 million) which was recognized as a pre-tax gain on disposition in the Consolidated Statements of Income (Loss) under the line item "other income" for the nine months ended September 30, 2023.

**Meade Escrow Proceeds**

In 2019, AltaGas completed the disposition of its investment in Meade Pipeline Co. LLC (Meade), which held WGL Midstream's indirect, non-operating interest in the Central Penn pipeline. Upon close of the sale, various escrow accounts were established to provide the purchaser a form of recourse for the settlement of indemnification obligations. In the second quarter of 2023, AltaGas received approximately $1 million (US$1 million) of cash proceeds from the indemnity escrow account. As a result, AltaGas recognized a pre-tax gain on disposition of approximately $1 million in the Consolidated Statements of Income (Loss) under the line item "other income" for the nine months ended September 30, 2023.

## 4. Inventory

| As at | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Natural gas held in storage [(a)] | **$ 312** | $ 588 |
| Natural gas liquids | **162** | 197 |
| Crude oil and condensate | **140** | 152 |
| Renewable energy credits and emission compliance instruments | **170** | 127 |
| Materials and supplies | **65** | 76 |
| Processed finished products | **6** | 6 |
| | **$ 855** | $ 1,146 |
| Less: inventory reclassified to assets held for sale | **—** | (86) |
| | **$ 855** | $ 1,060 |

(a) As at September 30, 2023, $274 million of the natural gas held in storage was held by rate-regulated utilities (December 31, 2022 - $520 million).

## 5. Goodwill

| As at | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Balance, beginning of period | **$ 5,250** | $ 5,153 |
| Reclassified to assets held for sale | **—** | (226) |
| Foreign exchange translation | **(8)** | 323 |
| Balance, end of period | **$ 5,242** | $ 5,250 |

## 6. Long-Term Investments and Other Assets

| As at | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Deferred lease receivable | **$ 13** | $ 17 |
| Debt issuance costs associated with credit facilities | **5** | 7 |
| Refundable deposits | **10** | 10 |
| Prepayment on long-term service agreements | **83** | 79 |
| Deferred information technology costs | **36** | 24 |
| Cash calls from joint venture partners | **19** | 21 |
| Contract asset *(net of credit losses of $1 million) (notes 12 and 13)* | **37** | 37 |
| Rabbi trust *(notes 18 and 19)* | **6** | 8 |
| Capitalized contract costs | **4** | 5 |
| Financial transmission rights | **34** | 39 |
| Other | **31** | 27 |
| | **$ 278** | $ 274 |
| Less: long-term investments and other assets reclassified to assets held for sale | **—** | (1) |
| | **$ 278** | $ 273 |

## 7. Variable Interest Entities

**Consolidated VIEs**

AltaGas consolidates a variable interest entity (VIE) where the Corporation is deemed the primary beneficiary. The primary beneficiary of a VIE has the power to direct the activities of the entity that most significantly impact its economic performance such as being the provider of construction, operating, and marketing services to the entity. In addition, the primary beneficiary of a VIE also has the obligation to absorb losses of the entity or the right to receive benefits that could potentially be significant to the VIE. AltaGas determined that it is the primary beneficiary of the following VIEs:

*Ridley Island LPG Export Limited Partnership*

On May 5, 2017, AltaGas LPG Limited Partnership (AltaGas LPG), a wholly-owned subsidiary of AltaGas, and Vopak Development Canada Inc. (Vopak), a wholly-owned subsidiary of Koninklijke Vopak N.V. (Royal Vopak), a public company incorporated under the laws of the Netherlands, formed the Ridley Island LPG Export Limited Partnership (RILE LP) to develop, own, and operate the Ridley Island Propane Export Terminal (RIPET). AltaGas' subsidiaries hold a 70 percent interest while Vopak holds a 30 percent interest in RILE LP. The construction cost of RIPET was funded by AltaGas LPG and Vopak in proportion to their respective interests in RILE LP. As part of the arrangements, AltaGas entered into a long-term agreement for the capacity of RIPET with RILE LP, and AltaGas and certain of its subsidiaries provide operating services to RILE LP.

AltaGas has determined that RILE LP is a VIE in which it holds variable interests and is the primary beneficiary. In the determination that AltaGas is the primary beneficiary of the VIE, AltaGas noted that it has the power to direct the activities that most significantly impact the VIE's economic performance through the operating and marketing services provided to RILE LP. In addition, AltaGas has the obligation to absorb the losses and the right to receive the benefits that could potentially be significant to RILE LP through the long-term agreement for the capacity of RIPET. As such, AltaGas has consolidated RILE LP.

The assets of RILE LP are the property of RILE LP and are not available to AltaGas for any other purpose. RILE LP's asset balances can only be used to settle its own obligations. The liabilities of RILE LP do not represent additional claims against AltaGas' general assets. AltaGas' exposure to loss as a result of its interest as a limited partner is its net investment. AltaGas and Royal Vopak have provided limited guarantees for the obligations of their respective subsidiaries for the construction cost of RIPET. With the commencement of commercial operations at RIPET, the terms of the long-term capacity agreement between AltaGas LPG and RILE LP provide for a return on and of capital and reimbursement of RIPET's operating costs by AltaGas LPG in accordance with the terms set out in the agreement.

The following table represents amounts included in the Consolidated Balance Sheets attributable to RILE LP:

| As at | **September 30, 2023** | December 31, 2022 |
|---|---|---|
| Current assets | **$ 10** | $ 12 |
| Property, plant and equipment | **350** | 353 |
| Long-term investments and other assets | **42** | 45 |
| Current liabilities | **(13)** | (16) |
| Asset retirement obligations | **(4)** | (4) |
| Net assets | **$ 385** | $ 390 |

*Ridley Island Energy Export Facility Limited Partnership*

On April 4, 2023, AltaGas LPG and Vopak formed the Ridley Island Energy Export Facility Limited Partnership (REEF LP) to develop, own, and operate the Ridley Island Energy Export Facility (REEF). AltaGas' subsidiaries and Vopak each hold a 50 percent interest in REEF LP. The construction cost of REEF is being funded by AltaGas and Vopak in proportion to their respective interests in REEF LP. As part of the project definitive agreements, AltaGas entered into a long-term agreement for 100 percent of the capacity of REEF with REEF LP. Additionally, AltaGas and certain of its subsidiaries have been contracted to provide operating and project development services to REEF LP.

AltaGas has determined that REEF LP is a VIE in which it holds variable interests and is the primary beneficiary. In the determination that AltaGas is the primary beneficiary of the VIE, AltaGas noted that it has the power to direct the activities that most significantly impact the VIE's economic performance through its control of all operational and commercial aspects of the project. In addition, AltaGas has the obligation to absorb the losses and the right to receive the benefits that could potentially be significant to REEF LP through the long-term agreement for the capacity of REEF. As such, AltaGas has consolidated REEF LP.

The assets of REEF LP are the property of REEF LP and are not available to AltaGas for any purpose other than as described in the long-term capacity agreement. REEF LP's asset balances can only be used to settle its own obligations and the liabilities of REEF LP do not represent additional claims against AltaGas' general assets. AltaGas' exposure to loss as a result of its interest as a limited partner is its net investment. AltaGas and Royal Vopak have provided limited guarantees for the obligations of their respective subsidiaries for the construction cost of REEF. With the commencement of commercial operations at REEF, the terms of the long-term capacity agreement between AltaGas LPG and REEF LP provide for a return on and of capital and reimbursement of REEF's operating costs by AltaGas LPG in accordance with the terms set out in the agreement.

The following table represents amounts included in the Consolidated Balance Sheets attributable to REEF LP:

| As at | **September 30, 2023** | December 31, 2022 |
|---|---|---|
| Current assets | **$ 2** | $ — |
| Property, plant and equipment | **57** | — |
| Net assets | **$ 59** | $ — |

*AltaGas Hybrid Trust*

On January 11, 2022, AltaGas closed its offering of $300 million of 5.25 percent Fixed-to-Fixed Rate Subordinated Notes, Series 1 (Note 10). In conjunction with the debt offering, AltaGas issued $300 million in Preferred Shares, Series 2022-A, to be held in the AltaGas Hybrid Trust with Computershare Trust Company of Canada acting as trustee. The Preferred Shares were issued to satisfy the obligations under the indenture governing the associated Series 1 Subordinated Notes. Following the occurrence of certain bankruptcy or insolvency events in respect of AltaGas, subject to certain exceptions, the Series 2022-A Preferred Shares would be delivered to the holders of the Series 1 Subordinated Notes. Upon delivery of the Series 2022-A Preferred Shares, the Series 1 Subordinated Notes would be immediately and automatically surrendered and cancelled and all rights of any Series 1 Subordinated Notes will automatically cease.

On August 17, 2022, AltaGas closed its offering of $250 million of 7.35 percent Fixed-to-Fixed Subordinated Notes, Series 2 (Note 10). In conjunction with the debt offering, AltaGas issued $250 million in Preferred Shares, Series 2022-B, to be held in the AltaGas Hybrid Trust with Computershare Trust Company of Canada acting as trustee. The Preferred Shares were issued to satisfy the obligations under the indenture governing the associated Series 2 Subordinated Notes. Following the occurrence of certain bankruptcy or insolvency events in respect of AltaGas, subject to certain exceptions, the Series 2022-B Preferred Shares would be delivered to the holders of the Series 2 Subordinated Notes. Upon delivery of the Series 2022-B Preferred

Shares, the Series 2 Subordinated Notes would be immediately and automatically surrendered and cancelled and all rights of any Series 2 Subordinated Notes will automatically cease. The only assets held by the holding trust are the Series 2022-A and Series 2022-B Preferred Shares.

AltaGas has determined that AltaGas Hybrid Trust is a VIE in which it holds variable interests and is the primary beneficiary. In the determination that AltaGas is the primary beneficiary of the VIE, AltaGas noted that it has the power to direct the activities that most significantly impact the VIE's economic performance through its role as the sole administrative agent. In addition, AltaGas has the obligation to absorb the administrative expenses that are significant to the trust through the associated administrative agreement. As such, AltaGas has consolidated the AltaGas Hybrid Trust.

**Unconsolidated VIE**

*Strathcona Storage Limited Partnership (SSLP)*

AltaGas owns an interest in SSLP, a partnership formed with ATCO Energy Solutions Ltd. to construct, operate, and maintain underground NGL storage caverns at Fort Saskatchewan, Alberta. The facility currently has five underground NGL storage salt caverns.

As at September 30, 2023, AltaGas' held a 40 percent equity investment in SSLP with a carrying value of $130 million (December 31, 2022 - $130 million). SSLP is not consolidated by AltaGas and instead is accounted for by the equity method of accounting. AltaGas is not the primary beneficiary of SSLP and it does not have the power to direct the activities most significant to the economic performance of SSLP. The maximum financial exposure to loss as a result of the involvement with this VIE is equal to AltaGas' net investment in SSLP.

## 8. Investments Accounted for by the Equity Method

| | Location | Ownership Percentage | Carrying value as at September 30, 2023 | Carrying value as at December 31, 2022 |
|---|---|---|---|---|
| Eaton Rapids Gas Storage System | United States | **50** | **$ 28** | $ 28 |
| Mountain Valley Pipeline, LLC (MVP) [(a)] | United States | **10** | **503** | 478 |
| Sarnia Airport Storage Pool LP | Canada | **50** | **16** | 17 |
| Petrogas Terminals Penn LLC | United States | **50** | **1** | 1 |
| Strathcona Storage LP | Canada | **40** | **130** | 130 |
| | | | **$ 678** | $ 654 |

(a) The equity method is considered appropriate because MVP is an LLC with specific ownership accounts and ownership between five and fifty percent, resulting in AltaGas exercising a more than minor influence over the investee's operating and financing policies.

| | Location | Ownership Percentage | Equity income for the three months ended September 30 2023 | Equity income for the three months ended September 30 2022 | Equity income for the nine months ended September 30 2023 | Equity income for the nine months ended September 30 2022 |
|---|---|---|---|---|---|---|
| Constitution Pipeline, LLC | United States | **10** | **$ —** | $ 3 | **$ —** | $ 3 |
| Eaton Rapids Gas Storage System | United States | **50** | **1** | — | **2** | 2 |
| MVP [(a)] | United States | **10** | **19** | — | **25** | — |
| Sarnia Airport Storage Pool LP | Canada | **50** | **—** | — | **1** | 1 |
| Strathcona Storage LP | Canada | **40** | **1** | 2 | **4** | 5 |
| | | | **$ 21** | $ 5 | **$ 32** | $ 11 |

(a) Relates to allowance for funds used during construction (AFUDC) as a result of the resumption of construction activities in June 2023.

The carrying amount of certain equity investments differs from the amount of the underlying equity in net assets. These basis differences include amounts related to purchase accounting adjustments, capitalized interest, and a contractual cap on contributions to MVP.

## 9. Long-Term Debt

| As at | Maturity date | September 30, 2023 | December 31, 2022 |
|---|---|---|---|
| Credit facilities | | | |
| $2 billion unsecured extendible revolving facility [(a)] | 20-May-2027 | **$ 70** | $ 860 |
| US$150 million unsecured extendible revolving facility | 20-Dec-2026 | **55** | 188 |
| Commercial paper [(b)] | Various | **313** | 386 |
| $450 million term loan | 25-Aug-2024 | **449** | 450 |
| AltaGas Ltd. medium-term notes (MTNs) | | | |
| $300 million Senior unsecured - 3.57 percent | 12-Jun-2023 | **—** | 300 |
| $200 million Senior unsecured - 4.40 percent | 15-Mar-2024 | **200** | 200 |
| $350 million Senior unsecured - 1.23 percent | 18-Mar-2024 | **350** | 350 |
| $300 million Senior unsecured - 3.84 percent | 15-Jan-2025 | **300** | 300 |
| $500 million Senior unsecured - 2.16 percent | 10-Jun-2025 | **500** | 500 |
| $350 million Senior unsecured - 4.12 percent | 7-Apr-2026 | **350** | 350 |
| $400 million Senior unsecured - 4.64 percent | 15-May-2026 | **400** | — |
| $200 million Senior unsecured - 2.17 percent | 16-Mar-2027 | **200** | 200 |
| $200 million Senior unsecured - 3.98 percent | 4-Oct-2027 | **200** | 200 |
| $500 million Senior unsecured - 2.08 percent | 30-May-2028 | **500** | 500 |
| $200 million Senior unsecured - 2.48 percent | 30-Nov-2030 | **200** | 200 |
| $100 million Senior unsecured - 5.16 percent | 13-Jan-2044 | **100** | 100 |
| $300 million Senior unsecured - 4.50 percent | 15-Aug-2044 | **300** | 300 |
| $250 million Senior unsecured - 4.99 percent | 4-Oct-2047 | **250** | 250 |
| WGL and Washington Gas MTNs and private placement notes | | | |
| US$20 million Senior unsecured - 6.65 percent | 20-Mar-2023 | **—** | 27 |
| US$41 million Senior unsecured - 5.44 percent | 11-Aug-2025 | **55** | 55 |
| US$53 million Senior unsecured - 6.62 to 6.82 percent | Oct 2026 | **72** | 72 |
| US$72 million Senior unsecured - 6.40 to 6.57 percent | Feb - Sep 2027 | **97** | 98 |
| US$52 million Senior unsecured - 6.57 to 6.85 percent | Jan - Mar 2028 | **70** | 70 |
| US$9 million Senior unsecured - 7.50 percent | 1-Apr-2030 | **11** | 12 |
| US$50 million Senior unsecured - 5.70 to 5.78 percent | Jan - Mar 2036 | **68** | 68 |
| US$75 million Senior unsecured - 5.21 percent | 3-Dec-2040 | **101** | 102 |
| US$75 million Senior unsecured - 5.00 percent | 15-Dec-2043 | **101** | 102 |
| US$300 million Senior unsecured - 4.22 to 4.60 percent | Sep - Nov 2044 | **406** | 405 |
| US$450 million Senior unsecured - 3.80 percent | 15-Sep-2046 | **608** | 608 |
| US$400 million Senior unsecured - 3.65 percent [(c)] | 15-Sep-2049 | **562** | 563 |
| US$200 million Senior unsecured - 2.98 percent | 15-Dec-2051 | **271** | 271 |
| US$25 million Senior unsecured - 5.25 percent | 29-Dec-2042 | **34** | 34 |
| US$175 million Senior unsecured - 5.33 percent | 29-Dec-2052 | **237** | 237 |
| SEMCO long-term debt | | | |
| US$82 million CINGSA Senior Secured - 4.48 percent | n/a | **—** | 60 |
| US$225 million First Mortgage Bonds - 2.45 percent | 21-Apr-2030 | **97** | 305 |
| US$225 million First Mortgage Bonds - 3.15 percent | 21-Apr-2050 | **305** | 305 |
| Fair value adjustment on WGL Acquisition | | **76** | 79 |
| Finance lease liabilities | | **32** | 25 |
| | | **$ 7,940** | $ 9,132 |
| Less: debt issuance costs | | **(38)** | (41) |
| | | **$ 7,902** | $ 9,091 |
| Less: current portion | | **(1,009)** | (334) |
| Less: liabilities associated with assets held for sale | | **—** | (63) |
| | | **$ 6,893** | $ 8,694 |

(a) Borrowings on the facility can be by way of prime loans, U.S. base-rate loans, SOFR loans, bankers' acceptances, or letters of credit. Borrowings on the facility have fees and interest at rates relevant to the nature of the draw made. This facility has a $2 billion five-year extendable committed revolving tranche, a $300 million two-year extendable side car liquidity revolving facility, and a $200 million four-year revolving credit facility.

(b) Commercial paper is supported by the availability of long-term committed credit facilities maturing in 2026. Commercial paper intended to be repaid within the next year is recorded as short-term debt.

(c) The outstanding balance includes a US$15 million premium which is amortized as a reduction to interest expense over the term of the note.

**SEMCO Debt Defeasance**

In the first quarter of 2023, SEMCO executed a partial legal defeasance transaction to derecognize US$153 million of its previously issued 2.45 percent First Mortgage Bonds, Series 2020A-1, due April 21, 2030 (the Defeased Bonds) in the aggregate principal amount of US$225 million. In satisfaction of the discharge requirements outlined in the indenture, certain assets were transferred to the indenture trustee to be held in trust to satisfy the remaining principal and interest obligations of the Defeased Bonds. As a result, SEMCO has been legally released from being the primary obligor of the Defeased Bonds. At transaction close AltaGas recognized a pre-tax gain of $14 million on the derecognition of the Defeased Bonds in the Consolidated Statements of Income (Loss) under the line item "other income" for the nine months ended September 30, 2023.

## 10. Subordinated Hybrid Notes

| As at | Maturity date | | **September 30, 2023** | | December 31, 2022 |
|---|---|---|---|---|---|
| $300 million Subordinated Notes, Series 1 | 11-Jan-2082 | **$** | **300** | $ | 300 |
| $250 million Subordinated Notes, Series 2 | 17-Aug-2082 | | **250** | | 250 |
| | | | **550** | | 550 |
| Less: debt issuance costs | | | **(6)** | | (6) |
| | | **$** | **544** | $ | 544 |

For the three and nine months ended September 30, 2023, AltaGas recorded interest expense of $9 million and $26 million, respectively, on the subordinated hybrid notes (three and nine months ended September 30, 2022 - $7 million and $14 million, respectively).

## 11. Accumulated Other Comprehensive Income (Loss)

| | | Defined benefit pension and PRB plans | | Hedge net investments | | Translation foreign operations | | Total |
|---|---|---|---|---|---|---|---|---|
| **Opening balance, January 1, 2023** | **$** | **(5)** | **$** | **(173)** | **$** | **804** | **$** | **626** |
| OCI before reclassification | | **(1)** | | **7** | | **(21)** | | **(15)** |
| Settlement of Canadian defined benefit pension plan *(note 18)* | | **2** | | **—** | | **—** | | **2** |
| Current period OCI (pre-tax) | | **1** | | **7** | | **(21)** | | **(13)** |
| Income tax on amounts retained in AOCI | | **—** | | **(1)** | | **—** | | **(1)** |
| Net current period OCI | | **1** | | **6** | | **(21)** | | **(14)** |
| **Ending balance, September 30, 2023** | **$** | **(4)** | **$** | **(167)** | **$** | **783** | **$** | **612** |
| | | | | | | | | |
| Opening balance, January 1, 2022 | $ | (8) | $ | (158) | $ | 159 | $ | (7) |
| OCI before reclassification | | — | | (21) | | 759 | | 738 |
| Current period OCI (pre-tax) | | — | | (21) | | 759 | | 738 |
| Income tax on accounts retained in AOCI | | — | | 2 | | — | | 2 |
| Net current period OCI | | — | | (19) | | 759 | | 740 |
| Purchase of remaining non-controlling interest in a subsidiary | | — | | — | | 5 | $ | 5 |
| Ending balance, September 30, 2022 | $ | (8) | $ | (177) | $ | 923 | $ | 738 |

**Reclassification From Accumulated Other Comprehensive Income (Loss)**

For the three months ended September 30, 2023 and September 30, 2022, no AOCI amounts were reclassified to the Consolidated Statements of Income (Loss).

| AOCI components reclassified | Income statement line item | | **Nine Months Ended September 30, 2023** | | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|---|
| Defined benefit pension and PRB plans [(a)] | Other income | **$** | **2** | $ | — |
| | | **$** | **2** | $ | — |

(a) Reclassification from AOCI for the nine months ended September 30, 2023 relates to the settlement of the Canadian defined benefit pension plan. Refer to Note 18 for more details.

## 12. Revenue

The following tables disaggregate revenue by major sources for the period:

| | Three Months Ended September 30, 2023 | | | |
|---|---|---|---|---|
| | Utilities | Midstream | Corporate/ Other | Total |
| **Revenue from contracts with customers** | | | | |
| Commodity sales contracts | $ 501 | $ 1,872 | $ — | $ 2,373 |
| Midstream service contracts | — | 356 | — | 356 |
| Gas sales and transportation services | 265 | 2 | — | 267 |
| Other | 3 | — | — | 3 |
| **Total revenue from contracts with customers** | $ 769 | $ 2,230 | $ — | $ 2,999 |
| **Other sources of revenue** | | | | |
| Revenue from alternative revenue programs [a] | $ 20 | $ — | $ — | $ 20 |
| Leasing revenue [b] | — | 62 | 26 | 88 |
| Risk management and trading activities [c] | (24) | (68) | — | (92) |
| Other | 2 | 13 | — | 15 |
| **Total revenue from other sources** | $ (2) | $ 7 | $ 26 | $ 31 |
| **Total revenue** | $ 767 | $ 2,237 | $ 26 | $ 3,030 |

(a) A large portion of revenue generated from the Utilities segment is subject to rate regulation and accordingly there are circumstances where the revenue recognized is mandated by the applicable regulators in accordance with ASC 980.

(b) Revenue generated from certain of AltaGas' gas facilities is accounted for as operating leases. For the Corporate/Other segment, a significant amount of revenue earned is through power purchase agreements which are accounted for as operating leases.

(c) Risk management activities involve the use of derivative instruments such as physical and financial swaps, forward contracts, and options. These derivatives are accounted for under ASC 815 and ASC 825. A portion of revenue generated by the Utilities segment is from the physical sale and delivery of natural gas and power to end users.

| | Three Months Ended September 30, 2022 | | | |
|---|---|---|---|---|
| | Utilities | Midstream | Corporate/ Other | Total |
| **Revenue from contracts with customers** | | | | |
| Commodity sales contracts | $ 428 | $ 1,496 | $ — | $ 1,924 |
| Midstream service contracts | — | 588 | — | 588 |
| Gas sales and transportation services | 387 | — | — | 387 |
| Storage services | 6 | — | — | 6 |
| Other | 2 | — | — | 2 |
| **Total revenue from contracts with customers** | $ 823 | $ 2,084 | $ — | $ 2,907 |
| **Other sources of revenue** | | | | |
| Revenue from alternative revenue programs [a] | $ 20 | $ — | $ — | $ 20 |
| Leasing revenue [b] | — | 78 | 28 | 106 |
| Risk management and trading activities [c] | (21) | 37 | — | 16 |
| Other | — | 7 | — | 7 |
| **Total revenue from other sources** | $ (1) | $ 122 | $ 28 | $ 149 |
| **Total revenue** | $ 822 | $ 2,206 | $ 28 | $ 3,056 |

(a) A large portion of revenue generated from the Utilities segment is subject to rate regulation and accordingly there are circumstances where the revenue recognized is mandated by the applicable regulators in accordance with ASC 980.

(b) Revenue generated from certain of AltaGas' gas facilities is accounted for as operating leases. For the Corporate/Other segment, a significant amount of revenue earned is through power purchase agreements which are accounted for as operating leases.

(c) Risk management activities involve the use of derivative instruments such as physical and financial swaps, forward contracts, and options. These derivatives are accounted for under ASC 815 and ASC 825. A portion of revenue generated by the Utilities segment is from the physical sale and delivery of natural gas and power to end users.

| | Nine Months Ended September 30, 2023 | | | |
|---|---|---|---|---|
| | **Utilities** | **Midstream** | **Corporate / Other** | **Total** |
| **Revenue from contracts with customers** | | | | |
| Commodity sales contracts | **$ 1,469** | **$ 4,627** | **$ —** | **$ 6,096** |
| Midstream service contracts | **—** | **1,292** | **—** | **1,292** |
| Gas sales and transportation services | **1,813** | **6** | **—** | **1,819** |
| Storage services [(a)] | **4** | **—** | **—** | **4** |
| Other | **9** | **5** | **—** | **14** |
| **Total revenue from contracts with customers** | **$ 3,295** | **$ 5,930** | **$ —** | **$ 9,225** |
| | | | | |
| **Other sources of revenue** | | | | |
| Revenue from alternative revenue programs [(b)] | **$ 120** | **$ —** | **$ —** | **$ 120** |
| Leasing revenue [(c)] | **—** | **170** | **70** | **240** |
| Risk management and trading activities [(d)] | **126** | **(36)** | **2** | **92** |
| Other | **(2)** | **34** | **—** | **32** |
| **Total revenue from other sources** | **$ 244** | **$ 168** | **$ 72** | **$ 484** |
| **Total revenue** | **$ 3,539** | **$ 6,098** | **$ 72** | **$ 9,709** |

(a) Relates to revenue earned for the period prior to the close of the Alaska Utilities Disposition on March 1, 2023.

(b) A large portion of revenue generated from the Utilities segment is subject to rate regulation and accordingly there are circumstances where the revenue recognized is mandated by the applicable regulators in accordance with ASC 980.

(c) Revenue generated from certain of AltaGas' gas facilities is accounted for as operating leases. For the Corporate/Other segment, a significant amount of revenue earned is through power purchase agreements which are accounted for as operating leases.

(d) Risk management activities involve the use of derivative instruments such as physical and financial swaps, forward contracts, and options. These derivatives are accounted for under ASC 815 and ASC 825. A portion of revenue generated by the Utilities segment is from the physical sale and delivery of natural gas and power to end users.

| | Nine Months Ended September 30, 2022 | | | |
|---|---|---|---|---|
| | **Utilities** | **Midstream** | **Corporate/ Other** | **Total** |
| **Revenue from contracts with customers** | | | | |
| Commodity sales contracts | $ 1,218 | $ 4,795 | $ — | $ 6,013 |
| Midstream service contracts | — | 1,817 | — | 1,817 |
| Gas sales and transportation services | 2,077 | — | — | 2,077 |
| Storage services | 18 | — | — | 18 |
| Other | 6 | — | 1 | 7 |
| **Total revenue from contracts with customers** | $ 3,319 | $ 6,612 | $ 1 | $ 9,932 |
| | | | | |
| **Other sources of revenue** | | | | |
| Revenue from alternative revenue programs [(a)] | $ 66 | $ — | $ — | $ 66 |
| Leasing revenue [(b)] | — | 179 | 68 | 247 |
| Risk management and trading activities [(c)] | (122) | 56 | — | (66) |
| Other | (7) | 18 | — | 11 |
| **Total revenue from other sources** | $ (63) | $ 253 | $ 68 | $ 258 |
| **Total revenue** | $ 3,256 | $ 6,865 | $ 69 | $ 10,190 |

(a) A large portion of revenue generated from the Utilities segment is subject to rate regulation and accordingly there are circumstances where the revenue recognized is mandated by the applicable regulators in accordance with ASC 980.

(b) Revenue generated from certain of AltaGas' gas facilities is accounted for as operating leases. For the Corporate/Other segment, a significant amount of revenue earned is through power purchase agreements which are accounted for as operating leases.

(c) Risk management activities involve the use of derivative instruments such as physical and financial swaps, forward contracts, and options. These derivatives are accounted for under ASC 815 and ASC 825. A portion of revenue generated by the Utilities segment is from the physical sale and delivery of natural gas and power to end users.

**Revenue Recognition**

The following is a description of the Corporation's revenue recognition policy by segment and by major source of revenue from contracts with customers.

**Utilities Segment**

*Gas Sales and Transportation Services*

Customers are billed monthly based on regular meter readings. Customer billings are based on two main components: (i) a fixed service fee and (ii) a variable fee based on usage. Revenue is recognized over time when the gas has been delivered or as the service has been performed. As meter readings are performed on a cycle basis, AltaGas recognizes accrued revenue for any services rendered to its customers but not billed at month-end. The vast majority of these contracts are "at-will" as customers may cancel their service at any time, however, there are certain contracts that have terms of one year or longer. For these long-term contracts, there is generally a contract demand specified in the contract whereby the customer has to pay regardless of whether or not gas has been delivered. These contracts generally do not contain any make up rights and revenue is recognized on a monthly basis as service has been performed.

*Commodity Sales*

Commodity sales include gas and electricity sales to residential, commercial, and industrial customers in certain states where WGL Energy Services is authorized as a competitive service provider. These commodity sales contracts have varying terms that generally range from one to five years. Customers are billed monthly based on the amount of energy delivered to the customer. Revenue is recognized based on the amount the Corporation is entitled to invoice the customer.

**Midstream Segment**

*Commodity Sales*

A portion of the NGL production from AltaGas' extraction facilities is subject to frac spread between NGLs extracted and the natural gas purchased to make up the heating value of the NGLs extracted. For commodity sales contracts that do not meet the definition of a derivative or for contracts whereby AltaGas has elected to apply the normal purchase and normal sales scope exception, the sales contract is accounted for under ASC 606. These commodity sales contracts have varying terms, but the majority of the contracts have a one-year term which coincides with the NGL year. AltaGas recognizes revenue for commodity sales contracts at a point in time based on the actual volumes of the commodity sold at the delivery point, which corresponds to the customer's monthly invoice amount.

Commodity sales contracts at RIPET and Ferndale generate revenue from the sale and delivery of LPGs to customers in Asia shipped from offshore export terminals. Revenue is recognized when LPGs are loaded onto transport vessels, which is the delivery point. AltaGas has the right to consideration in an amount that directly corresponds to the volumes of LPGs loaded on a vessel. AltaGas' commodity sales also include the sale of upgraded crude oil, processed finished products, and various fuels. Delivery takes place when there is a sales contract in place, specifying delivery volumes and sales prices. The consideration received under these contracts is variable based on commodity prices.

*Midstream Service Contracts*

AltaGas earns revenue from its field gathering and processing facilities, extraction facilities, storage facilities, truck hauling services, rail and truck loading and unloading terminalling, and transmission systems through a variety of contractual arrangements. For arrangements that do not contain a lease, the revenue is accounted for under ASC 606 as follows:

Fee-for-service – The customer is charged a fee for the service provided on a per unit volume basis. Contract terms generally range from one month to up to the life of the reserves. Revenue under this type of arrangement is recognized over time as the service is provided, which corresponds to the customer's monthly invoice amount.

Take-or-pay – The customer has agreed to a minimum volume commitment whereby the customer must have AltaGas process or deliver a specified volume at a rate per unit that is specified in the contract. Quantities that the customer is unable to deliver are considered deficiency quantities. Certain of AltaGas' take-or-pay contracts contain provisions whereby the customer can make up deficiency quantities in subsequent periods. Under this type of arrangement, any consideration received relating to the deficiency quantities that will be made up in a future period will be deferred until either: (i) the customer makes up the volumes or (ii) the likelihood that the customer will make up the volumes before the make up period expires becomes remote. If AltaGas does not expect the customer to make up the deficiency quantities (also referred to as breakage amount), AltaGas may recognize the expected breakage amount as revenue before the make up period expires. Significant judgment is required in estimating the breakage amount. For contracts where the customer has no make up rights, revenue is recognized on a monthly basis based on the higher of (i) the actual quantity delivered times the per unit rate or (ii) the contracted minimum amount.

Storage fees are typically recognized in revenue ratably over the term of the contract and rail and truck loading and unloading fees are recognized when the volumes are delivered or received.

**Corporate/Other Segment**

For the Corporate/Other segment, the majority of revenue relates to remaining power assets, from which revenue is primarily earned through power purchase agreements which are accounted for as operating leases. In instances where power generation is not sold under a power purchase agreement, the commodity is sold via a merchant market, or via commodity sales agreements which are accounted for as financial instruments. For commodity sales contracts that do not meet the definition of a lease, derivative or for contracts whereby AltaGas has elected to apply the normal purchase and normal sales scope exception, the sales contract is accounted for under ASC 606.

**Contract Balances**

As at September 30, 2023, a contract asset balance of $41 million (December 31, 2022 - $41 million) has been recorded on the Consolidated Balance Sheets, of which $38 million ($37 million net of credit losses) is included within long-term investments and other assets (December 31, 2022 - $37 million net of credit losses) and $4 million within prepaid expenses and other current assets (December 31, 2022 - $4 million). This contract asset represents the difference in revenue recognized under new rates in blend-and-extend contract modifications with customers. Revenue from these contract modifications was recognized at the pre-modification rate until the effective date of the contract modification on the original contracts, with the excess revenue recorded as a contract asset. The contract assets are now being drawn down over the remaining term of the modified contracts.

*Contract Assets*

| As at | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Balance, beginning of period | **$ 41** | $ 54 |
| Additions | **3** | 1 |
| Amortization [(a)] | **(3)** | (4) |
| Transfers to accounts receivable [(b)] | **—** | (10) |
| Balance, end of period | **$ 41** | $ 41 |

(a) Represents the drawdown of contract assets under blend-and-extend contract modifications.
(b) Amounts included in contract assets are transferred to accounts receivable when AltaGas' right to consideration becomes unconditional.

**Transaction price allocated to the remaining obligations**

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied as of September 30, 2023:

| | Remainder of 2023 | 2024 | 2025 | 2026 | 2027 | > 2027 | Total |
|---|---|---|---|---|---|---|---|
| Midstream service contracts | $ 27 | $ 112 | $ 111 | $ 108 | $ 106 | $ 905 | **$ 1,369** |
| Other | — | 1 | 1 | 1 | 1 | 4 | **8** |
| | $ 27 | $ 113 | $ 112 | $ 109 | $ 107 | $ 909 | **$ 1,377** |

AltaGas applies the practical expedient available under ASC 606 and does not disclose information about the remaining performance obligations for (i) contracts with an original expected length of one year or less, (ii) contracts for which revenue is recognized at the amount to which AltaGas has the right to invoice for performance completed, and (iii) contracts with variable consideration that is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation. In addition, the table above does not include any estimated amounts of variable consideration that are constrained. The majority of midstream service contracts, gas sales and transportation service contracts, and storage service contracts contain variable consideration whereby uncertainty related to the associated variable consideration will be resolved (usually on a daily basis) as volumes are processed, gas is delivered or as service is provided.

## 13. Financial Instruments and Financial Risk Management

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable, risk management contracts, certain long-term investments and other assets, accounts payable and accrued liabilities, dividends payable, short-term and long-term debt, and certain other current and long-term liabilities.

**Fair Value Hierarchy**

AltaGas categorizes its financial assets and financial liabilities into one of three levels based on fair value measurements and inputs used to determine the fair value.

*Level 1* - fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities. Fair values are based on direct observations of transactions involving the same assets or liabilities and no assumptions are used. Included in this category are publicly traded shares valued at the closing price as at the balance sheet date.

*Level 2* - fair values are determined based on valuation models and techniques where inputs other than quoted prices included within Level 1 are observable for the asset or liability either directly or indirectly. AltaGas enters into derivative instruments in the futures, over-the-counter, and retail markets to manage fluctuations in commodity prices and foreign exchange rates. The fair values of power, natural gas, NGL, LPG, ocean freight, and crude oil derivative contracts were calculated using forward prices based on published sources for the relevant period, adjusted for factors specific to the asset or liability, including basis and location differentials, discount rates, and currency exchange. The fair value of foreign exchange derivative contracts was calculated using quoted market rates.

*Level 3* - fair values are based on inputs for the asset or liability that are not based on observable market data. AltaGas uses valuation techniques when observable market data is not available. Level 3 derivatives include physical contracts at illiquid market locations with no observable market data, long-dated positions where observable pricing is not available over the life of the contract, contracts valued using historical spot price volatility assumptions, and valuations using indicative broker quotes for inactive market locations. A significant change to any one of these inputs in isolation could result in a significant upward or downward fluctuation in the fair value measurement.

The following methods and assumptions were used to estimate the fair value of each significant class of financial instruments:

*Other current liabilities* - the carrying amounts approximate fair value because of the short maturity of these instruments.

*Current portion of long-term debt, long-term debt (including any debt classified as held for sale), subordinated hybrid notes, and other long-term liabilities* - the fair value of these liabilities was estimated based on discounted future interest and principal payments using the current market interest rates of instruments with similar terms.

*Risk management assets and liabilities* - the fair values of power, natural gas, NGL, and crude oil derivative contracts were calculated using forward prices from published sources for the relevant period. The fair value of foreign exchange derivative contracts was calculated using quoted market rates. The fair value of Level 3 derivative contracts was calculated using internally developed valuation inputs and pricing models.

*Loans and receivables* – the fair value of these assets was estimated based on discounted future interest and principal payments using the current market interest rates of instruments with similar terms.

| As at | September 30, 2023 | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Level 1 | Level 2 | Level 3 | Total Fair Value |
| **Financial assets** | | | | | |
| Fair value through net income [(a)] [(b)] | | | | | |
| Risk management assets - current | $ 55 | $ — | $ 36 | $ 19 | $ 55 |
| Risk management assets - non-current | 44 | — | 14 | 30 | 44 |
| Fair value through regulatory assets/liabilities [(a)] | | | | | |
| Risk management assets - current | 11 | — | 1 | 10 | 11 |
| Risk management assets - non-current | 23 | — | 1 | 22 | 23 |
| | $ 133 | $ — | $ 52 | $ 81 | $ 133 |
| **Financial liabilities** | | | | | |
| Fair value through net income [(a)] [(b)] | | | | | |
| Risk management liabilities - current | $ 46 | $ — | $ 23 | $ 23 | $ 46 |
| Risk management liabilities - non-current | 72 | — | 20 | 52 | 72 |
| Fair value through regulatory assets/liabilities [(a)] | | | | | |
| Risk management liabilities - current | 10 | — | — | 10 | 10 |
| Risk management liabilities - non-current | 46 | — | 1 | 45 | 46 |
| Amortized cost | | | | | |
| Current portion of long-term debt | 1,009 | — | 1,009 | — | 1,009 |
| Long-term debt | 6,893 | — | 5,745 | — | 5,745 |
| Subordinated hybrid notes | 544 | — | 470 | — | 470 |
| Other current liabilities [(c)] | 34 | — | 34 | — | 34 |
| | $ 8,654 | $ — | $ 7,302 | $ 130 | $ 7,432 |

(a) To manage price risk associated with acquiring natural gas supply for Maryland, Virginia, and District of Columbia utility customers, Washington Gas, a subsidiary of the Corporation, enters into physical and financial derivative transactions. Any gains and losses associated with these derivatives are recorded as regulatory liabilities or assets, respectively, to reflect the rate treatment for these economic hedging activities. Additionally, as part of its asset optimization program, Washington Gas enters into derivatives with the primary objective of securing operating margins that Washington Gas will ultimately realize. Regulatory sharing mechanisms provide for the annual realized profit from these transactions to be shared between Washington Gas' shareholder and customers; therefore, changes in fair value are recorded through earnings, or as regulatory assets or liabilities to the extent that it is probable that realized gains and losses associated with these derivative transactions will be included in the rates charged to customers when they are realized.

(b) Includes the fair value of designated hedging instruments totaling less than $1 million. The change in fair value of these instruments is recorded to AOCI. Refer to the *Cash Flow Hedges* section below for more details.

(c) Excludes non-financial liabilities.

| As at | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Level 1 | Level 2 | Level 3 | Total Fair Value |
| **Financial assets** | | | | | |
| Fair value through net income [(a)] | | | | | |
| Risk management assets - current | $ 132 | $ — | $ 96 | $ 36 | $ 132 |
| Risk management assets - non-current | 77 | — | 52 | 25 | 77 |
| Fair value through regulatory assets/liabilities [(a)] | | | | | |
| Risk management assets - current | 8 | — | 6 | 2 | 8 |
| | $ 217 | $ — | $ 154 | $ 63 | $ 217 |
| **Financial liabilities** | | | | | |
| Fair value through net income [(a)] | | | | | |
| Risk management liabilities - current | $ 133 | $ — | $ 11 | $ 122 | $ 133 |
| Risk management liabilities - non-current | 170 | — | 4 | 166 | 170 |
| Fair value through regulatory assets/liabilities [(a)] | | | | | |
| Risk management liabilities - current | 39 | — | — | 39 | 39 |
| Risk management liabilities - non-current | 128 | — | — | 128 | 128 |
| Amortized cost | | | | | |
| Current portion of long-term debt | 334 | — | 334 | — | 334 |
| Long-term debt | 8,694 | — | 7,721 | — | 7,721 |
| Subordinated hybrid notes | 544 | — | 480 | — | 480 |
| Debt classified as held for sale | 63 | — | 60 | — | 60 |
| Other current liabilities [(b)] | 52 | — | 52 | — | 52 |
| | $ 10,157 | $ — | $ 8,662 | $ 455 | $ 9,117 |

(a) To manage price risk associated with acquiring natural gas supply for Maryland, Virginia, and District of Columbia utility customers, Washington Gas, a subsidiary of the Corporation, enters into physical and financial derivative transactions. Any gains and losses associated with these derivatives are recorded as regulatory liabilities or assets, respectively, to reflect the rate treatment for these economic hedging activities. Additionally, as part of its asset optimization program, Washington Gas enters into derivatives with the primary objective of securing operating margins that Washington Gas will ultimately realize. Regulatory sharing mechanisms provide for the annual realized profit from these transactions to be shared between Washington Gas' shareholder and customers; therefore, changes in fair value are recorded through earnings, or as regulatory assets or liabilities to the extent that it is probable that realized gains and losses associated with these derivative transactions will be included in the rates charged to customers when they are realized.

(b) Excludes non-financial liabilities.

Financial assets and liabilities not included in the fair value hierarchy table include money market funds, short-term debt, and commercial paper. The carrying value of these financial instruments approximate their fair value, which reflects the short-term maturity and/or normal credit terms of these financial instruments.

The following table includes quantitative information about the significant unobservable inputs used in the fair value measurement of Level 3 financial instruments at September 30, 2023:

| | Net Fair Value | Valuation Technique | Unobservable Inputs | Range | Weighted Average [(a)] |
|---|---|---|---|---|---|
| Natural gas | $ (11) | Discounted Cash Flow | Natural Gas Basis Price (per Dth) | $ (2.65) - $ 5.38 | $ (0.16) |
| Natural gas | $ (1) | Option Model | Natural Gas Basis Price (per Dth) | $ (2.06) - $ 4.50 | $ 0.43 |
| | | | Annualized Volatility of Spot Market Natural Gas | 11 % - 168 % | 33 % |
| Electricity | $ (37) | Discounted Cash Flow | Electricity Congestion Price (per MWh) | $ (9.45) - $ 115.73 | $ 14.26 |

(a) Unobservable inputs were weighted by transaction volume.

The following tables provide a reconciliation of changes in net fair value of derivative assets and liabilities classified as Level 3 in the fair value hierarchy:

| Three Months Ended | **September 30, 2023** | | | September 30, 2022 | | |
|---|---|---|---|---|---|---|
| | **Natural Gas** | **Electricity** | **Total** | Natural Gas | Electricity | Total |
| Balance, beginning of period | **$ (4)** | **$ (7)** | **$ (11)** | $ (218) | $ (192) | $ (410) |
| Realized and unrealized gains (losses): | | | | | | |
| Recorded in income | **(6)** | **(28)** | **(34)** | 7 | (83) | (76) |
| Recorded in regulatory assets | **(9)** | **—** | **(9)** | 14 | — | 14 |
| Purchases | **—** | **8** | **8** | — | 12 | 12 |
| Settlements | **7** | **(9)** | **(2)** | 10 | 54 | 64 |
| Change in cash collateral | **—** | **—** | **—** | 11 | (10) | 1 |
| Foreign exchange translation | **—** | **(1)** | **(1)** | (10) | (12) | (22) |
| Balance, end of period | **$ (12)** | **$ (37)** | **$ (49)** | $ (186) | $ (231) | $ (417) |

| Nine Months Ended | **September 30, 2023** | | | September 30, 2022 | | |
|---|---|---|---|---|---|---|
| | **Natural Gas** | **Electricity** | **Total** | Natural Gas | Electricity | Total |
| Balance, beginning of period | **$ (226)** | **$ (166)** | **$ (392)** | $ (107) | $ (48) | $ (155) |
| Realized and unrealized gains (losses): | | | | | | |
| Recorded in income | **83** | **154** | **237** | (26) | (142) | (168) |
| Recorded in regulatory assets | **114** | **—** | **114** | (65) | — | (65) |
| Transfers out of Level 3 | **(6)** | **(6)** | **(12)** | 3 | — | 3 |
| Purchases | **—** | **(5)** | **(5)** | — | (1) | (1) |
| Settlements | **22** | **(13)** | **9** | 22 | 92 | 114 |
| Change in cash collateral | **—** | **—** | **—** | — | (115) | (115) |
| Foreign exchange translation | **1** | **(1)** | **—** | (13) | (17) | (30) |
| Balance, end of period | **$ (12)** | **$ (37)** | **$ (49)** | $ (186) | $ (231) | $ (417) |

Transfers out of Level 3 financial instruments are due to an increase in valuations using observable market inputs.

**Summary of Unrealized Gains (Losses) on Risk Management Contracts Recognized in Net Income (Loss)**

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| Natural gas | **$ (4)** | $ 14 | **$ 17** | $ 41 |
| Energy exports | **(77)** | (22) | **(28)** | 33 |
| Crude oil and NGLs | **1** | (1) | **11** | 6 |
| NGL frac spread | **(17)** | 21 | **3** | 21 |
| Power | **7** | (9) | **22** | 6 |
| Foreign exchange | **(1)** | — | **(1)** | — |
| | **$ (91)** | $ 3 | **$ 24** | $ 107 |

**Offsetting of Derivative Assets and Derivative Liabilities**

Certain of AltaGas' risk management contracts are subject to master netting arrangements that create a legally enforceable right for a counterparty to offset the related financial assets and financial liabilities. As part of these master netting agreements, cash, letters of credit, and parental guarantees may be required to be posted or obtained from counterparties in order to mitigate credit risk related to both derivative and non-derivative positions. Collateral balances are also offset against the related counterparties' derivative positions to the extent the application would not result in the over-collateralization of those derivative positions on the balance sheet.

| As at | September 30, 2023 | | | |
|---|---|---|---|---|
| | Derivative instruments not designated as hedging instruments | | | |
| | Gross amounts of recognized assets/liabilities | Gross amounts offset in balance sheet | Netting of collateral | Net amounts presented in balance sheet |
| Risk management assets [a] | | | | |
| Natural gas | $ 142 | $ (70) | $ — | $ 72 |
| Energy exports | 88 | (122) | 53 | 19 |
| Crude oil and NGLs | 17 | (4) | 1 | 14 |
| NGL frac spread | 9 | (8) | — | 1 |
| Power | 72 | (45) | — | 27 |
| | $ 328 | $ (249) | $ 54 | $ 133 |
| Risk management liabilities [b] | | | | |
| Natural gas | $ 173 | $ (70) | $ (12) | $ 91 |
| Energy exports | 122 | (122) | — | — |
| Crude oil and NGLs | 4 | (4) | — | — |
| NGL frac spread | 8 | (8) | — | — |
| Power | 127 | (45) | — | 82 |
| Foreign exchange | 1 | — | — | 1 |
| | $ 435 | $ (249) | $ (12) | $ 174 |

(a) Net amount of risk management assets on the Balance Sheet is comprised of risk management assets (current) balance of $66 million and risk management assets (non-current) balance of $67 million.

(b) Net amount of risk management liabilities on the Balance Sheet is comprised of risk management liabilities (current) balance of $56 million and risk management liabilities (non-current) balance of $118 million.

As at September 30, 2023, the gross amount of derivative instruments designated as hedging instruments recognized in risk management assets and liabilities was less than $1 million.

| As at | December 31, 2022 | | | |
|---|---|---|---|---|
| | Gross amounts of recognized assets/liabilities | Gross amounts offset in balance sheet | Netting of collateral | Net amounts presented in balance sheet |
| Risk management assets [(a)] | | | | |
| Natural gas | $ 174 | $ (80) | $ (17) | $ 77 |
| Energy exports | 105 | (112) | 34 | 27 |
| Crude oil and NGLs | 6 | (4) | 2 | 4 |
| NGL frac spread | 6 | (6) | — | — |
| Power | 153 | (44) | — | 109 |
| | $ 444 | $ (246) | $ 19 | $ 217 |
| Risk management liabilities [(b)] | | | | |
| Natural gas | $ 360 | $ (80) | $ — | $ 280 |
| Energy exports | 112 | (112) | — | — |
| Crude oil and NGLs | 4 | (4) | — | — |
| NGL frac spread | 9 | (6) | — | 3 |
| Power | 231 | (44) | — | 187 |
| | $ 716 | $ (246) | $ — | $ 470 |

(a) Net amount of risk management assets on the Balance Sheet is comprised of risk management assets (current) balance of $140 million and risk management assets (non-current) balance of $77 million.

(b) Net amount of risk management liabilities on the Balance Sheet is comprised of risk management liabilities (current) balance of $172 million and risk management liabilities (non-current) balance of $298 million.

**Cash Collateral**

The following table presents collateral not offset against risk management assets and liabilities:

| As at | **September 30, 2023** | December 31, 2022 |
|---|---|---|
| Collateral posted with counterparties | **$ 1** | $ 2 |
| Cash collateral held representing an obligation | **$ —** | $ 4 |

Any collateral posted that is not offset against risk management assets and liabilities is included in the line item “prepaid expenses and other current assets” in the Consolidated Balance Sheets. Collateral received and not offset against risk management assets and liabilities is included in the line item “customer deposits” in the Consolidated Balance Sheets.

Certain derivative instruments contain contract provisions that require collateral to be posted if the credit rating of AltaGas or certain of its subsidiaries falls below certain levels. At September 30, 2023 and December 31, 2022, AltaGas has not posted any collateral related to its derivative liabilities that contained credit-related contingent features. The following table shows the aggregate fair value of all derivative instruments with credit-related contingent features that are in a liability position, as well as the maximum amount of collateral that would be required if specific credit-risk-related contingent features underlying these agreements were triggered:

| As at | **September 30, 2023** | December 31, 2022 |
|---|---|---|
| Risk management liabilities with credit-risk-contingent features | **$ 152** | $ 145 |
| Maximum potential collateral requirements | **$ 70** | $ 68 |

### Notional Summary

The following table presents the notional quantity outstanding related to the Corporation's commodity contracts:

| As at | September 30, 2023 | December 31, 2022 |
|---|---|---|
| **Natural Gas** | | |
| Sales | **235,594,941 GJ** | 244,060,786 GJ |
| Purchases | **657,411,824 GJ** | 521,045,852 GJ |
| Swaps [(a)] | **124,873,084 GJ** | 147,565,012 GJ |
| **Crude Oil and NGLs** | | |
| Swaps | **4,230,639 Bbl** | 1,597,173 Bbl |
| **Energy Exports** | | |
| Purchases | **4,590,088 Bbl** | 90,646 Bbl |
| Propane and butane swaps | **42,814,341 Bbl** | 89,433,941 Bbl |
| **NGL Frac Spread** | | |
| Propane swaps | **1,077,099 Bbl** | 1,075,194 Bbl |
| Crude oil swaps | **209,351 Bbl** | 214,255 Bbl |
| Natural gas swaps | **6,156,455 GJ** | 6,139,191 GJ |
| **Power** | | |
| Sales | **5,752,164 MWh** | 5,276,832 MWh |
| Purchases | **6,708,733 MWh** | 6,341,582 MWh |
| Swaps | **30,436,369 MWh** | 23,888,348 MWh |

(a) Includes approximately 10,874,990 GJ of natural gas swaps designated as hedging instruments that have terms extending until 2029.

### Foreign Exchange Risk

AltaGas is exposed to foreign exchange risk as changes in foreign exchange rates may affect the fair value or future cash flows of the Corporation's financial instruments. AltaGas has foreign operations whereby the functional currency is the U.S. dollar. As a result, the Corporation's earnings, cash flows, and OCI are exposed to fluctuations resulting from changes in foreign exchange rates. This risk is partially mitigated to the extent that AltaGas has U.S. dollar-denominated debt and/or preferred shares outstanding. AltaGas may also enter into foreign exchange forward derivatives to manage the risk of fluctuating cash flows due to variations in foreign exchange rates.

AltaGas may designate its U.S. dollar-denominated debt or certain U.S. dollar-denominated loans that may give rise to a foreign currency translation gain or loss as a net investment hedge of its U.S. subsidiaries. As at September 30, 2023, AltaGas has designated US$715 million of outstanding loans as a net investment hedge (December 31, 2022 - US$281 million). For the three and nine months ended September 30, 2023, an $18 million after-tax unrealized loss and a $6 million after-tax unrealized gain on the net investment hedge was recorded in OCI (three and nine months ended September 30, 2022 - $16 million and $19 million after-tax unrealized loss on net investment hedge, respectively).

The following foreign exchange forward contracts were outstanding as at September 30, 2023:

| Foreign exchange forward contract | Duration | | Fair Value *($ millions)* |
|---|---|---|---|
| Forward USD sales (deliverable) | Less than 1 month | $ | — |
| Forward USD sales (non-deliverable) | Less than 1 year | $ | (1) |

For the three and nine months ended September 30, 2023, a $1 million pre-tax unrealized loss on foreign exchange contracts was recorded in the Consolidated Statements of Income (Loss) under the line item "revenue" (three and nine months ended September 30, 2022 - $nil). AltaGas recorded no realized gain or loss on foreign exchange forward contracts during the three and nine months ended September 30, 2023 (three and nine months ended September 30, 2022 - $nil).

### Cash Flow Hedges

In the normal course of business, WGL Energy Services purchases natural gas indexed to NYMEX Henry Hub to be sold to third party customers. WGL Energy Services' risk management objective and strategy is to protect earnings against the risk of price fluctuations associated with forecasted NYMEX Henry Hub purchases through the use of the NYMEX Henry Hub financial swaps. Beginning April 1, 2023, WGL Energy Services began prospectively designating its NYMEX Henry Hub financial swaps as cash flow hedges in accordance with ASC Topic 815 as it expects that the hedging relationship will be highly effective at achieving offsetting changes in cash flows attributable to the risk being hedged.

For hedging relationships that qualify as highly effective, the change in fair value of the hedging instrument will be recorded to AOCI. Amounts in AOCI will be reclassified into earnings in the same period the hedged forecasted transactions affect earnings, or when non-regulated cost of energy-related sales is recorded. For swaps that settle the month ahead of the physical transaction, the swap impact will be reclassified into earnings in the subsequent month when the associated hedged transaction is recorded into earnings. For storage inventory purchases, such reclassification into earnings will be based on WGL Energy Services' inventory turnover schedules for finished goods in which the hedged natural gas purchases are used. When applicable, the ineffective portion of a cash flow hedge will immediately be recognized in earnings.

For the three and nine months ended September 30, 2023, an after tax unrealized gain on outstanding cash flow hedges of less than $1 million was recorded in OCI (three and nine months ended September 30, 2022 - $nil). No amounts were reclassified from AOCI to the income statement during the period.

### Allowance for Credit Losses

The following table presents changes to the allowance for credit losses by segment and major type:

| | Three Months Ended September 30, 2023 | | |
|---|---|---|---|
| | Accounts Receivable | Contract Assets [(a)] | Total |
| **Utilities** | | | |
| Balance, beginning of period | $ 37 | $ — | $ 37 |
| Foreign exchange translation | 1 | — | 1 |
| Adjustments to allowance | 2 | — | 2 |
| Written off | (8) | — | (8) |
| Recoveries collected | 1 | — | 1 |
| Balance, end of period [(b)] | $ 33 | $ — | $ 33 |
| **Midstream** | | | |
| Balance, beginning of period | $ 2 | $ 1 | $ 3 |
| Adjustments to allowance | (1) | — | (1) |
| Balance, end of period | $ 1 | $ 1 | $ 2 |
| **Total** | $ 34 | $ 1 | $ 35 |

(a) An allowance for credit loss is assessed quarterly and is recorded based on historical default rates published by external credit rating agencies and a rate associated with the estimated time frame that the contract asset will be billed to the customer.

(b) Includes $2 million recorded to a regulatory asset relating to the impact of COVID-19 on uncollectible accounts as at September 30, 2023.

| | Three Months Ended September 30, 2022 | | |
|---|---|---|---|
| | Accounts Receivable | Contract Assets [a] | Total |
| **Utilities** | | | |
| Balance, beginning of period | $ 45 | $ — | $ 45 |
| Foreign exchange translation | 3 | — | 3 |
| Adjustments to allowance | 3 | — | 3 |
| Written off | (9) | — | (9) |
| Recoveries collected | 1 | — | 1 |
| Changes to amounts classified as assets held for sale | 1 | — | 1 |
| Balance, end of period [b] | $ 44 | $ — | $ 44 |
| **Midstream** | | | |
| Balance, beginning of period | $ 1 | $ 1 | $ 2 |
| Balance, end of period | $ 1 | $ 1 | $ 2 |
| **Total** | $ 45 | $ 1 | $ 46 |

(a) An allowance for credit loss is assessed quarterly and is recorded based on historical default rates published by external credit rating agencies and a rate associated with the estimated time frame that the contract asset will be billed to the customer.

(b) Includes $4 million recorded to a regulatory asset relating to the impact of COVID-19 on uncollectible accounts as at September 30, 2022.

| | **Nine Months Ended September 30, 2023** | | |
|---|---|---|---|
| | **Accounts Receivable** | **Contract Assets [a]** | **Total** |
| **Utilities** | | | |
| Balance, beginning of period | **$ 40** | **$ —** | **$ 40** |
| Adjustments to allowance | **15** | **—** | **15** |
| Written off | **(25)** | **—** | **(25)** |
| Recoveries collected | **3** | **—** | **3** |
| Balance, end of period [b] | **$ 33** | **$ —** | **$ 33** |
| **Midstream** | | | |
| Balance, beginning of period | **1** | **1** | **2** |
| Balance, end of period | **$ 1** | **$ 1** | **$ 2** |
| **Total** | **$ 34** | **$ 1** | **$ 35** |

(a) An allowance for credit loss is assessed quarterly and is recorded based on historical default rates published by external credit rating agencies and a rate associated with the estimated time frame that the contract asset will be billed to the customer.

(b) Includes $2 million recorded to a regulatory asset relating to the impact of COVID-19 on uncollectible accounts as at September 30, 2023.

| | Nine Months Ended September 30, 2022 | | |
|---|---|---|---|
| | Accounts Receivable | Contract Assets [a] | Total |
| **Utilities** | | | |
| Balance, beginning of period | $ 38 | $ — | $ 38 |
| Foreign exchange translation | 3 | — | 3 |
| Adjustments to allowance | 19 | — | 19 |
| Written off | (19) | — | (19) |
| Recoveries collected | 4 | — | 4 |
| Reclassified to assets held for sale | (1) | — | (1) |
| Balance, end of period [b] | $ 44 | $ — | $ 44 |
| **Midstream** | | | |
| Balance, beginning of period | 1 | 1 | 2 |
| Balance, end of period | $ 1 | $ 1 | $ 2 |
| **Total** | $ 45 | $ 1 | $ 46 |

(a) An allowance for credit loss is assessed quarterly and is recorded based on historical default rates published by external credit rating agencies and a rate associated with the estimated time frame that the contract asset will be billed to the customer.

(b) Includes $4 million recorded to a regulatory asset relating to the impact of COVID-19 on uncollectible accounts as at September 30, 2022.

With the exception of accounts receivable which are due in one year or less, AltaGas does not have any past due receivables as at September 30, 2023.

**Weather Related Instruments**

WGL Energy Services utilizes heating degree day (HDD) instruments from time to time to manage weather and price risks related to its natural gas and electricity sales during the winter heating season. WGL Energy Services also utilizes cooling degree day (CDD) instruments and other instruments to manage weather and price risks related to its electricity sales during the summer cooling season. These instruments cover a portion of estimated revenue or energy-related cost exposure to variations in HDDs or CDDs. For the three and nine months ended September 30, 2023, a pre-tax loss of $nil and $8 million, respectively, was recorded related to these instruments (three and nine months ended September 30, 2022 - $nil).

## 14. Leases

**Lessor**

Certain of AltaGas' revenues are obtained through power purchase agreements or take-or-pay contracts whereby AltaGas is the lessor in these operating lease arrangements. Minimum lease payments received are amortized over the term of the lease. Contingent rentals are recorded when the condition that created the present obligation to make such payments occurs such as when actual electricity is generated and delivered. Revenue from these arrangements have been disclosed in Note 12.

## 15. Shareholders' Equity

**Authorization**

AltaGas is authorized to issue an unlimited number of voting common shares. AltaGas is also authorized to issue such number of Preferred Shares in series at any time as have aggregate voting rights either directly or on conversion or exchange that in the aggregate represent less than 50 percent of the voting rights attaching to the then issued and outstanding Common Shares.

| Common Shares Issued and Outstanding [a] | Number of shares | | Amount |
|---|---|---|---|
| January 1, 2022 | 280,269,038 | $ | 6,735 |
| Shares issued for cash on exercise of options | 1,262,795 | | 28 |
| Deferred taxes on share issuance cost | — | | (2) |
| December 31, 2022 | 281,531,833 | $ | 6,761 |
| Shares issued for cash on exercise of options | 299,320 | | 6 |
| **Issued and outstanding at September 30, 2023** | **281,831,153** | **$** | **6,767** |

(a) Dividends declared per share for the three and nine months ended September 30, 2023 were $0.28 and $0.84, respectively (three and nine months ended September 30, 2022 - $0.265 and $0.795, respectively).

**Preferred Shares**

| As at | **September 30, 2023** | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| **Issued and Outstanding [a] [b]** | **Number of shares** | | **Amount** | Number of shares | | Amount |
| Series A | **6,746,679** | **$** | **169** | 6,746,679 | $ | 169 |
| Series B | **1,253,321** | | **31** | 1,253,321 | | 31 |
| Series E | **8,000,000** | | **200** | 8,000,000 | | 200 |
| Series G | **6,885,823** | | **172** | 6,885,823 | | 172 |
| Series H | **1,114,177** | | **28** | 1,114,177 | | 28 |
| Share issuance costs, net of taxes | | | **(14)** | | | (14) |
| | **24,000,000** | **$** | **586** | 24,000,000 | $ | 586 |

(a) On January 11, 2022, in connection with the offering of the Subordinated Notes, Series 1, AltaGas issued $300 million in Preferred Shares, Series 2022-A, to be held in the AltaGas Hybrid Trust with Computershare Trust Company of Canada acting as a trustee. Refer to Notes 7 and 10 for more details.

(b) On August 17, 2022, in connection with the offering of the Subordinated Notes, Series 2, AltaGas issued $250 million in Preferred Shares, Series 2022-B, to be held in the AltaGas Hybrid Trust with Computershare Trust Company of Canada acting as a trustee. Refer to Notes 7 and 10 for more details.

**Share Option Plan**

AltaGas has an employee share option plan under which officers, employees, and service providers (as defined by the TSX) are eligible to receive grants. As at September 30, 2023, 11,414,047 shares were listed and reserved for issuance under the plan.

As at September 30, 2023, share options granted under the plan have a term of six years until expiry and vest over no longer than a four-year period.

As at September 30, 2023, the unexpensed fair value of share option compensation cost associated with future periods was less than $1 million (December 31, 2022 - $1 million).

The following table summarizes information about the Corporation’s share options:

| As at | **September 30, 2023** | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| | **Number of options** | | **Exercise price [a]** | Number of options | | Exercise price [a] |
| Share options outstanding, beginning of period | **6,958,139** | **$** | **19.28** | 8,679,508 | $ | 19.98 |
| Exercised | **(299,320)** | | **17.68** | (1,262,795) | | 19.94 |
| Forfeited | **(61,246)** | | **23.04** | (107,799) | | 26.24 |
| Expired | **(374,500)** | | **31.81** | (350,775) | | 32.19 |
| **Share options outstanding, end of period** | **6,223,073** | **$** | **18.56** | 6,958,139 | $ | 19.28 |
| **Share options exercisable, end of period** | **5,644,620** | **$** | **18.54** | 4,960,341 | $ | 19.38 |

(a) Weighted average.

As at September 30, 2023, the aggregate intrinsic value of the total share options exercisable was $43 million (December 31, 2022 - $24 million), the total intrinsic value of share options outstanding was $47 million (December 31, 2022 - $33 million) and the total intrinsic value of share options exercised was $2 million (December 31, 2022 - $11 million).

The following table summarizes the employee share option plan as at September 30, 2023:

| | Options outstanding | | | Options exercisable | | |
|---|---|---|---|---|---|---|
| Price range | Number outstanding | Weighted average exercise price | Weighted average remaining contractual life | Number exercisable | Weighted average exercise price | Weighted average remaining contractual life |
| $14.52 to $18.00 | 1,636,686 | $ 15.47 | 1.32 | 1,636,686 | $ 15.47 | 1.32 |
| $18.01 to $25.08 | 4,346,979 | 19.27 | 2.50 | 3,769,464 | 19.35 | 2.38 |
| $25.09 to $29.32 | 239,408 | 26.91 | 0.66 | 238,470 | 26.91 | 0.65 |
| | **6,223,073** | **$ 18.56** | **2.12** | **5,644,620** | **$ 18.54** | **2.00** |

**Phantom Unit Plan (Phantom Plan) and Deferred Share Unit Plan (DSUP)**

AltaGas has a Phantom Plan for employees, executive officers, and directors, which includes restricted units (RUs) and performance units (PUs) with vesting periods of up to 36 months from the grant date. In addition, AltaGas has a DSUP, which allows granting of deferred share units (DSUs) to directors. DSUs granted under the DSUP vest immediately but settlement of the DSUs occur when the individual ceases to be a director.

| **PUs, RUs, and DSUs** *(number of units)* | **September 30, 2023** | December 31, 2022 |
|---|---|---|
| Balance, beginning of year | **4,332,062** | 3,877,843 |
| Granted | **2,207,992** | 1,413,790 |
| Vested and paid out | **(2,045,206)** | (1,784,293) |
| Forfeited and expired | **(365,637)** | (140,150) |
| Units in lieu of dividends | **163,208** | 172,563 |
| Additional units added by performance factor | **828,111** | 792,309 |
| **Outstanding, end of period** | **5,120,530** | 4,332,062 |

For the three and nine months ended September 30, 2023, the compensation expense recorded for the Phantom Plan and DSUP was $19 million and $44 million, respectively (three and nine months ended September 30, 2022 - $7 million and $40 million, respectively). As at September 30, 2023, the unrecognized compensation expense relating to the remaining vesting period for the Phantom Plan was $49 million (December 31, 2022 - $14 million) and is expected to be recognized over the vesting period.

## 16. Net Income (Loss) Per Common Share

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

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| Numerator: | | | | |
| Net income (loss) applicable to controlling interests | **$ (43)** | $ 36 | **$ 548** | $ 462 |
| Less: Preferred share dividends | **(7)** | (10) | **(20)** | (33) |
| Loss on redemption of preferred shares | **—** | (74) | **—** | (84) |
| Net income (loss) applicable to common shares | **$ (50)** | $ (48) | **$ 528** | $ 345 |
| Denominator: | | | | |
| *(millions of shares)* | | | | |
| Weighted average number of common shares outstanding | **281.7** | 281.2 | **281.7** | 280.8 |
| Dilutive equity instruments [(a)] | **—** | — | **1.5** | 2.5 |
| Weighted average number of common shares outstanding - diluted | **281.7** | 281.2 | **283.2** | 283.3 |
| Basic net income (loss) per common share | **$ (0.18)** | $ (0.17) | **$ 1.87** | $ 1.23 |
| Diluted net income (loss) per common share | **$ (0.18)** | $ (0.17) | **$ 1.86** | $ 1.22 |

(a) Determined using the treasury stock method.

For the three and nine months ended September 30, 2023, less than a million share options (three and nine months ended September 30, 2022 - 0.8 million and 0.9 million share options, respectively) were excluded from the diluted net income (loss) per common share calculation as their effects were anti-dilutive.

## 17. Commitments, Guarantees, and Contingencies

**Commitments**

AltaGas has long-term natural gas purchase and transportation arrangements, LPG purchase agreements, crude oil and condensate purchase agreements, electricity purchase arrangements, service agreements, pipeline and storage service contracts, capital commitments, environmental commitments, merger commitments, and operating leases for office space, office equipment, vehicles, rail cars, land, storage, aquatic surface use, and other equipment, all of which are transacted at market prices and in the normal course of business. AltaGas' utilities have contracts to purchase natural gas, natural gas transportation and storage services from various suppliers to ensure that there is an adequate supply of natural gas to meet the needs of customers and to minimize exposure to market price fluctuations. In addition, WGL Energy Services also enters into contracts to purchase natural gas and electricity designed to match the duration of its sales commitments, and to secure a margin on estimated sales over the terms of existing sales contracts. Please refer to Note 30 of the 2022 Annual Consolidated Financial Statements for further details regarding AltaGas' commitments.

With recent regulatory developments and approvals regarding MVP, Management has determined that the probability of completion is higher than estimated at December 31, 2022. As such, at September 30, 2023, AltaGas has included approximately US$6.1 billion of natural gas purchases through 2043 and US$1.0 billion of pipeline contracts through 2043 that are contingent on the in-service date of MVP in its future commitments.

At September 30, 2023, AltaGas has US$256 million in future undiscounted cash flows associated with operating leases not yet commenced. The leases are for the use of four VLGCs, which are expected to commence in periods ranging from the fourth quarter of 2023 to the first half of 2026. The lessor is primarily involved in the design and construction of the VLGCs.

**Guarantees**

AltaGas has guaranteed payments primarily for certain commitments on behalf of some of its subsidiaries. As at September 30, 2023, AltaGas had no guarantees issued on behalf of external parties.

**Contingencies**

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

## 18. Pension Plans and Retiree Benefits

The costs of the defined benefit and post-retirement benefit plans are based on Management's estimate of the future rate of return on the fair value of pension plan assets, salary escalations, mortality rates, and other factors affecting the payment of future benefits. Additional information relating to the retirement benefit plans is provided in Note 29 of the 2022 Annual Consolidated Financial Statements.

In 2021, AltaGas made the decision to wind-up the Canadian defined benefit pension plan effective March 31, 2022. In October 2022, approval of the wind-up was received from the Alberta Superintendent of Pensions. On June 1, 2023, the wind-up of the Canadian defined benefit pension plan was completed and as a result a settlement charge of approximately $2 million was recorded under the line item "other income" for the nine months ended September 30, 2023.

In the second quarter of 2023, AltaGas closed the Canadian defined benefit supplemental executive retirement plan (SERP) to new entrants and launched a new a defined contribution SERP effective July 1, 2023, for eligible executives who join the Executive Committee on or after that date.

Rabbi trusts of $9 million as at September 30, 2023 have been funded to satisfy the employee benefit obligations associated with WGL's various pension plans (December 31, 2022 - $11 million). These balances are included in "prepaid expenses and other current assets" and "long-term investments and other assets" in the Consolidated Balance Sheets.

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

| | Three Months Ended September 30, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Canada | | United States | | Total | |
| | Defined Benefit | Post-retirement Benefits | Defined Benefit | Post-retirement Benefits | Defined Benefit | Post-retirement Benefits |
| Current service cost [(a)] | $ 2 | $ — | $ 3 | $ 2 | $ 5 | $ 2 |
| Interest cost [(b)] | — | — | 17 | 5 | 17 | 5 |
| Expected return on plan assets [(b)] | — | — | (19) | (12) | (19) | (12) |
| Amortization of past service credit [(b)] | — | — | — | (5) | — | (5) |
| Amortization of net actuarial gain [(b)] | — | — | — | (1) | — | (1) |
| Net benefit cost (income) recognized | $ 2 | $ — | $ 1 | $ (11) | $ 3 | $ (11) |

(a) Recorded under the line item "operating and administrative" expenses on the Consolidated Statements of Income (Loss).
(b) Recorded under the line item "other income" on the Consolidated Statements of Income (Loss).

| | Three Months Ended September 30, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Canada | | United States | | Total | |
| | Defined Benefit | Post-retirement Benefits | Defined Benefit | Post-retirement Benefits | Defined Benefit | Post-retirement Benefits |
| Current service cost [(a)] | $ 1 | $ — | $ 6 | $ 3 | $ 7 | $ 3 |
| Interest cost [(b)] | — | — | 13 | 3 | 13 | 3 |
| Expected return on plan assets [(b)] | — | — | (18) | (10) | (18) | (10) |
| Amortization of past service credit [(b)] | — | — | — | (5) | — | (5) |
| Amortization of net actuarial gain [(b)] | — | — | — | (2) | — | (2) |
| Net benefit cost (income) recognized | $ 1 | $ — | $ 1 | $ (11) | $ 2 | $ (11) |

(a) Recorded under the line item "operating and administrative" expenses on the Consolidated Statements of Income (Loss).
(b) Recorded under the line item "other income" on the Consolidated Statements of Income (Loss).

| | **Nine Months Ended September 30, 2023** | | | | | |
|---|---|---|---|---|---|---|
| | **Canada** | | **United States** | | **Total** | |
| | **Defined Benefit** | **Post-retirement Benefits** | **Defined Benefit** | **Post-retirement Benefits** | **Defined Benefit** | **Post-retirement Benefits** |
| Current service cost [(a)] | **$ 4** | **$ —** | **$ 9** | **$ 5** | **$ 13** | **$ 5** |
| Interest cost [(b)] | **1** | **—** | **52** | **14** | **53** | **14** |
| Expected return on plan assets [(b)] | **—** | **—** | **(59)** | **(36)** | **(59)** | **(36)** |
| Amortization of past service credit [(b)] | **—** | **—** | **—** | **(15)** | **—** | **(15)** |
| Amortization of net actuarial gain [(b)] | **—** | **—** | **—** | **(3)** | **—** | **(3)** |
| Plan settlements [(b) (c) (d)] | **2** | **—** | **4** | **(2)** | **$ 6** | **$ (2)** |
| Net benefit cost (income) recognized | **$ 7** | **$ —** | **$ 6** | **$ (37)** | **$ 13** | **$ (37)** |

(a) Recorded under the line item "operating and administrative" expenses on the Consolidated Statements of Income (Loss).
(b) Recorded under the line item "other income" on the Consolidated Statements of Income (Loss).
(c) Pursuant to the Alaska Utilities Disposition, the ENSTAR pension plans were divested and resulted in a curtailment gain of less than $1 million and a net settlement charge of $2 million. Refer to Note 3 for additional information.
(d) Includes the previously mentioned settlement charge for the wind-up of the Canadian defined benefit pension plan.

| | Nine Months Ended September 30, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Canada | | United States | | Total | |
| | Defined Benefit | Post-retirement Benefits | Defined Benefit | Post-retirement Benefits | Defined Benefit | Post-retirement Benefits |
| Current service cost [(a)] | $ 3 | $ — | $ 16 | $ 8 | $ 19 | $ 8 |
| Interest cost [(b)] | — | — | 39 | 10 | 39 | 10 |
| Expected return on plan assets [(b)] | — | — | (57) | (28) | (57) | (28) |
| Amortization of past service credit [(b)] | — | — | — | (14) | — | (14) |
| Amortization of net actuarial loss (gain) [(b)] | — | — | 1 | (6) | 1 | (6) |
| Net benefit cost (income) recognized | $ 3 | $ — | $ (1) | $ (30) | $ 2 | $ (30) |

(a) Recorded under the line item "operating and administrative" expenses on the Consolidated Statements of Income (Loss).
(b) Recorded under the line item "other income" on the Consolidated Statements of Income (Loss).

## 19. Supplemental Cash Flow Information

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

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| Source (use) of cash: | | | | |
| Accounts receivable | **$ (273)** | $ 292 | **$ 537** | $ (23) |
| Inventory | **(100)** | (309) | **245** | (421) |
| Risk management assets - current | **(34)** | (19) | **(18)** | (1) |
| Prepaid expenses and other current assets | **13** | 8 | **25** | 73 |
| Regulatory assets - current | **6** | (12) | **(32)** | 9 |
| Accounts payable and accrued liabilities | **267** | (256) | **(296)** | 153 |
| Customer deposits | **22** | (112) | **7** | 278 |
| Regulatory liabilities - current | **1** | 3 | **(128)** | 12 |
| Risk management liabilities - current | **—** | (20) | **—** | (10) |
| Other current liabilities | **11** | (48) | **(28)** | (30) |
| Other operating assets and liabilities | **(37)** | (77) | **(14)** | (37) |
| Changes in operating assets and liabilities | **$ (124)** | $ (550) | **$ 298** | $ 3 |

The following table details the changes in non-cash investing and financing activities:

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| Decrease (increase) of balance: | | | | |
| Exercise of stock options | **$ —** | $ 1 | **$ —** | $ 2 |
| Net right-of-use assets obtained in exchange for new operating lease liabilities | **$ (31)** | $ (9) | **$ (52)** | $ (44) |
| Net right-of-use assets obtained in exchange for new finance lease liabilities | **$ (4)** | $ (7) | **$ (14)** | $ (10) |
| Capital expenditures included in accounts payable and accrued liabilities | **$ (12)** | $ 2 | **$ 23** | $ (1) |

The following cash payments have been included in the determination of earnings:

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| Interest paid (net of capitalized interest) | **$ 101** | $ 79 | **$ 296** | $ 219 |
| Income taxes paid | **$ 9** | $ 4 | **$ 206** | $ 16 |

The following table is a reconciliation of cash and cash equivalents and restricted cash balances:

| As at September 30 | **2023** | 2022 |
|---|---|---|
| Cash and cash equivalents | **$ 43** | $ 132 |
| Restricted cash included in prepaid expenses and other current assets [(a)] | **3** | 9 |
| Restricted cash included in long-term investments and other assets [(a)] | **6** | 9 |
| Cash, cash equivalents, and restricted cash per Consolidated Statements of Cash Flows | **$ 52** | $ 150 |

(a) The restricted cash balances included in "prepaid expenses and other current assets" and "long-term investments and other assets" relate to Rabbi trusts associated with WGL's pension plans (Note 18).

## 20. Seasonality

The Utilities business is highly seasonal with the majority of natural gas deliveries occurring during the winter heating season. Gas sales increase during the winter resulting in stronger first and fourth quarter results and weaker second and third quarter results. The retail business within the Utilities segment is also seasonal, with larger amounts of electricity being sold in the summer and peak winter months and larger amounts of natural gas being sold in the winter months.

## 21. Segmented Information

AltaGas owns and operates a portfolio of assets and services used to move energy from the source to the end-user. The following describes the Corporation's reportable segments:

| | |
|---|---|
| **Utilities** | ▪ rate-regulated natural gas distribution assets in Michigan, the District of Columbia, Maryland, and Virginia. The Alaska Utilities Disposition closed on March 1, 2023;<br>▪ rate-regulated natural gas storage in the United States, of which certain storage facilities in Alaska were sold on March 1, 2023, pursuant to the Alaska Utilities Disposition; and<br>▪ sale of natural gas and power to residential, commercial, and industrial customers in the District of Columbia, Maryland, Virginia, Delaware, Pennsylvania, and Ohio. |
| **Midstream** | ▪ NGL processing and extraction plants;<br>▪ natural gas storage facilities;<br>▪ liquefied petroleum gas (LPG) export terminals;<br>▪ transmission pipelines to transport natural gas and NGLs;<br>▪ natural gas gathering lines and field processing facilities;<br>▪ purchase and sale of natural gas;<br>▪ natural gas and NGL marketing;<br>▪ marketing, storage and distribution of wellsite fluids and fuel, crude oil and condensate diluents; and<br>▪ interest in a regulated gas pipeline in the Marcellus/Utica gas formation. |
| **Corporate/Other** | ▪ the cost of providing corporate services, financing and general corporate overhead, corporate assets, financing other segments and the effects of changes in the fair value of certain risk management contracts; and<br>▪ a small portfolio of remaining power assets. |

The following table provides a reconciliation of segment revenue to the disaggregated revenue table disclosed under Note 12:

| | **Three Months Ended September 30, 2023** | | | |
|---|---|---|---|---|
| | **Utilities** | **Midstream** | **Corporate/ Other** | **Total** |
| External revenue *(note 12)* | **$ 767** | **$ 2,237** | **$ 26** | **$ 3,030** |
| Segment revenue | **$ 767** | **$ 2,237** | **$ 26** | **$ 3,030** |

| | Three Months Ended September 30, 2022 | | | |
|---|---|---|---|---|
| | Utilities | Midstream | Corporate/ Other | Total |
| External revenue *(note 12)* | $ 822 | $ 2,206 | $ 28 | $ 3,056 |
| Segment revenue | $ 822 | $ 2,206 | $ 28 | $ 3,056 |

| | | Nine Months Ended September 30, 2023 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Utilities | | Midstream | | Corporate/ Other | Total |
| External revenue *(note 12)* | $ | 3,539 | $ | 6,098 | $ | 72 | $ 9,709 |
| Segment revenue | $ | 3,539 | $ | 6,098 | $ | 72 | $ 9,709 |

| | | Nine Months Ended September 30, 2022 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Utilities | | Midstream | | Corporate/ Other | Total |
| External revenue *(note 12)* | $ | 3,256 | $ | 6,865 | $ | 69 | $ 10,190 |
| Segment revenue | $ | 3,256 | $ | 6,865 | $ | 69 | $ 10,190 |

The following tables show the composition by segment:

| | | Three Months Ended September 30, 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Utilities | | Midstream | | Corporate/ Other | | Intersegment Elimination | Total |
| Segment revenue *(note 12)* | $ | 767 | $ | 2,237 | $ | 26 | $ | — | $ 3,030 |
| Cost of sales | | (477) | | (2,057) | | (9) | | — | (2,543) |
| Operating and administrative | | (254) | | (108) | | (17) | | — | (379) |
| Accretion expenses | | — | | (3) | | — | | — | (3) |
| Depreciation and amortization | | (70) | | (31) | | (8) | | — | (109) |
| Income from equity investments *(note 8)* | | 1 | | 20 | | — | | — | 21 |
| Other income | | 17 | | 3 | | 1 | | — | 21 |
| Foreign exchange gains | | — | | — | | 6 | | — | 6 |
| Interest expense | | — | | — | | (95) | | — | (95) |
| Income (loss) before income taxes | $ | (16) | $ | 61 | $ | (96) | $ | — | $ (51) |
| Net additions to: | | | | | | | | | |
| Property, plant and equipment [(a)] | $ | 204 | $ | 49 | $ | 1 | $ | — | $ 254 |
| Intangible assets [(a)] | $ | — | $ | 1 | $ | — | $ | — | $ 1 |

(a) Net additions to property, plant and equipment, and intangible assets may not agree to changes reflected in the Consolidated Statements of Cash Flows due to classification of business acquisition and foreign exchange changes on U.S. assets.

| | | Three Months Ended September 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Utilities | | Midstream | | Corporate/ Other | | Intersegment Elimination | Total |
| Segment revenue *(note 12)* | $ | 822 | $ | 2,206 | $ | 28 | $ | — | $ 3,056 |
| Cost of sales | | (487) | | (1,963) | | (9) | | — | (2,459) |
| Operating and administrative | | (231) | | (144) | | (12) | | — | (387) |
| Accretion expenses | | — | | (2) | | — | | — | (2) |
| Depreciation and amortization | | (69) | | (29) | | (8) | | — | (106) |
| Income from equity investments *(note 8)* | | — | | 5 | | — | | — | 5 |
| Other income (loss) | | 19 | | (2) | | 2 | | — | 19 |
| Foreign exchange gains | | — | | — | | 7 | | — | 7 |
| Interest expense | | — | | — | | (85) | | — | (85) |
| Income (loss) before income taxes | $ | 54 | $ | 71 | $ | (77) | $ | — | $ 48 |
| Net additions to: | | | | | | | | | |
| Property, plant and equipment [(a)] | $ | 234 | $ | 14 | $ | 1 | $ | — | $ 249 |
| Intangible assets [(a)] | $ | — | $ | 1 | $ | — | $ | — | $ 1 |

(a) Net additions to property, plant and equipment, and intangible assets may not agree to changes reflected in the Consolidated Statements of Cash Flows due to classification of business acquisition and foreign exchange changes on U.S. assets.

| | | Nine Months Ended September 30, 2023 | | | |
|---|---|---|---|---|---|
| | Utilities | Midstream | Corporate / Other | Intersegment Elimination | Total |
| Segment revenue *(note 12)* | $ 3,539 | $ 6,098 | $ 72 | $ — | $ 9,709 |
| Cost of sales | (2,239) | (5,342) | (16) | — | (7,597) |
| Operating and administrative | (770) | (311) | (71) | — | (1,152) |
| Accretion expenses | — | (8) | — | — | (8) |
| Depreciation and amortization | (217) | (91) | (23) | — | (331) |
| Income from equity investments *(note 8)* | 2 | 30 | — | — | 32 |
| Other income | 364 | 5 | 16 | — | 385 |
| Foreign exchange gains | — | — | 6 | — | 6 |
| Interest expense | — | — | (293) | — | (293) |
| Income (loss) before income taxes | $ 679 | $ 381 | $ (309) | $ — | $ 751 |
| Net additions (reductions) to: | | | | | |
| Property, plant and equipment [(a)] | $ (505) | $ 87 | $ (8) | $ — | $ (426) |
| Intangible assets [(a)] | $ — | $ 4 | $ 1 | $ — | $ 5 |

(a) Net additions to property, plant and equipment, and intangible assets may not agree to changes reflected in the Consolidated Statements of Cash Flows due to classification of business acquisition and foreign exchange changes on U.S. assets.

| | | Nine Months Ended September 30, 2022 | | | |
|---|---|---|---|---|---|
| | Utilities | Midstream | Corporate/ Other | Intersegment Elimination | Total |
| Segment revenue *(note 12)* | $ 3,256 | $ 6,865 | $ 69 | $ — | $ 10,190 |
| Cost of sales | (1,901) | (6,020) | (15) | — | (7,936) |
| Operating and administrative | (728) | (358) | (60) | — | (1,146) |
| Accretion expenses | 1 | (6) | — | — | (5) |
| Depreciation and amortization | (216) | (87) | (24) | — | (327) |
| Income from equity investments *(note 8)* | 2 | 9 | — | — | 11 |
| Other income | 56 | 9 | 8 | — | 73 |
| Foreign exchange gains | — | — | 9 | — | 9 |
| Interest expense | — | — | (231) | — | (231) |
| Income (loss) before income taxes | $ 470 | $ 412 | $ (244) | $ — | $ 638 |
| Net additions (reductions) to: | | | | | |
| Property, plant and equipment [(a)] | $ 552 | $ (165) | $ (11) | $ — | $ 376 |
| Intangible assets [(a)] | $ 1 | $ 2 | $ — | $ — | $ 3 |

(a) Net additions to property, plant and equipment, and intangible assets may not agree to changes reflected in the Consolidated Statements of Cash Flows due to classification of business acquisition and foreign exchange changes on U.S. assets.

The following table shows goodwill and total assets by segment:

| | Utilities | Midstream | Corporate/ Other | Total |
|---|---|---|---|---|
| **As at September 30, 2023** | | | | |
| Goodwill *(note 5)* | $ 3,712 | $ 1,530 | $ — | $ 5,242 |
| Segmented assets | $ 14,949 | $ 6,749 | $ 485 | $ 22,183 |
| As at December 31, 2022 | | | | |
| Goodwill *(note 5)* | $ 3,718 | $ 1,532 | $ — | $ 5,250 |
| Segmented assets | $ 16,782 | $ 6,728 | $ 455 | $ 23,965 |

## 22. Subsequent Events

On October 19, 2023, Washington Gas issued US$200 million in private placement notes, which includes US$150 million at 6.06 percent maturing on October 14, 2033 and US$50 million at 6.43 percent maturing on October 15, 2053. The proceeds will be used for general corporate purposes.

Subsequent events have been reviewed through November 2, 2023, the date on which these unaudited condensed interim Consolidated Financial Statements were issued.

## SUPPLEMENTAL QUARTERLY OPERATING INFORMATION

| | Q3-23 | Q2-23 | Q1-23 | Q4-22 | Q3-22 |
|---|---|---|---|---|---|
| **OPERATING HIGHLIGHTS** | | | | | |
| **UTILITIES** | | | | | |
| Natural gas deliveries - end use (Bcf) (1) | **8.5** | 15.3 | 61.3 | 54.3 | 12.6 |
| Natural gas deliveries - transportation (Bcf) (1) | **19.9** | 19.5 | 38.2 | 34.0 | 21.5 |
| Service sites (thousands) (2) | **1,553** | 1,553 | 1,554 | 1,704 | 1,695 |
| Degree day variance from normal - SEMCO Gas (%) (3) | **(19.4)** | (5.6) | (12.1) | (1.7) | (3.7) |
| Degree day variance from normal - ENSTAR (%) (3) | **n/a** | n/a | (4.9) | 8.7 | 12.6 |
| Degree day variance from normal - Washington Gas (%) (3) (4) | **—** | (27.0) | (22.2) | 9.2 | 750.0 |
| WGL retail energy marketing - gas sales volumes (Mmcf) | **8,550** | 10,623 | 20,402 | 18,064 | 7,133 |
| WGL retail energy marketing - electricity sales volumes (GWh) | **4,134** | 3,365 | 3,322 | 3,328 | 3,670 |
| **MIDSTREAM** | | | | | |
| LPG export volumes (Bbls/d) (5) | **118,213** | 115,589 | 99,444 | 97,152 | 110,453 |
| Total inlet gas processed (Mmcf/d) (5) | **1,182** | 1,344 | 1,372 | 1,274 | 1,228 |
| Extracted ethane volumes (Bbls/d) (5) | **25,501** | 24,927 | 21,796 | 21,947 | 21,178 |
| Extracted NGL volumes (Bbls/d) (5) (6) | **36,070** | 35,765 | 34,390 | 34,782 | 31,483 |
| Fractionation volumes (Bbls/d) (5) | **39,699** | 38,364 | 41,655 | 36,658 | 35,578 |
| Frac spread - realized ($/Bbl) (5) (7) | **23.75** | 23.87 | 27.04 | 25.14 | 27.78 |
| Frac spread - average spot price ($/Bbl) (5) (8) | **21.31** | 21.56 | 26.89 | 23.14 | 36.25 |
| Propane Far East Index (FEI) to Mont Belvieu spread (US$/Bbl) (5) (9) | **21.30** | 14.54 | 20.46 | 18.95 | 10.48 |
| Butane FEI to Mont Belvieu spread (US$/Bbl) (5) (10) | **22.07** | 15.29 | 16.99 | 18.59 | 11.87 |

(1) Bcf is one billion cubic feet.
(2) Service sites reflect all of the service sites of the utilities, including transportation and non-regulated business lines.
(3) A degree day is a measure of coldness determined daily as the number of degrees the average temperature during the day in question is below 65 degrees Fahrenheit. Degree days for a particular period are determined by adding the degree days incurred during each day of the period. Normal degree days for a particular period are the average of degree days during the prior 15 years for SEMCO Gas, during the prior 10 years for ENSTAR, and during the prior 30 years for Washington Gas. The degree day variance from normal for ENSTAR is for the period prior to the close of the Alaska Utilities Disposition on March 1, 2023.
(4) In certain of Washington Gas' jurisdictions (Virginia and Maryland) there are billing mechanisms in place which are designed to eliminate the effects of variance in customer usage caused by weather and other factors such as conservation. In the District of Columbia, there is no weather normalization billing mechanism nor does Washington Gas hedge to offset the effects of weather. As a result, colder or warmer weather will result in variances to financial results.
(5) Average for the period.
(6) NGL volumes refer to propane, butane and condensate.
(7) Realized frac spread or NGL margin, expressed in dollars per barrel of NGL, is derived from sales recorded by the segment during the period for frac spread exposed volumes plus the settlement value of frac hedges settled in the period less extraction premiums, divided by the total frac exposed volumes produced during the period.
(8) Average spot frac spread or NGL margin, expressed in dollars per barrel of NGL, is indicative of the average sales price that AltaGas receives for propane, butane and condensate less extraction premiums, before accounting for hedges, divided by the respective frac spread exposed volumes for the period.
(9) Average propane price spread between FEI and Mont Belvieu TET commercial index.
(10) Average butane price spread between FEI and Mont Belvieu TET commercial index.

# OTHER INFORMATION

### DEFINITIONS

| | |
|---|---|
| Bbls/d | barrels per day |
| Bcf | billion cubic feet |
| CBM | cubic meter |
| Dth | dekatherm |
| GJ | gigajoule |
| GWh | gigawatt-hour |
| MBbl | thousands of barrels |
| Mmcf | million cubic feet |
| Mmcf/d | million cubic feet per day |
| MW | megawatt |
| MWh | megawatt-hour |
| US$ | United States dollar |

# ABOUT ALTAGAS

AltaGas is a leading North American energy infrastructure company that connects NGLs and natural gas to domestic and global markets. The Company operates a diversified, lower-risk, high-growth Utilities and Midstream business that is focused on delivering resilient and durable value for its stakeholders.

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