

**AltaGas Ltd.**

**Second Quarter 2024 Results**

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## PRESENTATION

### Operator

Welcome to the AltaGas Second Quarter 2024 Financial Results Conference Call. My name is Chris, and I'll be your Operator for today's call.

All lines have been placed on mute to prevent any background noise. If you have any difficulties hearing the conference, please press star, then zero for Operator assistance at any time. After the speaker's remarks, there will be a question and answer session. As a reminder, this conference call is being broadcast live on the internet and recorded.

I would now like to turn the conference over to Aaron Swanson, Vice President Investor Relations. Please go ahead, Mr. Swanson.

### **Aaron Swanson** — Vice President Investor Relations

Good morning, everyone. Thank you for joining AltaGas' Second Quarter 2024 Results Conference Call.

Speaking this morning will be Vern Yu, President and Chief Executive Officer, and James Harbilas, Executive Vice President and Chief Financial Officer. We're also joined here this morning by Randy Toone, President of our Midstream business, Blue Jenkins, President of our Utilities business, and Jon Morrison, Senior Vice President of Corporate Development and Investor Relations.

This call is being webcast, and we encourage those listening to follow along with the supporting slides that can be found on our website.

I'll remind everyone that we will refer to forward-looking information on today's call. This information is subject to certain risks and uncertainties as outlined in the forward-looking information disclosure on Slide 2 in the presentation. As always, prepared remarks will be followed by an analyst question and answer period.

With that, I'll turn the call over to Vern.

**Vern Yu** — President and Chief Executive Officer, AltaGas Ltd.

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

It's great to be here today to share our strong Q2 results. I'll start with some highlights from the quarter provide an update on our major projects. Then I'll turn it over to James. Let's move to Slide 4.

We delivered normalized EBITDA of \$295 million in Q2, which was up 23 percent year-over-year. Normalized EPS was \$0.14 per share, doubling what we achieved in Q2 2023. These results were modestly ahead of our internal expectations but positioned us well to deliver on our 2024 guidance.

Our midstream segment had record export volumes, more than 123,000 barrels a day. Performance across the balance of midstream was also very strong, with positive year-over-year growth and volumes across the business. Utilities were in line with our expectations and continue to deliver stable earnings growth despite warmer than normal weather in DC and Michigan. We were able to offset

this warm weather with enhanced cost management, strong retail performance, and continued rate-based investments.

Diving deeper into our midstream segment, we continue to focus on derisking our operations to generate stable and predictable results. We recently finalized long-term agreements for an additional 18 percent of REEF's Phase 1 export capacity. This is inclusive of our recent Birchcliff announcement, and we're in the late stages of finalizing more tolling agreements with multiple counterparties for more than a hundred percent of REEF's initial capacity.

In Q2, we executed an agreement to construct a fifth VLGC time charter, which locks in marine shipping costs and further de-risks our operations. We expect this VLGC to arrive in late 2026.

We're about 87 percent hedge for global exports, 86 percent hedged on frack-exposed barrels, and a hundred percent hedged on Baltic freight for the balance of 2024. We're also now starting to hedge for the 2025/2026 NGL calendar year as part of our systematic hedging program.

Turning to our midstream growth projects on Slide 5, we're making steady progress on the execution of our two major projects, REEF and Pipestone 2. On REEF, we reached a positive FID earlier in this quarter. Site clearing and geotechnical work have now been completed. We just started work on the jetty as well as additional onsite earthwork.

We've executed fixed-price EPC contracts for roughly 40 percent of the project with plans to award another 10 percent under fixed-price contracts in the coming weeks. Additional fixed-price DPC contracts will be awarded as we move through the construction cycle. Pipestone 2 construction is also on schedule

and on budget. The two asset gas injection wells at the plant have now been drilled and completed. Construction on the gas gathering system has begun and is expected to be completed this fall. The project is on track for its end of 2025 in service.

It's exciting to be in a period of strong midstream growth. We've been here before, and Slide 6 illustrates our track record of successful project execution. We have a strong history of delivering large midstream projects both on time and on budget. In fact, our last series of major midstream growth projects totaled to \$1.5 billion. These projects were all delivered on time and 8 percent below budget.

Turning to Slide 7, we're also excited about the growth opportunities in our utilities, which represents around 55 percent of our 2024 CapEx program. The macroeconomic fundamentals for natural gas and gas utilities are very strong. Demand has been rising steadily in the U.S. for the past decade. Natural gas is the most affordable and efficient form of space heating. In fact, the deliberate cost of electricity is more than three times greater than that of natural gas.

Gas demand is expected to accelerate through 2030 due to increased energy demand coming from AI and data centers. This will compound the demand associated with coal power plant retirements. Demand for energy in our franchise area is driving growth across our utilities.

The first growth lever is our asset modernization programs, which total to be more than \$1.5 billion of approved pipe replacement capital over the next couple of years. We recently filed for updated APR programs in Michigan and DC, which will add to our ability to modernize more of our network. These modernization programs are critical to enhancing our overall safety and reliability while growing our rate base.

The second is new customer growth. We've been averaging approximately one percent growth per year across the DMV. Demand for natural gas by our residential customers remains extremely strong as homeowners desire natural gas for heating and cooking. We continue to add around 10,000, 12,000 meters per year in the DMV mostly for newly built homes in the suburban area surrounding DC.

We are expected to have one or two smaller data centers connected to WGL Network before the end of the year, and we continue to have other conversations on gas supply where we can cost-effectively provide energy to more data centers.

The third is system expansion, where we see strong growth opportunities at SEMCO and WGL. An example is the Keweenaw pipeline in Michigan, which is a proposed new pipeline we're actively progressing through the regulatory process. This pipeline would improve system reliability and add gas supply for new customers in the Upper Peninsula of Michigan.

Finally, we're also investing in assets that lower the emissions of our customers. We have recently completed two RNG connections in Michigan, with one more in construction, and we have one large RNG project underway in Virginia. Overall, we're very excited about our growth prospects, both in Midstream and in Utilities.

With that, I'm going to turn the call over to James, who's going to provide more detail on our second quarter performance, provide an update on the status of MVP, and our path forward.

**James Harbilas** — Executive Vice President and Chief Financial Officer, AltaGas Ltd.

Thank you, Vern, and good morning everyone.

The second quarter was another period of focusing on operational excellence, advancing our strategic priorities and progressing key growth projects, all of which will position AltaGas for continued value creation in the years ahead.

In terms of the financial and operating results for the second quarter, we'll start with the midstream segment on Slide 8. Normalized EBITDA came in at \$175 million, representing a 31 percent increase year-over-year. The segment benefited from record volumes and a seven percent year-over-year increase within our global export business.

We exported 123,285 barrels per day of propane and butane across 20 VLGCs in the quarter. This included more than 76,000 barrels per day across 12 ships at RIPET and nearly 47,000 barrels per day across eight ships and one partially loaded ship at Ferndale. This was modestly ahead of our expectations coming out of the first quarter.

You'll likely recall that in our first quarter results, we had some favourable ship timing, as one ship that was originally scheduled for April was loaded earlier than expected in March. However, we were able to make up the volume in the second quarter through strong logistical execution at the terminals and across the value chain. This strong second quarter will partially offset some of the rail disruptions we have seen in July, with the forest fires impacting rail service through Jasper for several days.

Performance across the balance of the Midstream platform was also very strong, benefiting from fundamentals and volume growth across our facilities. Fractionation, extraction, and liquids handling volumes were up 22 percent year-over-year, supported by strong volume growth at North Pine and



Harmattan. Total gathering and processing volumes were up 6 percent year-over-year, underpinned by volume growth at our Harmattan facility.

The quarter also benefited from the addition of the Pipestone assets, with this being our second full quarter of operations. AltaGas realized frac spread averaged approximately \$25 per barrel during the second quarter of 2024, with most of the Company's frac-exposed volumes hedged.

Moving on to the Utilities segment on Slide 9, normalized EBITDA was \$122 million, representing a 20 percent year-over-year increase. The year-over-year growth was driven primarily by four major factors: lower O&M from ongoing cost management initiatives across WGL and SEMCO; ongoing investment in our modernization programs, which earned an immediate return on capital; strong performance in the retail power business; and the benefit of new rates in place in DC. These factors were partially offset by the impact of the Maryland and Virginia rate cases, decreased asset optimization activities at Washington Gas, and warmer weather in Michigan, where AltaGas does not have weather normalization.

During the quarter, we deployed \$178 million of invested capital in the utilities on behalf of our customers. This included \$92 million across our various asset modernization programs in the DMV and Michigan, which improves the safety and reliability of our system and reduces leaks.

In addition to our modernization programs, our utilities investments are focused on new meter growth through servicing customer additions and regional expansion opportunities. We were also active on the regulatory side, with SEMCO filing a modernization program extension for approximately \$114

million to 2027. We also plan to file a DC rate case in the near term and a DC ARP modernization application on or before the end of September.

Within the corporate and other segment, normalized EBITDA was a loss of \$2 million compared to a normalized EBITDA of \$3 million in the same quarter last year. Results in the corporate and other segment were primarily impacted by higher GNA related to employee incentive plans due to AltaGas' rising stock price. Following the blight turnaround during the first quarter of 2024, the facility resumed normal operations and performed in line with expectations during the second quarter.

Turning to Slide 10. After a long journey, the Mountain Valley pipeline was completed and placed into service in mid-June. MVP is a critical piece of infrastructure that is connecting upstream production in the Marcellus and Utica shale plays to strong and growing downstream demand in key eastern U.S. markets. The pipeline has two Bcf per day of capacity and is fully subscribed under 20-year firm contracts with investment-grade counterparties.

The mainline can be expanded by an additional 500 million cubic feet per day through incremental compression, which is an exciting opportunity to add much-needed capacity in a capital-efficient manner.

We have always been transparent with regards to MVP being a non-core asset for AltaGas' long-term strategy, and we are actively evaluating value maximization options to accelerate AltaGas' deleveraging strategy. With the EQT Equitrans transaction closed, we now have clarity on the long-term operator, which was an important milestone for our path ahead.

On Slide 11, we share our 2024 outlook. There have been a number of tailwinds and headwinds realized to date. However, taking these into account and after the first half of the year performance, we are well positioned to achieve our 2024 guidance ranges of normalized earnings per share of \$2.05 to \$2.25 and normalized EBITDA of \$1.67 billion to \$1.775 billion.

Concurrent with REEF reaching a positive FID during the second quarter, we increased our 2024 capital budget from \$1.2 billion to \$1.3 billion, as shown on Slide 12.

In closing, we are pleased with our second quarter and first half of 2024 operational and financial results. We continue to execute on our strategic priorities with a focus on compounding long-term value, as highlighted on Slide 13. This is a testament to the entire team and to the quality of the enterprise. Looking ahead, we will remain disciplined allocators of capital as we have demonstrated over the past five years, and driving the best long-term outcomes for all of our stakeholders.

With that, I will turn it over to the Operator for the Q&A session.

## **Q & A**

### **Operator**

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session.

Should you have a question, please press star, followed by one on your touchtone phone. You will hear a three tone prompt acknowledging your request, and your questions will be pulled in the order they're received. Should you wish to decline from the polling process, please press star, followed by two.

If you're using a speaker phone, please lift the handset before pressing any keys. One moment please, for your first question.

Your first question comes from Jeremy Tonet, JP Morgan. Jeremy, please go ahead.

**Eli Jossen** — Analyst, JP Morgan

Hi, good morning. This is Eli (phon) on for Jeremy.

Maybe just starting with some of the steady de-risking progress you've made across the Midstream business, can you just walk us through where you expect to finish 2024 from a tolling perspective? Then maybe, given this increased line of sight and REEF and Pipestone coming on later, what kind of growth do you target for the segment overall through the long term?

**Vern Yu** — President and Chief Executive Officer, AltaGas Ltd.

Okay. Thanks, Eli. Maybe just starting on your tolling question. I think we're about 56 percent tolled for the entire 2024 NGL year, which ends in, I guess March 31 of next year. Our expectation going forward is we'll be trying to increase that a little bit into the '25-'26 year, but being around 60-ish percent tolled on a long-term basis is where we're shooting for. I think we've said publicly before we'd like to be about 100,000 barrels a day tolled come the in service of REEF in late '26 or early '27.

I think we expect good growth over the next couple of years in the Midstream business. Obviously, we'll see a kicker in growth when Pipestone 2 comes into service. We'll see a second kicker of growth when REEF comes into service in 2027. Then the subsequent phases of REEF will be even more profitable

for us, obviously, because we're spending a lot of upfront capital for the jetty and the rail facilities. That won't be necessary in the later phases of REEF.

Overall, we're pretty excited about the growth prospects. I think we've messaged before that the business is going to grow five percent to seven percent per year. Obviously, the utility is a big chunk of that where we'll have that steady modernization capital growth, and the other things I talked about. The Midstream growth will be a little bit lumpier, but the returns in that business will be higher.

**Eli Jossen**— Analyst, JP Morgan

Awesome, thank you. Then yes, maybe switching a bit to like the utility segment. I know you've seen strong growth, and you got the ARP and cost reductions. Can you maybe just walk us through how you're prioritizing ROE gap reductions. I know there's been some filings, but which jurisdictions do you see as the most likely to start to reduce the ROE GAAPs that you're targeting?

**Vern Yu** — President and Chief Executive Officer, AltaGas Ltd.

I think James is going to talk about the ROE gap, and then Blue can come back and talk about how we look at filing rate cases.

**James Harbilas** — Executive Vice President and Chief Financial Officer, AltaGas Ltd.

When we look at our ROE system-wide within the WGL network, we're about 140 basis point shortfall to the allowed returns post the Maryland and DC rate cases that were put in place at the beginning of this year.

We touched on it in our prepared remarks. We've taken some pretty aggressive actions to reduce our costs to match the cost structure reflected in our current rates to customers. When we look at that on a full-year run-rate basis from those actions, it'll probably achieve about a 50 to 60 basis point increase in ROEs as we move to close the gap, so that'll move our gap to below 100 basis points. Then obviously, we've got a DC rate case planned for a little later this year and looking at the broader network and system at WGL to determine the timing of other rate cases. I'll turn it over to Blue if he wants to add anything.

**Donald (Blue) Jenkins** — Executive Vice President and President, Utilities, and President, Washington Gas, AltaGas Ltd.

Yes, no, I think you hit it, James. DC will file here in the next fairly recently. Maryland, given the rate case that we saw, we're looking at when we'll file the next case. Those two jurisdictions are driven by our capital spend. We continue to manage our costs very tightly. When we look at our costs from rate case to rate case, they've been running below the rate of inflation, so we're making good progress on the cost front. We continue to be focused there, and the rate cases will be driven to recoup our capital, and so Maryland DC are where you'll see most of that activity in the near term.

**Eli Jossen**— Analyst, JP Morgan

Awesome. I'll leave it there. Thanks.

**Operator**

Thank you. Your next question comes from Patrick Kenny, National Bank. Patrick, please go ahead.

**Patrick Kenny** — Analyst, National Bank Financial

Thank you. Good morning. Just at Pipestone here with production in the area, clearly on the rise, and it looks like Phase 2 expansion's going very well. Just wondering if you can comment on where you're at with customers for securing commercial support for a Phase 3 expansion, and as well any update you could provide on potentially expanding the storage capacity at the Dimsdale facility.

Vern Yu — President and Chief Executive Officer, AltaGas Ltd.

Randy, why don't you take that one?

**Randy Toone** — Executive Vice President and President of Midstream business

Sure. Hi Patrick. It's Randy Toone. Yes, so the Pipestone 2 construction's going quite well, and that will be on at the end of 2025. For a potential Pipestone 3 or an expansion, we are in active discussions with customers. The key thing there is we're looking for asset gas and asset gas disposal, and so we're working on that right now, so more to come as we progress that further.

On Dimsdale, we have a lot of interest on storage given LNG Canada's starting up by the end of the year, and we're talking to customers about potentially expanding Dimsdale, but we're still working through that. Again, more to come later on.

**Patrick Kenny** — Analyst, National Bank Financial

Okay, great, thanks. Then, on REEF, I guess, just given the potential for some new hydrogen production coming on stream here later this decade, can you just talk about the opportunities you're

seeing to export other products from REEF and, I guess, your willingness to export ammonia off the West Coast, just given some of the logistical challenges relative to LPGs.

**Vern Yu** — President and Chief Executive Officer, AltaGas Ltd.

Patrick, I'd characterize it this way. Our facility will be fully capable of exporting ammonia. We're not going to be the bottleneck in the value chain. I think really the bigger issues are upstream, whether there's going to be sufficient ammonia production in Western Canada, number one. Then, number two, whether there's going to be comfort for the railroads to actually move the ammonia by train. Should those problems be solved, our facility will be there and ready to export that ammonia when it comes.

**Patrick Kenny** — Analyst, National Bank Financial

Okay, fair enough. I'll leave it there. Thanks.

**Operator**

Thank you. Your next question comes from Rob Hope, Scotiabank. Rob, please go ahead.

**Robert Hope** — Analyst, Scotiabank

Good morning, everyone. Keeping—first questions on the Utilities aside, can you help us understand the path forward in Washington on the advanced replacement program. You had a setback in June with a filing there. I just want to get a sense of what the cadence could be for the ARP investment in that jurisdiction?



**Donald (Blue) Jenkins** — Executive Vice President and President, Utilities, and President, Washington Gas, AltaGas Ltd.

Yes. Hey, Rob, it's Blue.

As you know, so we filed our Pipes III filing back in December of 2022. While the commission was weighing that filing, we did get an extension of Pipes II so we could continue to work this year. In the order that came in June, the commission dismissed the Pipes III filing just primarily given the age of the date. It was a year and a half old at that point. They did ask us to refile a three year program, which is consistent with what we got coming out of the last program. They gave us until, we've been doing some back and forth. We have till the end of September to file that.

They also gave us a procedural schedule in that order, which gives us the—which gives us a timeline to have an order come out of the Pipes III filing. We're now calling that DC Safe, S-A-F-E. If you hear us use the word DC Safe, that's the pipe three equivalent. We expect to have an order early in 2025, which should provide continuity between the current Pipes II extension and the DC safe for Pipes III order, so we expect that to be fairly consistent with what we've been doing from both a timeframe and a capital perspective.

**Robert Hope** — Analyst, Scotiabank

Appreciate that. Then maybe just shifting over to asset sales. Historically, you've highlighted Blythe and MVP as non-core assets. Blythe looks better just given the increase in data demand and MVP; we could see some additional expansion opportunities there. How do you balance improving the balance sheet versus the correct timing to optimize potential asset sales?

**James Harbilas** — Executive Vice President and Chief Financial Officer, AltaGas Ltd.

`Yes, Rob, it's James here. Obviously, with Blythe, we do see a constructive backdrop in California, and right now, the retention value is higher to us and then for us to move forward with the monetization there. MVP is the one asset that obviously we've been patient with, and now that it's operational, we're actively moving forward to be able to monetize that, and that is a process that's kicked off for us, and we're going to pursue those. As we said in our prepared remarks, we are in active discussions there.

**Robert Hope** — Analyst, Scotiabank

Thank you.

**Operator**

Thank you. Your next question comes from Robert Catellier, CIBC Capital Markets. Robert, please go ahead.

**Robert Catellier** — Analyst, CIBC Capital Markets

Hey, good morning everyone. I just wanted to focus a little bit on the midstream volumes, starting with a quirk in the midstream hedge program. I noticed that the percent hedged in Q3 Q4 is down from what you disclosed in the prior quarter. It seems to imply a stronger volume outlook for the global export business. Can you just comment on that change? It's small, but I'm just curious what your volume expectations are going forward.

**James Harbilas** — Executive Vice President and Chief Financial Officer, AltaGas Ltd.

Rob, our volume expectations are the same for the year relative to our guidance. We have seen some of those volume shift into the first part of the year. In the back part of the year, we could be out there procuring some volumes on a spec basis for merchant volumes, but the percentages are pretty small in terms of the change from Q1 to Q2 and the back half of the year.

**Robert Catellier** — Analyst, CIBC Capital Markets

Right. I would imagine you didn't take any of your hedges off, so it implies higher volume, and tied to that, the extraction volume growth was very strong. Can you just give some detail on what happened there?

**Randy Toone** — Executive Vice President and President of Midstream business

Hi Rob, it's Randy Toone. The extraction volume growth is really around Pipestone II C3 plus volumes, so those are new volumes for this year.

**Robert Catellier** — Analyst, CIBC Capital Markets

Okay, got it. Then it seems like there's a little bit of ongoing uncertainty between the Blueberry River First Nation and the BC government and implementing their agreement. I'm just curious how you see that impacting the Company's growth plans, specifically the North Pine expansion. Do you still think that's possible by the end of the year?

**Vern Yu** — President and Chief Executive Officer, AltaGas Ltd.

Yes. Let me start, and then Randy can provide a little bit more detail. I think we're in a great position up there because we have existing agreements with the Blueberry, and the scope, we're outside of the scope of this current lawsuit. You'll have seen in our materials that we've been able to optimize North Pine and add 5,000 barrels a day of fractionation, and we're working through stakeholder and regulatory issues now to go ahead with that expansion. But anything else you want to add, Randy?

**Randy Toone** — Executive Vice President and President of Midstream business

Yes, like Vern says, we've had a great relationship with the Blueberry over the years. We are looking at a larger frac expansion at North Pine, but it's all within the existing footprint, and so there won't be any cumulative effects or disturbance to any land. We actually just put it in our amendment into the BC Energy Regulator recently. We're progressing that expansion and we're still working on commercial underpinning, but we're hopeful to do an expansion there in the next coming years.

**Robert Catellier** — Analyst, CIBC Capital Markets

Okay. Just on the ratings agencies, they've had some changes post REEF. I'm just curious, how you view that and what impact that it has on asset sales? Has it increased impetus to make the sales? Or, is it still taking the same point of view there?

**Vern Yu** — President and Chief Executive Officer, AltaGas Ltd.

Yes, I think it's important to look at the reasons for the change in outlook at each of the agencies there, Rob. If you look at S&P, we've always been transparent about major projects with all stakeholders,

including the rating agencies and S&P obviously highlighted that with the change to the negative outlook, they were concerned with us executing two large projects concurrently in REEF and Pipestone II.

As we've shared in our prepared remarks, we have a strong track record of execution on these projects, and we feel that we're well positioned to be able to remove that negative outlook as we execute on that project and as we make forward progress. We've highlighted some of that in terms of both the construction de-risking and the commercial de-risking that we've undertaken so far this year, and we expect that to continue as the year unfolds.

If you look at Fitch, obviously MVP is going to be an asset that we're going to monetize, and that's the first step in getting to the targets that they've set for us at the end of 2024, and then the target that we need to achieve at 2025. That'll be one of the levers that we have to pull to be able to get to that six times debt FFO that they've set for us at the end of '24. Then obviously, at the end of '25, we'll continue to make progress with the balance sheet by considering potentially other minority sales or even hybrid capital if we needed to be able to achieve the metrics that they've set for us to hold on to the BBB rating.

**Robert Catellier** — Analyst, CIBC Capital Markets

Okay, thank you.

**Operator**

Thank you. Ladies and gentlemen, as a reminder, should you have a question, please press star, one on your touchtone phone. Your next question comes from Robert Kwan, RBC capital markets. Robert, please go ahead.

**Robert Kwan** — Analyst, RBC Capital Markets

Great, thank you. Good morning. If I can just start with the guidance, and you have a couple of new headwinds. You talked about the July rail outage, but can you just address what you might expect or what mitigation you would have to the extent there's a rail strike. And then just around the red turnaround that's now showed up, is that something where you've identified an issue and you expect to have to go in in Q4, or just what's the nature of that?

**Vern Yu** — President and Chief Executive Officer, AltaGas Ltd.

Maybe I'll start. The RIPET turnaround was in our budget the entire—it was part of our budget, Robert, so that's nothing new. That's just regular maintenance. Randy, do you want to talk about the mitigations we've done for a potential rail strike?

**Randy Toone** — Executive Vice President and President of Midstream business

Hi Robert. Yes, the wildfires did have an impact on our supply chain to exports, and we're through that now, and we're preparing for potential rail strike, what it looks like it would be mid-to-late August. We're putting in contingency plans, which really is this working, making sure our storage levels are adequate at both ends, so low at the upstream end, we have a lot of empty rail cars, and then high at our export terminals with lots of loaded cars there. We are preparing for it, and what we've seen with historically, rail strikes don't last very long, and we think we have adequate measures in place to mitigate.

**Vern Yu** — President and Chief Executive Officer, AltaGas Ltd.

Yes. Maybe the only thing I'd add to that, Robert, is we're trying to get about a week's grace on both sides where we have enough empty rail cars to take product on, and then we're trying to move as much supply as we can to have extra loaded cars to RIPET and Ferndale, where we're trying to have about a week's export supply at the docks.

**Robert Kwan** — Analyst, RBC Capital Markets

Got it. That's helpful. If a strike is inside of a week, we shouldn't expect a major impact, if you can achieve that. But Vern, can I just come back to your comment? If it was in the budget, then why is it a headwind?

**Vern Yu** — President and Chief Executive Officer, AltaGas Ltd.

The only reason is we're being just a little cautious about the work and making sure we can execute the work within the scheduled time period.

**Robert Kwan** — Analyst, RBC Capital Markets

Okay. If I can just turn to a couple of things here on REEF. You've got the 18 percent contract that you announced. Is that just Birchcliff, or are there a bunch of others in that? Then just, is there anything new on the Trigon dispute outside of just that minor decision where you just didn't get standing in the ongoing case?

**Vern Yu** — President and Chief Executive Officer, AltaGas Ltd.

Sure, I can handle both of those. We've been able to contract a fairly decent chunk of volume. Some of it is with producers, some of it is from aggregators, so it's a combination. As we go forward, as we just put in our prepared remarks, we have lots of active discussions that are really, I would characterize, very late stage with multiple counterparties, both producers and midstream aggregators and end users. We're excited about the prospects of being able to sign more of these commitments up as we go through the rest of this year.

Sorry, I forgot the other question.

**Robert Kwan** — Analyst, RBC Capital Markets

It's about Trigon, yes.

**Vern Yu** — President and Chief Executive Officer, AltaGas Ltd.

Yes, I think, Robert, this obviously Trigon's dispute is with PRPA, and in that, it gets down to the land, the Ports Authority to make decisions about exclusivity and how they develop the port site. PRPA is obviously defending this very, very rigorously, and they believe they have some very strong legal precedents for their case, particularly in the Port of Vancouver. I think we were trying to get just added as a potentially affected party because, obviously, there could be some impact to us.

That is going to be—that decision you talked about, we are planning to appeal, so stay tuned for that. I think PRPA is very committed to the fact that it is important on how they manage the port because it takes a significant amount of time and money to develop a potential use of the port.



For example, with REEF, it was seven years of consultation and permitting to get us to FID, and the project had to spend something in the order of \$50 million to get it to that point. People aren't going to invest the proper amount of capital and time unless there's a clear line of path on how they're going to be able to use their facility.

**Robert Kwan** — Analyst, RBC Capital Markets

Okay. I know it's hypothetical, but to the extent, that the Port Authority won with a final decision, how much volume do you think might actually now turn around and come to you for REEF?

**Vern Yu** — President and Chief Executive Officer, AltaGas Ltd.

Well, I think at the end of the day, people—we have a real project where we have the right to export liquids. Trigon has the right to export dry bulk, so it's a hypothetical project that has to get through its legal challenge. Then if you even imagine them being successful in their legal challenge, they would have to start the permitting process once that legal challenge was completed. That legal challenge is going to take years so the reality of it is, we don't believe that there's something real there.

**Robert Kwan** — Analyst, RBC Capital Markets

That's great. Thank you very much.

**Operator**

Thank you. Your next question comes from Ben Pham, BMO. Ben, please go ahead.

**Benjamin Pham** — Analyst, BMO Capital Markets

Hi, and thank you. Good morning. Maybe going back to your comments on your expectation that utility ROE by year-end. Can you comment that 100 basis points, you're expecting football of 100 basis points. How that compares to North American utility benchmark? In your five-year plan, are you assuming that ROE eventually normalizes to allowed?

**James Harbilas** — Executive Vice President and Chief Financial Officer, AltaGas Ltd.

Yes. Ben, it's James here. We'll be under 100 basis points with a full-year run rate on the savings that we've been able to capture with some of the cost actions we took. If you look at us under 100 basis points, that basically puts us very much in line with the average North American utility that operates in jurisdictions that have historical test years and as a result, there's rate lag, right?

The one thing that I didn't touch on that I can highlight now is that another way for us to be able to get closer to the allowed is through our asset optimization programs, which we share with the customers 50-50. If you add the returns that we're able to generate our share, that it gets us to allowed inclusive of asset optimization.

But there's obviously some active steps that we're taking to be able to file a new rate case in DC, which is the one jurisdiction where we experience the most regulatory lag so that we can make sure that our rates reflect the considerable capital investment that we make in the system and obviously it's reflective of our cost structure as well. Those are some of the steps that we're taking.

**Benjamin Pham** — Analyst, BMO Capital Markets

Okay, got it. Maybe on MVP, you mentioned you're undergoing a violation. Can you comment when you expect that to finish? Are you looking at something other than selling MVP?

**James Harbilas** — Executive Vice President and Chief Financial Officer, AltaGas Ltd.

Well, we've been pretty consistent in identifying as non-core and also very consistent in the fact that we wanted to wait for it to flow gas as a way for us to maximize value. We've cleared that hurdle now. It's no longer a gating item, so obviously we're going to actively pursue interest in our share of the pipeline and we would look to monetize it. I don't think we're considering a minority sale of our minority sale if that's your question.

**Benjamin Pham** — Analyst, BMO Capital Markets

Okay, so your evaluation just means you're advancing a sale, as what you've said in the past.

**James Harbilas** — Executive Vice President and Chief Financial Officer, AltaGas Ltd.

Correct.

**Benjamin Pham** — Analyst, BMO Capital Markets

Okay, got it. Then you also mentioned earlier in your remarks around minority interest sales. Can you unpack that a bit? Is that taken or observing the First Nation BV opportunities, and is that more on the Midstream side that you're evaluating or looking at?

**Vern Yu** — President and Chief Executive Officer, AltaGas Ltd.

Yes. Just to be clear, I highlighted that as another lever that we have to pull after we sell MVP for us to be able to address any remaining concerns that Fitch has in 2025 with respect to the 5.5x debt to FFO target, so that's where we would consider those type of transactions.

Yes, First Nations transactions would be very much in the mix, and we would look at doing that within the Midstream platform given the ongoing relationships we have with First Nations and our footprint within Western Canada.

**Benjamin Pham** — Analyst, BMO Capital Markets

Got it. Thank you.

**Operator**

Thank you. There are no further questions at this time. Please proceed.

**Aaron Swanson** — Vice President Investor Relations

Thanks, everyone, for joining today's call. You may now disconnect your phone lines.

**Operator**

Thank you. Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.