



AltaGas Ltd.

Second Quarter 2025 Financial Results Conference Call

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Thank you for standing by. Welcome to the AltaGas Second Quarter 2025 Financial Results Conference Call. My name is Jenny and I will 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 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, AltaGas Ltd.

Good morning and thank you for joining AltaGas' Second Quarter 2025 Results Conference Call. This call is being webcast and we encourage following along with the supporting slides that can be found on our website.

Speakers this morning will be Vern Yu, President and Chief Executive Officer, and James Harbilas, Executive Vice President and Chief Financial Officer. We are also joined by Randy Toone, President of Midstream; Blue Jenkins, President of Utilities; and Jon Morrison, Senior Vice President of Corporate Development and Investor Relations.

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 two of the presentation. As usual, prepared remarks will be followed by a question-and-answer session.

I will now turn the call over to Vern.

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

Thanks, Aaron. Good morning and thanks for joining us today. It's great to be here this morning to discuss our strong Q2 results.

We're pleased with our Q2 performance, where we continued to execute on our strategic priorities, and our strong Q2 results put us in good shape to meet our 2025 guidance. Let's start with our strategic priorities. We've continued to maximize return on our assets by increasing midstream throughput and reducing operating costs in our utilities segment. We've actively de-risked our portfolio through long-term tolling agreements and we're pursuing weather normalization in D.C. Our balance sheet is stronger, with trailing leverage now below our target. And we're executing on our growth plans with investments in modernization programs and system expansions at our utilities and we've made strong progress on the construction of Pipestone II and REEF. Through it all, we've maintained disciplined capital allocation to drive shareholder value.

I'm going to start with some highlights from the quarter, provide an update on our major projects, talk about optimization and expansion opportunities at REEF, and review the macroeconomic tailwinds that are driving growth in both of our businesses. I'll then turn it over to James. He'll review Q2 in more

detail, give you an update on 2025 guidance and our longer-term financial outlook. Let's start on slide four.

We delivered normalized EBITDA of \$342 million in the second quarter, 16% higher than Q2 2024. Normalized EPS was \$0.27, nearly double the \$0.14 per share we recorded in 2024. Customer demand for open-access export terminals continues to be robust and this has led to new agreements with Keyera, BASF, and Pembina.

We have now firmly exceeded our global exports tolling target of 100,000 barrels per day for the 2027 NGL year. Given the commercial support that we've seen for our global exports platform, we're looking to advance some debottlenecking opportunities at REEF, which I will discuss in more detail shortly.

We filed a new rate case in Virginia yesterday, seeking a \$65 million increase in base rates that will be effective in early 2026. We also continue to advance the D.C. rate case and our D.C. ARP extension. We're expecting resolution of both of these items by the end of 2025.

Within midstream, we delivered record second quarter global export volumes, almost 128,000 barrels per day of LPGs to Asia. Midstream throughput also grew by 6% year over year across the balance of our midstream facilities, led by our Montney assets.

Utilities also performed well in the quarter, driven by modernization investments, improved asset optimization, and colder weather in Michigan. We're excited about the long-term outlook for our utilities, which continued to deliver the most reliable and cost-effective energy for space heating in our jurisdictions. The delivered cost of electricity is almost four times that of natural gas and we're operating

in a period of growing energy and security, particularly in the PJM market, where concerns about power capacity shortfalls are rising. In response, we're making significant investments to connect new customers and modernize our network to enhance long-term safety, reliability, and energy security. This includes securing regulatory approval for projects like the Keweenaw Connector Pipeline and advancing infrastructure to serve emerging opportunities such as data centers, where we are progressing projects across Maryland, Michigan, and Virginia. We will also continue to advocate on behalf of our customers against public policies that undermine reliability, affordability, and customer choice. The local economies in Maryland, Virginia, D.C., and Michigan can't grow without affordable and reliable energy and it's our job to provide it to our customers.

Let's turn to our midstream growth projects, starting on slide five with REEF. Construction on REEF continues to be on time and on budget. Approximately 70% of the project's costs are now incurred or committed, with 60% of the total capital cost under fixed-priced EPC contracts. The earthworks phase is complete and concrete foundations are now being poured for the LPG bullets and accumulators. Off-site fabrication in Asia is also progressing according to our execution plan. Propane and butane bullets are over 90% complete and the three LPG accumulators are over 85% complete. Major equipment will arrive on site in Q4 of this year. Progress on the jetty continues to recover from weather delays seen in the winter construction season. Overall, the jetty is around 40% complete with almost 60% of the permanent piles driven into the seabed. Construction efficiency has ramped up as we've now entered our first summer construction window. On the ground, we've moved to the construction of the rail loop, the on-site roads, and the utilities corridor. Commercially, we continue to see strong demand for our open-access terminals, which gives us conviction to advance REEF's optimization and expansion initiatives.

Slide six outlines the optimization and expansion opportunities we're currently evaluating beyond Phase I. Optimization 1 has the potential to add up to 20,000 barrels per day of propane export capacity. We have sufficient commercial support to advance Optimization 1 and we are working through the final stages of detailed engineering and cost estimates. Our goal would be to complete Optimization 1 within 12 months of REEF's in-service date.

Optimization 2 is a larger project with the potential to add up to 60,000 barrels per day. Timing of this project will be dependent on market demand and availability of LPG supply, but we will be positioned to deliver the project by the end of the decade, further expanding global markets for Canadian LPGs.

Beyond these optimization projects, we will also progress work for future expansion phases, where we are evaluating the potential for further LPG expansions, including the potential to add other products like ethane. The global waterborne trade for ethane has grown considerably over the last decade and we've received strong interest from Asian buyers looking to diversify their long-term feedstock sources. To unlock the ethane opportunity, we need to solve a few technical hurdles and ensure ethane exports can comfortably coexist with strong petrochemical demand in Western Canada.

We're also making excellent progress on Pipestone II, which is shown on page slide seven. We're on track to be in service by late 2025. Facility construction and assembly is the only major remaining work stream and we are now over 85% complete. The project is fully contracted under long-term take-or-pay agreements and all the project work has either been completed or is under fixed price EPC contracts.

Let's move to slide eight. Our midstream business is well positioned to match increasing Asian LPG demand with the increased Canadian LPG supply. Led by petrochemical demand in China, Asian LPG

demand is expected to grow by more than 30% by 2030. Asian propane demand for PDH facilities, which has been growing at 15% per year since 2020, is expected to grow by another 300,000 barrels per day through the end of 2026. Canadian supply continues to be driven by the development of the Montney. The Montney is very liquids-rich and we're seeing improved liquid yields from the play.

Slide nine highlights why we've made considerable infrastructure investments in the Montney over the past decade. More than half of our G&P and fractionation assets are positioned in this region to serve growing demand for gas processing, liquids handling, fractionation, and global exports connectivity.

Turning to the macroeconomic outlook for utilities, which is found on slide 10, we continue to see rising demand for all forms of energy across the US, with natural gas being critical to meet long-term energy needs. U.S. natural gas demand is increasing with coal-fired power plant retirements, increased industrial activity, and data centers. The constructive outlook for natural gas reinforces our continued investment in modernization projects where we've invested more than \$2 billion since 2018. This has driven an 8% annual rate base CAGR since 2019 and we expect that to continue for years to come. Our modernization runway remains extensive. More than 30% of our system is made up of vulnerable pipes, which we will replace over time to enhance safety and reliability of our network. These investments will allow us to continue to deliver the most affordable and reliable energy for our customers. The expected increase in energy demand coming from AI and data centers is set to accelerate natural gas demand through 2030. This is particularly prevalent in PJM, where we're seeing a significant increase in the gas-fired power generation interconnection queue. Currently, 16 gigawatts of power interconnections are backlog, nearly double the amount from last year.

Lastly, I want to reiterate our 2025 strategic priorities, which we show on slide 11. We'll continue to maximize the value from our existing assets, actively look to reduce our commercial risks, continue to drive down long-term financial leverage, advance our strong organic growth projects, and remain disciplined allocators of capital.

I'm very excited about AltaGas' future and the value we can unlock through the execution of our strategic priorities. And with that, I'll turn it over to James.

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

Thanks, Vern, and good morning, everyone.

We're pleased with our strong second quarter performance, the continued operational execution across the platform, and our progress on our strategic priorities. I'll start by providing a more detailed review of our financial and operating results in the quarter, then discuss the strong progress we have demonstrated on balance sheet deleveraging, and close by discussing the 2025 outlook and our value proposition.

Turning to slide 12, the midstream segment delivered a strong quarter, driven by solid execution across our value chain. Normalized EBITDA for the second quarter was \$215 million, up 23% from \$175 million in the same period last year. This performance was supported by record second quarter export volumes, which increased 4% year over year and were accompanied by stronger realized export margins.

We exported nearly 128,000 barrels per day of propane and butane across 20 VLGCs during the quarter. This included more than 80,000 barrels per day across 12 ships from RIPET and nearly 47,000

barrels per day on eight ships from Ferndale, the equivalent of a ship departing our docks every four-and-a-half days. Export margins included some benefit from our ability to capture premium pricing amid U.S. trade tensions with select merchant cargoes delivered to China when importers were looking for alternatives to Gulf Coast LPGs.

Tolling volumes were relatively consistent year over year compared to the rising levels we have seen in the past couple of quarters. As a reminder, while long-term contracts enhance cash flow stability, they carry lower absolute margins.

Across our broader midstream footprint, we continue to benefit from strategically-located infrastructure and a high-quality customer base. G&P volumes increased 8%, led by a 12% rise in Montney volumes, including Townsend, Pipestone I, and Blair Creek. Townsend volumes continued to benefit from increased deliveries under the 100 million cubic feet per day gas processing contract we signed in late 2024 with a major international energy company. At this stage we have seen approximately 60% of the volumes associated with that contract now come online with the balance expected to ramp up during the fourth quarter of 2025.

From a risk management perspective, 98% of our expected 2025 global export volumes are either tolled or financially hedged with an average FEI to North America spread of approximately US\$18 per barrel on the non-tolled volumes. We've also substantially hedged our 2025 Baltic freight exposure through a combination of time charters, financial instruments, and tolling arrangements.

Finally, midstream results included higher equity earnings from the Mountain Valley Pipeline, which started operation late in the second quarter of 2024. As the project transitioned into service, AFUDC contributions were modest last year, leading to a large year-over-year contribution this quarter.

Turning to the utilities segment on slide 13, normalized EBITDA was \$134 million, up 10% from \$122 million in Q2 2024. Growth was driven by modernization investments, improved asset optimization contribution and colder weather in Michigan, where we do not have weather normalization, partially offset by lower retail contributions in the quarter. As we have messaged in the past, we have taken strong steps to manage our cost structure and keep operating expenses in line with our approved rate structures.

We deployed \$160 million of capital in the utilities during the quarter, including \$96 million for modernization programs and \$21 million for new meter connections. For full year 2025 we expect to invest over \$700 million in utilities as we continue to make critical investments for the future. Modernization will remain a key focus, as these programs improve safety and reliability while also reducing leaks and lower long-term operating costs. We have active modernization programs across all four operating jurisdictions with \$1.7 billion in pre-approved spending supporting steady and ratable growth.

On the regulatory front, we filed a \$65 million rate case in Virginia yesterday, net of the SAFE surcharge, with a requested 10.85% return on equity. With a 120-day statutory timeline, we expect interim refundable rates to be in effect by 2025 year end. In D.C., we continue to advance the 2024 rate case filed last August as well as our District SAFE application to extend our modernization program into the future. We expect resolution on both by 2025 year end.

We continue to progress data center business development initiatives with active opportunities in Virginia, Maryland, and Michigan. FEED studies are underway for both primary and bridge power solutions with pipeline interconnect infrastructure. These projects are being pursued on a de-risked basis through traditional rate-regulated investments with unique rate structures.

In the corporate and other segment, we reported a normalized EBITDA loss of \$7 million compared to a \$2 million loss in the second quarter of 2024. The year-over-year change was primarily due to higher G&A costs, primarily from long-term incentive plans.

Turning to our outlook on slide 14, we are reiterating our 2025 guidance. While we've seen both tailwinds and headwinds so far this year, they have largely balanced out. There are no major changes to our 2025 capital budget shown on slide 15. We expect to deploy \$1.4 billion with 51% allocated to utilities and 45% to midstream, as we expect to complete Pipestone II prior to year end while making material advancements on REEF. Most utilities capital will continue to support ARP modernization programs and system betterment, with the remainder targeting new business and customer connects. This will include commencing work for the Keweenaw Connector, which is expected to come online in early 2027.

As shown on slide 16, we reduced adjusted net debt by approximately \$215 million quarter over quarter and are in line with our long-term debt target at 4.6x, including 50% debt treatment for preferred shares and subordinated hybrid debt. As a reminder, our revised 4.65x leverage target now includes 50% debt treatment for preferred shares and hybrids. We continue to work through our monetization process of our interest in the Mountain Valley Pipeline with proceeds to be used for leverage reduction, which would further bolster our financial flexibility and improve our long-term investment capacity. The asset

has performed above expectations since going into service and benefits from being expandable through additional compression on the main line and extendable into North Carolina through the Southgate project, both of which are progressing towards near-term final investment decisions.

In closing, we delivered a strong second quarter, reinforcing the value of our diversified infrastructure platform and the operational execution that drives it. As highlighted on slide 17, we have a compelling investment proposition with low-risk infrastructure that provides stable and growing earnings and cash flows. We have strong organic growth across the platform, we have been disciplined allocators of capital over the past six years, and we'll continue to focus on that into the future. The results of this focus can be seen on slide 18. We've achieved industry-leading normalized EPS, EBITDA, and deleveraging metrics and have rewarded our shareholders with exceptional total shareholder returns.

And with that, I will turn it back to the operator for the Q&A session.

Q & A

Operator

Thank you. Ladies and gentlemen, we will now conduct the analyst question-and-answer session. If you would like to ask a question, please press the star then the number one on your telephone keypad. If you would like to withdraw your question, please press star two. Once again, that is star one should you wish to ask a question.

Our first question comes from Jeremy Tonet from J.P. Morgan. Your line is now open.

Eli Jossen — Analyst, J.P. Morgan

Hey. This is Eli Jossen on for Jeremy. Congrats on the strong quarter. Just wanted to start on the LPG contracting you laid out today, some of the new announcements. Should we think about these as simple fee times volume arrangements or are there more margin sharing elements with commodity price exposure? Thanks.

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

I'll start here, Eli. These are typical tolling agreements where, effectively, we earn a return on capital for our investment and the operating costs are passed through to the customer, so it's just more of the same.

Eli Jossen — Analyst, J.P. Morgan

Got it. Thanks. And you touched a little bit on the MVP expansions nearing FID. Would you say those are the primary gating item for a sale at this point? What inning should we think about for the sale discussions overall?

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

Yeah, Eli, it's James Harbilas here. I would say that we're in the late innings of the process and definitely approaching the finish line. We continue to be committed to completing a transaction and there is strong interest throughout the process from global infrastructure funds, but as I indicated on our Q1

call, we are dependent on the operator to close out operational due diligence, and as you touched on, due diligence related to the expansion projects, both of which are advancing extremely well and we're seeing strong interest in the open season. EQT has been a great partner to work with, but any time you have an intermediary, you know, there could be slight delays in terms of information flow related to the due diligence items, so I would say that that is the biggest factor contributing to a slight delay in timing here.

Eli Jossen — Analyst, J.P. Morgan

Got it. Thanks.

Operator

Your next question is from Maurice Choy from RBC Capital Markets. Your line is now open.

Maurice Choy — Analyst, RBC Capital Markets

Thank you and good morning, everyone. I just wanted to touch on the midstream business for a moment here. Just curious how you think that, over the long term, how NGL molecules will move differently from how it does today. Obviously today you've got quite a bit of fractionation across your facilities, but there's also a big hub in Fort Sask. A lot of liquids-rich growth is coming out of Northeast BC and Northwest Alberta and a lot of exports heading out west through your terminals as well. So just curious how you see flow changing over time.

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

Okay, Maurice, it's Vern. I'll start, and then if I miss anything, Randy can jump in.

I think our view is that propane and butane need to go west and the most cost-efficient way for our customers to get it west is through rail loading facilities directly in the Montney, and you've seen us do that at North Pine and there's other customers out there who have similar ideas. So I think, from an economic basis, it's best that the product that we're moving go directly to the West Coast and skip the Fort Saskatchewan hub there. Obviously, condensate needs to go back into Alberta, ultimately to the oil sands, so there's kind of a mixture of infrastructure required with propane and butane going west and condensate going east.

Is there anything you wanted to add to that, Randy?

Randy Toone — Executive Vice President & President, Midstream, AltaGas Ltd.

Yeah, we see NGL growth coming in, obviously, Northeast BC, where we do think that the LPG will go west where it's the best economics. But we also see growth in Northwest Alberta and the Montney and that those barrels will likely go to the Fort, but we do think that the LPG ultimately from the Fort will go west as well.

Maurice Choy — Analyst, RBC Capital Markets

Maybe along those same lines, do you see the potential for, I guess, a second hub and where you are right now growing larger over time and so much LPGs are heading out west?

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

Oh, yeah, I think we're focused on incremental fractionation at North Pine and that's something we're actively working on with some very large-volume customers and hopefully we'll be able to talk more about that later this year. And as you see these customers work on their development plans, I think they're also looking at potentially some of their own infrastructure that would be aligned with what we're doing.

Maurice Choy — Analyst, RBC Capital Markets

Understood. And if I could just finish off with a question on utilities. I know in one of your slides, I think it was slide four, you've highlighted that data centers are under evaluation in the utility segment. So far, across the earnings season, not just yours but everyone else's as well, we've continued to hear that there's a lot more investments to power AI that just keeps getting stronger. I know historically you've mentioned that this could just increase your rate base growth to, say, 9%, up from 8% currently. Have you seen any evidence that this may go beyond 9% or is it more about making a runway of growth a little bit longer?

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

Well, I think the determined, the gating [inaudible] like a full flurry of data centers in our markets, which is really the DMV in Michigan, is the full path of getting that energy to the data centers. You need visibility into long-haul pipes, you need visibility into what we can do with our distribution pipes, and then ultimately the data centers would be looking to procure the equipment that they need to actually generate the power. And I think all along the value chain there's multiple parties working on making that

happen. So I think the way that I'd characterize it, we continue to see lots of customer interest, but it is taking a while to get all of those moving parts put to bed.

Blue, is there anything you wanted to add?

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

No, Vern, I think you're spot on. The components that we control, we're very comfortable with timing and managing those. As Vern points out, we're trying to help facilitate both upstream of where we are with access to long-haul capacity and supply, if required, and downstream turning those molecules into electrons. So I think Vern nailed it.

Maurice Choy — Analyst, RBC Capital Markets

Thank you very much.

Operator

Thank you. And your next question is from Sam Burwell from Jefferies. Your line is now open

Sam Burwell — Analyst, Jefferies

Good morning. So obviously you have plenty of growth avenues ahead of you in midstream, but just curious, to the extent you need to prioritize things from a capital standpoint, how do the returns or build multiples or just general opportunities compare across exports versus frac versus gas processing?

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

Well, I think exports is definitely, once we get into these optimizations and potential expansions at REEF, are going to have the lowest build multiples just because we've pre-built a bunch of the infrastructure with REEF Phase I, where we are pre-building the dock and the rail loop to accommodate all these other phases of REEF. I think fractionation would be then the next most attractive investment opportunity followed by gas processing.

Sam Burwell — Analyst, Jefferies

Okay. Understood. And then with respect to MVP, is it fair to assume that at least the lion's share of those proceeds are all recycled into growth CapEx given where you guys have leverage now?

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

Yeah, I do think that we would basically use it to immediately reduce leverage and give ourselves a little more headroom and, obviously, a lot more investment capacity that maybe we can then allocate to these growth projects as they start to move forward through our development pipeline and we start to lock down costs and start to lock down commercial underpinning so that we can declare an FID. But the immediate use will go to deleveraging, that will create additional investment capacity and headroom, and then obviously, yeah, we would be able to fund more of these projects that we're moving through our development pipeline.

Sam Burwell — Analyst, Jefferies

Got it. Thank you, guys.

Operator

Thank you. And your next question is from Patrick Kenny from National Bank Financial. Your line is now open.

Patrick Kenny — Analyst, National Bank Financial

Thank you. Good morning. Yeah, just on the upsizing of REEF here, the Optimization 1 opportunity, can you just clarify whether or not the incremental contracts announced this morning, combined with the other commitments locked in through the quarter, effectively underpin the 15,000 to 20,000 barrels a day from a commercial standpoint? And then just thinking about the timing around securing commitments for Optimization 2 capacity, curious how we should be thinking about the timing of securing these volumes as well as the quantum of capital or the build multiple relative to the first optimization?

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

Okay. I'll start and Randy can correct me if I miss something.

I think, for Optimization 1, commercial isn't the gating item. I think we're very comfortable with the level of tolling that we have in our portfolio for us to have enough commercial support to go ahead with that. Really, the gating item on Optimization 1 is a couple of things, making sure that this optimization doesn't impact the in-service date of Phase I of REEF and then finalizing our Class III cost estimate.

Obviously, this optimization will have an extremely attractive build multiple and we're quite excited about the project, but really, we're just making sure our Is and Ts are dotted on the capital front.

With Optimization 2, there's a little bit more work to be done here. I think we're working through detailed engineering. And costing, we're not going to have that done probably until sometime in the first half of 2026. And then we do need to make sure all of our stakeholders are fully aligned with us on this particular project. This one has a very minimal amount of permitting and we need to start that process as well. And then finally, commercially, we want to time the project to make sense with growing LPG supply in Western Canada. So I think Optimization 2, again, will be a very, very attractive project, but we do have a little bit more work to do here.

Do you want to add anything, Randy?

Randy Toone — Executive Vice President & President, Midstream, AltaGas Ltd.

No, I think you covered it well.

Patrick Kenny — Analyst, National Bank Financial

Okay. And then I guess from a customer mix perspective, you know, for your exports business as a portfolio, despite these midstream customers having strong investment-grade credit profiles, just wondering, Vern, if you're looking to diversify your customer base going forward with more downstream or even large upstream customers or do you remain sort of agnostic to customer type so as long as they are a strong counterparty?

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

Yeah, it's critically important that we have strong counterparties. If their credit rating is below investment grade, we would be looking for credit support. I think when you look through our contract mix, we support pretty much every producer in Western Canada with our export facilities and we have numerous offtake customers in Asia, again, with very strong balance sheets. So, some of these things we haven't disclosed for commercial reasons, but the portfolio is quite diverse and very strong from a credit perspective, Patrick.

Patrick Kenny — Analyst, National Bank Financial

Got it. Okay. And then last one for me, just looking at the leverage ratio already being where you wanted it, even without the sale of MVP, but I couldn't help but notice the omission of the 5% to 7% dividend growth guidance through 2029, so I just wasn't sure if you're thinking about potentially retaining more cash going forward in light of all these growth opportunities or if you're just being a little bit more cautious in light of geopolitical or capital markets uncertainties.

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

No. Patrick. It's James here. We're still committed to the 5% to 7% dividend growth. I mean that's obviously underpinned by strong growth across the entire platform, inclusive of utilities. And given where the payout ratio is, we feel very comfortable reiterating the guidance with respect to dividend growth as well.

Patrick Kenny — Analyst, National Bank Financial

Okay, great. But I guess in terms of allocating the potential proceeds from MVP, just in terms of dry powder for new growth opportunities versus previously, I think you had earmarked some of those proceeds for the balance sheet on a permanent basis. Just wondering if there's been any change there.

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

No. I tried to address that in an earlier question where the immediate use will go to further debt reduction and it will give us the opportunity to build a little more investment capacity and some dry powder and as we work our way through these projects and get them to the state where we can declare FID then we will start to allocate some of that capital. So right now it's just going to create a little more dry powder for us to be able to continue our growth trajectory.

Patrick Kenny — Analyst, National Bank Financial

Okay. Perfect. I'll leave it there. Thank you.

Operator

Thank you. And your next question is from Robert Catellier with CIBC Capital Markets. Your line is now open.

Robert Catellier — Analyst, CIBC Capital Markets

Hi. Just wanted to follow up on the LPG export business and maybe an early look into 2026 given the higher tolling levels and what appears to be tighter margins than the very strong margins experienced in 2025 on a spot basis.

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

I think we'll give you that, obviously, when we give guidance later this year. I think the percentage of tolling will be, ballpark similar to the percentage of tolling in 2025. Obviously, there's been a huge amount of volatility in 2025 on merchant FEI to Fort Saskatchewan spreads. There have been opportunities where Canadian propane is obviously priced higher than FEI, so we're working through all of that but we're pretty confident that our results in 2026 will be strong as well.

Robert Catellier — Analyst, CIBC Capital Markets

Okay. And what do you see as the implications of Keyera's acquisition of the Plains' NGL business, should that close? Do you see an opportunity for more volumes similar to previous contracts signed with Keyera or do you anticipate any other changes in the business?

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

Well I think, from a high level, we hadn't historically done a lot of business with Plains. Plains has been historically focused on moving NGL volumes to Eastern Canada. I think Keyera, with a broader knowledge of NGL markets, will have an opportunity to optimize their NGL portfolio as far as pointing barrels to different markets, so we look forward to doing more business with Keyera as we move forward.

Robert Catellier — Analyst, CIBC Capital Markets

Okay. And last one for me, maybe for Blue. I'm just wondering what the practical implications are of the Next Generation Energy Act in Maryland, specifically as it relates to rate base growth and the asset replacement programs.

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

Hey, Rob. Good question. As you know, Maryland is very active for us, so we were happy to come out of the legislative session with support to continue the accelerated pipeline replacement program. So, as you know, we've got a remaining three years in there, so we're happy with that. As Maryland continues to wrestle with their balance on what they're going to do with their economic growth drivers as well as how are they going to hit their stated climate goals, they continue to look for different alternatives. We're clearly not supportive of anything that limits customer choice, that's not news to you or anyone else who follows us, and of course we're very supportive of the utility model where providing safe, reliable, affordable gas to consumers within our operating jurisdictions that drives economic output for the region is important. So you should expect to see us challenge anything that comes counter to that, just as you've seen us do with some of the gas ban activity in Maryland. So we're in ongoing dialogues with the regulators, we have filed appeals to things that we think don't make sense, and as we've done in the gas bans, you'll see us use the legal process to continue those challenges. So we continue to work our way through it. I think the reality for us at a macro is this that, you know, those type of policies that make it harder to do business as an investment process, whether it's building homes or building new businesses or whatever it may be, the region is fairly small, and so what it tends to do is just push those economic activities across the river into one of our other jurisdictions. So it may simply just be a fact where it moves

some investment into Virginia, for example, as opposed to Maryland. But we're trying to work with Maryland to help them understand the impact of those decisions and why it's important that they look at the broader picture.

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

Let me just follow up. I think, obviously, in our view, it's just bad policy. So we're going to fight this very vigorously in the courts. And the fact is we deliver, for space heating, a product that is four times cheaper than the electric alternative and, in fact, we do it on a lower emissions basis when you consider that PJM is a highly carbon-intensive generation mix. So we will ramp up our advocacy efforts in Maryland and reiterate to regulators and policymakers that this is harmful to the ratepayers.

Robert Catellier — Analyst, CIBC Capital Markets

Okay. Thank you.

Operator

Thank you. And your next question is from Jessica Hoyle from Scotiabank. Your line is now open.

Jessica Hoyle — Analyst, Scotiabank

Good morning. Thanks for taking my question. Just one for me on the global exports business. But it appears that most ships out of RIPET are going to China versus Japan previously. Can you just speak to these dynamics and the impact on margin?

Randy Toone — Executive Vice President & President, Midstream, AltaGas Ltd.

Hi, Jessica. It's Randy Toone. We normally have been selling our cargoes into Japan or South Korea. With the tariff noise, we have been able to sell some cargoes into China and one of the reasons why we're putting in the methanol removal unit at RIPET is to open up the Chinese market. So we always are looking at diversifying our offtake and we have been successful lately selling into China. But we still see Japan as one of our main customers.

Jessica Hoyle — Analyst, Scotiabank

Thank you.

Operator

Thank you. And the last question is from Ben Pham from BMO Capital Markets. Your line is now open.

Ben Pham — Analyst, BMO Capital Markets

Thanks. Good morning. I wanted to ask about the LPG export positioning and the Trigon project. Can you update us on the status of the legal situation there, like when you expect that to clear? Do you expect Bill C-5 Prime Minister to be involved in superseding any sort of exclusive rights you have? And then lastly, like any sort of customer feedback you had in terms of Trigon's view that you need another alternative LPG export facility on the West Coast.

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

I'll start. I think ultimately, the Port of Prince Rupert has jurisdiction in deciding what various terminals are able to do. The port, PRPA, has given us the right to export bulk liquids at REEF and what we're most focused on is making sure that we get REEF built on time, on budget, and provide that open-access export capacity for the multiple customers that we have. Obviously, by progressing REEF Opti 1, REEF Opti 2, we have plenty of cost-effective capacity to make sure our customers have access to that Asian market. And you can see through the announcements that we've made over the past several months, is that effectively, every major NGL aggregator has now committed very significant volumes to our projects. And similarly, while it's not publicly disclosed, every major NGL producer in Western Canada has made those commitments as well. And BASF is an indication of the offtake agreements we're seeing on the downstream side of things.

So we have permits, we have good relationships with our stakeholders on the ground, and then we obviously have line of sight to how we can continue to grow our facility. So that's the thing we're most focused on. I think PRPA will work through the Trigon litigation. They are looking for summary dismissal of that lawsuit from Trigon and the actual court date for the hearing has now been pushed out, I think, till 2027. So the ability for Trigon to get, ah, the ability for them to actually export any LPGs through the court process has been pushed out materially. So all we can do is focus on what we're doing and I think we're providing ample access for LPGs to Asia on a very cost-competitive basis for our customers.

Ben Pham — Analyst, BMO Capital Markets

It sounds like then, Vern, thanks for that, with the debottleneck proposal, it doesn't sound like you need to wait for these legal challenges to clear, right, because you're basically just contracting out. There's a significant need for propane exports at the moment.

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

Absolutely. We manage what we can manage and we have strong customer support.

Ben Pham — Analyst, BMO Capital Markets

Okay. Maybe one more for me on MVP. I know you're steadfast on monetization and you go through the process. Is there any scenario where you may not want to sell MVP just given its position and strong position in market expansion opportunities, that it's better to hold that yourself versus monetizing it?

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

Ben, it's James here. I mean, look, I think we've been pretty consistent about identifying it as a non-core investment. I mean there's obviously a lot of value to that asset, and we've touched on the expansion projects. We've seen a very robust process and we're in the late innings. So we are committed to a transaction on that and we feel that we can reallocate those proceeds to projects that we can build out where we have operational control and we can continue to surface value through that operational control. And that's been a consistent theme for us when you look at our history as well in terms of some

of the assets in our portfolio that we decided to monetize. We always reallocated those proceeds to be able to build out assets that we directly operate. That's how we've been able to surface significant value and capture synergies across the entire platform for our shareholders. So that's the approach that we'll continue to use with MVP.

Ben Pham — Analyst, BMO Capital Markets

Okay. Thank you.

Operator

Thank you. This concludes the Q&A portion of today's call. I will now turn the call back over to Mr. Swanson.

Aaron Swanson — Vice President, Investor Relations, AltaGas Ltd.

Thanks, Jenny. Before everyone jumps off, I just want to point you to a recent video we updated on to our website, a REEF construction update. You can find it on the infrastructure section of our website. It's a nice overview and I think it was taken in early July, so it gives you a fresh picture of how things are progressing. Thanks again for everyone joining. Have a great day.

Operator

Thank you, everyone. You may all disconnect your lines.