AltaGas Ltd.

Third Quarter 2025 Results Conference Call

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the AltaGas Ltd. Third Quarter 2025 Results Conference Call. At this time, all lines are in a listen-only mode.

Following the presentation, we will conduct a question-and-answer session.

If at any time during this call you require immediate assistance, please press *, 0 for the Operator.

I would now like to turn the conference call over to Aaron Swanson. Please go ahead.

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

Good morning and thank you for joining AltaGas's third 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 in the room 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 2 in 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 and Chief Executive Officer, AltaGas Ltd.

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

I'm pleased to discuss our strong Q3 results and the continued advancement of our key strategic priorities.

Our performance in Q3 positions us well to deliver on our 2025 guidance.

I'll start by highlighting the key developments from the quarter, which include three new growth projects, an update on our construction progress at REEF and Pipestone II, and I'll finish by touching on the macroeconomic trends that continue to provide tailwinds for our business. James will then walk you through the details of our Q3 financial results and provide an update on our guidance and outlook.

Let's start on Page 4.

Our third quarter results were anchored by strong operational performance of both Midstream and Utilities. We increased throughput in Midstream, with record global export volumes, and continued operating cost reductions in the Utilities.

We de-risked our portfolio by adding additional long-term tolling agreements, systematically hedged our residual commodity exposures, and made regulatory filings in Virginia and D.C. to maximize our regulatory outcomes.

Our balance sheet remains strong. Continued deleveraging has expanded our investment capacity, which allows us to increase our secured growth inventory.

Pipestone II has now reached mechanical completion. And all of the permanent piles have now been installed at REEF, and major equipment like the LPG accumulators are scheduled to be delivered over the next couple weeks.

Our actions continue to be guided by disciplined capital allocation, where we fund the best risk-adjusted returning projects to create long-term shareholder value.

As shown on Slide 5, we delivered a normalized EBITDA of $268 million, slightly below Q3 2024, due to the pension settlement recorded in 2024. Excluding that item, year-over-year normalized EBITDA grew by 18 percent.

Q3's operational performance was excellent. We achieved record global export volumes in the quarter, over 133,000 barrels per day, with year-to-date volumes up 4 percent. This reflects strong demand for Canadian LPGs at our open-access terminals and great operational performance by our teams.

We also saw robust gathering and processing activity, where throughput grew by 3 percent. Our North Pine frac plant recorded 13 percent year-over-year volume growth, achieving a processing record.

We continue to be very active with our regulatory actions. In D.C., we advanced our rate case while, in Virginia, we filed for new rates. We also submitted amendments to extend our ARP programs in Virginia and D.C., which reinforces our commitment to make our systems safer and more reliable.

Utilities also performed well, supported by $121 million in modernization spending and a 5 percent reduction in O&M costs at WGL.

We are very excited to announce the FID of three new growth projects this morning. All of these projects are underpinned by extremely strong demand by customers for our services.

REEF Optimization 1, or Opti 1, will add up to 25,000 barrels a day of propane export capacity, with a total capital cost of $110 million, $55 million net to AltaGas. The project is expected to be in service in the second half of 2027.

As a quick reminder, Canada produces around 500,000 barrels a day of LPGs, where we use half of it domestically, and the balance gets exported to the US and Asia. The US is already long LPGs, so Canada needs to increase Asian exports to maximize the value of our products. Opti 1 is the first in a series of optimizations and expansions at REEF that will unlock significant additional global market access for Canadian LPGs.

We are also excited to move forward with our Phase I expansion of the Dimsdale Gas Storage Facility. The 6 Bcf expansion is backed by two 10-year firm service contracts with Tourmaline and Gunvor. The capital cost for the project is estimated to be about $65 million, with a target in-service date of year-end 2026. The project will focus on facility de-bottlenecking to expand capacity and will also significantly reduce our operating costs.

We also continue to advance a larger Dimsdale expansion, Phase II, which will more than double storage capacity from 21 Bcf to upwards of 70 Bcf.

In Michigan, we're moving ahead with the 30-mile Keweenaw Connector Pipeline, following regulatory approval in Q2. Keweenaw is a US$135 million project that will come online in early 2027. It will enhance system reliability for 14,000 SEMCO customers.

As highlighted on Slide 7, our secured growth project inventory continues to increase. We have many more opportunities in the project hopper, and we look forward to announcing additional FIDs as these projects are sufficiently de-risked.

We have approximately $5 billion of investment capacity over the next three years, of which $3.5 billion can be dedicated to growth initiatives, which all can be executed while we live within our financial guardrails.

Successful execution of these growth projects in Utilities and Midstream allows us to grow the enterprise at an average of 5 percent to 7 percent per year over the long term.

Let’s move to project execution. Construction on REEF continues to be on time and on budget. 77 percent of the project’s costs have either been incurred or committed, with nearly 70 percent of the capital under fixed-priced EPC contracts, significantly de-risking the project’s cost.

Off-site manufactured equipment has started to arrive at Ridley Island, with the first of three LPG accumulators, along with the butane and propane bullets, expected to arrive over the next couple of weeks.

Fabrication in Asia is progressing to plan, with the remaining two accumulators 95 percent complete. Steady construction is advancing, and we’re now 60 percent complete. All of the permanent piles are in place. Five out of the twelve platforms are now ready for topside work. And we have begun installing the prefabricated pipeline trestles. We’ve also made strong progress on the rail loop, on-site roads, and the utilities corridor.

Slide 9 highlights some of our recent construction progress.

As shown on Slide 10, we’re pleased to announce that Pipestone II has reached mechanical completion, with commissioning underway, and we remain on track to be fully operational by late 2025.

I want to congratulate the team on their strong project execution and safety performance. They worked over 420,000 project hours without serious injury, having up to 450 workers on-site at peak times, with no quality regulatory environmental issues during construction.

Moving to Slide 11, we want to highlight some of the key macro drivers that support our Midstream business.

Canadian gas production is positioned to continue to grow and be led by strong economics in the Montney and LNG demand pull over the long term. With three Canadian LNG projects now operational or under construction, and another three at various stages of pre-FID, Canada is positioned to export upwards of 7 Bcf per day by 2030.

This 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 service the growing demand for gas processing, liquids handling, fractionation, and global export connectivity.

As highlighted on Slide 12, the macroeconomic outlook for our Utilities is equally robust. US energy demand continues to rise, with all roads leading back to natural gas as the most scalable, reliable, affordable, and environmentally friendly energy solution. These fundamentals support our modernization investments, where we have long-term plans to replace vulnerable pipelines to enhance our system's safety and reliability.

These investments will allow us to deliver the most affordable and reliable energy to our customers for decades to come.

As you see on the top of the chart, the delivered cost of electricity is more than three times higher than natural gas across D.C., Maryland, and Virginia, and even higher in Michigan, where the delivered cost of electricity is over five times greater than natural gas.

Affordable, reliable energy is essential to economic growth in our franchise areas, and it's our responsibility to deliver it. It's becoming increasingly evident that we're operating in a period of growing energy insecurity, particularly in the PJM market, where concerns about power capacity shortfalls are accelerating. We are seeing a massive increase in the gas generation backlog across the US, and in PJM alone, the region has 16 gigawatts of gas-fired power generation backlog.

To meet rising demand, US electric utilities are increasing capital spending. 2025 spending is up 24 percent over 2024. Between 2025 and 2027, nearly $700 billion of capital is expected to be invested to support robust power demand and the need to replace aging electric infrastructure. This level investment will likely put further upward pressure on electricity rates, further enhancing the affordability advantage of natural gas.

AltaGas is well positioned to benefit from these macro tailwinds that support continued growth in our businesses. We will remain disciplined in how we operate and allocate capital to ensure that we deliver long-term value for all of our stakeholders.

And with that, I'll turn it over to James.

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

Thanks, Vern, and good morning, everyone.

We're pleased with our strong third quarter performance, continued operational execution across the platform, and the progress we've made on our strategic priorities.

I'll start with a detailed review of our financial results from each segment, provide an update on the Mountain Valley Pipeline, its growth projects, and our monetization process, discuss our 2025 outlook, and close with our value proposition.

Let's start with the Midstream business on Slide 13.

Segment delivered a solid quarter, supported by strong execution across our integrated value chain.

Normalized EBITDA for the second quarter was $204 million, up 13 percent from $181 million in the same period last year.

This performance was supported by record global export volumes, which increased 4 percent year over year, and was accompanied by stronger realized margins.

We exported over 133,000 barrels per day of LPGs across 23 VLGCs during the quarter. This included more than 77,000 barrels per day across 13 ships at RIPET, and nearly 56,000 barrels per day across 10 ships from Ferndale, the equivalent of a vessel departing our docks every four days.

These volumes approach the effective near-term operational capacity of our current export platform, which highlights the need to bring REEF online and our decision to move forward with the REEF Optimization 1 project.

AltaGas's export business was largely protected from commodity price volatility during the quarter through our commercial tolling agreements and our active hedging program.

Operating results across the balance of the Midstream business was strong and continued to benefit from the strategic locations of our assets, our long-term contracts, and our strong customer base.

The greatest strength was seen in our northeastern BC Montney footprint, where North Pine volumes were up 13 percent, Blair Creek volumes were up 9 percent, and Townsend volumes were up 6 percent year over year. This strength was partially offset by lower volumes at Younger, which is a non-operated facility that experienced an extended unplanned outage during the third quarter.

Volumes at Pipestone I in the Alberta Montney were also lower on a year-over-year basis in the third quarter, due to a planned turnaround where the facility was offline for most of September. Since then, volumes have returned, and the plant is operating near capacity.

The value of our Dimsdale natural gas storage facility was demonstrated during the third quarter, where gas storage reached record levels and highlighted a critical need for increased storage capacity in Western Canada. This reiterated our decision to reach a positive FID on the first phase of expansion for Dimsdale.

Dimsdale will be critical for balancing needs of the Montney and increased natural gas demand from LNG export facilities. We are pleased with the value and protection the asset will unlock for our customers in the years ahead.

In terms of risk management, principally all of AltaGas's remaining 2025 global export volumes are either tolled or financially hedged, with an average FEI-to-North America spread of approximately US$17 per barrel on the non-tolled volumes.

We've also substantially hedged all our 2025 Baltic freight exposure through a combination of time charters, financial instruments, and tolling arrangements.

Turning to Slide 14, the Mountain Valley Pipeline delivered another strong quarter, which reflected the pipeline's long-term contracts and robust demand to move Appalachian gas into key downstream markets. The 2 Bcf-per-day pipeline is operating near current capacity under 20-year contracts with strong customer demand for additional capacity.

Following a highly oversubscribed open season, the partners have increased the size of the proposed MVP Boost expansion project by 20 percent. Boost is expected to increase overall MVP capacity by 600 million cubic feet per day with a mid-2028 in-service date. This is a year earlier than previously expected, with the entire 600 million cubic feet per day of incremental capacity fully contracted by investment-grade utilities under 20-year take-or-pay agreements. US$450 million project is targeting an approximate 3 times CapEx-to-EBITDA build multiple.

The proposed MVP Southgate project is also progressing under the more efficient project plan, with FERC publishing its environmental assessment in October, concluding that Southgate will not cause significant negative impacts from its development, as the project will adhere to certain mitigation measures and environmental safeguards.

AltaGas continues to move through our sales process, inclusive of recent positive developments on the pipeline over the past months and expects to provide an update in the coming weeks.

Let's turn to Utilities on Slide 15.

Normalized EBITDA was $68 million in the third quarter of 2025, compared to $117 million in the same quarter last year. The year-over-year reduction was principally driven by the absence of the partial settlement of the Washington Gas post-retirement benefit pension plan that was recognized in the third quarter of 2024. Excluding this impact, Utilities' performance was strong, as a result of higher revenue from modernization investments, 5 percent reduction in operating and maintenance costs at WGL, and stronger performance from the retail business.

The steps we took to reduce our cost structure in 2024 continue to drive productivity improvements that benefit all our stakeholders. By maintaining operating costs within approved rate structures, we preserve affordability for customers while creating financial headroom to invest in asset modernization, system reliability, and safety enhancements, improving the reliability of our system and reducing leak rates, which benefits our customers over the long term.

We deployed $206 million of capital in Utilities during the quarter, including $121 million towards modernization programs and $33 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.

We remain active on the regulatory front with two active rate cases and modernization amendment applications in D.C. and Virginia.

In July, we filed a $65 million rate case in Virginia, net of the SAVE surcharge, with a requested 10.85 percent ROE. With a 120-day statutory timeline, we expect interim refundable rates to be in effect by 2025 year-end.

In early August, we filed an amendment to the Virginia SAVE modernization program, seeking to extend the program by one year and move forward with an amended three-year plan. Proposed plan is to invest approximately $700 million in modernization capital between 2026 and 2028. Decision on the proposed amendment is expected by 2025 year-end.

In D.C., we continue to advance the 2024 rate case filed last August and are expecting resolution by year-end 2025. While the PSC of D.C. continues to review the District SAFE application, we recently submitted an application to extend the existing PROJECT pipes 2 program through June 30, 2026, with the additional spending of US$33 million, which ensures our modernization investments will continue uninterrupted while earning an immediate return on capital.

We continue to progress data centre 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 $4 million, consistent with the third quarter of 2024, as lower G&A costs were offset by lower contributions from Blythe.

Turning to our 2025 outlook on Slide 16, we are reiterating our 2025 guidance. While we've seen a number of tailwinds and headwinds this year, they've largely balanced out and, coupled with our performance year to date, we are on track to deliver full year 2025 results in line with our guidance ranges for normalized EBITDA and EPS.

There are no major changes to our 2025 capital budget, as shown on Slide 17. We expect to deploy $1.4 billion, with 51 percent allocated to Utilities and 45 percent to Midstream as we complete

Pipestone II, while making material advancements on REEF. The majority of the Utilities capital will continue to support ARP modernization programs and system betterment, with the remainder targeting new business and customer connects.

We continue to optimize our capital structure and drive costs out of the enterprise. In early September, AltaGas issued $200 million of 5.38 percent junior subordinated hybrid notes, with proceeds used to redeem the Series A and Series B preferred shares. This issuance will result in cash savings of approximately $30 million over the initial five-year term, due to lower taxes and financing charges relative to the potential reset rate on the Series A and Series B preferred share dividends.

In closing, we delivered a strong third quarter, reinforcing the value of our diversified infrastructure platform and our continued operational execution. As highlighted on Slide 18, 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.

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 begin the question-and-answer session. If you have a question, please press the *, followed by the 1 on your touch-tone phone. If you wish to cancel your request, please press the *, followed by the 2. If you are using a speakerphone, please lift your handset before pressing any keys.

Once again, that is *, 1 if you wish to ask a question.

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

Eli Jossen — J.P. Morgan

Hey. Good morning, everyone. This is Eli on for Jeremy. I just wanted to start on the returns and build multiples across exports, frac, gas processing, storage, all the opportunities you have. It seems like there's a lot of optionality in the hopper, both sanctioned and ahead.

So can you talk a little bit about the returns on those projects? And then how you kind of stack-rank the opportunity set—I think you said $3.5 billion worth of dry powder in the next couple years. And maybe just provide a little more colour on that? Thanks.

Vern Yu

Well, good morning. It's Vern here.

I think what we set out in our prepared remarks was that over the next three years, we have about $5 billion of total investment capacity. We'll use about $400 million a year for system betterment and then about $500 million a year on ARP programs. After that, we start funding our best risk-adjusted returning projects.

And in the near term, the series of Midstream's projects that we have, as evidenced by REEF Opti 1, are very attractive projects for us, where the build multiples are relatively low, given the fact that the base REEF project pre-builds out a lot of the common infrastructure for further optimizations and expansions. And that's similar to how we've looked at the Dimsdale gas storage FID that we did this morning as well.

So again, it's lots of opportunities, both in Midstream and Utilities. Utility build multiples tend to be a little bit higher just because of the difficulty of doing construction in busy metropolitan centres.

Eli Jossen

Got it. Thanks. And then, yeah, maybe just on the kind of data centre-driven power demand, I think you mentioned some pipeline infrastructure opportunities as well in the opening remarks. So are these kind of more of those, like, bolt-on size projects? Or is there anything chunkier out there that would contribute more meaningfully to your system or rate base? Thanks.

Blue Jenkins — President, Utilities, AltaGas Ltd.

Yeah. Eli, it's Blue. Thanks for the question.

What we're seeing are smaller projects consistent with what we shared in the past. Those are rate base items that are in that single-digit millions up to the $40 million range. So we connected one in Michigan recently that was about $10 million. We've got some other projects in the hopper that look to be in those type of ranges. So they're incremental, single-digit, up to $40 million, that will roll into our rate base.

Eli Jossen

Great. I'll leave it there. Thanks.

Operator

Thank you. And your next question is from Rob Hope from Scotiabank. Your line is now open.

Rob Hope — Scotiabank

Good morning, everyone. So, good to see REEF Optimization 1 sanctioned. And on the call, you did mention that there could be a series of further expansions including Opti 2, which is 60,000 barrels.

How should we think about the sequencing of these events or the key gating factors? Is this, do you need additional customer commitments? Additional engineering and work there? Or do you have to have construction largely done on the first phase, just like logistically, to get Opti 2 off the ground?

Vern Yu

I can start, and Randy can chip in if I miss something.

But I think you've hit the nail on the head. We have to make progress on all three fronts before we are comfortable sanctioning Opti 2.

Number one, I think is, critically, we haven't finished the detailed engineering and don't have a firm Class 3 cost estimate yet on Opti 2. We see very strong commercial interest for more tolling. But we would need to do a little bit more incrementally, commercially, to maintain our current 60 percent tolled target for the aggregate global export business.

And then finally, we want to make sure that anything we go ahead with on Opti 2 doesn't impact the in-service date of REEF itself and then Opti 1.

So that's kind of how we're looking at it. So we'll have much more comfort around all that probably end of Q1, early Q2 next year.

Rob Hope

All right. Appreciate that. And then just maybe over to Dimsdale. Can you confirm that you could move up to 70 Bcf, I believe is what you said.

And then, secondly, are you engaging customers already on that expansion? And could that be done in phases as well?

Vern Yu

The actual number's around 69, and we are in active commercial discussions with a whole host of customers right now.

Rob Hope

And can it be done in phases?

Vern Yu

Yes.

Rob Hope

Thank you.

Operator

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

Sam Burwell — Jefferies

Hey. Good morning, guys. First off, on MVP, did the upsides of the Boost expansion have any impact on the timing of your sales process? I mean, it seems like the upside (unintelligible) potential buyer, but I'm wondering if (unintelligible). Thanks.

James Harbilas

Yeah. Hey, Sam—

Vern Yu

Sorry, Sam. Can you repeat your question? You broke up.

Sam Burwell

Hey. Sorry. Can you hear me better now?

James Harbilas

Yes.

Sam Burwell

Okay. So just on MVP, did the upsides of the Boost expansion have an impact on your sales process timing? I'm just curious what the remaining gating items or hurdles are in getting a deal finalized.

James Harbilas

Yeah. No. I mean, look, we've been pretty consistent about the fact that we're moving through that process, and we are in the very late final stages of our sales process.

We have, though, said in the past that we want to get a fair value for MVP, and you touched on some recent developments in terms of the success that MVP Boost saw in its open season—obviously, the increased throughput. They've been able to realize slightly better rates per decatherm, too, so we would expect that valuation to be reflected in any transaction that we're looking to consummate on MVP. But we continue to work our way through that sales process.

Sam Burwell

Okay. Great. That makes sense. And then on the REEF optimization, what drove the decision to upsize that up to 25,000 a day? Is that a function of wanting to get the contracted tolling percentage to the right level? Or perhaps a function of more tolling agreements coming through?

And then also, I'm just curious if you can quantify the build multiple on that. I know that you said that the brownfield expansions are extremely attractive in the past.

Vern Yu

Yeah. I think we've seen tremendous interest in tolling from our customers. And obviously, we're right now moving as much LPG as we can to Asia, and that interest continues to grow. So, the optimization was very well received, commercially, so we're very happy to be able to bring that to market.

I don't think we were going to comment specifically on the build multiple, but it's a very, very attractive project for us.

Sam Burwell

All right. Understood. Thanks, guys.

Operator

Thank you. And your next question is from Maurice Choy from RBC Capital Markets. Your line is now open.

Maurice Choy — RBC Capital Markets

Thank you and good morning, everyone. Just wanted to start with the investment capacity. You mentioned $5 billion, of which $3.5 billion will go to growth while maintaining your leverage guardrails.

My question's more of a philosophy discussion about how you see the timing of your growth opportunities versus the funding capacity that you have. Is it that there is a lot of growth opportunities, but your growth investments are limited to $3.5 billion because of your leverage guardrails and the capacity? Or put differently, there's going to be so much projects that make sense to go for in these years, such that you actually have more balance sheet and room to do more?

Vern Yu

I think we're in a great position, Maurice, where we have growing investment capacity with—the $5 billion represents an uptick over what we've had over the last couple years. And really, that's on the back of the improvements in the balance sheet and the material growth we've seen in our cash flows. We see lots of opportunities in front of us, both on the utility and midstream side.

So I think we're in the—we're kind of in the right balance, where we're seeing an uptick in investment capacity and the fact that we have lots of projects on the go, and those projects now have to compete with each other to deliver the best risk-adjusted returns for us.

James Harbilas

And I wouldn't mind just adding something to that, Maurice.

Obviously, our investment capacity, and Vern talked about it, it's increasing, and it increases every year. Right? I mean, if we look at the end of '25, we're going to have Pipestone II coming on, which is going to generate incremental EBITDA that'll take our investment capacity higher into '26 and give us additional headroom to fund some of these projects that we just FID'd. Obviously, the completion of the MVP process will increase our headroom within 2026.

And the last thing I'll add is that a lot of these opportunities that we have in the pipeline have different gestation periods. So as we start to build out the ones that we've FID'd, and REEF comes online, and Opti 1 comes online, it just continues to expand the annual investment capacity that we can allocate to the development pipeline that we have in front of us. So there is a timing element to moving those projects ahead.

Maurice Choy

And maybe just a quick follow-up to that. Are you, directionally, seeing the risk-adjusted returns staying roughly the same? Or do you think that the competition for capital ultimately leads to some of these returns moving higher, be that because customer demand's changing, because the landscape's changing?

Vern Yu

I think, generally, the utility risk-adjusted returns are staying fairly constant. I think we make progress on all of our capital at the utility as we manage our costs effectively and manage our rate filing process properly.

I think it's fair to say in Midstream, the risk-adjusted—the returns are higher. Now obviously, there's a slightly different risk profile, but I think those returns are trending in the right direction, particularly on global exports, because of the fact that we've pre-built a bunch of common infrastructure in REEF Phase 1, so the optimizations and subsequent expansions will be at—return better—provide better returns than the initial investment.

Maurice Choy

Thanks. And if I could finish off my questions with a question on natural gas storage in general, just wanted to see how you would characterize what is an equilibrium market in Western Canada for natural gas storage. Obviously, like you mentioned, a lot of LNG coming on board. There's probably a lot of other demands for local gas usage as well. But you also have your expansion, let's say, through to 69 Bcf. There's another one in Aitken Creek as well. So just curious how you would characterize what is an equilibrium market.

Vern Yu

Well, I'll make a general comment, then maybe Randy can follow up.

I think you've seen a material uptick in production happen in Western Canada as a whole, on the back of LNG, and potentially even more natural gas production coming to support potential data centre opportunities in Alberta.

But we've seen natural gas storage remain fairly constant in Western Canada, outside of our expansion and expansions at Aitken Creek. So I think the amount of aggregate storage available per molecule of production has actually come down over the last several years. And even the nature of some of these larger facilities, if there are operational disruptions, you will need more storage going forward.

So is there anything you wanted to add to that, Randy?

Randy Toone — President, Midstream, AltaGas Ltd.

Yeah. I could—where Dimsdale's located on the NGTL system, it's upstream of what they call the upstream of James River, and that's where a lot of the new production's coming on, so the changing in flows really ups support, gas storage in that area.

And also, with LNG Canada, that demand, we see that as a big pull and so, again, that's why natural gas storage is really in high demand in that area of the system.

Maurice Choy

Understood. Thank you very much.

Operator

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

Robert Catellier — CIBC Capital Markets

Hey. Good morning, everyone. Lots of interesting things on the business development side.

I wanted to follow up on the Dimsdale gas storage here. I wonder if you could just describe how you're approaching the optimization piece of gas storage. Maybe, you could comment on how much of your work capacity is contracted versus available for optimization and how you plan to manage that?

And then the second part of my question has to do with the implications of storage for the rest of your value chain. So I'm wondering if there's an opportunity to leverage the scarce capacity for integrated deals that include more than one service.

Vern Yu

Yeah. That's a great question, Rob. Storage is very valuable, and I think that's why we chose to purchase Dimsdale with the Pipestone assets, as we could offer an integrated service for our customers. And that will be something we'll progress as we look at Pipestone III and subsequent expansions of Dimsdale.

I think, on your first question is, from a high-level perspective, we've been on this path to increase the stability of our cash flows as we move forward. I think, similar to what we were doing in Global Exports, we want to make our gas storage cash flows more stable over time.

So this phase of expansion is basically 100 percent backstopped by firm service, take-or-pay contracts. Our expectation is the next phase will be very similar.

James Harbilas

The only thing I'll add is that the storage that we bought, the working storage of 15 Bcf before these expansions, even that wasn't used by us for optimization. Most of that was park-and-loans, where we were being paid on injection and withdrawal, so we weren't really exposed to the commodity price there. And as those roll off, we will be looking to contract them longer term for that additional—or the initial 15 Bcf on the same basis that Vern touched the expansions would be contracted on.

Robert Catellier

Right. So you're not going to have a lot of optimization exposure, other than what you need for operational flexibility?

James Harbilas

You bet.

Robert Catellier

Yeah. Okay. And then, assuming you come to an agreement on MVP, which seems likely, what are your expectations in terms of timing for a closing date? It seems pretty straightforward, but there's a government shutdown, so I'm just wondering about the regulatory approvals.

James Harbilas

Yeah. Great question, Rob. So look, I mean, in terms of regulatory approvals, we believe that any buyer would just need a FERC approval. And our understanding is, despite the government shutdowns, there is a smaller staff at the FERC that's still trying to move these type of applications forward. And the type of timeline that we would be looking at is anywhere between 30 to 90 days for FERC approval. But that's the only approval that we anticipate needing to get the transaction closed.

And obviously, any announcement obviously would be seen positively by the rating agencies, even if a potential close slipped into the next calendar year.

Robert Catellier

Yeah. And then a last question for Blue. I just wanted maybe a more detailed update on the ARP initiatives, particularly a District SAFE in D.C. As you try to get an extension and then have this separate program approved, I just wonder what the tone is like in this process. Are we likely to see a shorter extension of District SAFE? Or is there an appetite in the regulatory body for a longer-term program?

Blue Jenkins

Yeah. Rob, good question. A couple things I'll note.

So we've been working that particular—as you recall, we filed pipes 3, is where we started, based on the timeline. Commission asked us to refile pipes 3, which we did. They've granted us two extensions so far, and we filed for a third.

There isn't anything in the conversation that leads us to believe that there's any apprehension to getting that process done. I think it's just a timing and a demand. They're also working diligently on our rate case, which we're hoping to have done by the end of the year. So I think it's a timing issue on the workload that they're trying to balance. I don't anticipate any particular challenge to that as we sit here today.

In their communications, they've been pretty transparent, and some of this, very publicly, of course, on it. So we're expecting—we asked for a three-year program under District SAFE. The extensions they've approved have been in line with the spend profile of pipes 2 and District SAFE, so all of those data points leads us to believe it's just a timing and workload effort. So we remain positive that there's a good outcome coming our way.

Robert Catellier

Okay. Thanks very much.

Operator

Thank you. Your next question is from Ben Pham from BMO. Your line is now open.

Ben Pham — BMO

Hi. Thanks. Good morning. I'm just wondering, beyond the assets you mentioned today with the expansion opportunity, like is there other assets that you can point to that utilization's ramping up quite a bit, that you would start to think about or consider sanctioning expansions?

Vern Yu

Yeah. I think our actions in Northeast BC have been very positive. I think we talked about how our Townsend Facility is approaching—is seeing volume growth. And then North Pine, which we recently, not too long ago, had done a brownfield expansion, is also achieving record volumes.

I think as you see more drilling in the BC part of the Montney, for sure, you're going to see the need for more incremental facilities from us.

Randy Toone

Yeah. And I would add to that—

Ben Pham

Okay.

Randy Toone

—our Harmattan facility, it has a lot of activity, and I do think the Harmattan is a consolidator around that area. So that, potentially, could lead to a small expansion of Harmattan.

Ben Pham

Okay. It just sounds like, from all your commentary today and all announcements, there's a long list of midstream opportunities you're working at, at favourable returns.

Does that suggest, then, that your capital allocation exhibit that even balance between the two? Like that's a good picture of how it's going to look the next couple of years?

Vern Yu

Well, I think, Ben. the utility is going to get the majority of the capital just because the ongoing need there is very high, and there's, as we've talked many times about, a 20-year backlog of aging infrastructure that needs to get replaced with more modern infrastructure.

We have, for sure, a very strong project hopper in Midstream. The thing to remember is Midstream projects tend to be smaller in size and take a couple years, generally, to build out, so the amount of capital we actually spend in each individual year for Midstream capital tends to be muted.

Ben Pham

Okay. Got it. And then my last one on the Blythe power gas plant you have in California, we've seen a couple of favourable recontracting outcomes, years and years ahead of expiry. Is there opportunity for you, AltaGas, then, to look at crystallizing something similar to that?

Randy Toone

I mean, look, from our standpoint, we just started a new contract that expires in 2027. I mean, we would always actively participate in those kind of discussions if they're constructive, with the end users. But there's obviously still a need for thermal power in California, and Blythe will continue to be a major contributor to meeting energy demand there. So if there's an opportunity for us, we would pursue extensions of the existing contract for sure.

Ben Pham

Okay. So the base case, then, James, is more that typical like 12, 18 months before? I only ask because we saw one that cut a 2030 extension, so four years ahead of time, which we haven't seen before. So it sounds like the base case is more that typical cycle.

Randy Toone

Yeah. Right now, our contract expires in '27. That is the base case. But like I said, those kind of discussions are always very fluid, especially with data centre demand that's starting to emerge across the Lower 48. Right? So that could be something that initiates a discussion ahead of the timeline that we've experienced historically, from a renewal standpoint.

Ben Pham

Okay. Okay, guys. Thank you.

Operator

Thank you. Once again, please press *, 1, should you wish to ask a question.

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

Patrick Kenny — National Bank Financial

Thank you. Hey. Good morning, guys. I guess, just at a high level, I know you're still a month away or so from finalizing guidance for 2026. But just based on what you can see today, curious if you had any thoughts on a few of the headwinds and a few of the tailwinds that you expect will come into play or be sustained next year, relative to this year.

James Harbilas

Yeah. Pat, it's James here.

Yeah. We're actually about five weeks away from getting our budget approved and rolling out 2026 guidance. We're obviously still working through trying to lock down where our CapEx is going to be.

But in terms of what we're seeing as tailwinds right now, is FX is a bit of a tailwind, relative to last year. Obviously, we continue to see strength in volume exports at the global export platform, and we continue to see some strong rate base growth. And we expect to have new rates in place in two of our three jurisdictions—sorry, two of our four jurisdictions within the utility footprint, so those are some of the tailwinds that we see as well.

But very premature for us to actually give you a range here, but we would expect a slight uptick in CapEx, just given some of the FIDs that we have here, relative to where we were in 2024. But some of the headwinds and tailwinds are the things that I mentioned, that we will incorporate into our guidance when we roll it out to the market.

Patrick Kenny

Got it. And then, James, just on the leverage front, I know there's some noise in the trailing ratio. But as you look ahead to year-end, assuming you are able to close the MVP sale, are you still expecting to end the year with debt-to-EBITDA at or below the 4.65 times?

And then, I guess, as you look to bring some additional midstream growth into that secured bucket, you mentioned the uptick in CapEx next year. But should we expect the incremental growth to be more back-end weighted within the three-year funding plan? Or do you still have some dry powder through ‘26?

James Harbilas

Yeah. Let me try to address the second part of your question first, and then I’ll come back to the debt target metric. Right?

I think some of the comments that we made a little earlier on the conference call about our investment capacity growing is what’s going to give us the ability to fund some of these additional FIDs and maintain our leverage metrics. Right?

Pipestone II is coming online, and you touched on the other major catalysts or increase to our investment capacity, and that’s the completion of the MVP process. So I do think, even though CapEx grows, our investment capacity will grow, relative to 2025, to be able to fund it as a result of those two points.

On the debt target, look, what we want to say is that the 4.65-times is still something that we feel we’re going to achieve at year-end because of the completion of the MVP process. But we do want to remind people that the 4.65-times, we’re going to fluctuate a little bit around that because we do have a seasonal business, if you’re looking at it on a trailing 12-month basis. Right?

And I’ll give you the perfect example of that seasonality. If you look at Q3, we were clearly in injection season within our natural gas utilities, where we’re putting gas into storage to be able to service customers in the winter. Right? So that basically takes up some working capital, and that’s what pushed us up above the 4.65-times target at the end of Q3.

And the other contributor was that we just had a higher FX rate, relative to where the Q2 FX rate was. So those two would have us fluctuate a little bit because of seasonality, but we fully intend to get to that target by year-end, once we complete the MVP process.

Patrick Kenny

Okay. That's great colour. Thanks for that. And then just for Vern, maybe.

With the federal budget coming out next week, wondering if there's anything you'll be looking for on the regulatory front in terms of, perhaps, repealing certain policies or legislation that might help you to firm up some of the FIDs here for your other midstream growth projects?

Vern Yu

Well, I think, Pat, over the next few years, we're in really good shape because all of our projects, we have the permits in hand to go ahead and build these things. I think, longer term, what would be helpful for the industry as a whole would obviously be egress for both natural gas and crude oil. I think, as everyone knows, drilling for natural gas in Western Canada is for LNG, and then to provide liquids, condensate and LPGs, that can be used either in the oil sands or elsewhere.

So anything that helps production grow in the Western Canadian Sedimentary Basin will be beneficial for us, as we have our strong position on maximizing netbacks for producers on the LPGs.

Patrick Kenny

Okay. That's great. Thank you.

Operator

Thank you. There are no further questions at this time. Please proceed with the closing remarks.

Aaron Swanson

Great. Thank you. Yeah. So before we conclude the call, we did want to highlight the REEF construction video that was put on our website yesterday. The updated video is on our Infrastructure landing page and provides some nice highlights of recent construction progress at REEF, so definitely worth checking out.

Thanks again, everyone, for joining this morning. We hope you have a great day.

Operator

Thank you. Ladies and gentlemen, the conference has now ended. Thank you all for joining. You may all disconnect your lines.