

AltaGas Ltd.

Fourth Quarter 2025 Results Conference Call

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CORPORATE PARTICIPANTS

Aaron Swanson

AltaGas Ltd. — Vice President, Investor Relations

Vern Yu

AltaGas Ltd. — President and Chief Executive Officer

Sean Brown

AltaGas Ltd. — Executive Vice President and Chief Financial Officer

Blue Jenkins

AltaGas Ltd. — Executive Vice President & President, Utilities

Randy Toone

AltaGas Ltd. — President, Midstream

CONFERENCE CALL PARTICIPANTS

Robert Catellier

CIBC Capital Markets — Analyst

Rob Hope

Scotiabank — Analyst

Sam Burwell

Jefferies — Analyst

Eli Jossen

J.P. Morgan — Analyst

Ben Pham

BMO Capital Markets — Analyst

Robert Kwan

RBC Capital Markets — Analyst

Patrick Kenny

National Bank Capital Markets — Analyst

PRESENTATION

Operator

Good morning, ladies and gentlemen. Thank you for standing by. Welcome to the AltaGas Fourth Quarter of 2025 Financial Results Conference Call. My name is Sylvie (phon), and I will be your conference Operator today.

All lines have been placed on mute to prevent any background noise.

If you have any difficulties hearing the conference, please press *, then 0 for Operator assistance at any time.

After the speakers' remarks, there will be a question-and-answer session.

As a reminder, note that this conference call is being broadcast live on the internet and recorded.

I would now like to turn the conference call 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's fourth 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 Sean Brown, Executive Vice President and Chief Financial Officer. We're 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 2 in the presentation.

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

I'll now turn the call over to Vern.

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

Thanks, Aaron. Good morning, everyone, and thanks for joining our Q4 conference call.

I'll start by introducing Sean Brown, who joined us in January as our new CFO. Sean has been in the energy business for more than 25 years as an executive and an investment banker. Sean's strong financial background adds to our existing bench strength at AltaGas, and he will help drive the continued execution of our strategic priorities.

Today, we will review our Q4 and full year financial results; we'll reaffirm our 2026 guidance and update you on our progress of our strategic priorities.

Our performance in 2025 reflects the strength of our people, assets, and relationships, which positions us well for continued success in 2026.

I'm going to kick off my remarks by reviewing some of the highlights from 2025, including our financial performance and the execution of our strategic priorities. I'll then review our growth projects and our project backlog, talk about the importance of natural gas for long-term customer affordability, and close by reviewing the current LPG export market. Sean will then cover our financial results and outlook in more detail.

Let's start on Slide 4. Our 2025 results were driven by strong performance in both Midstream and Utilities. We delivered normalized EBITDA close to the top of our guidance range, exceeding \$1.86 billion for the year. Earnings per share came in at \$2.23, which was in the upper half of our guidance range.

We executed our strategic priorities by optimizing our asset base, delivering record global export volumes, record throughput at North Pine and Pipestone, along with active regulatory filings at our utilities. We continue to de-risk the business through long-term contracts and export market diversification in Midstream and extending regulatory approvals for the Utilities asset modernization programs.

We strengthened our balance sheet, exiting the year at 4.7 times adjusted net debt to EBITDA, and saw our credit rating outlook move from negative to positive.

We advanced key growth projects. Pipestone II came into service in December, and we saw great construction progress at REEF; REEF's positive FIDs on REEF Optimization 1, the RIPET methanol removal project, Phases 1 and 2 of expanding the Dimsdale gas storage facility, and the Keweenaw Connector Pipeline in Michigan. These results translated into a 29 percent total shareholder return in 2025, and a five-year TSR CAGR of 22 percent, where we have meaningfully outperformed our peers.

Turning to Slide 5. Pipestone II is complete and is operating close to full capacity. The project was delivered on time and on budget, further strengthening our midstream value chain.

On Slides 6 through 8, we highlight our construction progress at REEF. Phase 1 is now 70 percent complete, which was in line with our plan. We now have all the LPG accumulators and bullets on-site. All three LPG accumulators should be placed on their foundations this week. You can see a picture of the arrival of the two accumulators on Slide 8.

Steady construction is accelerated and remains on plan. We have successfully installed 8 of the 13 spans. The remaining sections will be put in place later this spring. And we've kicked off work on the loading platform. Phase 1 of the rail corridor and utility corridor have been finished. This includes the full rail yard and the rail offloading modules.

Opti 1 is also advancing on plan and is expected to be in service for mid-2027. Overburden removal has been completed, and blasting activities will start this month. Opti 1 will add another 30,000 barrels a day of propane export capacity, which is higher than our original expectations.

Slide 9 shows that the RIPET methanol removal project and the Dimsdale gas storage expansions both remain on time and on budget. These new facilities will contribute to our 2027 growth outlook.

Slide 10 highlights our Midstream project hopper, where we continue to advance multiple growth projects, including a Townsend depropanizer, a Northeast BC liquids expansion focused on improving long-term rail logistics, progressing additional phases of REEF, including the potential of adding ethane exports, given the strong demand from China, as well as a North Pine frac expansion and more gas processing with Pipestone III.

Let's turn to Slide 11. We're set to start construction of the Keweenaw Connector Pipeline this spring. All the long-lead items have been ordered, and the entire right-of-way has been secured.

We remain very active with \$1.7 billion of modernization programs across our four jurisdictions, which will improve the safety and reliability of our network. We're also advancing our data centre opportunity set, with multiple FEED studies completed. And we've now started construction of the natural gas connections to feed Phase 1 of a 24-megawatt facility in Maryland, which is expected to be completed by year-end.

Slide 12 highlights the importance of natural gas during today's energy affordability crisis for utility customers across North America. Natural gas is the most affordable and reliable heating source in the US. The cost of electricity for home heating is more than 3 times more expensive than natural gas across our jurisdictions. This cost advantage is only getting bigger. Recent electric bill increases are coming in at over 10 percent per year, which is 4 times current inflation. This trend will continue as more and more investment is needed to replace America's outdated electrical grid.

Natural gas is the only energy solution that is scalable, affordable, and reliable to meet growing North American energy demand. Public policy should prioritize cost-effective outcomes by avoiding unnecessary electrification that increases customer bills and reduces energy reliability. We believe that policymakers should be incentivizing natural gas infrastructure for space heating across the country.

Asian demand continues to grow and is expected to be up by nearly 25 percent by 2030. This is being fueled by new household demand in markets like India and the continued growth at PDH facilities in China. In 2026 alone, we are expecting to see 300,000 barrels per day of increased propane demand due to Chinese PDH start-ups.

Since the beginning of 2025, we've seen very strong demand for non-US LPG supply with global trade sanctions. This has caused Chinese imports of US propane to decline by more than 50 percent in 2025. And the market continues to pay a premium for non-US propane.

On the supply side, the local Canadian butane market is currently oversupplied due to certain facility outages. Both of these supply and demand factors are tailwinds for our 2026 outlook.

The FEI forward curve has strengthened materially in 2026, as highlighted in the bottom-right chart. We saw FEI move up with winter weather in Asia, then further up with the recent Saudi supply

disruption, and even further up with the Iranian conflict. As a result, March FEI propane spreads are almost 50 percent higher than the start of the year, underscoring the severity of the Middle Eastern supply shock.

Let's turn to Slide 14. 2025 marked a step change in our export destinations, with 45 percent of our volume landing in China, where our market share has now increased to about 6 percent of China's imported propane. AltaGas now represents 5 percent of Canada's total national trade into Japan, South Korea, and China, amounting to about \$2.5 billion in 2025, which we expect to double by 2030 with the start-up of REEF and Optimization 1 and the continued de-bottlenecking at our existing export facilities.

We're also proud to be investing in Asian economic activity, with \$600 million invested in Japan, South Korea, and China over the last number of years to support the expansion of our global export business. This is in concert with very large investments that we've made with domestic manufacturers and engineering companies in Canada and the US.

Finally, on Slide 16, we're committed to our strategy of disciplined capital allocation. With approximately \$5 billion of investment capacity over the next three years, we can fund \$3.5 billion of growth while staying within our financial guardrails. Investment in our high-quality organic growth backlog supports long-term enterprise growth of 5 percent to 7 percent per year, which will generate meaningful and sustainable shareholder value creation.

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

Sean Brown — Executive Vice President and Chief Financial Officer, AltaGas Ltd.

Thanks, Vern, and good morning, everyone. I'm excited to be here for my first quarterly conference call with AltaGas.

I'll begin with an overview of our consolidated quarterly financial results, followed by segment performance, a discussion of our balance sheet strength, and conclude with our 2026 outlook.

Turning to Slide 17, we closed the year with a strong fourth quarter, delivering normalized EBITDA of \$564 million, an 8 percent increase year over year, and normalized EPS of \$0.77, consistent with the same period last year.

In the quarter, we exported more than 124,000 barrels per day of LPGs, including over 85,000 barrels per day from RIPET, a new quarterly record, despite the impact of a 28-day labour disruption.

At RIPET, we were pleased to sign a new five-year agreement with the union in late December. This agreement supports increased vessel loading and higher throughput, moving forward, and reflects AltaGas's commitment to working collaboratively with our unions to deliver positive outcomes for all stakeholders.

Utilization across the balance of the Midstream platform was strong, with throughput volumes up an average of 4 percent year over year across our gas processing, fractionation, and extraction assets.

With respect to our Utilities business, colder weather and a growing customer base drove increased usage, as I'll discuss on the next slide.

The fourth quarter also saw several important regulatory outcomes, including approval of new rates in D.C. at 61 percent of our ask, a US\$25 million extension of the PROJECTpipes 2 ARP program in D.C. through June 2026, approval of a US\$700 million ARP amendment in Virginia extending through 2028, and the filing of a new rate case in Maryland late in the year.

In addition, subsequent to year-end, we recently filed a US\$61 million rate case in Michigan and, this week, received approval for our D.C. SAVE ARP program to spend US\$150 million from mid-2026 to mid-2029.

In terms of segmented results, I'll start with Utilities on Slide 18. Utilities normalized EBITDA was \$383 million, up 14 percent year over year. Performance was driven by rate-based growth from ARP

modernization investments, asset optimization initiatives, and an 18 percent increase in usage, supported by colder weather in D.C. and Michigan and continued customer growth. Results also benefitted from the partial settlement of Washington Gas's pension plan.

These positives were partially offset by lower realized contributions from the retail energy business and higher operating and maintenance costs, driven by increased labour requirements during cold weather, and higher employee incentive expenses, driven by AltaGas's rising stock price.

During the quarter, we deployed \$255 million of capital in Utilities, including \$117 million towards modernization programs and \$113 million towards system betterment initiatives. As noted, we remain active on the regulatory front with three active rate cases.

Shifting focus to our Midstream business on Slide 19. Normalized EBITDA was \$202 million, an 11 percent increase over Q4 of last year.

As noted, we exported more than 124,000 barrels of LPG per day during the quarter through 21 VLGCs, and for the full year, averaged in excess of 126,000 barrels a day across 83 shifts at our Ferndale and RIPET terminals.

Throughout the year, demand for our open access export terminals continued to strengthen, supported by long-term tolling agreements with investment-grade counterparties. These agreements enabled us to achieve our 60 percent tolling target, further enhancing cash flow durability.

The remainder of the Midstream portfolio also performed well year over year, particularly our Montney-focused assets, where gas processing volumes increased 6 percent, and fractionation volumes increased 14 percent. Pipestone throughput increased 11 percent, while North Pine operated near its 25,000-barrel-per-day capacity.

Constructive fundamentals for natural gas storage continued to reinforce our decision to advance both phases of the Dimsdale expansion, which will play a key role in managing Montney production growth and large LNG demand pulls in the years ahead.

During the quarter, we remained disciplined in managing commodity exposure. Our export business was largely insulated from price volatility through commercial tolling agreements and a structured hedging program.

Looking ahead, approximately 80 percent of expected 2026 global export volumes are either tolled or financially hedged, with an average FEI-to-North America spread of approximately US\$19 per barrel on non-tolled volumes. In addition, substantially all of our 2026 Baltic freight exposure is hedged through a combination of time charters, financial instruments, and tolling arrangements.

We continue to manage frac spread exposure through our disciplined risk management program. We have seen a meaningful uplift in frac spread since the beginning of the year, which we have used to increase our hedge position, which now sits at roughly 70 percent through 2026.

Let's turn to our balance sheet on Slide 20. Following the decision to retain our stake in the Mountain Valley Pipeline, we issued \$460 million in equity, achieving an equivalent deleveraging impact as if we had divested our working interest while retaining asset upside. These actions resulted in a year-end adjusted net debt-to-normalized EBITDA ratio of 4.7 times, slightly below the midpoint of our 4.5-to-5-time target range, and led to positive credit revisions from both S&P and Fitch.

As we have commented recently, operating performance and progress on expansions at MVP continue to reinforce our decision to retain the asset. Since announcing our decision, the Southgate extension received unanimous FERC approval and key North Carolina water permits. The MVP boost, which will add 0.6 Bcf a day of capacity through low-risk compression, continued to progress well and is

expected to enter service by mid-2028. The project is supported by investment-grade utilities and is expected to generate a build multiple of approximately 3 times EBITDA.

We are reaffirming our 2026 guidance as shown on Slide 21, with normalized EBITDA of \$1.925 billion to \$2.025 billion and normalized EPS of \$2.20 to \$2.45.

Headwinds and tailwinds remain relatively balanced at this stage. Year-over-year tailwinds in 2026 will include new utility rates in Virginia, Maryland, and D.C.; incremental contributions from Pipestone II and the Dimsdale Phase 1 expansion; and continued growth in global exports, supported by increased dock capacity at RIPET. These are expected to be partially offset by lower merchant volumes and more moderate retail energy performance.

The 2026 capital budget, as shown on Slide 22, remains unchanged at \$1.6 billion, with 69 percent of consolidated capital dedicated to Utilities and 27 percent to Midstream.

Compared to last year, Utilities will see a meaningful increase in both spending and share of total capital, reflecting significant opportunities around asset modernization, as well as reduced requirements in Midstream, following the completion of Pipestone II, and lower capital needs at REEF.

Of the \$1.1 billion Utilities capital program, 71 percent is allocated to modernization and system betterment initiatives, supporting safety, reliability, and efficiency. This is expected to drive approximately 10 percent rate-based growth in 2026.

Turning to Slide 23, I'll close by reiterating AltaGas's proven track record of delivering per-share growth, which has translated into material share price outperformance.

The Company continues to offer an attractive value proposition, as shown on Slide 24. Our low-risk infrastructure platform supports stable, growing earnings and cash flows, underpinned by disciplined capital allocation and a robust organic growth pipeline.

With that, I'll 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 *, then number 1 on your telephone keypad. And if you would like to withdraw your question, please press *, then number 2.

There will be a brief pause while we compile the Q&A roster. Thank you.

And your first question will be from Robert Cattellier at CIBC Capital Markets. Please go ahead.

Robert Cattellier — CIBC Capital Markets

Hey. Good morning, everyone. I know this is a bit of a sensitive question, but I feel compelled to ask it. I was wondering—just understanding you've had a long history of constructive, respectful dealings with First Nations, I'm wondering if there's anything you can share on the Metlakatla situation and their interest in the Trigon terminal. Any update you can provide there would be much appreciated. And specifically, curious if you can confirm whether you're still engaged in active discussions with the Metlakatla.

Vern Yu

Thanks, Rob. It's Vern here.

I think you're absolutely bang on that we're disappointed that we were having a disagreement with the Metlakatla First Nation kind of in the public. At AltaGas, we take a lot of pride in the fact that we're a good neighbour and that we've been—have had very strong relationships with all of our communities and particularly with our First Nation partners.

We've had Indigenous equity participation deals and mutual benefit agreements for many, many years. And in fact, we've been working with the Metlakatla in Prince Rupert since 2017 with the development and start of both RIPET and REEF. So, across our footprint, I think we have 15 mutual benefit agreements in Alberta and British Columbia. In fact, we have six mutual benefit agreements on the coast for both REEF and RIPET.

With the construction of REEF, we've been actively working with various Indigenous businesses where, in fact, about \$350 million of REEF's total capital cost is being done by Indigenous businesses, and we're really proud of that.

So our hope is to continue to work with all of our First Nations partners. Obviously, we want to continue to have dialogue with the Metlakatla. We do speak with them fairly regularly. We're at a point right now where we're having a disagreement on a couple items, particularly related to Trigon. And I guess we felt like we've been drawn into this situation because Trigon would like to build a competing LPG export facility on Ridley Island. The regulator and the landlord of Prince Rupert, the Prince Rupert Port Authority, doesn't agree that they have the ability to do that. And we need to, obviously, defend our commercial rights and protect our export franchise.

So we feel that having exclusivity is an important feature. It's a common feature that you see in port development globally and in Canada. As an example, for REEF, we spent, along with our JV partner, Vopak, about \$100 million of at-risk capital before we were able to get our permits to go ahead. And that regulatory process, in fact, took around seven years.

So without these types of commercial arrangements, it's very difficult for project proponents to put risk capital at work because you need to ensure that you're going to get a healthy and reasonable return on your overall capital once your facility's up and running.

So long and the short is we've continued to have active dialogue with all First Nations along the coast, and we hope that we can find a mutually benefit solution as we go forward.

Robert Catellier

Okay. Thanks for that detailed answers. Had a couple of questions on the operations.

A little surprised, Sean, to hear your comment about the puts and takes or the tailwinds and headwinds being relatively balanced. I would have thought maybe the change in commodity prices would have put the balance in favour of the tailwinds.

But with that in mind, given the change in commodity prices we've seen, some producers such as Tourmaline are claiming they reduced Deep Basin activity. With that in mind, are there any direct impacts from that disclosure from Tourmaline on AltaGas?

And just in general, what's your sort of expectation of how the G&P business might develop for '26 compared to when you release guidance?

Vern Yu

Maybe I'll start, Rob.

So we've seen upstream customers want to take more control of gas processing both in BC and Alberta for some time. And I think that the interesting part of that is by them taking control of the business, they get more control over their liquids, which is positive to us because Tourmaline and other producers realize that the best outlet for their liquids is for global exports. And Tourmaline is obviously one of our largest customers.

So I think anything that they're contemplating, we generally stand to benefit because they have a deep understanding of market dynamics and how to maximize the netbacks of their LPGs. I think, Sean, I'll let—Sean and Randy, you can talk about just the outlook for this year.

Sean Brown

Yeah. I can start, certainly. I mean, I hear your comment, Rob, around the puts and takes. I mean, as we sit here today, certainly, there is constructive tailwinds, given some of the geopolitical activity. But the thing I would say is it is early in the year as well. So we're trying to remain balanced as we think about the discussion around the full year. And if you look at the shape of the curve in general, I mean, it's fairly backwardated.

So it's all of that that we put together when we thought about our prepared remarks. But your point is a good one where, as you sit here today in isolation, probably, the tailwinds are quite positive, and we feel good about where we are to start the year.

Robert Catellier

Okay. Thanks for that context. And just one quick one on the Utilities.

I'm just wondering if you could provide a sensitivity to rate-base growth and sort of big picture, what should the various building energy performance standards in your jurisdictions pass as intended and survive any of the legal challenges?

Vern Yu

Go ahead.

Blue Jenkins — Executive Vice President & President, Utilities, AltaGas Ltd.

Yeah. Thanks, Rob. It's a good question.

We continue to work our way through that. As you would expect, the uncertainty seems to be more impactful than the actual change in the standards. So as we look across our business, the growth rate, we don't think, is materially impacted. As we look across how things are being built and what's being

built, what we're seeing is uncertainty of investment being more driven by some of the other policies in the area.

So as we look across that growth rate, we still connect—we still have positive customer growth, very strong customer growth in Maryland. As you saw in the prepared remarks, we still see our first data centre contract happens to be in Maryland, right in the middle of all of those battles.

So at the moment, I don't know that I'd call it significant by any stretch, and I think that process is going to take a while. But we continue to educate the regulators and the decision-makers and, of course, the investors in these projects about the overall affordability impacts and how to think about that more holistically. So we're optimistic that'll get to a good place without significant impact.

Vern Yu

Rob, just as—

Robert Catellier

Yeah.

Vern Yu

—a data point. The municipal government in D.C. excluded all of their buildings from those net-zero standards.

Blue Jenkins

Mm-hmm.

Vern Yu

So it just tells you how toothless some of these initiatives are.

Robert Catellier

That's great, everyone. Thanks. I'll hop back in the queue.

Vern Yu

Sure.

Operator

Next question will be from Rob Hope at Scotiabank. Please go ahead.

Rob Hope — Scotiabank

Good morning, everyone. Want to go back to the forward curve for global exports. You are correct. It is very backwardated, but we continue to see kind of, we'll call it higher pricing push further out into the curve. Just given these dynamics, how do you think about your remaining merchant exposure through the year? And will you be looking to lock in pricing? Are you willing to ride out some spot exposure there?

And in addition, are you able to push incremental spot barrels through if you're able to accumulate them?

Vern Yu

Well, Rob, let me start, and Randy can jump in if I miss something.

So, you're right. The curve is highly backwardated, but the curve has gone up a little bit. We're quite comfortable at it with our hedge positions right now, where we're about 80 percent hedged for the year. We are benefitting a little bit from supply differentials.

And then, on our open merchant volumes, we are seeing strong demand for those barrels with, obviously, the supply outages coming out of the Middle East. We will—and it is a unique market where you're seeing everything on the screen that you see may not be fully representative of the final sales price that we get.

So we think we're perhaps being a bit cautious in talking about this. But if this continues to play out, where the straits are shut down for an extended period of time, I think we're in a good position with our current financial hedges that we don't really need to do anymore.

Rob Hope

All right. Appreciate that. And then maybe just turning over to REEF Opti 1. So can you walk us through how it went from 25,000 barrels a day to 30,000? And is that 30,000 now firm? Or could there be some further upside there as well?

Randy Toone — President, Midstream, AltaGas Ltd.

Hi, Rob. It's Randy. Just with the further detailed engineering of Opti 1, the team's identified some adjustments that added the extra 5,000 barrels. So there's nothing unique there. It's just as you go through detailed engineering, the team finds optimizations.

Rob Hope

Thank you.

Operator

Thank you. Next question will be from Sam Burwell at Jefferies. Please go ahead.

Sam Burwell — Jefferies

Hey, guys. Good morning. Dovetailing on with the prior question, like curious if you can give some sort of breakdown as to like what really drove the wider hedge spread in the second half versus the first half. Is that a function of like layering on hedges recently with Far East propane spreads being a lot wider? Is it contribution that's pretty meaningful on the butane side? Just curious if we can get a breakdown of that to inform the much wider locked-in spreads in the back half of the year.

Randy Toone

Hi. It's Randy. I think it's a combination of both. We actually have seen some—or the spreads widen, and so we've taken advantage of that to put in some hedges. But it's also—it's higher—we have higher hedges on butane, which is a larger spread.

Sam Burwell

Okay. Understood. And then just on the potential projects that you guys called out in the slide deck. I mean, a lot of those address liquids growth out in the future. So just like curious how you guys would, I don't know, maybe clarify some of the hurdles that are remaining on each of them, where you might rank-order them in terms of build multiple or timing, perhaps.

Vern Yu

Well, I think the Townsend depropanizer is probably the most—we should see an FID sometime in the next 12 months or so. That really is customer-driven at this point where, as customers bring on more volumes, we have an obligation to process those volumes for them. Then we obviously, with the depropanizer, are able to get the liquids out and move them to the West Coast at our North Pine rail facility.

I think REEF Optimization 2 is also a 2026 potential FID project. There, obviously, there's strong commercial support. It's really just locking down the capital costs. So we have a firm Class 3 cost estimate and then finalizing one permit amendment that we need to go ahead with that. The other ones are probably in that 12 to 15 months out, maybe 24 months out.

And all of these projects are relatively low capital, low build multiples, so highly attractive and should be very competitive as we do our capital allocation going forward.

Sam Burwell

Okay. Great. One real quick one just on REEF Opti 2, since you brought it up. I mean, is that sanctioning contingent upon any progress made with the discussions with the Metlakatla?

Vern Yu

We're obligated to do consultation with all of our First Nations. And the consultation process will go into the regulator, and the regulator will make a determination if we've done sufficient consultation.

Sam Burwell

All right. Thank you, guys. Appreciate you indulging my third question. Thanks.

Operator

Thank you. Next question will be from Jeremy Tonet at J.P. Morgan. Please go ahead.

Eli Jossen — J.P. Morgan

Hey. Good morning. This is Eli on for Jeremy. Just wanted to start on the balance of midstream versus utility capital within the backlog. We see nearly twice as much utility growth capital versus midstream. And so, if we see some of these projects in the backlog move ahead on the midstream side, could we see that mix shift move a little?

And then maybe just thinking about the strong returns you generate from those midstream projects, could we see sort of higher within the range of that 5 percent to 7 percent long-term annual growth, if you were to sanction more midstream projects? Thanks.

Vern Yu

Eli, I think you've asked a great question. You would have seen us, in the last couple years, slow down our utility spend a little bit when we had some very attractive midstream projects to execute. And the good news that we found is that those utility growth opportunities didn't go away; they just got

deferred a year or two. So I think, if we are in a situation where we have more projects than investment capacity, we're going to have to go through and do our process of capital allocation and the best risk-adjusted returning projects will get priority.

So the nice thing about utility capital is it's rateable growth. So, because the bulk of our capital that we're spending is modernization capital with rate riders, we get that almost immediate growth from it. Midstream projects do have a longer gestation period and build cycle. So while they may be more attractive, they are lumpier in nature. So I think, if we're successful in filling up the full growth hopper, we'll be very comfortable to be in the upper end of our medium-term growth guidance.

Eli Jossen

Great. Thanks for the colour. I had a smaller accounting question as a follow-up. We've seen some consistent transaction or restructuring expenses, and I know it's been a while since the last larger transaction. Any colour on what those kind of add-backs pertain to? Thanks.

Sean Brown

Are you—sorry—referring to sort of normalization in general?

Eli Jossen

Yeah. I mean, I think we see restructuring costs and transaction costs, just looking at some of the reconciliations within—

Sean Brown

Yeah.

Eli Jossen

—the MD&A.

Sean Brown

Yeah. I mean, if you just think about last year alone, I mean, with respect to the MVP transaction, there certainly would have been some there. There was some changes otherwise but, I mean, in general, the biggest one would have been really around MVP that I'd highlight.

Eli Jossen

Great. Appreciate the colour. Thanks.

Operator

Thank you. Next question will be from Ben Pham at Bank of Montreal. Please go ahead.

Ben Pham — BMO Capital Markets

Hi. Good morning. A bit more detailed question on WGL. Can you quantify or attempt to quantify what the realized ROE was for 2025 versus 2024?

Vern Yu

Yeah. So on the portfolio for WGL, realize we were within about 100 bps of the authorized on the total portfolio. That varies a bit by jurisdiction, as you would expect, but the total portfolio, about 100 bps of authorized, within authorized.

Ben Pham

Okay. So sounds like it's generally unchanged versus 2024 then, in terms of the relative difference?

Vern Yu

I think it's a little bit better than 2024, maybe 10 or 20 basis points. We expect that to improve further in this year because of the D.C. rate case going in, getting approval for the D.C. rate case and having those rates go ahead. So we think we'll be in the range of about 70 basis points in 2026, Ben.

Blue Jenkins

Yeah. I think that's right. I would add, Vern, to that and just, Ben, so that—that we have a full year of the D.C. rate case. We have rates in effect from Virginia at the start of the year, subject to refund on that final case. And then we filed for Maryland, and we expect to have new rates in effect in Q4. So I think you see a consistent progression, '24 to '25 to '26.

Vern Yu

And as we've said in the past, Ben, that doesn't include asset optimization, which is always an opportunity for us to improve returns as well, and that'll be consistent this year.

Ben Pham

Okay. Got it. And there was an earlier question on the propane export hedging. You provide some details there on a level and the shape of it. You also provided the sensitivity as well. A dollar a barrel is \$10 million. Is that sensitivity—is that incremental to the price levels you disclosed? Is that some lower number that's baked into your 2026 guidance?

Vern Yu

So that would be what's baked into our 2026 guidance, Ben.

Ben Pham

And presumably, that's probably lower, just given when you put your budget out versus how the spot has moved since then?

Vern Yu

Yep. That's fair.

Ben Pham

Okay. Got it. Okay. Thank you.

Operator

Thank you. Next question will be from Robert Kwan at RBC Capital Markets. Please go ahead.

Robert Kwan — RBC Capital Markets

Great. Good morning. Thank you. First question here is just on Prime Minister Carney's meetings in India and the government's release citing the ongoing engagement for more LPG exports into India. So I'm just wondering, generally, just what your thoughts on that given, of all the different things they talked about energy-wise, LPGs are probably the most actionable in the near term.

And then there was also a statement about addressing higher shipping costs, and I'm just wondering if you've got some colour or thoughts on that as well.

Vern Yu

Well, I think, Robert, the dynamic with India is, there is very strong demand in India for more LPGs. Remember, I think 300 million people in India still cook with charcoal. And I had recently met with Minister Hodgson, who indicated, when he was in India, that India's very keen to get people off that cooking charcoal, and propane is obviously the best alternative for that market.

As you know, India's a little bit far away from Canada, so Middle Eastern barrels will always be advantaged going into India just because of shipping costs. Once you go past about South China, we become disadvantaged on a shipping cost basis.

So you've seen us kind of move, initially with RIPET, into Japan and Korea, where we had a material shipping advantage. We've seen the Chinese market open up to us, primarily because of US trade tensions. And then, as demand continues to go up, and if Canada disproportionately grows in supply, we do have an opportunity to expand to other markets. And that's why we're so keen to have REEF Opti 1 and hopefully Opti 2 follow up and provide access to Canadian producers to all of these markets.

Robert Kwan

And just in terms of the government statements that both are going to work on helping address the shipping cost differential, do you see that, then, as just a redirection of flow? Is that maybe higher contracting for you? Or possibly new capacity?

Vern Yu

We haven't seen any direct linkage yet, so we look forward to engaging with the government and seeing what they're thinking about.

Robert Kwan

Okay. Just the last is on fractionation capacity, and you kind of outlined some potential projects in North Pine and Townsend. I guess, just as you think about your existing integrated network and possibly further increasing capacity at REEF, do you feel the need to even further increase your control of NGL fractionation beyond what you've outlined for Townsend and North Pine?

Vern Yu

We're actively working with a number of our customers, primarily NGL aggregators, that have significant amounts of frac capacity and growing frac capacity. So we're looking to offer full-service solutions from the wellhead to the dock, basically in a JV-like partnership with a number of these companies. Obviously, you've seen, in the last 12 months, we press-released transactions with Keyera, Pembina, and Wolf, all of which are building incremental fractionation.

So our view is, if we're able to bundle these solutions through partners, so it's not critical that we own more frac capacity. But I think we're uniquely situated in northeast BC where, with North Pine and Townsend, we can provide just that much of a better logistical option because of where our rail facilities are, Robert.

Robert Kwan

Appreciate it. Thanks, Vern.

Operator

Thank you. And our last question will be from Patrick Kenny at National Bank Capital Markets.

Please go ahead.

Patrick Kenny — National Bank Capital Markets

Thank you. Good morning, guys. I guess just on the appointment of Mr. Evans as chair, we've seen a decent uptick in bitumen production over the past few years and a fairly constructive outlook here for egress expansions going forward.

I know the exports platform and execution of REEF is top priority, but just wondering if we should be reading into any longer-term shift in strategy related to looking at participating in any opportunities to extend your service offering to oil sands producers, whether it be on the propane solvent front for SAGD projects or, perhaps, investing more heavily into condensate infrastructure, either in BC or Fort Saskatchewan.

Vern Yu

Well, I don't think you can read a ton into Derek's appointment of a change in strategy. We're going to be disciplined in how we put our capital to work. We feel like we obviously have strategic advantages in NGLs and global exports, as you pointed out.

If there are opportunities to work with oil sands producers about moving NGLs from Fort McMurray to other markets, well, for sure, we'd be happy to investigate that, but I wouldn't read too much in it. We just want to have board members with deep industry knowledge and great management experience that provides advice as we continue to try to grow and optimize our business.

Patrick Kenny

Okay. Got it. Thanks for that. And then maybe just back on the unsecured growth backlog. So, Vern, you touched on the cost advantage of gas over electricity on the utilities front. Seems to suggest some upside there to the CapEx plan. Yeah. Obviously, still a lot of attractive projects in the queue on the midstream side. So I'm just wondering how you might be thinking about bringing in some strategic JVs or other financial partnerships, just whether it be on the US side of the border or up in Canada, just to make sure you don't have to pass up on any opportunities from a funding standpoint.

Vern Yu

The good news is our investment capacity grows each and every year as we add cash flow, so we have a natural uplift in the amount of capital we can put to work. Some of these things that we're looking at, obviously, in the unsecured hopper are further out in time where we'll have more investment capacity. But the end of the day, if we've got great projects that pass all of our investment hurdles, our finance team will figure out a way to get them financed.

Patrick Kenny

Okay. Sounds good. Thanks, guys.

Operator

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

Aaron Swanson

Great. Thanks again to everyone for joining the call this morning. The Investor Relations team is around if you have any further questions. Have a great day.

Operator

Thank you, sir. Ladies and gentlemen, this concludes today's conference call. Once again, we would like to thank you for attending and, at this time, ask that you please disconnect your lines.