

AltaGas Ltd.

First Quarter 2026 Financial Results Conference Call

Event Date/Time: April 30, 2026 — 11:00 a.m. E.T.

Length: 42 minutes

"While Cision has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. Cision will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Cision ait fait des efforts commercialement raisonnables afin de produire cette transcription, la société ne peut affirmer ou garantir qu'elle ne contient aucune erreur. Cision ne peut être tenue responsable pour toute perte de profits ou autres dommages ou responsabilité causé par ou découlant directement, indirectement, accessoirement ou spécialement de toute erreur liée à l'utilisation de ce texte ou à toute erreur qu'il contiendrait. »

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

Randy Toone

AltaGas Ltd. — President, Midstream

Blue Jenkins

AltaGas Ltd. — President, Utilities

CONFERENCE CALL PARTICIPANTS

Robert Catellier

CIBC Capital Markets — Analyst

Rob Hope

Scotiabank — Analyst

Patrick Kenny

National Bank Financial — Analyst

Maurice Choy

RBC Capital Markets — Analyst

Ben Pham

BMO Capital Markets — Analyst

PRESENTATION

Operator

Good morning, ladies and gentlemen. Thank you for standing by. Welcome to the AltaGas First Quarter 2026 Financial Results Conference Call. My name is Julie (phon) 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 *, then 0 for Operator assistance at any time.

After the speakers' 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 of Investor Relations. Please go ahead.

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

Good morning and thank you for joining AltaGas's first quarter 2026 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.

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. Thanks for joining our Q1 results conference call.

I'm going to kick things off by reviewing highlights from the quarter, including our strong financial and operating performance. Then I'll provide an update on our growth projects, review our backlog of organic growth opportunities, and I'll close by discussing the evolving global LPG market. After that, Sean will cover our financial results and provide an update on our 2026 outlook.

Let's start on Slide 4.

We had record financial results in Q1, reflecting strong performance from both Midstream and Utilities, which benefitted from constructive energy fundamentals.

We delivered normalized EBITDA of \$818 million and normalized earnings per share of \$1.33. These results exceeded our expectations and put us in a very strong position for the balance of the year.

As a result, we are anticipating 2026 results to land at the top end of our guidance range, with the potential to exceed the upper end of the range if we continue to see strength in the LPG export market.

Q1 financial performance improved our balance sheet with leverage closing at 4.4 times, down from 4.7 times at year-end, and slightly below our 4.5-to-5 times target range.

Operationally, our export terminals average approximately 125,000 barrels per day. Midstream throughput continues to see strong growth, with our Montney infrastructure realizing 14 percent year-over-year growth in volumes, which included a full quarter of volumes from Pipestone II.

At our Utilities business, colder-than-normal weather supported customer demand. Heating degree days were 5 percent above normal at D.C. and 10 percent above last year's levels.

We continue to advance several strategic initiatives, including taking delivery of a new VLGC time charter, further extending our pipeline modernization programs and the execution of a second behind-the-metre data centre connection agreement.

Let's move to our growth projects, and we'll start with REEF on Slide 5.

Construction on REEF Phase 1 and Optimization 1 continues to progress well. REEF Phase 1 is now roughly 75 percent complete with all major modules on site. Placement of the two remaining jetty spans will be done shortly, and construction of the final phase of the railroad utility corridor is about to kick off. Notably, over 1.4 million hours have been worked on REEF without serious injury.

The project currently has about 90 percent of its total capital costs incurred or committed, and 80 percent of these costs are under fixed-priced EPC contracts.

REEF Optimization 1 is in its early days of construction, and we continue to expect completion in the second half of 2027.

Optimization 1 is backstopped by long-term commercial agreements and will add 30,000 barrels per day of propane export capacity.

We also continue to advance engineering and costing for REEF Optimization 2, another brownfield expansion that will bring 60,000 barrels per day of incremental Canadian export capacity. We have now received all the permits we require to start construction.

Slide 6 shows the recent progress that we've made at REEF. You can see we're nearing completion of the onshore construction for the facility, and jetty construction continues to progress on plan. At completion, REEF will nearly double AltaGas's global export capacity and will substantially increase Canadian trade exports to Asia.

Slide 7 sets out our organic project backlog: utilities modernization, customer adds, data centres, and large-volume commercial opportunities in Utilities; global export, extraction and fractionation expansions, gas storage, and gathering and processing projects in Midstream.

Slide 8 highlights our system modernization runway. Across D.C., Maryland, Virginia, and Michigan, we have more than 5,000 miles of pre-1970s pipe that needs to be replaced to enhance safety and reliability. This pipe replacement gives us decades of system modernization investment opportunities. To facilitate that, we have US\$1.5 billion of modernization programs that have been approved by regulators across our four jurisdictions.

Modernization capital and normal-course customer adds allow us to grow rate base at an average of 8 percent per year while improving the safety and reliability of our system. Each mile we replace reduces the risk of leaks, service disruptions, operating costs, and safety incidents for the communities we serve.

We show our robust investment capacity on Slide 9. This allows us to invest \$5 billion over the next three years while remaining within our target credit metrics, and \$3.5 billion of that will be allocated to organic growth. These investments support our long-term earnings and dividend growth outlook of 5 percent to 7 percent per year, with that growth being backstopped by low-risk cost of service for take-or-pay cash flows.

Let's move to Slide 10, where we shift to the global LPG market. The disruption to Middle East supply is expected to have lasting impacts. At its peak, 1.3 million barrels per day of LPG supply was offline with the closure of the Strait of Hormuz. This has doubled spot propane spreads from pre-conflict levels.

Based on the damage to key Middle East LPG export infrastructure, a significant portion of this production could be offline for an extended period of time. This supply disruption has driven more

conversations with our Asian customers, who are now placing increased value on energy security, which highlights Canada as one of the most reliable sources of global LPG supply.

A great example is what we are seeing in China, where Canada's share of China's total propane imports has grown from 0 percent to over 11 percent in the past year. The initial shift happened after US tariffs were implemented, as Canadian LPG replaced US LPG supply. Demand for Canadian LPG in China was then accelerated with the Middle Eastern supply disruption.

Turning to Slide 11, we highlight some of the shifting trade dynamics for LPGs across Asia. Overall, we're seeing strong demand across our traditional Asian markets, including China, South Korea, and Japan, where AltaGas represented approximately 6 percent of Canada's total national trade value in Q1.

Since the onset of the conflict in Iran, we've seen incremental demand from markets that have historically relied on Middle Eastern supply. This includes multiple countries in Southeast Asia. In fact, we've recently delivered our first cargo into Indonesia. We're also advancing discussions in South Asia, where customers are looking for long-term supply diversification opportunities. This growing and diversified demand for Canadian LPGs reinforces the value of AltaGas's global export platform.

Finally, turning to Slide 12, we reiterate our strategic priorities. We remain focused on growing, de-risking, and strengthening the enterprise. We have materially advanced our key growth projects, and we've added several high-quality projects to our growth backlog that enhances our long-term outlook.

I'll now turn it over to Sean to walk through our financial results.

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

Thanks, Vern, and good morning, everyone.

As Vern noted, a fantastic quarter and a very strong start to the year, with consolidated normalized EBITDA of \$818 million, a 19 percent increase from last year and a new quarterly record for the Company.

For today's call, I'll start by providing a detailed review of performance across our Utilities and Midstream segments, touch on the strength of our balance sheet, and finish with our 2026 outlook.

Turning to Slide 13, the Utilities segment delivered normalized EBITDA of \$555 million, an 11 percent increase year over year. These strong results were driven by incremental revenue from positive rate case outcomes in D.C. and new interim rates in Virginia, as well as continued modernization investments and stronger asset optimization, the benefits of which we share with our customers.

The segment also benefitted from a \$35 million gain on the partial settlement of WGL's post-retirement pension plan. These results were partially offset by lower retail performance and higher G&A expenses, with the latter related to employee incentive plans linked to our share price.

During the quarter, we deployed \$146 million of capital in the Utilities segment, including \$56 million towards modernization programs and \$23 million on new growth initiatives. These investments are focused on delivering long-term safety and reliability while extending our network to serve our expanding customer base. Capital spending plans in the quarter were partially curtailed by cold weather, limiting construction activity, which we expect will catch up as the year progresses.

In the quarter, we signed our second data centre connection agreement to provide natural gas for backup power generation to an existing 15-megawatt data centre in Virginia. Both of our announced data centre projects have the potential for larger follow-on phases, and we continue to advance various opportunities across all of our jurisdictions.

Turning to Slide 14, we highlight our ongoing regulatory initiatives with active rate cases in Maryland, Virginia, and Michigan. During the quarter, we filed a rate case in Michigan seeking US\$61 million in incremental revenue, a 10.75 percent allowed ROE, and a weather normalization adjustment mechanism consistent with our de-risking priority.

In connection with the Michigan rate case, we also filed a five-year US\$284 million modernization program extension. We continue to engage constructively with regulators and other stakeholders, with a focus on balancing customer affordability with the safe and reliable delivery of service.

Turning to Slide 15, Midstream delivered \$273 million of normalized EBITDA, up 39 percent year over year, and above our expectations entering the quarter. The segment's outperformance was primarily driven by our exports platform, which grew volumes and delivered strong merchant margins.

During the quarter, we exported nearly 125,000 barrels a day of LPGs across 20 VLGCs at our RIPET and Ferndale terminals, with volumes up 5 percent year over year. We had 14 shifts leave from RIPET, including one that shifted into the first quarter from late 2025. Thanks to continued operational and logistical executions, we exported over 88,000 barrels per day from RIPET during the quarter, a new record for the facility.

Utilization across our gas processing, fractionation, and extraction assets was strong, with throughput up 9 percent year over year. This volume growth was led by our strong Montney footprint, where our strategically located assets provide a strong advantage to capture basin growth, driven by producers targeting liquids-rich formations across western Canada.

The quarter also included the first full quarter of operations at Pipestone II, which continued to perform well and is adding critical gas processing and liquids-handling capacity in the Alberta Montney.

Looking ahead, we are well hedged but have some positive upside price exposure, with approximately 82 percent of expected remaining 2026 global export volumes either tolled or financially hedged, with an average FDI-to-North America spread of approximately US\$20 per barrel on non-tolled volumes, while 18 percent of remaining volumes have open market pricing.

Despite the FDI curve remaining heavily backwardated, we are starting to see the back end move higher as the Middle East conflict continues. In addition, our entire 2026 Baltic Freight exposure is hedged through a combination of time charters, financial instruments, and tolling arrangements. We also continue to manage frack spread exposure through our disciplined risk management program.

Finishing up the discussion on our results, performance in the Corporate and Other segment was consistent with the prior year, with Blythe being relatively stable.

Turning to Slide 16, as Vern mentioned, we are highlighting that we now expect to be towards the top end of our 2026 guidance range, with the potential to exceed the upper end on continued strength in the LPG export market. This is driven by a strong first quarter in both the Midstream and Utilities segments and what we have been seeing in our export business through April.

Given the outperformance is more weighted to our Midstream business, we have adjusted our expected EBITDA ranges for the year, with Midstream expected to contribute 44 percent to 48 percent of normalized EBITDA, up from 42 percent to 46 percent previously.

As noted, if LPG export spreads continue to stay elevated, there is potential for us to exceed the top end of the current guidance range, and we expect to update the market on this with our Q2 results at the end of July.

As shown on Slide 17, we have increased our 2026 capital budget to \$1.7 billion from \$1.6 billion. This increase is driven primarily by the sanctioning of Dimsdale II during the quarter and improved visibility in key vendor milestone payments on project work.

As a reminder, the Utilities capital is focused on modernization and system betterment to support safety, reliability, and network efficiency, and is expected to drive approximately a 10 percent year-over-year growth in rate base, while the Midstream capital is largely allocated to advancing REEF and the Dimsdale projects.

With the increase in capital coming from the Midstream segment, we now expect to allocate 31 percent of capital to Midstream and 65 percent of capital to Utilities, with the balance allocated to the Corporate segment.

Let's now turn to our balance sheet on Slide 18.

We exited the quarter with a trailing 12-month adjusted net debt-to-normalized EBITDA ratio of 4.4 times, modestly below our target range, due to higher-than-expected EBITDA and our first quarter capital program being slightly below expectations, due to cold weather limiting activity early in the year.

With the increase in our 2026 capital program, and taking into account the seasonality of our business, we would expect our leverage metric to be within our 4.5 to 5 times range when we exit 2026.

On Slide 19, we highlight AltaGas's established history of delivering per-share growth across our earnings, EBITDA, and dividends, which has resulted in significant outperformance in share price.

Lastly, on Slide 20, we highlight our attractive value proposition. 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'd like to ask the question, press *, then the number 1 on your telephone keypad. If you'd like to withdraw your question, please press *, 2.

One moment, please, while we compile the Q&A roster.

And your first question comes from Robert Catellier from CIBC Capital Markets. Please go ahead.

Robert Catellier — CIBC Capital Markets

Hey. Good morning, everyone. Just a couple of questions on the state of the LPG market. I'm just curious what you're experiencing in terms of capturing premium pricing to spot prices and, separately, versus the forward curve.

And happy to see the windfall profits but obviously, we're more interested in seeing what the path is to future expansions, given the increased demand that you outlined.

Vern Yu

Good morning, Rob. Those are great questions. I think, maybe, just starting on the first one.

What we're seeing in the physical market is similar to what you're seeing in the oil markets, where the paper markets don't actually reflect the pricing that you're seeing physically. So I think, in the first quarter, we were seeing physical sales trade at a significant premium to FEI when, historically, those physical sales would trade, roughly, at a very small premium or discount to FEI. So because of the lack of supply, you've seen physical transactions—the pricing on physical transactions does not capture what's on the screen.

On the forward market, obviously, the curve's moved up. It's obviously also highly backwardated. We continue to expect that that backwardation will continue, but prices should remain high. As of right now, you're not seeing any LPG move through the Strait. So the lack of supply's going to get more and more acute as we move forward here.

And then finally, on your last question, I think all of this turmoil in the Middle East really highlights the value of secure and stable supply. Obviously, Canada has a big role to play in that. And we are very happy to note that we were able to get all of the construction permits we need for REEF Opti 2. We're progressing our capital cost estimate and commercial conversations on more tolling there. So we expect to push that forward sometime later this year.

And then we're also working on seeing if we can do subsequent phases of REEF. And the most advanced one that we're working on there is working on the potential to export ethane out of REEF, but that's got a longer gestation period. So I think we covered all your questions there, Rob.

Robert Catellier

Yeah. That was very, very helpful. And then, I just wondered if you could walk through your current outlook on the Montney and production outlook, given currently elevated commodity pricing, the enhanced customer need for energy security, and the recent Shell acquisition of ARC.

Randy Toone — President, Midstream, AltaGas Ltd.

Hey, Rob, it's Randy Toone. Yeah. We're seeing a lot of activity in the Montney. And you can see, even with Shell coming back into Canada quite significantly with the ARC acquisition—you can see that they really believe in the Montney.

We really think that with this acquisition, LNG 2, Phase 2 is likely to go ahead by the end of the year. And again, that's just going to enhance more Montney East drilling. And with that, we'll just receive just more LPG production coming with that. So it really helps support our export position.

Robert Catellier

Okay. Thanks, everyone.

Operator

Your next question comes from Rob Hope from Scotiabank. Please go ahead.

Rob Hope — Scotiabank

Yeah. Good morning, everyone. Want to take a look at the volumes for Q1 out of RIPET; 89,000 barrels a day is above nameplate, acknowledging that one ship did kind of drift from Q4 into Q1. Can you speak to kind of what you think that facility could do in the near term, if producers are willing to, we'll call it, expedite supply to the West Coast?

Randy Toone

Hi. It's Randy again. Our ability to move products through RIPET is really highly dependent on our service agreement we have with the terminal operator. And right now, we have the ability to do 85,000 barrels a day on average through the year. And so that's our goal was to do that average. And so we actually had a really good Q1, and we expect that to continue through the rest of the year. But our capacity there is 85,000 barrels a day.

Vern Yu

Yeah. Remember, Rob, in Q1, we had one vessel that was scheduled to be loaded in 2025, that slipped in the first couple days of 2026. So that's why you're seeing us above that 85,000 barrels a day.

Rob Hope

All right. Appreciate that. And then maybe just thinking about risk mitigation and the hedging for the global offshore business for the rest of the year. You've locked in a good Q1. You're fairly well hedged for the rest of the year. If we take a look out to Q4, you're 73 percent hedged and tolled now. Are you willing to leave a little bit more open, just given how backwarddated the curve is, and also, just given the premiums in the physical market relative to the paper market?

Vern Yu

Rob, we're going to follow our normal course hedging strategy, and you'll see our hedge percentages move up as we move through the year.

Sean, do you want to add any more to that?

Sean Brown

No. I think you nailed it. We're right in our hedge policy, our hedge strategy of 80 percent, which does leave some exposure as we move through the year, but we'll continue to take that off as we move forward. And as we talked about in our prepared remarks, the curve remains heavily backwarddated. So having that 18 percent overall exposed should benefit us as we continue to progress here.

Rob Hope

All right. Excellent. Thank you.

Operator

Your next question comes from Patrick Kenny from National Bank Capital Markets. Please go ahead.

Patrick Kenny — National Bank Financial

Thank you. Hey, guys. Maybe just following up on that hedging question there, but more on the tolling front. I guess, just given the rising customer demand and wider spreads, even a little bit longer

term, just wondering how these recent global events have changed your tolling strategy, if at all, especially as it relates to contract duration.

And maybe you can speak to where you're at with securing any additional time charters that might be needed to, say, maximize value for the next wave of tolling agreements related to Optimization 2.

Vern Yu

Thanks, Pat. So just as a quick reminder, we're about 60 percent, 65 percent tolled starting next year, when the 2027 NGL year kicks in. So that's for, obviously, RIPET, Ferndale, REEF and Optimization 1. So I think we're bang on our objective of increasing the durability and stability of our cash flows.

So we're going to be out in the marketplace for Opti 2 fairly shortly, once we've got our capital costs nailed down. And we're going to continue to target to have our total export booked in that 60 percent-to-65 percent range tolled. And obviously, the strength of the global markets will be a tailwind when we have conversations with our customers.

So we're very positive-leaning on the fact that we should be able to both increase the amount of tolling we have and in the term of those tolling contracts. So that's bang on.

Sorry. What was the other part of the question, Pat?

Sean Brown

Time charter.

Vern Yu

Yeah. Sorry. The time charter. Obviously, we took another time charter this quarter. We're going to get another time charter later this year. That really covers off all of our merchant barrels. And as we

move forward, we're looking at potentially adding a another one later—contracting another one later this year, so more to come on that.

Patrick Kenny

Okay. Perfect. Thanks for that colour. And then, I guess, Vern, with the balance sheet where you want it, sort of below the low end of your target range, starting to build some dry powder, especially if you do come in above the top end of your guidance, can you speak to what types of midstream assets might not be in your organic backlog, but might be attractive from an M&A tuck-in perspective, just to help round out your value chain from wellhead to tidewater?

Vern Yu

Yeah. I think, Pat, we get asked that question all the time. Obviously, we look at everything that's available for sale. But I think the key point is, anything that we buy needs to be additive to the value chain, as you point out, and particularly needs to come with liquids handling and the ability to integrate into our global exports platform.

The good news that we have is we have an abundance of organic growth projects in front of us, where we're able to invest at, I don't know, 3 times to 8 times build multiples, which are extremely attractive. So any inorganic investment is going to be challenged to outcompete the organic opportunities we have in front of us.

Patrick Kenny

And maybe just to follow up on the organic side, I mean, just having to compete with Dow on some other major projects, just curious your strategy around labour availability. Anything you're doing now to get ahead of what looks to be a rising cost environment and, perhaps, weaker productivity across the basin?

Vern Yu

Yeah. We've been really—we've performed really well over the last couple of years. And really, that's based on the strategy of trying to get as much work built off-site as we can in controlled manufacturing environments.

With REEF, you'll notice that almost everything that we do there is manufactured off-site and then brought on-site, and a small workforce is required to kind of Lego set the thing together. That was no different with Pipestone II. And the other projects that we're pursuing right now will be executed on that type of principles, where we're minimizing the actual labour out in the field. So I think that's a real strategic advantage for us.

Patrick Kenny

Okay. That's great. Thanks, Vern.

Operator

Your next question comes from Maurice Choy from RBC Capital Markets. Please go ahead.

Maurice Choy — RBC Capital Markets

Thanks and good morning, everyone. Just want to touch on the opportunity sets here. You mentioned the growing and diversified LPG exports to Asia. It sounds like you believe this demand will be durable even beyond the conflict. So how would you characterize the incremental opportunity set? And in particular, versus the maximum incremental potential at REEF?

Vern Yu

Well, Maurice, I think we've been very bullish about the long-term opportunity set at REEF for quite some time. The determining factor, ultimately, of our ability to grow REEF is how egress works for natural gas and crude oil for the rest of production in western Canada. So if we're able to get all of the

LNG facilities built that are currently out there, if we're able to get more data centre infrastructure built in Alberta, all that's going to drive natural gas drilling in western Canada, which will provide a significant amount of liquids for us to export.

So the demand globally for Canadian LPG is extremely high. It's continuing to go up. I think the fact that we're transportationally advantaged into Japan, Korea, and China has always been there. Now we're seeing Southeast Asia and South Asia looking to diversify for security of supply over both the Middle East and the US. So it really comes down to, if we're able to make progress on these major projects and the MPO is successful, then we'll see benefits to us.

So the demand has always been there. It's rising, but we're limited by supply.

Maurice Choy

Just as a quick follow-up to that, obviously, when you think about REEF 1, Opti 1, and Opti 2, you've got way over 100,000 barrels a day of capacity through these three projects. Is there a way to characterize what the maximum potential capacity is on REEF? Because it sounds like you're suggesting this is not the limiter; it's more about LNG and crude oil export rather than at REEF.

Vern Yu

Yeah. REEF, ultimately, will be able to export 500,000 barrels a day of LPG. Phase 1 is just under 60,000 barrels a day. Opti 1's 30,000 barrels of propane. Opti 2 is 60,000 barrels of propane and butane. So that's a sizable increase and a doubling of our global exports platform, but there's still lots more to come. And really, the speed and pace of those incremental phases, it will be dictated by overall egress on the basin.

Maurice Choy

That's great. If I can just finish off with a focus on the customers. How would you characterize the customer profile differences between China, India, and Indonesia versus the more traditional Japanese and South Korean customers?

Vern Yu

Well, Japan and Korea are mostly the large trading houses, which are integrated in their value chain. Chinese buyers are quite diverse, and Sean'll speak to this in a minute, that we've got a strong credit backstopping for that type of business.

Into markets such as Vietnam and other Southeast Asian markets, it's really national controlling companies that are the counterparties, and it's a more diverse market (indiscernible) [audio gap].

Maurice Choy

All right. Thank you.

Vern Yu

Thanks, Maurice.

Operator

And the last question comes from Ben Pham from BMO Capital Markets. Please go ahead.

Ben Pham — BMO Capital Markets

Hi. Good morning. Just had a couple questions on Opti 2. And I'm curious, when you think about the potential probably of sanctioning is—that project, is it more a question of, really, the demand pull on that project from international buyers versus more of a supply push that we've maybe seen historically for it?

And maybe secondary to that, could you add context around CapEx and returns? Is it more similar to a REEF project versus an Opti Phase 1?

Vern Yu

Well, maybe I'll answer the latter part of that question first.

Remember that REEF Phase 1, we're pre-building 100 percent of the jetty, we're pre-building the rail infrastructure, and we're pre-building the power generation. So the build multiple on Phase 1 is going to be in that 7 to 8 times, which is probably the highest build multiple of anything that's going to happen at REEF.

Opti 1 is an extremely capital-efficient expansion, so that is not indicative of other phases. So I think the way I'd characterize it, Opti 2's going to be in between REEF Phase 1 and Opti 1.

On the supply push versus demand pull, obviously, we're seeing lots of interest from Asia. So there should be stronger demand pull than we've seen historically, but it's still early days of us having discussions with customers about tolling for Opti 2. So I think we'll just say, stay tuned for further updates as we move along throughout the year.

Ben Pham

Okay. I got it. And, Vern, you mentioned earlier in comments beyond potential Opti 2, 60,000 barrels will get (phon) ethane. Is there a reason why there's not looking for more LPG exports first? And instead, just in a context of that—

Vern Yu

I mean—

Ben Pham

—barrels you mentioned earlier?

Vern Yu

We will be able to bring phases of—different phases of REEF to market as supply grows, Ben. I think what we're trying to move ahead right now is we know there's going to be good demand for Opti 2. That should meet the current forecast of LPG supply to the end of the decade.

We currently, in Alberta, are extremely long ethane with no outlet market for it. There's hundreds of thousands of barrels that are getting reinjected into the natural gas stream. So there's an obvious need there.

So, should LPG supply grow at a faster rate, we can bring subsequent phases of REEF to market very quickly. So I wouldn't say that we're limited by our ability to increase capacity. It's really, we want to match that capacity growth to supply growth.

Ben Pham

Okay. That makes sense. And maybe just one last one on the data centre opportunities in WGL and Michigan as well. Can you remind us—you got that 15-megawatt second project. Can you remind us what's in the backlog right now? Maybe context on average sizes? And is it still that estimated 1 percent potential uptick to the 8 percent you still think could materialize?

Blue Jenkins — President, Utilities, AltaGas Ltd.

Yeah. Hey, Ben, it's Blue. Yeah. You're spot on. So, as you know, the first couple of projects that we brought on here are fairly small. We talked about that first one in Maryland that expands in phases. This second one is for backup generation by the existing centre.

We are in conversations, as you note, across both Virginia, Maryland and Virginia. And those range anywhere from something that looks like this, in the 15 or 20 megawatts, up to the 50 megawatts. But they're in various stages of assessment and FID on their side to move forward. But we still think that looks like a 1 percent upside for us.

Ben Pham

Okay. Got it. Thank you.

Blue Jenkins

You're welcome.

Operator

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

Aaron Swanson

Great. Thanks. Thanks again to everyone for joining the call this morning.

The Investor Relations team is around if anyone has any further questions. Have a great day.