FINAL TRANSCRIPT

AltaGas Ltd.

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the AltaGas Second Quarter 2026 Financial Results Conference Call. My name is John, and I'll be your Operator for today's call. All lines have been placed on mute to prevent any background noise.

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

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

As a reminder, this conference call's 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 second quarter 2026 results conference call. This call is being webcast, and we encourage following along with supporting slides that can be found on our website.

Speaking this morning will be Vern Yu, President and Chief Executive Officer; and Sean Brown, Executive Vice President and Chief Financial Officer. We are also joined by Randy Toone, President of Midstream; Corine Bushfield, 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-answer session.

I'll now turn the call over to Vern.

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

Thanks, Aaron.

Good morning. I'm going to start by reviewing highlights from the quarter, including our strong financial and operating performance. Then I'll walk through progress on our growth projects in Midstream and Utilities. I'll finish by reviewing the state of the global LPG market and how that is creating growth opportunities for AltaGas. After that, Sean will cover our segmented financial results and provide more details on our increased 2026 guidance.

I'd like to start by introducing Corine, who's now leading our Utilities business. Corine has been with AltaGas for more than a decade and is a valued member of our executive team. We're excited to have Corine step into this role, given her proven track record of operational excellence and strong financial leadership.

Let's begin on Slide 4.

We delivered record financial results in Q2, reflecting strong performance from both Midstream and Utilities. I should note that Midstream's financial results in Q2 benefitted from historically high global export spreads and physical sale premiums.

We generated normalized EBITDA of $391 million and normalized EPS of $0.31, increases of 14 percent and 15 percent over Q2 2025.

Our strong first half gives us the confidence to raise our 2026 guidance. We've increased normalized EBITDA guidance by 4 percent to a new range of $2.0 billion to $2.1 billion, and normalized EPS by 6 percent to a range of $2.35 to $2.60 per share.

Our balance sheet remained strong throughout the quarter with leverage closing at 4.4 times, below the low end of our 4.5-to-5.0-times target range.

Operationally, we exported a record 144,000 barrels per day of LPG, a 13 percent increase over Q2 2025.

Midstream throughput continued to grow, with Montney volumes up 8 percent year over year, and we added two high-quality partnerships to our platform, the Groundbirch Rail Terminal with Tourmaline, and the ACE Rail Terminal in Fort Saskatchewan with Keyera and CN Rail.

In Utilities, we continue to advance our system modernization programs. Year to date, we have deployed over $200 million of capital and replaced 21 miles of pipe.

Let's move to our growth projects, starting with REEF on Slide 5.

Construction on REEF continues to advance, and the project is now 85 percent complete. Onshore execution has been strong and ahead of plan. On the upland, all major equipment is installed, and commissioning should begin in late August. The railroad corridor is entering its final construction phase and will be completed before year-end.

While onshore execution has been ahead of plan, in-water construction has proven more challenging, due to maritime conditions and weather delays. Since we started in-water construction at REEF in the fall of 2024, we have lost over 450 rig days due to extreme weather, extreme ocean swells, and marine mammal activity. These lost rig days significantly exceeded any normal contingency plans.

As a result, onshore efficiencies are no longer expected to fully offset higher in-water construction costs. We now expect REEF to come online before the end of Q1 2027 and have increased REEF's capital cost estimate by 12 percent to approximately $1.5 billion.

With the jetty and loading platform now 80 percent complete, most in-water construction is set to be completed over the next six weeks. We view the revised schedule and cost as highly achievable, and we'll get into those details shortly.

REEF Optimization 1 remains on schedule for an in-service date in the second half of 2027, and it will add 30,000 barrels per day of incremental propane export capacity.

We're also advancing REEF Optimization 2, with key regulatory permits secured and engineering progressing towards final Class III cost estimates before the end of the year.

On Slide 6, we outline REEF's remaining major work streams and highlight what has been completed to date.

The in-water works have been the most challenging, but we're almost done. All 48 of the piles for the jetty piers have been drilled and completed. Only five piles remain to be drilled for the loading platform, and that should be completed by the end of August.

All of the jetty trestles that span 1.2 kilometres have been installed. The transition platform has been delivered and set. Fabrication of the main loading platform is complete and is about ready to be loaded for an August delivery. The mooring system fabrication is nearing completion and is set to be delivered in November and installed in December.

With the in-water phase of construction, the most complex and challenging part of REEF, nearing completion, we're highly confident that we'll be able to meet our revised cost estimate and schedule.

Slide 6 shows how the platform and mooring system will be installed on the jetty, which is a low-risk installation and part of our modular design.

Turning to Slide 7, you will see the progress on onshore construction activity.

All modules have been received, and all equipment has been set. Mechanical completion is now 90 percent, and we expect to commence uplands commissioning by the end of August. The rail loop and utility corridor are now 70 percent finished and are on track to be completed by mid-November.

Slide 8 shows the progress on our other growth projects.

At RIPET, our methanol removal project remains on track for completion by year-end.

Our Dimsdale storage expansions are now more than 50 percent complete, with pipeline tie-ins completed. We’re on track to start the drilling of the injection wells in the third quarter. Phase I will add 6 Bcf of storage by year-end 2026, and Phase II will add another 30 Bcf of storage by mid-2027.

At the Mountain Valley Pipeline, Southgate construction is underway. Pipeline welding began in early July, and the project is on track to be in service by year-end 2026, ahead of schedule.

MVP Boost continues to advance through its regulatory steps and is expected to be in service by the middle of 2028.

During the quarter, we reached a positive FID on a de-bottlenecking project at Townsend, which will add 6,000 barrels per day of fractionation capacity.

Within Utilities, we have more than 5,000 miles of pre-1970s pipe that needs to be replaced to enhance safety and reliability. To support that, we have US$1.5 billion of modernization programs approved by regulators across our four jurisdictions.

Modernization capital, system expansion, and customer adds are expected to drive 10 percent rate base growth in 2026. This rate base will improve the safety and reliability of our system. Every mile we replace reduces the risk of leaks and safety incidents, service disruptions, and operating costs for our customers.

Despite these large increases in rate base, we’ve been able to keep customer billing increases around 4 percent per year, based on operating cost savings from these modernization investments and other O&M cost management initiatives.

Demand for natural gas across the US continues to rise, driven by heightened commercial and industrial activity, data centre and large-load development, and ongoing population growth. The Mid-Atlantic sits in the centre of this expansion. For example, PJM data centre load is forecast to increase by fourfold over the next eight years.

Turning to Slide 9, I want to touch on the disruption in the Middle East and what this means for the global LPG market and our global export business.

LPG exports through the Strait of Hormuz are more than 70 percent below pre-conflict levels. Since their disruption began, more than 160 million barrels of LPGs have been displaced from global trade. That has tightened market balances and reinforced the value of stable Canadian LPG supply.

We’re seeing very strong demand across our traditional markets in Japan and South Korea and growing demand from China. We’re also seeing incremental demand from other Asian markets that have historically relied on Middle Eastern supply.

Given the favourable market dynamic dynamics, we continue to advance REEF Opti 2 and see the need for an additional REEF phase every two to three years to meet the market demand in Western Canada.

We’re also seeing significant interest from China for Canadian ethane exports as a way to diversify its long-term ethane needs. Today, roughly 500,000 barrels a day of ethane is left in the natural gas stream in Western Canada, while Asian demand keeps growing. We’re actively working through the complexity of connecting these markets, as we see this as another opportunity to provide Canadian energy to the best global markets.

Finally, let me close on the progress we've made on our strategic priorities in 2026.

AltaGas's future is very bright. We've executed consistently, growing, de-risking, and strengthening the enterprise through the first half of the year. In the second quarter, we delivered record volumes from our global export platform and higher throughput across our midstream value chain.

We continue to actively manage risk through hedging, commercial contracting, and diversifying our downstream markets.

We're advancing multiple rate cases in our utilities to earn appropriate returns on our capital investments and minimize rate lag.

Our balance sheet is strong, with leverage below our target range, which has allowed us to advance multiple projects that will drive long-term growth.

Taken together, we're extending our competitive advantages, improving the quality and visibility of our cash flows, and creating a longer runway for disciplined expansion across AltaGas.

I'll now turn it over to Sean to walk through our segmented results and increased 2026 guidance.

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

Thanks, Vern, and good morning, everyone.

As mentioned, we are very pleased with our record second quarter performance.

The continued execution across our platform has enabled us to increase our guidance and positions us to deliver over 10 percent year-over-year EBITDA growth.

For today's call, I'll start by walking through our segmented financial results, and then I'll discuss our updated 2026 guidance and capital budget and close with our balance sheet strength and investment proposition.

Turning to Slide 12.

In the quarter, the Utilities segment delivered normalized EBITDA of $142 million, a 6 percent increase year over year. This increase was driven by higher revenue from continued system modernization investments, new rates in D.C., and interim rates in Virginia, as well as stronger retail performance. Compared to the same quarter last year, results were partially offset by higher G&A expenses and lower asset optimization activity at Washington Gas.

From a capital perspective, during the quarter, we deployed approximately $240 million in the Utilities segment, including $130 million toward modernization programs, $21 million on new growth initiatives, and $86 million on system betterment programs.

Of note, our modernization spending has resulted in us replacing over 20 miles of vulnerable pipe year to date.

These investments are focused on delivering long-term safety and reliability, while extending our network to serve our expanding customer base.

In addition, in June, we officially kicked off construction of the Keweenaw Connector Pipeline. The majority of the materials are now on-site with pipe welding, bending, and placement ongoing. We continue to expect construction to be completed by year-end 2026.

We are also making solid progress on our two data centre pipeline connection projects in Virginia and Maryland, both of which remain on schedule for completion in the fourth quarter of 2026. Though individually not material in size, these projects underscore the increasing importance of our gas utility infrastructure and enabling reliable energy delivery for large-load customers.

Looking forward, we continue to see a robust pipeline of opportunities with sustained interest from data centre and large-load industrial customers seeking reliable, scalable, and cost-effective energy solutions.

Turning to Slide 13, we highlight our ongoing regulatory initiatives.

This week, we received a final order in Maryland where the Commission approved US$38 million in new revenue, including certain costs currently recovered through the STRIDE surcharge, based on an allowed ROE of 9.4 percent.

Active rate cases in Virginia and Michigan are ongoing. In Virginia, interim rates remain in effect, with WGL seeking US$65 million of incremental revenue, net of a US$39 million ARP surcharge.

In Michigan, we are seeking new rates and an extension to the modernization program, requesting US$61 million in revenue and US$284 million of proposed spending for Michigan's modernization programs through 2031. We expect final orders in Virginia by the end of Q3 and in Michigan before year-end.

Late in the second quarter, the Public Service Commission of D.C. approved a six-month US$18 million extension of the existing PROJECTpipes 2 modernization program through the end of 2026. This came after our US$150 million District SAFE ARP program was approved, but subsequently reopened, as the Commission determined a further hearing was necessary. The hearing was held this week, and we expect resolution by the fourth quarter.

Importantly, our utilities investments are expected to drive 8 percent long-term rate-based growth through 2030, supporting stable cash flows, earnings growth, dividend durability, and shareholder value.

Turning to Slide 14, the strength in our Midstream business continued, delivering $285 million of normalized EBITDA, up 33 percent year over year, and above our expectations. The segment's outperformance was driven by our exports platform, which exported record volumes and delivered strong merchant margins.

The segment also benefitted from continued strong performance across the balance of our midstream assets, particularly in the Montney, where producer activity remains strong and continues to drive basin growth.

From an operational perspective, we exported a record 144,000 barrels a day of LPGs across 23 VLGCs at our Ferndale and RIPET terminals, with volumes up 13 percent year over year.

Strong terminal execution and logistics supported record Ferndale exports of nearly 60,000 barrels a day, driven by improved rail switching efficiency, along with higher rail, refinery, and truck-in volumes.

RIPET exported roughly 84,000 barrels a day of propane and continues to operate near capacity.

In the rest of our Midstream platform, G&P utilization remained strong in the quarter, although margins were tempered by lower realized frac spreads, due to the impact of hedging.

Harmattan was offline for 32 days for planned maintenance. Excluding the impacts of the Harmattan turnaround, throughput volumes were 9 percent higher year over year.

Montney growth remained a key driver, supported by our strategic footprint across liquids-rich areas of the basin and continued producer activity. In the Alberta Montney, our Pipestone complex continued to perform well, averaging roughly 90 percent utilization through the quarter as area volumes continued to increase.

In northeast BC, strong volumes continued across our Montney assets, with North Pine throughput up 23 percent year over year, continuing to operate near its 25,000-barrel-a-day capacity.

But looking across our system, the underlying growth we are seeing reinforces the value of our northeast BC liquids expansion projects, which are designed to unlock additional value from Townsend and North Pine while deepening our strategic producer relationships.

Looking ahead, we are well hedged for the balance of 2026 and have de-risked much of our Q4 exposure, with approximately 91 percent of expected remaining 2026 global export volumes either tolled or financially hedged, with an average FDI-to-North America spread of approximately US$21.81 per barrel on non-tolled volumes, while 9 percent of volumes remain open to market pricing.

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 frac spread exposure and have 84 percent of expected volumes hedged at an average price of $22 a barrel.

Closing the discussion on our financial results, the Corporate and Other segment was lower year over year, primarily due to higher employee incentive costs tied to our rising share price.

Turning to Slide 15.

Year to date, we have seen outperformance from both business segments, with significant strength in our LPG export business driving an increase to our guidance.

We have raised our EBITDA guidance to a range of $2 billion to $2.1 billion, representing a 4 percent increase over the original guidance midpoint and 10 percent growth year over year.

At the same time, we are raising our EPS guidance to a range of $2.35 to $2.60 per share, a 6 percent increase over the original guidance midpoint, and 11 percent above last year's levels.

Additionally, as outperformance is more weighted to our Midstream business, we've adjusted our estimated year-end 2026 segment EBITDA mix, with Midstream now expected to contribute approximately half of normalized EBITDA, resulting in a range of 48 percent to 52 percent for both segments.

As shown on Slide 16, we've also increased our 2026 capital budget, which now sits at $1.8 billion, up from $1.7 billion previously. This increase reflects higher capital expenditures for the construction of REEF, as well as capital associated with the positive FIDs of the northeast BC liquids expansion project and the Groundbirch Rail Terminal.

Sixty-one percent of 2026 capital is now expected to be allocated to the Utilities segment, 36 percent to the Midstream segment, with the balance to the Corporate segment.

Utilities capital is primarily directed towards modernization and system betterment initiatives, which are expected to drive 10 percent year-over-year rate base growth.

Midstream capital remains focused on REEF, including Opti 1, Dimsdale, and our new northeast BC project announcements, all of which underpin the segment's robust growth outlook.

As shown on Slide 17, our $1.8 billion capital program remains well within our investment capacity. Our relatively low dividend payout ratio, along with our strong business performance, has allowed us to increase our 2026 capital program, while remaining within our debt target ranges, and deliver on our 5 percent-to-7 percent EBITDA and EPS CAGR.

Looking forward, our capital allocation priorities remain the same, as we look to cover maintenance spending and advance key growth projects that position the business to deliver on its long-term growth guidance.

As shown 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.

With the increase and shape of our 2026 capital program, and considering the seasonality of our business, we expect our leverage metric to trend towards the midpoint of our 4.5-to-5.0-times target range as we progress through the year.

On Slide 19, we highlight AltaGas's consistent track record of delivering per-share growth in earnings, EBITDA, and dividends, which has translated into sustained share price outperformance.

The updated 2026 expectations have driven an increase to our five-year EPS CAGR to 8 percent, and our five-year EBITDA CAGR to 7 percent, from 6 percent previously.

Our investment proposition, which has remained the same, is highlighted on Slide 20.

A resilient, low-risk infrastructure platform underpins stable and growing cash flows and a diversified business mix that provides earnings visibility and capital allocation flexibility. Visible organic growth opportunities position the Company to grow earnings and cash flow per share, while maintaining financial flexibility, and drive sustainable dividend growth.

With that, I'll turn the call back to the Operator and open the line for questions.

Vern Yu

Operator, we're ready for questions if there's any in the queue.

Q&A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press *, 1 followed by—please press *, 1, your telephone keypad. If you would like to withdraw your question, please press the # key.

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

Your first question comes from the line of Rob Hope from Scotiabank. Please go ahead.

Rob Hope — Scotiabank

Good morning, everyone. I want to dive a little bit deeper into the potential for further producer partnerships up in northeast BC. Are you having conversations up there to support incremental infrastructure builds that could be a header, in essence, for your global export business?

Vern Yu

Hey, Rob. It's Vern. I'll start that off and then hand it over to Randy.

I think, in northeast BC, we're in a great position. I think, as you know, it's sometimes challenging to build infrastructure up there, given the precedents with the First Nations.

So the good news is, we're well situated with our Townsend and North Pine assets to add significantly more volumes up there. And obviously, we've sized up our rail facility at North Pine to handle unit trains. This new partnership with Tourmaline gives us a second and significant loading opportunity where, if other volumes come in, we're able to capture those as well.

So I'll turn it over to Randy. He can just fill in a little bit more colour.

Randy Toone — President, Midstream, AltaGas Ltd.

Yeah. Thanks, Vern. I would just add that we do think that LNG Canada Phase 2 is likely to be FID-ed here soon. And also, the federal government's been very supportive of other LNG projects. And so that's just going to add more supply in the Montney, and we think that our assets are well positioned to take advantage of that.

Rob Hope

I appreciate that. And then maybe just moving over, the global export business. Understand that pricing is volatile, but we are hearing about physical premiums to the posted FEI pricing. Can you speak to how you are benefitting from this dynamic?

And do you realize that even when you do hedge relative to FEI, as well as moving forward, how it is informing kind of your hedging profile?

Vern Yu

I think the way to characterize that, Rob, is with this massive disruption in global supply and demand remaining relatively constant, is the fact that, oftentimes, people are not wanting to show their physical sales on the index. So that's why there's particularly a disconnect between a physical sale and the index.

So going forward, on our merchant capacity, we're able to capture the actual physical sale premium over FEI. And we're seeing that continue as we work through this situation.

Rob Hope

Thank you. I'll hop back in the queue.

Operator

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

Patrick Kenny — National Bank Capital Markets

Thank you. Good morning. Maybe just on the new tolling agreement with Tourmaline. Just wanted to get your initial thoughts here on their one-year pause on growth spending and any read-through to, perhaps, any broader temporary slowdown in activity across northeast BC and, I guess, what that could mean, timing-wise, for some of your unsanctioned growth opportunities, whether it's Opti 2 or further upsizing at North Pine, Pipestone, or Dimsdale.

Randy Toone

Hey, Patrick. It's Randy.

Yeah. We totally understand why Tourmaline wanted to take a pause, given where the natural gas prices are. But when you look at what their Phase 2 expansions—that was Conroy and Doe, and that's really not kind of feeding our existing infrastructure. So it doesn't change our plans. Obviously, we want to see that development, and we know it will be developed, but it doesn't impact our long-term plans.

Vern Yu

Yeah. And I'm just jumping in here. I think, obviously, we're seeing heightened activity from other producers, which is really driving the Townsend de-bottlenecking that we announced today.

And I think the demand we're seeing for Opti 2 is extremely high, Patrick. We expect to be concluded on commercial negotiations on incremental tolling arrangements within the next couple months here.

Patrick Kenny

Okay. That's great. Appreciate that.

And then, I guess, Vern, as you think about your portfolio of tolling contracts, you've had good uptake from midstream peers as well as upstream customers, and now you're seeing increased demand from China. I guess, as you think about maximizing realized margins going forward, how are you thinking about the right mix in terms of customer type? And maybe an update on where you're at today versus your longer-term target?

Vern Yu

Sure. Patrick, we're still targeting to be 60 percent tolled on a long-term basis. So as we bring Opti 2 to FID later this year, we're still wanting to have at least 60 percent of the total export capacity under tolling agreements.

We're starting to see early signs of Asian demand for more Canadian product. We're in active discussions on all kinds of supply arrangements between Japan, Korea, China, and other jurisdictions.

So, the disruption we're seeing in the Middle East, obviously, is highlighting how important it is to have a secure and reliable supply, and Canada's obviously a great place for that. So as we approach the end of the decade and have 300,000 barrels a day of export capacity, we think there's going to be very high demand for tolling contracts, and we'll see that play out over the next couple months.

Patrick Kenny

And I guess, as you look to potentially add ethane exports to the franchise, can you provide just a bit more colour on maybe how those discussions are progressing to secure the offtake contracts?

And also, along the value chain, how you're thinking about sourcing the ethane and securing the rail logistics and whatnot?

Vern Yu

Yeah. Ethane's obviously in an earlier stage than Opti 2 and even Opti 3. We've made great progress in one of the most critical elements, which is just the rail logistics. We've recently received Transport Canada approval to use a pressurized car to move ethane, so that removes a significant gating item.

I think where we're at now is, obviously, to get better line of sight on the capital cost involved and on all the logistics from loading and then export facility-wise.

The dynamic is China imports almost 100 percent of its ethane today from the US Gulf Coast. With global trade tensions, China's extremely eager to get a variety of supply sources, and Canada is well positioned for that. I think, as we mentioned on our prepared remarks, there's 500,000 barrels a day of ethane in the gas stream, with lots of facilities across Alberta and BC for that ethane to be railed.

So we think a lot of the parts are already there. We just need to do a little bit more work on figuring out what is a competitive rate. And then with ethane, given that it's a new product with probably one buyer or a series of buyers in one location, we're going to look to target a much higher percentage of tolling on that kind of a transaction.

Patrick Kenny

Okay. That's great colour. I'll leave it there. Thanks.

Operator

Your next question comes from the line of Robert Cattelier from CIBC. Please go ahead.

Robert Catellier — CIBC

Yeah. Hey. Good morning, everyone. Just wanted to clarify on the Groundbirch Rail project that there is an ability to accommodate third-party volumes, and it's not exclusive to Tourmaline.

Randy Toone

Hey, Rob. It's Randy Toone here. We do have rights to participate if there's any available space. But for the first, initial phase, it is entirely Tourmaline. But we do have rights to bring in third parties if there is capacity available. And we also do have rights to potentially participate in an expansion.

Robert Catellier

Okay. Can you provide updates on—how do I say this—the aspirational Trigon LPG project? I know there's been couple project filings from Trigon and also your reply. And so, maybe, you could just summarize where we're at there and then your response? Maybe, you could touch on where you see First Nations support lying for your export assets versus some of the other projects?

Vern Yu

Hey, Rob. Maybe I'll just comment on Trigon, then I'll hand it over to Randy to talk about our stakeholder relations.

At the end of the day, I think it's pretty clear that there's only one entity on Ridley Island that has the ability to develop the LPG handling and export, and that's us. That's been reinforced several times by the Prince Rupert Port Authority. And, obviously, there's a legal court case coming up here in the spring of 2027. I think our case is extremely strong, and we are not very worried about it. And just to reiterate, we will make sure that we protect our commercial rights all the way, in any possible way.

And then finally, before Randy chimes in, is our goal is to have all of our stakeholders aligned with us over the long term. We've done that over and over, and I think northeast BC's a great example of how we have really positive relationships with our First Nations.

So with that, I'll let Randy talk about the particular situation with the Met.

Randy Toone

Yeah. So we've had a strong relationship with the Met for over a decade since we've been in Prince Rupert. We see them as a long-term partner. We do think that we're making positive progress on the issues in hand, and we think we'll have a positive outcome in the end.

Robert Catellier

Okay. Thanks for that. And my last question is for Corine.

I know it's early days as you step into the role here. But I wonder if there was any thoughts on possible changes to regulatory strategy, especially as it relates to those building emissions performance standards or on the efforts to narrow the ROE gap.

Corine Bushfield — President, Utilities, AltaGas Ltd.

Good morning, Rob. Thank you. I'm excited to be here today.

Just want to say up front, there really is no change in our utilities strategy. The team has done a great job making improvements in the utility, and we're going to continue to build on that foundation.

As we think about the regulatory strategy tied to what you were mentioning, I'm going to just maybe go right to gas bans, and we're going to continue to oppose gas bans, as they limit customer choice and customer affordability. The Mid-Atlantic, it needs natural gas to support reliability, long-term energy security, and customer affordability. And restrictive policies only increase regional energy challenges.

So we're going to continue with both our legal and our advocacy strategy that supports, ultimately, what we're trying to—or our regulatory strategy.

And at a high level, we have no change, and we're going to continue to close our ROE gap. There's no change in our focus there. And we're going to continue to put safe pipe into the ground to improve the safety and security of our system.

And customer affordability is obviously top-of-mind, so we're going to double down on our operating costs and our capital cost efficiencies so that, at the end of the day, it's more affordable for our customers.

Vern Yu

Hey, Rob. I was just going to add a little bit there on the gas bans. Like, if you think about it, PJM is short energy, and short energy in a big way. For a county or a city to think about limiting the available sources of energy and trying to shift that to the power grid is just nonsensical. You're making an energy shortage problem even worse.

And then, finally, you've seen different outcomes on a legal basis at different district courts in the US. This obviously is leading to the Supreme Court, and we just recently see the DOJ and the DOE really weigh in on these items. So we're very—we have a real positive lean that this will ultimately get resolved at the Supreme Court in a fashion that makes sense for everybody.

Robert Catellier

Yeah. I agree. It just doesn't make sense for everybody to focus on affordability and then, at the same time, turn around and limit choice, so. Okay. Thank you.

Operator

Your next question comes from the line of Jeremy Tonet from J.P. Morgan. Please go ahead.

Eli Jossen — J.P. Morgan

Hey. Good morning. This is Eli on for Jeremy. I just wanted to touch on MVP quickly. I know that the pipe is flowing, and there's some expansions in the works. But if you could just remind us on your broader strategy with that asset? And how should we think about the opportunity for future monetizations there?

Jon Morrison — Senior Vice President of Corporate Development and Investor Relations, AltaGas Ltd.

Yeah. Hey, Eli. It's Jon.

So if we broke it into the three pieces, we'd agree with your take. The main line continues to perform very well and, with each passing month, our investment thesis to retain that asset continues to be reiterated. So we're very happy with the investment there.

MVP Boost continues to push forward for a mid-'28 in-service date. One permitting issue continues to get worked through and, ultimately, we think that's very resolvable and in line with what we've talked about in the past. The build economics on that are very strong, around a 3-times build multiple.

And then lastly, on Southgate, it's progressing very well. All the regulatory approvals are in place, construction currently taking hold right now. Welded pipes started going in the ground in July. And you would have seen this out of EQT's disclosures, but the partnership elected to accelerate capital spending and, ultimately, try to target an end-of-year in-service date, so things are progressing along very well there.

From a long-term—a holding perspective, I think you should probably consider it as perpetual investment. We're very happy with, obviously, how all those things are going. And the EQT team is very strong and, ultimately, we think there is going to be incremental growth opportunities that come over the long term.

Eli Jossen

Awesome. Thanks. And then I know there's been a lot of discussion on REEF and future optimization phases, and there is sort of the further expansions bucket on one of your slides. So maybe we can just dive into that a little bit and think about the size there and the cadence of sort of future FIDs we might get across other projects that can kind of fit within your Midstream portfolio. Just, yeah, any colour on that bucket would be great.

Vern Yu

I think, Eli, if you look at, I think, one of the slides we have in the deck, we show that there's significant growth potential coming out of our global export platform. Really, that's on the back of incremental gas egress and the development of data centres in Alberta.

So for every incremental Tcf a day of gas that's needed or can get to export markets, we see somewhere in the range of 35,000 to 50,000 barrels a day of incremental LPG supply becoming available for export. So if you work that through from 2030 to 2040, you kind of see that you need about—you need an incremental phase of REEF every two or three years. So we're targeting Opti 2 to be in service in the late 2020s. So that would point to an Opti 3 in the early 2030s and an Opti 4 in the mid-2030s and so on and so forth.

Obviously, ethane is an incremental opportunity on top of that, where the initial phase would be something in the range of 60,000 barrels a day, but that could grow substantively over time. The great news is that the REEF common facilities are able to handle 500,000-plus barrels per day of export, so that gives us a tremendous growth platform over the next decade.

And as egress comes forward, as exports grow, there will be the need for incremental gas processing, fractionation, rail loading, and all these great things. And we have irons in the fire across our footprint in Alberta and in northeast BC, and we see strong opportunities with further de-bottlenecking in northeast BC plus a North Pine expansion, and then gas processing opportunities in the Alberta Montney.

So we're super excited about the potential growth outlook that we have in our Midstream business.

Eli Jossen

Awesome. Appreciate the colour.

Operator

Your next question comes from the line of Ben Pham from BMO. Please go ahead.

Ben Pham — BMO

Hi. Good morning. I just want to go back to the propane export position, and you have a bridge there, respect to Opti 2, potential service, Opti 3, and then methane phase one. And I'm just curious. If you think about sequencing those projects, are you able to—just thinking about your manpower and the site and your balance sheet—are you able to build or start construction on more than one of those? Or do you need to sequence it in a way to spread out those projects?

Vern Yu

So with Opti 2, Ben, we have our permits in hand, so we're able to start construction any time now. The issue that we want to—the issues that we want to finalize before we go to FID is, number one, having a firm capital cost estimate at the Class III level. We should have that in the next few months.

The second is what we talked a little bit earlier about, is making sure that we have sufficiently de-risked the cash flows for any expansion, and we have line of sight—very strong line of sight for incremental tolling contracts, again, which we expect to have on hand within the next couple months. So that would lead, obviously, to an Opti 2 FID.

With ethane and Opti 3 and so forth, we would need to make regulatory filings to get the appropriate permits to start building. But those all can happen. If you have a good look at our REEF plot plan on our website, there's lots of room for all of this to happen. Really, the gating items is the timing of the regulatory approvals.

Remember that most of this equipment, we don't need to build another wharf. We don't need to add any loading platforms or things like that. So all the common infrastructure is completed, and we're just bringing in extra storage and compression that's predominantly being built off-site and can be transported to REEF.

So we're very well positioned and risk-managed about how we continue to expand the export platform, Ben.

Sean Brown

Yeah. And I think the only other thing, Ben, is I think you had balance sheet in there as well. I mean, we are not concerned on the balance sheet perspective at all. I mean, I talked about it in my prepared remarks, but we've got the capacity to deploy $1.6 billion to $1.8 billion a year. I mean, so we certainly, from a funding capacity perspective, wouldn't have any concerns.

And that's one of the real benefits of the balanced business model we have between Utilities and Midstream. And you would have seen that over the last couple years that, if we have attractive projects in the Midstream business, we can flex a bit more capital there. And then in periods like this year, when REEF's just nearing completion, we flex more into Utilities. So from a financing and balance sheet perspective, not concerned.

Ben Pham

Got it. And maybe another one on the Utilities side of the business. You mentioned the Maryland case was a constructive outcome. Can you unpack that a bit? Just maybe some of the things you like, some of the things you didn't like?

And then maybe just broader, related to that, the 70 basis points looks like a nice improvement from what you've been highlighting before, overall. What's been a key driver of the change?

Corine Bushfield

Thanks, Ben.

I would say that the key driver to the constructive outcome was our planning process and us working with the commission and the staff to better understand, at the beginning of the process, what they were looking for. So as we were prepping and going into it, I think we were just better planned, to be blunt. And we have seen positive movements with Maryland PSC so, in general, we're encouraged with what we're seeing for results there.

Ben Pham

And I just wanted to check the previous messaging on the ROE was 100 bips, plus or minus, around that. And you're doing about 70 basis points, you're expecting this year. Is that more of cost reductions that's driving the gap, moving the gap in more?

Corine Bushfield

So we're a little bit higher than that this year, Ben. Last year, we exited around 100 basis points. This year, we'll narrow the gap a bit. You're right, though. On a target basis, over the long term, we want to be to that 50 to 75 basis points because factoring in, as you well know, the historical test-year lag. But with optimization, we do have the ability to help fill that gap.

Ben Pham

Okay. Got it. Okay. Thank you.

Operator

Your next question comes from the line of Maurice Choy from RBC. Please go ahead.

Maurice Choy — RBC

Thank you. And good morning, everyone. Just sticking with the ethane theme here, can I confirm if ethane is covered under the exclusive right your JV has to export LPGs? And if not, is there an opportunity to form partnerships locally, particularly if REEF is kept at 500,000 barrels a day of capacity?

Vern Yu

Well, I think I'm just going to kick that over to Randy. Thanks.

Randy Toone

Yes. Ethane is included in that exclusivity. We are looking at partnerships for ethane, so we are looking at supply partnerships.

As Vern talked about, there is 500,000 barrels a day of ethane being reinjected into the gas stream. And there's straddle plants that can just cool down and capture that ethane. So we don't think there's a lot of investment or significant investment upstream, and the ethane supply will be available. But we need to look at the railcars, and so we're looking at partnerships for that. And also, the offtake would likely be a partnership as well.

Maurice Choy

Understood.

Vern Yu

But I think, Maurice, ultimately, to get to the global export part of it, there is more land that we can acquire on Ridley Island, should there be extremely robust demand for both LPGs and ethane.

Maurice Choy

It's great to hear. And if I could just quickly follow up with that. I think you mentioned earlier in the call that you're going to seek a higher level of tolling for these ethane exports. Just wondering what other aspects of commercial or even a return perspective of an ethane infrastructure would differ from an LPG, propane-butane infrastructure.

Vern Yu

Yeah. I would think of it more as traditional energy infrastructure, where you want to do it under a take-or-pay contract, effectively, Maurice.

Maurice Choy

Okay. Thank you. And my congratulations to Corine on the new role. Thank you.

Corine Bushfield

Thank you.

Operator

The last question comes from Sam Burwell from Jefferies. Please go ahead.

Sam Burwell — Jefferies

Hey, guys. Thanks for squeezing me in. Apologies if you'd addressed this before but wanted to ask about the economics of the Groundbirch Rail venture with Tourmaline. Looks like there is at least like a minor amount of CapEx that got thrown into the budget this year, so curious what the quantum of CapEx might be.

And then, like, is the EBITDA contribution just simply the 10,000 barrels a day that's getting tolled? Or is there other contributions? Just trying to frame the build multiple around this project.

Randy Toone

Hi. It's Randy.

Yeah. It's very minimal capital for us. It's less than $20 million for us to participate in the rail yard. But the benefits of that rail yard is that we see significant savings in the rail costs, both in our fleet, our rail cost getting to the export facility, our storage costs. And so that's why we want to make that investment.

We also see that our North Pine facility and this Groundbirch facility, there should be some synergies between the two, and we do see the additional rail savings. And, of course, the export tolling is an added benefit.

Sam Burwell

Okay. Great.

Vern Yu

So it's an extremely lucrative transaction for us, on a capital-deployed basis, just because there's a huge opportunity for us to reduce our operating costs.

Sam Burwell

Yeah. Okay. That makes total sense.

And then last one, on shipping costs. Like, understand that you guys have locked in the 2026 exposure already, so covered on that. But curious if all of 2027 remains open and just, like, as things stand, I mean, is there any risk of upward pressure on costs and downward pressure on margins in the export business from shipping exposure next year?

Sean Brown

It's Sean here. I'd say the answer is essentially no. I mean, we have three time charters right now. We're getting another one delivered next year. So, we remain very comfortable with the exposure we have from a time charter perspective. So, we definitely are not open as we enter next year. We are taking on an additional time charter. So we'll have four next year and are comfortable with our position as we move into '27.

Sam Burwell

Okay. Perfect. Thank you, guys.

Operator

This concludes the Q&A portion of today's call. I will turn the call over to Mr. Swanson. Please go ahead.

Aaron Swanson

Okay. Thanks to everyone for joining the call this morning. The Investor Relations team is around if anyone has any further questions. Have a great day.