

**AltaGas Ltd.**

**Third Quarter 2024 Financial Results Conference Call**

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## PRESENTATION

### Operator

Welcome to the AltaGas Third Quarter 2024 Financial Results Conference Call. My name is Ludy and I will be your Operator for today's call.

All lines have been placed on mute to prevent any background noise. If you have any difficulties hearing the conference, please press star, zero 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, Investor Relations. Please go ahead, Mr. Swanson.

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

Good morning, and thank you for joining AltaGas' third quarter 2024 results conference call.

Speaking this morning will be Vern Yu, President and Chief Executive Officer, and James Harbilas, Executive Vice President and Chief Financial Officer. We're also joined here this morning by Randy Toone, President of our Midstream business, Blue Jenkins, President of our Utilities business, and Jon Morrison, Senior Vice President of Corporate Development and Investor Relations.

This call is being webcast and we encourage following along with the supporting slides that can be found on our website.

Lastly, I'll remind everyone that 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 our presentation. As always, prepared remarks will be followed by an analyst question-and-answer period.

I'll now turn the call over to Vern.

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

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

It's great to be here to review our strong Q3 results. I'll start with some key highlights from the quarter, provide an update on our major projects and discuss the supply and demand trends in the energy markets, they are providing us with strong growth opportunities. Then I'll provide an update on our recent regulatory filings and I'll close with an update on our recent customer advocacy efforts at WGL.

Let's move to Slide 4. We delivered normalized EBITDA of \$294 million in Q3, which represents 17 percent growth year-over-year, while normalized EPS was \$0.14, nearly double last year. These results were modestly ahead of our expectations. We now anticipate 2024 normalized EBITDA to be in the upper end of our guidance range, which James will touch on later.

We delivered record global export volumes in Q3, with more than 128,000 barrels a day of LPG's exported to Asia. Despite weak natural gas prices, our operating performance across our Midstream platform was strong. With gas processing, fractionation, liquids handling and extraction volumes, all experiencing double-digit growth year-over-year.

Performance in our Utilities business was ahead of our expectations, despite warmer than normal weather in Michigan and D.C. Strong performance of the Utility was driven by the partial settlement of Washington Gas' post-retirement benefit pension plan, continued capital investments across the network and active cost management. These capital investments make our system safer, more reliable and add more customers, who can take advantage of the affordable and reliable energy that we deliver every day. We continue to position our business for long-term growth.

REEF and Pipestone 2 are showing strong construction progress and both projects remain on time and on budget. During the quarter, we saw the benefit of higher volumes at North Pine, with the completion of a 5,000 barrel per day debottlenecking project, allowing the facility to deliver 11 percent growth year-over-year.

We invested nearly \$190 million into our Utilities during the quarter, with more than half of that focused on modernization capital to ensure safe and reliable service, while also delivering steady rate base growth. We finalized and advance a good number of Midstream commercial agreements during the quarter.

At Townsend, we just finalized two gas processing contracts for a total of 100 million cubic feet a day of capacity, with a large global investment-grade energy company. The contracts have a high single-digit average contract length and cover fractionation and liquids handling. The customer is already tolling through our global exports platform. This demonstrates how supply is growing in Northeast BC for LNG feedstock and how producer activity has accelerated over the past 12 to 18 months.

We also extended the gas processing and liquids marketing contract at Pipestone 1 with a large Canadian investment-grade producer for five years. This reiterates the strong demand for deep cut processing capacity in the Alberta Montney, which underpinned our decision to acquire the Pipestone assets.

We continue to advance commercial agreements for Phase 1 of REEF and are very comfortable in achieving our long-term tolling target across the portfolio. Once we reach our target, some of the tolling demand will be satisfied by Phase 2 of REEF.

Let's now move to the Midstream project execution update. I'll start with REEF. Work on the jetty is going well. We now have driven 20 piles with no major weather challenges to date. On-site, we're now six weeks into blasting and overburden removal. We have moved more than 7,000 truckloads of soil and we're at about 10 percent complete. This site work aligns with our schedule to be in service by late 2026.

Off-site activities are also moving along nicely, with compression, refrigeration, storage and vessel fabrication having been started in controlled manufacturing environments. We have fixed-priced EPC contracts for approximately 50 percent of REEF's total capital cost and we have plans to award more fixed-price EPC contracts as we move along the execution plan.

At Pipestone 2, construction node is also progressing well. All of our rigs are complete and piling and concrete work is advancing. The gas gathering system is nearly complete and the facility construction is moving along nicely. Again, the majority of this work takes place offset in controlled environments.

Over 90 percent of the project's capital costs are now locked down with fixed-price EPC contracts and the project remains on track for a year-end 2025 in servicing, where 100 percent of the project's revenues are backed by long-term take or pay contracts.

We are excited about the long-term outlook for the Montney and our assets in the region. On Slide 6, we highlight our outlook for this and why we continue to make ongoing investments in the region. The Montney is one of the most prolific resource plays globally and it will be the center of Canadian natural gas and NGL development for decades to come. Nearly 70 percent of all Canadian gas well licensing activity is now focused on the play.

Throughput volumes at our Montney assets have grown by double-digit percentages over the past two years and the recent contracts at Townsend and Pipestone reinforced this growth. All of this production will naturally want to move to the best markets. This means flowing west to Asia, providing long-term structural growth for our global exports platform.

Turning to Utilities. We want to take some time to update you on the emerging data center growth opportunities shown on Slide 7. Current expectations are by 2030 data center power demand will be 3 times what it is today. Data centers will consume more than 10 percent of total U.S. power demand by the end of the decade.

The energy requirements for data centers are daunting and it's becoming increasingly obvious that all forms of energy will be needed to meet this demand and that natural gas will play a critical role. This opportunity will further support our long-term Utilities growth and augment our already robust growth trajectory.

Within Washington Gas, we're progressing multiple commercial discussions with data center developers, we're working to provide natural gas as the primary energy source or have natural gas provide backup energy when there's insufficient power from the grid. We are progressing gas supply and engineering work and it's important to note we're doing this on a highly derisked basis with developers putting the upfront costs. Our current expectation is that capital for these projects will be regulated rate base investments. But this rate base will likely have unique and accelerated rate structures.

Data centers look to be part of our long-term growth opportunity and we're excited about adding new customers that would be among our largest users of natural gas. We continue to be active on the regulatory front where we filed a new rate case and submitted a proposed three-year ARP modernization program extension in D.C. The latter filing for system modernization includes a request to invest U.S. \$215 million over the next three years. These filings are part of our ongoing regulatory strategy, where you will see us actively filing annual rate cases to minimize rate lag as we invest capital into our network. Having up-to-date ARP programs ensures that we are balancing the need to enhance our system safety and reliability, while ensuring our shareholders are getting an appropriate return on their capital.

Finally, I want to discuss our recent advocacy initiatives on behalf of our customers. Two weeks ago Washington Gas along with local unions, restaurant associations, business councils, housing and building associations filed two statements of claim challenging proposed gas bands in D.C. and Maryland. We strongly believe that customers have the right to choose their energy supply. We believe that natural gas is the most affordable reliable and missions-friendly form of energy in the DMV. Our actions in conjunction with our partners are necessary to protect the rights of our customers to choose the best energy source to meet their everyday needs.



Our statements and claims are similar to the legal efforts taking place in other jurisdictions in the U.S., where gas bans are being challenged. A great example is in Bertha California, where the Federal Court recently overturned gas ban. That decision affirms that the federal law preempt local gas ban and these local gas bans do not fully account for the broader implications of customer wants and needs regarding energy reliability and affordability. As we've said in the past, we're here for our customers, we always advocate for their best interests.

With that, I'll turn the call over to James to provide more detail on Q3 and our forward outlook.

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

Thank you, Vern, and good morning, everyone.

The third quarter was another period where we focused on operational excellence, advanced our strategic priorities and progressed key growth projects all of which position AltaGas for continued value creation in the years ahead.

In terms of the financial and operating results for the second quarter, we'll start with the Midstream segment on Slide 9. Normalized EBITDA of \$181 million was in line with expectations and consistent with financial performance last year. As we discussed on our second quarter conference call, we expected the Alberta wildfires and the potential for national rail strikes to impact operations in July and August. While the rail strikes were short-lived, they did drive higher onetime operating costs and the delay of one cargo that slipped into Q4. Despite these challenges, the organization was able to deliver

another record quarter for global export volumes through strong planning, logistics management and execution.

We exported more than 128,000 barrels per day of propane and butane in the quarter spread across 21 VLGCs, which represents a nine percent year-over-year increase. This included nearly 70,000 barrels per day being exported at RIPET and more than 58,000 barrels per day at Ferndale. This was also a record quarter for Ferndale, with export volumes up 22 percent year-over-year and largely offset the rail interruptions, which principally impacted RIPET. The operational flexibility we demonstrated, reinforces the value of owning multiple export terminals to overcome short-term disruptions when they arise.

As a reminder, the summer months are the strongest period for exports at Ferndale, due to our pipeline connectivity to local refineries and available butane supply, which is not required for summer gasoline specs. We have also recently benefited from the commissioning of TMX and more Canadian crude in the Washington refining market, as it has a higher butane content that can be recovered and exported.

Despite extremely low Canadian natural gas prices during the quarter, performance across the Midstream platform was strong and speaks to the strategic location of our assets in the most prolific resource plays. Fractionation, extraction and liquids handling volumes were up 20 percent year-over-year supported by the addition of Pipestone 1 and strong volume growth at Harmattan, North Pine, Younger and REEF. Gathering and processing volumes were up 10 percent year-over-year, underpinned by the addition of Pipestone 1 and strong volume growth at our Harmattan, Townsend and Blair Creek facilities.

In terms of financial performance, strong volume growth across global exports and the broader Midstream value chain was offset by lower export margins including the impact of higher tolling volumes, higher onetime operating costs, lower contributions from the Mountain Valley pipeline, as well as higher LTIP costs due to AltaGas' rising share price.

Turning to the Utilities on Slide 10. Normalized EBITDA was \$117 million in the third quarter, representing a 65 percent increase from Q3 of '23. Year-over-year growth was driven primarily by four major factors: the partial settlement of Washington Gas' post-retirement benefit pension plan; ongoing investment in our asset modernization programs; ongoing cost management initiatives across Washington Gas and SEMCO; and the benefit of new rates being in place in D.C.

These factors were partially offset by the impact of the Maryland rate case, decreased asset optimization activities at Washington Gas, warmer weather in Michigan and D.C. where AltaGas does not have weather normalization and heating degree days were 60 percent below normal levels.

During the quarter, we deployed \$187 million of invested capital in the Utilities on behalf of our customers. This included \$100 million across our various asset modernization programs in the DMV and Michigan, which improves the safety and reliability of our system and reduces leaks.

In addition to our modernization programs, our Utilities investments are focused on new meter growth through servicing customer additions, maintenance on the system and regional expansion opportunities.

Within the corporate and other segment, normalized EBITDA was a loss of \$4 million consistent with the same quarter of 2023.

Turning to Slide 11. We're excited to be in a period of strong Midstream growth, with rising throughput volumes across the platform and the REEF and Pipestone 2 projects under construction. We have been here before and reiterate our track record of successful project execution. We have a strong history of delivering large Midstream projects on time and on budget. Our last series of major Midstream growth projects totaled \$1.5 billion. These projects were all delivered on time and eight percent below budget. We are seeing strong execution on REEF and Pipestone 2 to-date and we'll continue to update the market on major milestone achievements as the projects progress.

Turning to Slide 12. The Mountain Valley pipeline had a successful first full quarter of operation with the 20 year firm contracts taking effect on July 1. The pipeline operated as expected in the quarter and is playing a strong role in connecting Upstream production in the Marcellus and Utica to strong and growing downstream demand in key Eastern U.S. markets.

The two Bcf per day pipeline can be expanded with the partners currently evaluating the addition of another 475 million cubic feet per day of throughput via incremental compression. This will add required long-term takeaway capacity in a highly capital-efficient build. We believe there will be strong demand for the expansion with recently proposed power plants requiring the full capacity of the project for projected data center demand.

As we have shared in the past, we do not view our 10 percent non-operated equity stake as core to our long-term strategy and we are in the early phases of price discovery on the asset. We believe

demand for our MVP stake will be very strong given the shipping commitments with investment-grade counterparties, strong free cash flow generation and highly capital-efficient growth projects, including the mainline expansion in South Gate.

Turning to Slide 13. We continue to focus on balance sheet flexibility and deleveraging. During the third quarter, we issued \$900 million in hybrid notes that will carry an effective interest rate of 6.9 percent over the initial 10 year period, inclusive of a cross-currency swap that we executed to convert the underlying proceeds and interest costs to Canadian dollars. The net proceeds will be used to repay senior notes and bank debt and provide significant liquidity and funding capacity. These hybrid notes will provide additional headroom to our credit metrics as they receive 50 percent equity treatment by the rating agencies.

Post the issuance of these hybrids, we will have a higher level of hybrid and preferred capital than was previously the case and we are recalibrating our long-term leverage targets as a result. We previously had a long-term leverage target of 4.5 times adjusted net debt to normalized EBITDA, which excluded hybrid and preferred capital.

Going forward, we are adjusting this target to reflect the higher use of hybrid and preferred capital and we'll now have a target of 4 times adjusted net debt to normalized EBITDA excluding these instruments, which also equates to 4.65 times net debt to normalized EBITDA including 50 percent debt treatment of the hybrid and preferred capital. These targets will also align with BBB mid investment-grade credit ratings.

On this basis, our trailing adjusted net debt to normalized EBITDA ratio at Q3 2024 was 4.3 times excluding prefs and hybrids and 5 times including 50 percent treatment of hybrids and prefs. We continue to view an MVP divestiture as the most immediate path to achieving these leverage targets as we have made significant progress with our balance sheet since 2019.

On Slide 14, we share our 2024 outlook. We have seen a number of tailwinds and headwinds since we first set guidance last December. Taking these all into account and our year-to-date performance, we now expect to deliver 2024 normalized EBITDA in the upper end of our guidance range while we expect normalized EPS to be around the midpoint of the 2024 guidance range.

Our 2024 capital budget remains unchanged at \$1.3 billion as shown on Slide 16.

In closing, we are pleased with our third quarter and year-to-date performance. We continue to execute on our strategic priorities with a focus on compounding long-term value as highlighted on Slide 16. This is a testament to the entire team and to the quality of the enterprise. Looking ahead, we will remain disciplined allocators of capital as we have demonstrated over the past five years and driving the best long-term outcomes for all our stakeholders.

With that I will turn it over to the Operator for the Q&A session.

## Q & A

### Operator

Thank you. Ladies and gentlemen, we will now conduct analyst question-and-answer session. If you would like to ask a question, please press the star, followed by the number one on your telephone

keypad. To withdraw your question, please press the star, followed by the number two. We'll pause for just a moment to compile the Q&A roster.

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

**Robert Hope** — Analyst, Scotiabank

Good morning, everyone. First question is on REEF and the contracting outlook there. It appears that your confidence is increasing there with some of the agreements moving to the documentation phase. I guess a two-part question. When do you think we could start to see contracts being secured? Then how does the REEF 2 sanctioning decision messing with that? Could you keep a construction crew rolling from Phase 1 into Phase 2?

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

Hi, Rob, it's Vern here. Yes, we're very positive on the commercial discussions that we've been having with our customers. On getting some tolling contracts finalized, I think over the next three months or four months, I think we'll be able to announce some of the finalization of some of these contracts. As you can imagine these are pretty long-term agreements with lots of detail to go in there. It does take a little bit longer than people might expect to get these finalized.

With the second phase of REEF, I think it's important for us to see where we end up finalizing these contracts. We do have the ability to do a relatively small expansion at REEF with minimal environmental permitting, but a larger scale expansion would require more permitting. I think it's a bit early to comment on when we would expect the expansion of REEF, but it is very much something that's viable at this point.

**Robert Hope** — Analyst, Scotiabank

All right. Thanks a lot. Then maybe moving over to the balance sheet and MVP, the hybrid issue in the summer did give you some headroom. The outlook or valuation for MVP and the potential for expansion has probably improved over the last, we'll call it six months. How do you balance maximizing the value of MVP potentially by holding it a little bit longer versus fixing or improving the balance sheet in the near-term?

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

Hey, Rob, it's James here. Obviously, we highlighted on the second quarter call that we wanted to see a couple of things fall into place for us to be able to maximize value and move forward with price discovery and one of those was the pipeline becoming operational, which happened on July 1 and the other was getting some clarity around the operator, which was confirmed by EQT's close of the Equitrans transaction and the fact that they've identified that they want to continue to be the operator of that asset.

We are in the early phases of price discovery. We're not, obviously, changing our mind or holding on to the asset. We continue to see it as non-core. Obviously we touched on some of the positive attributes that we think are going to get a lot of attention from financial buyers on the assets and those are in a falling interest rate environment that we're in now as central banks have started an easing cycle. We expect the 20 year take or pays, the highly rated counterparties, strong free cash flow, and capital-efficient growth projects to attract some financial buyers to this. I think we're right on track relative to what we set for ourselves in terms of timeline and price discovery and some of those gating items have now been taken care of that I touched on.



**Robert Hope** — Analyst, Scotiabank

All right. Appreciate it. Thank you.

**Operator**

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

**Maurice Choy** — Analyst, RBC Capital Markets

Thank you very much and good morning, everyone. Maybe you could just start with a discussion about data centers. You do have a slide that speaks about how you're cautiously optimistic about the growth opportunity here. Can you just speak to the progression of events in the coming quarters and years in order for you to start seeing rate base investments. Also what motivates you to be on the cautious side?

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

Hi, Maurice it's Vern here. I'll provide some high-level commentary on the fundamentals behind data centers as we see them. Then Blue can chip in and just provide some more detail on how these commercial discussions are going right now.

I think it's fairly early days to figure out what is the true long-term demand from data centers. Like if you go through the various research pieces, the range of incremental gas demand in the U.S. is in that 5 to 20 Bcf a day. Obviously data centers are a big driver there. More particularly in PJM, our market, there's probably the system operators calling for 10 gigawatts of growth by 2030. We are lucky to be the gas

provider for Loudoun County in Virginia which is the largest data center concentration in the world. There seems to be quite a bit of activity from customers looking to add more energy to provide power for these data centers.

The challenges that we have is how do we serve these customers on peak days and the ability to provide that energy 24/7, 365. That's what we're working through right now. I know we have a number of smaller data centers in the queue.

Blue, why don't you take over and provide a little bit of extra colour.

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

Sure. Thanks, Vern. Maurice, I think Vern did a nice job of teeing up the opportunity set and some of the conversations. We've got a handful I'll say a few more than you can count on a single hand moving through the process. The scale of these as Vern points out are anywhere from it would be a Bcf a year to some that are more than 10 Bcf a year. The conversation is about how much, do they want for primary energy i.e. how much are they turning from molecular energy into electrons on-site. Again we're just delivering to them. Then how much of that do they want for backup and what the flexibility.

The conversations to date have really been more about them getting clear on what they need in their particular energy stack. Then the time frame conversation is actually pretty straightforward. We are very optimistic that we'll have a couple of these under contract in the next couple of quarters we think

with several more that are through the queue. We are optimistic about our ability to put rate base in the ground. The question will be as they get clear on their energy mix and their timelines for us.

**Maurice Choy** — Analyst, RBC Capital Markets

Maybe this is a quick follow-up to that. As you look at allocating capital between your two segments, obviously the reliability and safety investments in Utility are non-negotiable. But in the past year you're able to accelerate decelerate discretionary investments in Utilities depending on balance sheet and your alternative opportunities in Midstream. When you look at these data center investments would you characterize them across the spectrum of non-mobile and discretionary? Where would you place them?

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

For us I think they're more discretionary, Maurice. They will be right down the middle of the fairway as rate base investments. There may be accelerated terms on the return of capital and things like that which would be individually negotiated with the data center operator. Then there we'll have to make a capital allocation decision on how much premium are we making over our hurdle rate for these investments relative to Midstream investments.

**Maurice Choy** — Analyst, RBC Capital Markets

Understood. If I could just finish off with a discussion about the retirement benefits on the guidance. The benefits in Utilities appear to be about \$65 million. How much of this was actually in the

guidance? Secondly, by keeping this in the results, what does that mean in terms of the baseline for Utilities for 2024 as we think about the growth in 2025 and beyond?

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

Yes, Maurice, it's James here. Obviously, when you look at pension income, we do have a base amount of pension income that's always included in our guidance because of the funded surplus within the postretirement benefit plan. It's almost \$550 million. Obviously, that does experience some volatility in terms of asset performance and returns on those plan assets within the market. We decided to basically de-risk some of that and to partially settle a portion of the plan. That \$65 million gain that we recognized on those de-risking activities was incremental to what we had in our original guidance.

But, I do want to point out what I said in my prepared remarks, we have had a number of headwinds that have also impacted the Utilities this year. If you add up weather, asset optimization and the Maryland rate case, you get a value that's pretty much equivalent to where the pension settlement set out. We don't see this changing the run rate, if you will. It will take us to the upper end of guidance, just given the fact that it's been able to offset some of those headwinds.

**Maurice Choy** — Analyst, RBC Capital Markets

That's it. Thank you very much.

**Operator**

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

**Eli Jossen** — J.P. Morgan

Hey, this is Eli on for Jeremy. Thanks for taking my question. Maybe to continue on the forward outlook a little bit. It seems like you're headed for the upper end of the guide. We're seeing stronger performance on LPGs and liquids handling. Maybe just on the Midstream segment, how should we think about the run rate given recent strength? Obviously, North Pine, is operating a little higher with those optimizations. Yes, just run rate guide for the segment or colour there.

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

Yes, it's a great question. Obviously, in our prepared remarks, we touched on the fact that the strongest quarters for us from a global export standpoint tend to be Q2 and Q3, just given the connectivity of the Ferndale facility by pipeline to some of the local refineries. We do take more delivery of more volume as a result of that pipeline connectivity during those quarters. That doesn't happen in Q4 because, obviously, butane is not being pushed out by the refineries they needed for the gasoline spec. I do see that adjusting in Q4 with respect to the Midstream business.

I do want to highlight one other thing in Q4 that obviously, it's been a headwind for us, and it's not Midstream related, it's Utility related, but to start Q4, we've already seen mild weather within D.C. That's going to be a continued headwind for us relative to our guidance, but we still feel comfortable with getting close to the upper end of our range.

**Eli Jossen** — J.P. Morgan

Got it. That's helpful there. Then maybe just thinking about CapEx run rate there, I know what the FID at REEF you guys revised and added some CapEx. But as you look out to 2025 and you have a large backlog of different organic projects, how should we think about those levels compared to 2024 and what the business is going to be able to spend in 2025?

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

Ely, we're just working through our budget process right now, and I think we'll provide everyone with some more colour on our outlook for 2025 and our capital expenditures in 2025 in that early December time frame. I think it's just best to say stay tuned for that.

**Eli Jossen** — Analyst, J.P. Morgan

All right. Thanks.

**Operator**

Your next question comes from the line of Robert Catellier with CIBC Capital Markets. Please go ahead.

**Robert Catellier** — Analyst, CIBC Capital Markets

Yes. Good morning. I just wondered with the recent events in BC, so the election and some changes with the Blueberry River First Nation Council. What that means for your development plans in the Montney, notwithstanding all the business momentum you've shown with this quarterly report?

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

Hey, Rob. For the most part, our expectation is, it's not going to be a material change in how things have been progressing. I think the good news for us is all the development we're doing potentially in Northeast BC is brownfield. We've been in constant communication with the First Nation on our activities up there. They're very well informed of anything that we're doing now or we may be doing in the future.

Randy, was there anything you wanted to add?

**Randy Toone** — Executive Vice President and President of Midstream business, AltaGas Ltd.

No, I think you covered it. But yes, we maintain a strong relationship with all the Treaty 8 First Nations, including the Blueberry, and despite their governance issues, we've been working with them, our customers and other stakeholders. You can see that with our recent announcement of the long-term processing agreement. We're confident that that development will still take place.

**Robert Catellier** — Analyst, CIBC Capital Markets

Okay. Then we've been through a period here with some pretty high export spreads as well as pretty strong hedge pricing. How does this impact how you set tolling rates? What are you doing to ensure that you're doing enough economic ramp for tolling when spreads are this high?

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

Well, I think we have to take a long-term view of what spreads are going to be over the life of the tolling arrangement. We're obviously targeting to have agreements that are as long as possible to

minimize the volatility of our cash flows. There is always a trade-off when somebody is willing to sign up for more volume and more term that they will get a lower tolling rate than somebody who's not as willing to sign up for volume and term. I think it's fair to say that what we're tolling is a reasonable. We're striving for and tolling will provide a good economic outcome based on the risk-adjusted nature of the capital. The tolls on REEF will be higher than RIPET obviously, just because of the larger CapEx profile.

**Robert Catellier** — Analyst, CIBC Capital Markets

Okay. Then the last question for me here is just, you've done a lot over the last couple of years to take cost and variability out of the business, including with your decision on the pension in the quarter on the poster retirement benefits. Where do you think the next best opportunity is for you to take cost out of the business or reduce volatility, increase the stability of the earnings outlook.

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

Well, I think on the highest level, I think when we reach our goal of 60 percent of our global export business tolled on a long-term basis, about 90 percent of our EBITDA will be cost of service or under long-term take-or-pay contracts. So, that I think materially reduces the cash flow volatility of the company as a whole. We're going to continue cost management efforts at the utility. I think we're tracking to be in that 100 basis point range below our allowed. I think we can't take our eye off the ball there. That along with us serially filing rate cases in our jurisdiction will allow us to minimize the overall ROE lag that we see in the business as a whole.

**Robert Catellier** — Analyst, CIBC Capital Markets



Okay. Just finally the level of confidence in getting a weather variance account in D.C.

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

Blue, do you want to comment on that?

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

Yes, happy to take that. We continue to work that process. In terms of a confidence level, I don't know that I can give you a great answer on that. We took a look at decoupling and worked that through our last rate case. We did get feedback from the commission. They weren't comfortable at a decoupling level. They gave us some work to do with other counterparties which we have done and we've come back based on that work with a weather normalization. We're hopeful based on what we have in the other regional jurisdictions that that will pass muster. But I don't know that I could give you a good view where I don't think we're far enough into the rate case yet.

**Robert Catellier** — Analyst, CIBC Capital Markets

Well, that's a good update. Thanks, everyone.

**Operator**

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

**Ben Pham** — Analyst, BMO Capital Markets

Hi. Good morning. I was wondering could you update us on your recent conversations with the credit rating agencies and what they're (inaudible) focused on? Remind us beyond the MVP monetization what other levers you have to match your balance sheet?

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

Ben, it's James here. We're in constant conversation with the rating agencies. That's an ongoing dialogue. With respect to some of the targets that they've set for us, those were pretty clear. We've pulled some of those levers already. The hybrid, I think as we stated did create some balance sheet capacity for us and headroom relative to those metrics. Some of the other things that we've been focused on have been obviously commercial derisking at REEF which we're making progress on. Obviously, operational derisking of both Pipestone 2 and REEF and we continue to progress those projects.

MVP is the other lever that we have to pull. Obviously, we've always said that if it makes sense at the right valuation, we would consider a minority stake or sale of other smaller non-core assets as well. These are all the things that we continue to look at, as opportunities for us to be able to achieve those metrics.

But I'll go back to the comments that I made in my prepared remarks. The hybrids in combination with an MVP sale, we feel strongly will get us to the metrics that have been established by Fitch to be able to get to that BBB or maintain that BBB.

**Ben Pham** — Analyst, BMO Capital Markets

After that the hybrid issuance, do you have any room left on your balance sheet for more or just simply growing your assets over time?

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

Yes. I think it's the latter obviously, as projects start to come online and we add to our asset base both within the Utilities and the Midstream business that cap that S&P has for hybrid capital continues to grow for us. But obviously with this hybrid issuance, we took advantage of that room that S&P has for hybrid capital to get equity treatment and took full advantage of it in 2024 with the U.S. \$900 million issuance.

**Ben Pham** — Analyst, BMO Capital Markets

Okay. Then maybe just one cleanup on Blythe power. Can you remind us when the contract expires and when do you plan to begin the next round of negotiations?

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

Yes. The new contract took effect Jan 1 of '24. It runs four years. That takes us to the end of '27. Still a little early to be able to start having those extension discussions, as we're only a little close to one year into that contract, not even a year yet.

**Ben Pham** — Analyst, BMO Capital Markets

Okay. Got it. Thank you.

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

You're welcome.

**Operator**

Your next question comes from the line of Anthony Linton with Jefferies. Please go ahead.

**Anthony Linton** — Analyst, Jefferies

Hey, good morning, guys, and thanks for taking my questions. Just one for me. Just wondering with the status of the gas market in Alberta, if you're seeing any increased inbounds from producers on increasing storage capacity at Dimsdale and what that could potentially look like as an opportunity. Thanks.

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

Hey, Anthony, for sure we're seeing lots of interest in Dimsdale. I'll let Randy provide some detail.

**Randy Toone** — Executive Vice President and President of Midstream business, AltaGas Ltd.

Sure. Yes, there is strong demand for gas storage and we see that trend continuing definitely when LNG Canada starts ramping up. The Dimsdale asset that we acquired from Tidewater is a great asset and it does have expansion abilities and we are going through the technical and regulatory requirements for that as we speak. Hopefully, we can talk more about that in 2025.

**Anthony Linton** — Analyst, Jefferies

Awesome. Thanks, guys. I'll turn it back.

**Operator**

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

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

Thanks, Ludy, and thank you everyone for joining our call this morning. Enjoy the rest of your day.