AltaGas Ltd.
2021 Investor Day
December 15, 2021
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Jon Morrison: Good morning. Welcome to AltaGas' 2021 Investor Day. My name is Jon Morrison. I'm Senior Vice President of Investor Relations and Corporate Development at AltaGas. We're incredibly pleased that you've taken the opportunity to be with us here today.

Before we begin, we'd like to remind everyone that over the course of today, we will be making forward-looking information statements. This information is subject to certain risks and uncertainties as outlined in the forward-looking information disclosure on this slide. This can also be found on our website and more fully within our public filings on SEDAR and EDGAR.

After a period of large change and transformation, we're pleased to host our first Investor Day in a number of years.

There will be a lot of information that we're going to want to cover over the course of the day, but it will largely focus on three main areas. One, revisiting the journey that we've been on over the past few years. Two, sharing our philosophical views about how to run the platform. Three, discussing the road ahead.

From a structure of how the day will unfold, we'll start with Pentti Karkkainen, our Chair and an independent Director, sharing some opening remarks from the Board.

Then we'll cover the core material over the course of the day in five major sections, including Randy Crawford, our President and CEO, sharing our vision and strategic roadmap -- followed by Blue Jenkins, our Utilities President, who will provide an update on our Utility strategy.

Then we'll have Randy Toone, our Midstream President, provide an update on our Midstream strategy -- followed by Shaheen Amirali, our Chief External Affairs and Sustainability Officer, who will share our ESG strategy.

We'll close with James Harbilas, our Chief Financial Officer, who will share our capital and return strategy.

We'll conclude the day with a moderated Q&A session where participants can ask questions. This will include a combination of questions through the chat function on the webcast and live questions over the phone.

As we move through the material over the day and questions arise, please post those questions on the webcast as they come up, so we can try to get through as many of them as possible at the end. You can ask questions anonymously or include your first and last name and the firm that you represent when you chat -- when you put your questions into the chat function.

One final piece is we're going to try to keep the day running as smooth as possible and on schedule to be respectful of your time. As such, we're going to keep the session back to back without any breaks. We look forward to the day, and we hope you find it valuable. And with that, I'll turn it over to Pentti.

Pentti Karkkainen:

Thank you, Jon, and good morning, everyone. Our governance philosophy and commitment. After a very few years as a company and a board, we are excited to be here with you giving an update on the past few years and what the road ahead will look like. Robust governance and strong leadership are core to achieving our strategy and delivering sustained value for our shareholders.

This has been a driving force behind many of the transformational changes that have taken place within AltaGas over the last few years as we carefully balance our need to strengthen the company's organizational capacity, increase the diversity of seasoned perspectives that drive decisions within our organization and benefit from the strong institutional knowledge that exists within the platform. Together, we believe this will allow us to drive the best outcomes for our stakeholders.

On behalf of AltaGas' Board of Directors, I thank you for taking the time to be with us today and for partnering with us on this journey. Governance and leadership are the foundation upon which all sustainable purpose-built enterprises grow and prosper. Robust governance, the ability to challenge each other and to listen to each other starts with trust and respect for each other.

It's from this foundation that the Board works with leadership to achieve AltaGas' long-term strategic objectives and deliver growth and sustainable value for all our stakeholders. As the stewards of our company, the Board of Directors provides a necessary foresight, oversight and insight to guide the organization and ensure the highest ethical standards are maintained at all times.

Effective and inclusive decision-making, though, demands the right mix of both business and personal backgrounds. It means having a Board of Directors with the experience, expertise, diversity of thought and curiosity necessary to guide AltaGas' longer-term sustainable ambitions.

It's with this objective in mind that we purposely pursued an orderly transition of the Board through planned retirements over the last three years and added directors with the skills, diversity and attributes necessary to guide the evolving needs of the company. We're proud of the team we've put together and the diversity we've achieved. We are committed to maintaining it and ensuring diverse attributes are considered in all director appointments.

We would like to begin by acknowledging the indigenous peoples of all the lands that we are on today. We are joining you today from The Grand Theater in the historic Lougheed building in downtown Calgary, which is a building that has been part of this city's rich history for more than a century.

It's housed on the traditional land with the Blackfoot of Siksika, Kainai and Piikani together with the Tsuut'ina and Iyarhe Nakoda nations, the MŽtis Nation of Alberta Region 3 and other communities and people that form the Treaty 7 region of Southern Alberta.

As a larger community, we are also meeting today on a virtual platform, and I would like to take the moment to acknowledge the importance of the lands, which we each call home. We do this to reaffirm our commitment and responsibility to improving our understanding of local indigenous peoples and their cultures. From coast to coast to coast, we acknowledge the ancestral territory of all the indigenous peoples that call this land home.

At AltaGas, we recognize that each community in which we operate is unique. This is the foundation from which we engage with our stakeholders. To meet each community's individual needs, we strive to build long-term collaborative relationships that are based on trust and a willingness to listen, learn and adapt.

We take an inclusive approach to our indigenous partnerships to ensure we respect traditions, culture and perspectives as we work to ensure mutually beneficial solutions to generate long-term value for all our stakeholders.

Thank you for the continued partnership and building our communities and a broader society that we can be proud of. And with that, I will pass it over to Randy, our President and CEO, to share our vision and strategic road map.

Randall Crawford:

Good morning, everybody, and thank you for taking the time to be with us today. After a very busy three years, I'm excited to be here as we host our first Investor Day since I joined the company. So the purpose of today's meeting is to elaborate on the opportunity set that we have in front of us as a company and provide a forum for you to interact with the team in AltaGas.

They are the ones in charge of delivering all of this work over the next few years, and they've been responsible pulling off a lot of the success that we've had to date. As I said when I first joined AltaGas nearly three years ago to the day, I saw a lot of opportunity here. And I believe that we are seeing that play out in the operational and financial results that we have delivered over the past three years.

I also believe that the company has a tremendously bright future with market growth opportunities across our utilities and our midstream platforms. Hopefully, you come out of today's session with a similar view of the positive growth trajectory that we see in front of us.

So just some general comments before we get started on the slides. The visible near-term growth opportunity for the company and the potential for future growth, I see today, it far exceeds any notion that we had thought was possible even a year ago today. And we've been describing our enthusiasm around that growth to you through bits and pieces over the past few quarters. It is my hope today that you will see all of those pieces come together in a cohesive, achievable, strategic plan.

So at a high level, setting aside any execution issues, which will inevitably always exist, our business model has evolved to a rather straightforward model complex to execute, but simple in concept.

So with that said, the purpose of the meeting is to share the details of our mission, to improve the quality of life by safely and reliably connecting customers to affordable sources of energy, for today, and tomorrow. And doing so in an operationally efficient and cost-effective manner. I feel certain that we can execute the plan we will present to you today.

So this slide, I would use if I only had one in the presentation, I'll call it my elevator pitch slide. So with this slide, I can tell you everything you need to know to make what I believe would be a highly rewarding investment in AltaGas. So our focus is twofold. One is to connect our customers to domestic and global markets, and two, is to operate both our Utility business and our Midstream business in an operationally excellent manner. That is to be the low-cost provider of services and to create value for our customers and our shareholders.

In our Midstream business, we have an excellent footprint in an extremely prolific Canadian Montney Basin. Our fundamental assumption underlying our midstream strategy, is that the marginal molecule of natural gas and liquids in Canada will most profitably be exported, not to the U.S., but to Asia.

The growing demand for energy in Asia will be the driving force behind our Canadian Midstream business and has been. Leveraging our first-mover advantage as the first and only company with the capability to export LPG to Asia through very large gas carriers is paramount.

At our Utility, we will continue to invest to reduce costs and improve the customer experience. We will achieve that by targeting the chronic pipe that is creating the leaks and improving the productivity of the pipeline capital.

The success we achieved in executing this initiative will ultimately reduce cost that will be able to be invested in improving the customer experience. So simply put, the objective is to lower our cost and provide value to our customers, as we accomplish this, we look at ways to reduce our environmental footprint as that is our social license to grow this business.

So a little bit about who we are. We are driven by our vision and our mission. Since joining AltaGas three years ago, one of my first steps was to illuminate our core values and our leadership competency model. I firmly believe it is our unwavering commitment to our core values, mission and through it all, doing what is right.

It has guided us successfully through these unprecedented times. So our approach to governance and how we invest and support our people, customers, communities and the environment allow us to build sustainable and financially successful future. So our core value has also reinforced AltaGas' commitment to integrating strong health and safety, social and governance performance into all aspects of our business.

These efforts support our strategy by allowing us to be more responsive to customer needs, better manage risk, attract and motivate, and retain talent that we need to bring to our communities we serve.

Our mission is to improve the quality of life by safely and reliably connecting customers to affordable sources of energy for today and tomorrow. It's the foundational principles of our mission that are focused on the safe, reliable operations, improving the quality of life through the delivery of the energy to our customers and honoring our social and moral commitment or as I like to say, doing what is right every day.

So we understand and we firmly believe that access to affordable energy reduces poverty and it improves the quality of life. Through the access of abundant and affordable energy, we can fuel economic expansion, which creates jobs and drives better outcomes. So we remain committed to continuing our history of proven energy innovation, and a focus on environmental, social and governance issues.

So as Jon mentioned, there are three key themes that we will rhyme throughout the day. First, we're going to revisit the journey that we've been on sharing our philosophical views secondly, about running the platform and discussing what we believe matters for long-term value creation.

And we'll discuss the road ahead and what you can expect from AltaGas in the days ahead. This will also include giving an understanding of our forward growth trajectory, which I believe you'll find will be robust as we have large growth opportunities in both of our platforms that we believe will allow us to create compounding value for our shareholders.

So the journey that we've been on in order for you to understand where we are going and what we want to be as a company, I thought we'd spend a little bit of time on where we've been and where we are today. So when I came to AltaGas three years ago, we were in a tough spot.

We took a company that had a significant liquidity in operational challenges, and we turned it around, but we also positioned it with a very bright future. The acquisition of WGL and Washington Gas Light was planned to be transformational, and it would increase the scale in all of our segments.

While it still remains transformational, unfortunately, the acquisition took 18 months to gain all the necessary approvals. And during those 18 months, the world changed. The value of our equity declined and we were unable to raise the money we planned through equity issuances.

When I came in December, we had a debt-to-EBITDA of more than 10x. We had already decided that we needed to sell more assets, and we sold the remainder of Northwest Hydro. As we looked at the three businesses, it was clear to me that we had opportunities to grow the Canadian Midstream by leveraging our unique core competency and our export capability.

And when I looked at the utilities, I saw an amazing opportunity to improve system through replacement of aging infrastructure and the use of accelerated recovery mechanisms to earn the return faster and more timely. The good news was we had a tremendous opportunity to grow through these two core businesses. But the bad news is we did not have ample funding to be able to take advantage of all these opportunities.

So what do we say we'd do? And what did we do? In late 2018 and early 2019, we shared our plan internally and externally. We said we would reposition the platform and transition to a lower-risk, high-growth utilities and midstream platform. We focused on operational excellence in our core assets.

We would promote high performers and next-generation leaders and add external talent where we need it. We would complete noncore asset sales to delever the balance sheet. We would avoid equity issuances to protect shareholder upside. And we would also upgrade systems and processes and adopt digitalization opportunities centered on improving the core operations.

Today, by staying the course with our financial principles, we have the asset sale process behind us. Our debt-to-EBITDA ratio is at 5x and heading lower. And we are now financially healthy, and we can focus on the growth opportunities in front of us. We have successfully repositioned the business, and now we operate two strong businesses, supported by a common platform.

We are focused on building this foundation, leveraging core competencies and renovating, innovating our approach to business. At our Midstream business, we focused on our unique core competency, as I said, the most valuable capability, our ability to export, and we continue to expand this capability, and we're building a growing business around it.

Recently, we eclipsed 100,000 barrels a day threshold, and we have a vision to grow our export capability to 200,000 barrels a day. At the utility, we continue to focus on our operational excellence approach in the way we do business by replacing aging infrastructure, reducing leaks, improving our cost structure and returns and focusing on the customer.

We continue to believe we can grow our utility rate base organically at 8% to 10% per annum and approaching $7 billion in rate base by 2027. We've been building out the leadership team, taking the many steps to set the processes, the framework to define the utilities operational excellence model through predictive modeling. We rerevamped our capital deployment and our financial discipline.

We are building the capability to make better decisions to maximize the value of our capital dollars. We added key executive talent, and you're going to hear from a few of them today. We promoted high performers, and we've developed the next generation of leaders.

Across the enterprise, we continue to work towards the creation of a culture of innovation. The introduction of new technology is progressing and is openly welcome throughout the organization. We instill disciplined capital allocation process with a self-funding model for three years running. And as we continue to focus on execution, the safety of our employees and the communities in which we operate is always our number one priority.

Our focus remains on ensuring that our critical infrastructure operates safely and reliably and continues to provide affordable energy to our customers when they need it. We were able to accomplish all of this while creating significant shareholder upside by raising no equity and eventually returning to a model where we grow our dividends. And as we announced for the second year in a row, the increase of our dividend.

Since becoming CEO, we have focused the culture on delivering outstanding results for our shareholders, which has become a key element of the AltaGas value proposition. The past two years have come with some headwinds, our key accomplishments have set us up to withstand these challenges and we've emerged even stronger.

Through the successful execution of our plans, AltaGas continued its third year of delivering value for shareholders with earnings per share forecasted to be up almost 50% from 2019 and more than 25% even after removing the onetime gains related to the U.S. transportation storage business. We executed bottom cycle M&A, which is the time we want to do so.

We restructured our business. We have a stronger balance sheet and no one, including shareholders and the analysts is questioning our dividend now or into the future. In fact, we've increased it by 4% in 2021 and 6% in 2022, and we are well positioned to continue these increases in the years ahead, further evidence to the market confidence in our business plan. Our strategy is working. And it's driving a different forward trajectory.

The steps we've taken over the past three years have changed that trajectory in our company, and the results can be clearly seen on this slide. We've completed the acquisition of Petrogas along with the first phase of the integration, structurally reduced capital and operating costs and positions us to continue to provide significant customer and shareholder value.

We've doubled our market cap. We've decreased our net debt by more than 20%, with leverage ratios in half and we've increased EBITDA by 50% over this period. Over the past three years, we forecasted we will deliver compounded annual growth and normalized EPS of 12%, which is the highest among Canadian utility and midstream companies who have achieved an average compounded annual growth rate of less than 3% over the same period.

So turning to the road ahead. We are very excited about how the coming years will look in terms of the opportunity and growth trajectory. It's because of our commitment to excellence that we were able to deliver above and beyond our goals in 2021. And that's why I remain as confident as ever in our ability to deliver on all of our expectations moving forward.

Our strategy incorporates the commitment to continue our history of proven energy innovation and focus on environmental and social and governance issues. We will be continuing to work to position both the utility and midstream platform for the emerging alternative energy sources. Both AltaGas and Washington Gas had excelled in bringing new clean energy sources to customers.

Of note, WGL has filed the Washington, D.C. Commission our plan to deliver our commitment to help Washington, D.C. in our world to meet future climate goals. So through collaboration with regulators, we will implement the steps toward decarbonization.

We believe those steps will provide us the opportunities to continue to leverage our resilient, vast and established energy delivery and storage system to reduce emissions while providing affordable and reliable energy. I'll touch just a bit on our corporate strategy, which is to invest in and operate long-life infrastructure assets that provide resilient and durable value for our stakeholders.

We're focused on organic growth that will deliver steady returns that compound value over time. We measure our financial success based on earnings per share and FFO per share. We are focused on continued growth in these two metrics and the durability, which underpins them.

We remain focused on completing the final steps of our leverage journey, our leverage reduction journey. We believe this strategy will deliver strong long-term returns with ongoing and compounded dividend growth and provide the opportunity for continued capital appreciation.

So as we look forward and we see the potential of these businesses have to continue to grow and participate in the emerging fuels of the future, I truly believe that we have an enviable value proposition, and I'm really excited about this. It seems so clear it's well within our grasp as we continue to develop and execute on our operational excellence model.

So as such, we're taking steps to reduce our carbon footprint in support of a low-carbon economy. And you're going to hear that covered in more detail in

Randy and Blue and Shaheen sections in terms of the initiatives that we're driving across our Midstream and Utility businesses.

Through it all, we'll be focused on building a sustainable future and investing in better outcomes for all of our stakeholders. Both our Utility and Midstream businesses are well situated in the transition to a lower carbon world. At the Utility, we continue to focus on the elimination of methane leaks through our system betterment and accelerated pipeline investments.

These efforts position us to deliver the future energy economy, including RNG and hydrogen. At Midstream, we are focused building scale, increasing the value of our export facilities. We're also keenly attempted to the reduction of our methane and GHG emissions at our existing processing and fractionation facilities as well as our export facilities.

But it's important to note, RIPET was designed and built to minimize this environmental footprint. We are also beginning to focus on that role, the export facilities will play in the emerging fuels of the future. So in short, we are focused on reducing our environmental footprint through decarbonization of our energy delivery system and maximizing the benefits for our customers, communities and shareholders.

So let's take a moment and talk about the hydrogen opportunity. We firmly believe that natural gas and LPGs will continue to be part of the energy evolution for a long time. We also believe that the hydrogen will play a significant role, and we want to be part of that conversation.

Our businesses are well positioned to capture the emerging opportunity. It's a great set for the capability of our assets. Our utilities can blend hydrogen into the system. And in the long run, we have the potential to develop hydrogen pipeline corridors that will create dedicated hydrogen system for industrial applications and data center backup power.

In the midstream, our export platform is so well positioned to export hydrogen and other energy sources, such as ammonia should these products become valuable across the globe. And we're positioned to play a role in hydrogen and potentially ammonia space.

The world is moving quickly in the development of these cleaner-burning fuels. In fact, Mitsubishi recently announced plans to build ammonia plant in Alberta for demand markets in Japan. It's important to note that ammonia needs to cross the Pacific.

And our export capabilities and our scale and platform are positioned to potentially play a role on this project and others as well as other projects of this nature. So I'm excited about that opportunity. A little bit about the Utility strategy and our priorities. Priorities for our Utilities, I think, are straightforward.

We've made a lot of progress in the past three years in closing the return on equity gap at WGL and our focus today is centered on maintaining that discipline and continuing to demonstrate strong financial performance as we've shown. As you're aware, accelerated pipeline replacement provides us the opportunity to invest in our distribution system and to upgrade our system to maintain safe and reliable systems, replace chronic pipe, reduce leaks and ultimately reduce our environmental footprint.

As you can see by the chart, our capital investments have reduced nonfuel O&M costs while driving meaningful improvements in emissions and reliability, and we are focused on the same operational excellence going forward.

So now turning to Midstream. It's our industry-leading West Coast LPG export capability that will drive growth across this midstream platform and has been to date. It is the underlying competitive advantage of our distinctive export business, it is the structural shipping advantage that we possess. It is this advantage that gives me great confidence in the future.

Our increased ownership and ability to operate Ferndale has provided us additional scale, and has positioned us to realize synergies and increased optionality. It is our intention to continue to increase the scale of our export platform. The robust demand in Asia for LPGs and other energy sources, coupled with our structural advantage with optionality of both terminals. This includes our land position at Ferndale, which provides AltaGas the opportunity to build this additional scale and throughput capacity to achieve significant future growth.

We are also continuing to evaluate direct market-related opportunities through AltaGas' lease ships and demand-side tolling agreements. In the years ahead, we are focused on the continuing leverage of our core competencies and we remain focused on connecting customers to markets for today and tomorrow, and that will mean continued growth in our global exports platform.

And Midstream priorities as well are straightforward. In the short term, we're focused on increasing utilization of Ferndale and RIPET. The bulk of the investment has already been made, and therefore, the go-forward returns are robust. We're committed to improving our logistics capabilities to ship incremental supply and reduce costs to both RIPET and Ferndale.

The constant demand of our export facilities create a natural fit for unit trains, which increased supply and lower costs. So we must continue to leverage our premium export market to maximize the utilization of our Northeast British Columbia assets, where, again, the returns previously invested capital are significant. We will continue to access opportunistic upstream investments to strategically control supply and support export growth and stability.

In addition, we need to be prepare ourselves for the future. We should understand and position the facility and exporting of renewable energy sources should that demand develop.

As you can see in this slide, the road ahead is very similar to our focus over the past years, only with a little stronger focus on adapting and responding to the world around us is always changing. And I want to just close on our value proposition, which is centered on continuous focus on compounded value for our stakeholders. We operate a diversified infrastructure company with a robust pipeline of low-risk growth opportunities.

We have a streamlined platform with track record on delivering. We have shown industry-leading earnings per share and FFO per share growth and stock performance since 2019. We have a distinctive energy platform and is well positioned for growth. We have strong expected dividend growth, and we're targeting 5% to 7% dividend accumulated annual growth rate through 2026.

We've built a strong management team and we're showing disciplined allocation to capital. We have a very solid base of business and a suite of assets that position us to continue to play a leading role in the evolving energy world, and I couldn't be more excited.

And with that, I would like to turn it over to Blue Jenkins, our Executive Vice President and President of our Utilities business.

Donald Jenkins: Thank you, Randy, and good morning, everyone. Our regulated utilities provide safe, reliable and affordable energy. We have a great footprint, serving approximately 1.7 million customers across three major U.S. utilities and operate in five strong economic growth regions in the U.S., including D.C., Virginia, Maryland, Michigan and Alaska.

With over USD 4.5 billion in rate base, these businesses account for just over 55% of AltaGas' operational earnings and provide our shareholders with visible, lower risk earnings and cash flow growth. As a provider of essential services, we're focused on safely, reliably and affordably providing the much-needed entry to the homes and businesses of our utility customers.

We are pleased with the strength and stability that our utilities have exhibited through global pandemic. We've been able to maintain strong operations and deliver the critical energy needed by our customers throughout this unprecedented time.

Each of our gas utilities operate under a regulated cost of service rate structure that have very limited variability or sensitivity in annual earnings. This resiliency has been highlighted over the past two years, where we saw only a modest impact on our operations and financial results.

In support of our broader strategy, we are committed to building a high-performance culture, dedicated to operational excellence at all our utilities, and we are focused on achieving sustainable operational efficiencies and improve financial performance. We must continue to prioritize the health and safety and well-being of our employees, customers and communities.

Our purpose is to provide our 1.7 million residential and commercial customers with safe, reliable and affordable energy to heat and power their homes and places of work, and to fuel their daily lives. When we talk about purpose, we focus on ensuring that we can and will reliably, safely and affordably deliver the fuels of today and tomorrow. It is for this reason that we are committed to continuous improvement, providing a better customer experience, upgrading our network and positioning our utilities for the changing world around us.

Our strategy is to operate a safety focused, digitally enabled and high-growth utility that exceeds our customers' expectations and excels in the changing energy ecosystem. It's driven by an intense focus on operational excellence, which we define as: one, operating a safe and reliable system; two, providing exceptional and affordable service to the customers we serve; and three, reinvesting into our asset network for the growth and betterment of all our stakeholders.

As mentioned earlier, there are three key themes that we'll talk about throughout the session. One, revisiting the journey that we've been on within the utilities platform; two, sharing our philosophical views about running the platform and discuss what we believe matters for long-term value creation; three, discussing the road ahead and what you can expect from our utilities in the days and years ahead.

When we closed the WGL transaction back in 2018, we already had two strong U.S. utilities in SEMCO and NSTAR and CINGSA, both of which were exhibiting characteristics of operational excellence as both were earning their allowed returns and both had strong customer service records.

WGL needed large improvements. The platform was not earning its allowed returns across its jurisdictions. Operating costs were quickly rising and leak rates were increasing. In 2019, we outlined our commitment to operational excellence and a process by which we would enable a performance-based culture at WGL.

We are pleased with the significant progress we have made to improve business processes, maintain a disciplined approach to capital investment, and aggressively manage costs to improve the customer experience and returns, all while growing our rate base.

Over the past three years, we have embarked on a focused regulatory strategy, to update our rates across all jurisdictions, close the ROE gap to be relatively in line with our allowed return, taking a disciplined approach to capital allocation and have deployed over USD 700 million in accelerated pipeline spending, improved business processes, thereby reducing our operating costs and driven down leak rates by double-digit percentages.

And our stakeholders are benefiting from the purposeful actions that we have taken. The full year 2021 expected ROE at WGL increased by approximately 120 basis points year-over-year driven by ongoing capital, regulatory and cost discipline. That builds on a 150 basis point improvement that was delivered in 2020. Disciplined cost management practices, which will result in substantially lower operating costs in 2021, down over $20 million to the expected operating budget.

Our data-driven advanced analytic tools give us the ability to more effectively deploy capital to drive down our operating costs, reduce leaks and improve our overall service. We can see the benefits of these in our results as we have successfully reduced the incoming leak rates by another 13% year-over-year and drove down leak repair costs 15% compared to 2020.

This has led to an expected normalized EBITDA growth in our regulated utilities of approximately 17% over the past two years. These focused actions directly support our broader corporate strategy of building a diversified lower risk business platform that provides strong growth and durable value for our shareholders, both near and long term.

As we look ahead, we are heavily focused on the emerging energy ecosystem and the role that AltaGas will play within it. But we think it is important to note that we believe natural gas will be one of the transition fuels of the future, and it's a very important part of consumer affordability and emission reductions over the past decade in the United States. Ensuring our customers have access to safe, reliable and affordable energy is a top priority for us.

Natural gas accounts for approximately 70% of household energy demand in the jurisdictions in which we operate. And it costs 60% less on a full cycle basis compared to electricity while emitting 20% less CO2 on a full cycle basis. We have a strong focus on affordability over this energy evolution, and we will continue to advocate for our customers' best interest through this transition, and that means taking a balanced approach to energy choice.

Energy Choice is an important element to affordability, and we will advocate for our customers in this process to keep total cost of energy lower and ensure they have affordable energy choice to fuel their lives. When we look at the substitution cost of electricity, we do not view it as a palatable substitution in a one-size-fits-all approach to energy.

This is why we are focused on reducing emissions across our operations promoting energy efficiency and advancing alternative fuels like RNG and hydrogen as a way to further advance our own emissions goals and leverage the critical infrastructure that exists already in the jurisdictions in which we operate. And while we are strongly focused on the energy evolution, we can't lose sight of the fact that natural gas will remain a critical transition fuel.

Through the energy evolution, AltaGas will tirelessly advocate for our customers' long-term interests with a focus on safety, reliability and affordability. AltaGas will continue delivering the positive benefits of natural gas, including the emissions reduction benefits, versatility, low cost and the economic prosperity that comes with its use. When we look at the road ahead, we get excited on a number of fronts.

Our high-level priorities are consistent and build on what we have done over the past three years. This includes: one, maintaining the strong improvement that has been shown in the operational and financial performance since 2019; two, continuing to focus on safety and reliability, better customer outcomes and environmental benefits, which also steadily grow our rate base; three, positioning our utilities for the future, including providing low carbon and no-carbon solutions with renewable natural gas and hydrogen.

Our accelerated replacement programs increase the safety and reliability of the network, reduce leak rates and environmental impacts, all of which center on better outcomes for our customers. These accelerated programs allow us to upgrade our network by replacing cast iron and bare steel pipe with new corrosion-resistant, high-density polyethylene pipes.

We focus on pipeline replacement to get the most out of our capital investment to reduce incoming leaks and emissions, drive down costs, and allow us to earn immediate returns on our investments. Since taking control of WGL back in 2018, we have invested more than USD 1.3 billion to upgrade our systems, including USD 700 million in these accelerated pipeline programs.

We currently have accelerated replacement programs in each of our WGL jurisdictions as well as at SEMCO, and we have increased our utilization of these programs in 2021 by 20%. All of which is focused on modernizing our infrastructure and driving better outcomes for all of our stakeholders.

We recently filed the largest accelerated pipeline case in Virginia's history through the SAVE Plan and have requested approximately USD 900 million in accelerated capital from the State Corporation Commission to continue modernizing our infrastructure across the Commonwealth during the period between 2023 and 2027. With a strong focus on capital planning and execution, we continue to modernize our system and reduce the environmental impact by upgrading targeted classes and segments of pipes across our jurisdictions.

In 2022, approximately 80% of the utility capital plan is immediately recoverable within rates through the accelerated pipeline mechanisms and along with the majority of maintenance capital spending that is structured to match depreciation. This focused approach allows us to continue to invest increased capital in our system, upgrading and minimizes the lag impact of that capital.

We expect strong high single-digit rate base growth through our planning period to 2026, underpinned by the need to invest in and upgrade our aging infrastructure. We have good visibility towards this growth through our secured APR programs that I just discussed, combined with ongoing maintenance and system betterment spending.

New customer growth at WGL continues to track ahead of expectations, and is in line with the population growth we've seen in the DMV area over the past decade, which has been higher than the national average by nearly 25% since 2010.

New meter growth continues to be strong, and we expect that to continue throughout the planning period. Our Utilities capital continues to be weighted to either maintenance or accelerated pipeline spending outside of some new business initiatives, which is really meter growth through new customer connections, which again gives us very good visibility for the high rate and low risk growth through 2026.

Our distribution networks enable us to deliver low carbon natural gas today and provide a foundation for the delivery of lower and no carbon solutions in the years ahead, including natural gas and hydrogen. We believe that natural gas will be the transition fuel for a very long horizon, and we're doing our part to reduce emissions and drive the best outcomes for our customers and the environment.

We are focused on reducing our emissions and assisting our customers to do the same. We have taken our learnings from the DC Climate business plan, which we filed back in March of 2020 to implement emissions targets across the utility. The targets have been identified within our 2021 ESG report, which was released today.

That includes reducing WGL Scope 1 and Scope 2 emissions by 30% by 2030 and reducing Scope 3 emissions or our customer emissions by reducing the carbon content of our gas. We're aiming for about 10% of our supply to be sourced from low carbon fuels by 2030.

We plan to achieve these by continuing to upgrade our system through pipeline replacements, to reduce incoming leaks and methane emissions, and preparing our infrastructure for the delivery of emerging alternative fuels of the future. We are looking at new technologies like advanced leak detection within our Utilities business to bring new ways to identify, track and measure methane with real-time data.

We are currently conducting a pilot program that applies advanced satellite technology to identify areas of emissions. We expect the results of this pilot to enhance our ability to identify and then reduce leaks, thereby reducing emissions.

We are pleased with the headway we have made in promoting combined heat and power to larger commercial and industrial customers this year, which is advancing our lower carbon focus that is also part of our Climate Business Plan.

We will enhance our energy efficiency programs aimed at reducing customer demand, and we will introduce emerging technologies such as gas heat pumps. Through EmPOWER Maryland, we received approval for our first pilot program in October of this year, and that will consist of identifying, installing, testing and monitoring the performance of gas heat pump equipment to verify the energy savings across multiple customer segments and end use categories.

We will look to decarbonize the gas supply with certified gas and RNG, pursuing RNG investments through local interconnection opportunities. We will evaluate options for fleet vehicles, reducing emissions within the neighborhoods in which we work and we are applying innovative technology solutions to venting such as capturing those emissions and reinject them back into the gas stream. We will advocate for public policy on the support of our regulators to advance these initiatives.

We have launched a new program called Clean Steps at WGL Energy, our unregulated retail business, and that will enable customers to offset their out-of-home carbon footprints. Clean Steps continues the legacy of climate-friendly offerings to our customers.

We view AltaGas' role in the energy transition is to focus on reducing emissions across our operations and investing in energy evolution opportunities that leverage our unique asset base and further reduce the environmental footprint of our operations and those around us. We will also continue to advance initiatives around renewable natural gas and hydrogen.

Starting with Certified Gas, we announced earlier this year a supply contract for responsibly sourced gas with a leading U.S. independent producer as part of our utility gas supply. You will see us continue to increase the amount of Certified Gas as part of our overall gas supply portfolio.

Beginning early 2022, WGL Energy, our unregulated affiliate, will begin supplying all new and renewing residential natural gas customers with independently certified natural gas for 50% of their usage with the option for consumers to purchase up to 100%. Recently, the Maryland PSC approved our RNG project, a partnership between WGL and Washington Suburban Sanitary Commission, to transform sewage waste into renewable energy.

It's a small project, but represents a significant milestone. The project includes the construction of the natural gas pipeline to bring the first RNG into the WGL system from WSSC Water's Bioenergy facility. This project will be the first of many similar projects and will enable us to refine and learn more about this promising technology, so that we can identify other potential projects to expand the use of RNG in the years ahead.

In 2020, we funded the study to assess the development of renewable gas in the Greater Washington, D.C. area, and we published a comprehensive report on RNG resources and availability. The study found that there are multiple supply sources of RNG available for WGL. Since then, we have been refining our study findings based on our engineering analysis and direct commercial conversations with some of the largest RNG sources in our territory, and we believe there is a significant opportunity to decarbonize our supply with RNG.

Over the longer horizon, we expect hydrogen and synthetic methane to become price competitive with RNG. These low carbon fuels will help us further decarbonize our energy supply.

Over the long term, we're targeting a much higher RNG and hydrogen throughput without -- within our network, but we're also focused on doing so in a sustainable manner that makes economic and environmental sense for our customers as we work together to create a cleaner energy future.

So going forward, when we think about opportunities within our existing businesses like RNG and hydrogen as being part of our long-term business plan in the Utilities network, it's logical to assume we will always look at opportunities to continue to advance some of these initiatives if they're in our fairway.

Of course, our number one priority continues to be safety and reliability. While delivering critical energy to our customers, we will do so with an intense focus on operational excellence, which we define as providing exceptional and affordable service to the customers we serve, reinvesting into our asset network and growing for the betterment of all our stakeholders.

Specifically, we will continue to invest with discipline and focus, relentlessly manage costs throughout our operations, deliver on a focused technology road map to drive operational excellence, explore all available revenue opportunities through effective rate and regulatory execution, enhance and exceed our customer experience while helping the region deliver its climate goals and diversify our supply sources with lower and no carbon fuels.

We are excited about the future of the Utilities and look forward to what the next few years may hold. And now I'll turn it over to Randy Toone, Executive Vice President and President of our Midstream business.

Randy Toone:

Thank you, Blue, and good morning, everyone. My name is Randy Toone, EVP and President of Midstream here at AltaGas. As you heard from Randy, we are very excited about the great future of our distinct Midstream business, and I'm here today to provide more color on that future. We are a leading North American Midstream platform that connects customers and markets. From Wellhead to Tidewater and beyond, we are focused on providing our customers with safe and reliable service and connectivity to premium markets that provide the best outcomes for our customers. This includes global market access for North American LPGs, which provide North American producers and aggregators with the best netbacks for propane and butane while delivering diversity of supply and stronger energy security in Asia.

This also ensures a high degree of profitability for our Canadian energy industry, which means increased activity levels, higher employment, higher royalties and ultimately, better social outcomes. AltaGas' Midstream platform is heavily focused on the Montney in Northeast BC and centers around global exports, which -- where we believe the market is headed over the long term. A couple of other defining characteristics around our platform is nearly 90% of the business comes from investment-grade counterparties, and over 50% is from take-or-pay contracts or fee-for-service contracts. And any commodity or differential exposure, we have an active hedging program to derisk these cash flows.

Our Midstream strategy is to operate a world-class platform that safely connects producers to domestic and global markets and positions for the energy evolution. We're focused on investing in and operating long-life infrastructure assets that are positioned for where we believe the market is headed. This includes providing global connectivity, improved customer outcomes and environmental benefits. Every day, we work with our customers and view them as partners in achieving better outcomes together.

Similar to Blue, there are three key themes that we'll focus on throughout the session. Revisiting the journey that we have been on within the Midstream platform. Sharing our philosophical views about running the platform and discuss what we believe matters for the long-term value creation, and discussing the road ahead and what we can expect from our midstream platform. So I want to spend some time on the journey that we've been on.

If you go back five or six years, AltaGas was a much smaller Canadian Midstream platform. We had diversified assets across Western Canada with a number of small, less core assets. We are proud of what we had, but we didn't view it as distinctive. What we did have was highly capable group of people with strong relationships with their local communities, First Nations, customers and a strong track record -- strong safety track record. We're also very good at building -- builders of projects, and we understood how to get things done. We wanted to build on those core competencies and decided to take some very proactive steps to build a platform focus on where we believe the market was headed over the long term, which we believe was going to be the Montney, mainly in Northeast BC and a strong LPG demand in Asia, which supported the need for global exports.

As such, we moved forward with the plans to build gas processing and fractionation capacity in Northeast BC and global export capacity through the building of RIPET. Over the last few years, we've reasserted that focus and continued to build a platform focused on where the market is headed. Over the last few years, we have significantly advanced the Midstream and global export strategy. We commissioned RIPET, the first LPG export terminal off the Canadian West Coast. We expanded midstream and energy export capabilities through the acquisition of Petrogas. We increased LPG export capacity to more than 100,000 barrels per day, which you saw in Q3, and have a path to get to 150,000 barrels per day.

Increased throughput at our existing processing facilities and fractionation facilities and drove more than 30% improvement on our return on invested capital. And you can see from this slide, our strategy and strong execution is paying off and creating outsized wins. You can see this is our Midstream and global export volume growth, which has led to increased cash flows and stronger returns. Our focus on optimizing assets and increasing throughput at our facilities has resulted in returns on invested capital and improving by 1/3. These improved returns have also provided us capacity and resources to continue to invest in better customer outcomes, our people, our communities, where we live and serve. These direct support -- these directly support their broader corporate strategy of building a diversified low-risk business platform that provides growth and durable value for the stakeholders.

Our high-level priorities are consistent with our strategy and build on what we've done over the past few years. These include maximizing facility utilization to improve stronger returns. Continuing to push position for where the market is headed by focusing on our customers' needs and anticipating the market trends by thoughtfully building out the footprint and expanding our capabilities within the Montney and our West Coast LPG exports and positioning the Midstream platform for the changing energy ecosystem. Our marketing and the logistics capabilities, our export terminals, along with our agent relationships position us well to be a leader in the energy evolution.

Our Midstream business will continue to be centered around our global export platform and our structured advantage being on the West Coast of North America, which has a 60% advantage over the U.S. Gulf Coast and a 45% advantage over the Middle East for shipping times. And with it always being a balancing market for the Asian LPG imports, we believe that West Coast will have a lasting structural advantage as Ferndale and RIPET, both ship LPGs to Asia in approximately 10 days and avoid major shipping channels or canals. That compares to 25 days from the Gulf Coast or 18 days from the Middle East. We really saw the benefit of having a direct growth this year when we saw a significant congestion in the Panama canal with vessels waiting up to two weeks for a transit ticket, bringing average shipping times to 40 days to get to Asia. Right now, around 1/3 of our global export volumes are tolled, and we plan to steadily increase our tolling arrangements with our customers, providing them with market diversification and stronger netbacks for their products.

This slide highlights our two global LPG export facilities, where we exclusively ship using very large gas carriers or VLGCs, which provide the strongest economies of scale, and the most efficient, safest and the lowest carbon footprint of transportation across the Pacific Ocean. VLGCs are also the most demand vessels from a distribution perspective in key large markets like Japan and South Korea, which are focused on the same economies of scale. Both ports are deepwater access, ice free year-round and facilitate easy access for VLGCs. As such, we have the best option for our North American upstream and midstream customers that are looking to have access to global markets where LPG prices have historically traded at upwards of 50% premium compared to North America.

This slide highlights what our downstream markets look like from a global export platform. Overall, we continue to see robust LPG demand from key Asian markets with Canada representing an important supply diversification. 90% of our global LPG export volumes are delivered to either Japan or South Korea. Almost all of these transactions are with investment-grade counterparties. RIPET now represents 11% of Japan's total propane imports and Ferndale represents 11% of the total for South Korea. And while there is a number of factors driving the robust demand growth, it is very strong demand pull market. And with the Asian region, LPGs are positive from an environmental perspective, and part of their energy transition as they are a lighter fuel and often displace thermal coal or other more carbon-intensive forms of energy.

This slide just reemphasizes that the market balances will continue to support global export growth. Specifically, that North America remains heavily oversupplied with LPGs and those imbalances are expected to grow. As such, the marginal molecule needs to be exported, and it makes a lot more sense to export those volumes off the West Coast rather than to export them by rail down to the U.S. Gulf Coast at a heavy discount and then have them exported to Asia from there. Asian demand growth is robust with ongoing demand increases expected over the next decade. The pandemic has only accelerated these demanding pieces. As such, market undersupply in Asia continues to grow. Specifically, Asian PDH demand is expected to grow 60% in the next five years over 2022 levels. As a result, Asian prices continue to be the heavy -- do the heavy lifting to attract volumes, and we're seeing that play out in the open ARP and opportunities for Canadian producers.

On the road ahead, we see many of the same focuses, and we have demonstrated over the past three years. We'll continue to fill our existing latent capacity across the network and optimize returns on the large investments that we have made in the Montney. We'll continue to improve our logistics capability through building unit train operations at the supply source and the export terminal versus the current manifest operation, which will improve our cost structure and maximize export capacity. We'll continue to debottleneck our export capacity constraints to link more LPGs into global markets. And with that lower cost structure and significant LPG demand in Asia, we'll be able to take full advantage of this export capacity.

And we'll continue to look further downstream such as time charters for VLGCs, which not only lowers ocean freight, but provides direct market access to Asia.

On Ridley Island, we're focused on working with our service providers and customers to leverage our ability to increase throughput by up to 60%. CN has been making large investments in the Prince George to Prince Rupert corridor, continues to debottleneck logistics in highly utilized regions of their network. Right now, much of the volume that is sent to RIPET is manifest, from multiple points and then needs to be aggregated before it's being sent to Ridley Island. We are focused on moving that to a unit train operation, which reduces travel times, reduces railcar usage, and improves the overall cost structure.

Additional investments are expected to be in the near term on Ridley Island to provide further operational flexibility to increase throughput and better manage new outages upstream.

So medium- to longer-term growth, we are also looking at expanding the throughput capacity on Ridley Island, which could include other products such as butane and is aligned with our recent application to increase our butane export license. Over the long term, we continue to look at advancing Petrogas' participation in fuels of the future. This includes pursuing conceptual work on other products to export like ethane or ammonia on Ridley Island, where we have ongoing conversations with our downstream customers in Asia. Now that RIPET and Ferndale have demonstrated they can be a reliable supply source, the demand pull is starting to take effect.

So on to Ferndale. The road map at Ferndale is very similar. We'll focus on working with our service providers and customers and leverage our ability to increase throughput by up to 70%. We're trying to take a very pragmatic approach to improving logistics through using unit trains that leads to more efficiency, more efficient rail traffic in and out of the facility. It also lowers the overall cost structure which will open up other supply basins, such as the Balkan. Similar to RIPET, additional investments are expected at Ferndale to provide further operational flexibility to increase throughput and better manage any outages.

Longer term at Ferndale, we see that Ferndale location has strategic attributes such as proximity to green electricity, access to Tidewater, proximity to Asia and the existing local demand for hydrogen. Over the long term, we are continuing to look at advancing AltaGas' participation in fuels of the future and helping Washington state advance many of its green initiatives. This includes pursuing conceptual work on fuels like hydrogen, ammonia, which could be used locally in Washington State or exported as ammonia, where we have ongoing conversations with downstream customers in Asia. The recently acquired lands around Ferndale provide lots of opportunity for AltaGas to participate.

And I think this slide really speaks to the journey that we were on. We are focused on increasing our capability and compounding throughput by 10% per year until 2025 through our two terminals. From Wellhead to Tidewater and beyond, we plan to continue to connect our customers to premium markets and doing so in multiple ways in the years ahead. As you may have heard, AltaGas entered into arrangements for two new dual-fuel VLGCs that will go into service in late '23, early '24. The contract extends AltaGas' reach directly into the Asian market for its products and further derisk AltaGas' long-term export strategy. The procurement of the dedicated vessels will reduce shipping costs by approximately 25% compared to prevailing market rates and reduce pricing volatility. The new vessels also carry 15% more cargo than a standard VLGC. As such, the vessel deployment will drive reduced costs and provide better environmental outcomes.

Outside of the export growth, we plan to have similar focuses around optimizing and investing across the value chain. We continue to advance business development, commercial and energy work around longer-term growth opportunities across the midstream markets in Northeast BC and Alberta. All of which is focused on leveraging our existing infrastructure assets and networks to continue to connect with customers and markets, and some of these will be in partnerships with our customers, which we will each lean on each other, each of the strengths and work on the best collective path forward.

We're always a bit cautious to what we will share on developments -- on the development front, because there is commercial sensitivity, there is partnership considerations and there's confidentiality that we have a duty to honor, but we're very excited about the road ahead. With the Petrogas integration now complete, the combined team, assets and the unique access to global and domestic markets provide a midstream platform that is an attractive solution to our customers. We have a significant pipeline of identified growth opportunities to potentially be sanctioned over the next five years. These include approximately 30% of the capital dollars being focused on emission reductions or the energy evolution. Approximately 15% focused on organic expansions for optimization of existing assets and the other approximately 55% focused on large strategic growth.

The largest part of capital spend is weighted towards 2024 and onwards, and that is aligned with the Montney volume growth associated with LNG Canada coming on stream. As we grow, we need to grow responsibly, which means lowering our emission intensity as we grow. We have been working hard to develop our emission reduction plan, and we're happy to share some of those details with you today. We have completed an extensive modeling and testing to arrive at our emission target of 40% reduction of Scope 1 and 2 emission intensity by 2030, with initiatives being applied across the entire Midstream platform. We have taken a multipronged approach to emission reduction. That begins with optimizing our existing assets by maximizing throughput. This is the most economical means of achieving our -- and part of our emission intensity reduction goal.

Investing in our existing infrastructure is the second approach, pursuing opportunities to reduce carbon from our facilities where it makes most economical sense as the first on the list. Some examples of these types of projects include efficiency enhancing projects and Phase 1 of carbon capture development at Harmattan. The more strategic investments could include a full-scale electrification or a full-scale carbon capture at certain facilities. We are looking to pursue opportunities to electrify certain assets in BC, given the significant hydro capacity in that province. And applications of carbon capture technology across other gas processing facilities is also something we are exploring given the higher emission intensity of those facilities.

Our first order of business is to achieving our emission intensity goal is by simply optimizing our facilities and increasing the efficiency of the existing asset base. Through this, we can achieve approximately 20% towards our 40% target. This is where our focus is currently. The Harmattan facility is our largest emitting facility by far and is one of the first areas we are addressing to tackle emission intensity reductions. Phase 1 of this initiative is well underway. And upon completion of the project, we anticipate achieving a reduction in absolute emissions of 15% at that facility. Our next focus will be investing in sustainable low emission growth projects that allow us to participate in the energy transition opportunities that are within our core fairway and meet our investment criteria.

So in closing, we're excited about the days ahead. We'll be focused on operating a safe and reliable system to connect critical energy to our customers, maximizing the potential of our export platform, leveraging that export platform capability to advance our integrated model, and position the assets for fuels of the future.

I will now turn it over to Shaheen Amirali, our Chief External Affairs and Sustainability Officer, who is going to share the ESG strategy.

Shaheen Amirali:

Thank you, Randy. Good morning. I'm pleased to be joining you today to tell you about what ESG means to AltaGas. I'm going to start by discussing the journey we have been on, which includes our progress on ESG integration within our business and our performance highlights. I will conclude my presentation by describing the road ahead, focusing on our ESG goals and how we execute our ESG strategy.

Core to our business and ESG strategy is an unwavering commitment to operational excellence. Continuing to lead with strong ESG practices remains part of that priority. We have taken a number of steps to integrate ESG into our processes, including our stakeholder outreach, which has led to the broader topics that encompass ES&G being narrowed to what matters most to us and to our stakeholders. This brings focus and allows us to allocate our resources in a way that demonstrates the greatest impact in the areas that matter most. With focused ESG priorities centered around safety and reliability, energy affordability, energy evolution, cybersecurity, diversity and inclusion and community partnerships, we align to what is material to our business and our stakeholders, and highlight our areas of opportunity and impact.

Through integrated processes within risk management, to business strategy, to operations, the outputs of which influence our capital allocation, business development and the processes we put in place to measure and monitor our progress, and the transparency and consistency with which we report our outcomes. Our company has a long history of incorporating ESG into decision-making. It's been critical to our success to date in the development of world-class projects. Where you are seeing that decision-making most prominently displayed today is specifically in how we see the future energy evolution and our position within a lower carbon world. You're seeing this through our ongoing alignment to TCFD in our strategy and in the way we articulate our opportunities, our risk mitigation, governance, our approach to reporting and our goals.

Governance at AltaGas is designed to oversee and support sound decision-making across the enterprise. It is a critical component of our business foundation. Our core values support the way in which we integrate our ESG priorities into every aspect of our business. Together with our code of business ethics, these values form the foundation of our company and set the expectation for how we conduct our business and engage with our stakeholders. We have aligned our policies to apply across the enterprise, aligning the organization to one set of umbrella policies, streamlines our governance and provides clarity of oversight and accountability.

ESG oversight is ultimately a Board responsibility. Each of the Board's standing committees provide oversight by integrating the elements of ES&G applicable to their mandates and aligned with their areas of expertise. This enables the Board to fully integrate its oversight role. Our CEO is ultimately responsible for strategy development and execution with the Presidents of our businesses supporting that function. With performance linked to compensation, we closed the loop of the process and drive a performance-based culture focused on meeting and exceeding objectives to create long-term value.

For 2021, 25% of our annual short-term incentive plan is linked to advancing ESG initiatives and strategies, including supporting GHG reduction and the lower carbon future. Linking critical ESG components to compensation through our value drivers is not new for us. As an essential energy provider, safety performance has always been tied to compensation. Part of progressing, our ESG integration over the years has included expanding these drivers to capture additional E&S initiatives of importance.

Now ESG integration leads to ESG performance. As we move into our performance, we continue to progress on our areas of strength. With focused ESG priorities, we are connecting our programs with broader reach among our various stakeholder groups. This provides greater impact. I will highlight a few examples with more available within our ESG report that was released today. Safe and reliable access to affordable energy is core to our operations. When you look to our performance that's demonstrated through continued capital investment and modernization of infrastructure, reduce leaks, exceptional system reliability statistics, which you can see on the slide. It is also reinforced through core foundational utility affordability and energy assistance programs targeted to benefit communities and customers.

Providing access to affordable energy through budget programs and gifts of warrants, draws the connections between our programs of pipe replacement and access and affordability, closing the loop, and staying true to our mission of providing safe and reliable access to affordable energy.

On diversity and inclusion, it is important to us that our internal diversity reflects the diversity within the communities we live and work. Our inclusive culture has been key to our success in leading business objectives. We've taken many steps to broadly expand our diversity at all levels of the organization. Our success can be attributed to many initiatives, from our recruitment practices, to our development programs, to our engagement strategies, our achievements are reflected in our current demographics. You can see our current statistics listed here on this slide.

You will also see in our ESG report our progression, which is most recently demonstrated through the build-out of our Washington Gas senior leadership team, where we have broadened the mix of experience, background and varied perspectives to meet the evolving needs of the business, with female representation up from 33% to 53% and regional ethnic diversity up from 8% to 27% from 2019. You will also see progress highlighted here in the makeup of our RIPET workforce, where 25% of our RIPET workforce comes from local indigenous communities.

Broadening diversity and inclusion initiatives goes beyond our workforce. It's about reaching into our communities through building capacity. Through supplier diversity programs, we've achieved 28% of supplier spend with diverse suppliers and 33% of Midstream capital spend with local indigenous and affiliate vendors. We are well on our way to meet Washington Gas' Strive for 35 initiatives by 2028. We will continue to progress on these S initiatives concurrently as we advance our other material ESG priorities.

Where you're seeing the most progression from us this year is on the E. You've heard about where we are headed on our GHG emission reduction strategy and our plans to introduce low-carbon fuels into Washington Gas' delivery system. What I would like to also highlight is that each of our businesses have been monitoring and advancing opportunities to reduce GHG emissions for many years, which we have included in our performance highlights here on this slide, and more broadly in our ESG report. The progression you are seeing today is part of our path of continuous improvement.

As we look to the road ahead, it starts with our goals, which are the next progression in our journey of continuous improvement. They will track our performance going forward. They provide insights to our stakeholders on our focus and priorities for the future. Our categories of goals include climate, safety and D&I. These are table stakes. We are only going to grow from here and expand our goals as we progress and gain further insights to stakeholder expectations. Our approach to goal setting is to strike a balance between achievement and ambition. We have put in place many of the building blocks and initiatives to propel us forward in that journey. Creating the momentum and drive within our organization to track and perform.

You heard each of Blue and Randy go through their strategies for execution. What I will go through is our approach to setting our climate goals. Our business is diverse. Our growth opportunities are different and the regions in which we operate have different climate ambitions. That is why we took a situational approach to setting our goals, so that we can build upon our ambition over time as we gain further clarity from legislative policy, our regulators and our customer preferences. Cooperation amongst us all will be required to achieve the best solutions.

Within our Utilities business, focusing on Washington Gas, our largest utility, is where the opportunities lie for us. With Washington Gas making up just over 80% of total Scope 1 and 2 emissions for our entire Utilities emission profile, it is the most material. It also has the largest pipe modernization programs of our Utilities. Our goals highlight our view that our vast distribution network in the pathway to supporting all future transition solutions, supporting our focus on modernization and that our pipe network can be repurposed to flow lower carbon solutions.

Within our Midstream business, our goals highlight our view that reducing absolute emissions as well as intensity is important to us. Our intensity goal reflects the growth we see in our business and recognizes that we can do both, grow our business and reduce emissions, improve operational efficiency and increase utilization. Our absolute emission reduction goal for Harmattan recognizes that our biggest opportunity to reduce emissions lies within our largest emitting facility. We will focus our attention where we have the biggest impact.

Our safety goals are a continuum of our journey to incident free operations. It all starts with the pursuit of operational excellence, a strong commitment to a culture of safety performance and setting yearly goals of improvement. It is important to us that our internal diversity reflects the diversity within the communities we live and work. That starts with gender balance, and our D&I goal for management strives to achieve that. It progresses what we have achieved to date with the programs we have put in place. We have also made progress on broadening our overall diversity, and that work is continuing with the same momentum. We intend to continue our progress, our broader diversity, and we expect to externally release goals in that regard next year.

With respect to our Board, they have made many advancements to broaden their diversity, as you have seen. And they are committed to advancing their commitment by increasing their overall diversity from 45% to 50%.

Now it all comes down to execution. In order for us to execute on our ESG strategy requires focus and prioritizing what is material from an ESG perspective. It requires ESG integrated into our business processes, marking progression with metrics and goals and clear, consistent and transparent reporting. We are well on our way on these fronts. It will also require early and frequent outreach with key stakeholders, which will help us meet our objectives and shape our future priorities. We look for many opportunities to engage with our stakeholders. Early and frequent communication informs our community consultation processes. Strategy development, risk management, it ensures we are approaching our work in a responsible way and in a way that advances our strategy.

What's important to us is to have a strong understanding of our stakeholders' expectations, to have a willingness to listen, learn and adapt, and to empower our people to work towards mutually beneficial solutions to generate long-term value. Stakeholder engagement has been a core area of strength for us, and our pathway of continued progress will require the same openness of dialogue and collaboration that we have demonstrated that marks our past successes. That is how we intend to proceed.

And now I will turn it over to James Harbilas, our CFO, to discuss our capital and return strategy.

James Harbilas:

Good morning, everyone. I wanted to start with a brief overview of some of the economic factors that will have a bearing on the business heading into 2022 and beyond, as well as that we will position ourselves to benefit from some of these trends. I will also highlight how the organization (technical difficulty).

Okay. Maybe third time's the charm. Thank you, Shaheen, and good morning, everyone. I wanted to start with a brief overview of some of the economic factors that will have a bearing on the business heading into 2022 and beyond, as well as how we will position ourselves to benefit from some of these trends. I will also highlight how the organization is insulated from certain risks like inflation that have been in the headlines lately.

Overall, we continue to see interest rates that are low relative to historical norms. And while they are increasing and likely to continue to in the near term, it's a remarkably good time to own long-life infrastructure assets. With the global economies improving coming out of depths of Covid, we have started to see inflationary pressure across global supply chains. Our business is well insulated from inflation on the utility side of the business through our cost of service model. We also enjoy a great deal of protection on the Midstream side of the business with the ability to pass through cost increases under take-or-pay and fee-for-service contracts.

While we have a smaller capital program on the Midstream side, which minimizes our exposure to inflation, it is something we always watch and will be very active mitigating through effective project management, strong procurement processes, and our proven track record for project execution, which has been exhibited repeatedly through the completion of large projects like RIPET, Townsend and North Pine, all on time and on budget.

Looking at the factors that specifically impact the Utility side of the business, customer affordability continues to look favorable. While we have seen an increase in gas costs this year, natural gas continues to be the most cost-effective energy source to meet the energy needs of our customers by a wide margin. Heating a home with electricity is, on average, 3x more expensive and emits 20% more carbon dioxide based on the current power stack. We have also used our vast storage infrastructure to insulate our customers from the volatility we have seen in natural gas prices this year.

Employment and population growth continue to be robust in our service territories. And our regulatory jurisdictions continue to be supportive of infrastructure investment related to natural gas delivery, which bodes well for continued meter growth across the business.

Turning to factors specifically impacting the Midstream side of the business. We have seen strong commodity prices return to the industry despite some of the recent volatility caused by the Omicron variant with crude, natural gas and LPG pricing at 5-year highs. This has resulted in compelling economics for producers, which has led to increased CapEx, natural gas production growth and increased volumes for NGLs in the basin. We have also seen consolidation in the industry, which has resulted in larger, well-capitalized producers that will continue to move capital and production to the Montney, where we're strategically positioned with our global export and fractionation assets. As we have demonstrated over the past couple of years, our diversified business model has delivered robust growth in a lower risk model that performs across a variety of cycles and markets. It's a model that has strong commercial underpinnings and high-quality counterparty credit.

It is these attributes that will continue to provide investors with a high growth, lower risk model that can demonstrate resiliency through these cycles. It's also resulted in AltaGas' share price not only outperforming our peers, but doing so with lower volatility than the vast majority of those same peers.

Our financial strategy and plan will be straightforward and very pragmatic. We want to continue to focus on leveraging and optimizing our existing assets to improve our returns. You have heard us say many times that the most effective way to materially improve our returns is by filling up our latent capacity. This has been proven over the last three years with corporate ROEs almost doubling over that period of time, as throughput increased. We will also continue to focus on our balance sheet. We have made significant progress over the last three years and regained our financial footing. Our credit ratings are all investment grade, with stable outlooks across all organizations within the group. We also have a clear path to get below 5x in the near term with our long-term goal to be at 4.5x, which will bring us in line with our peers.

We will continue to recycle capital from noncore investments, so that we can execute our equity self-funding model. This will be our lowest cost of capital and will improve our ROE and continue to improve our balance sheet. Our self-funding model will rely on incremental leverage to finance our growth. But while we see absolute debt levels increase, our credit metrics will continue to improve and move us closer to key upgrade thresholds that our rating agencies have communicated.

I want to turn now to our capital allocation priorities and our philosophy. When it comes to capital allocation, we are trying to balance the multiple objectives we have, in order to increase returns to shareholders over time. We want to first ensure that we are funding our strong organic growth pipeline, with rate base compounded annual growth rates expected to be 8% to 10% in the utilities over the next five years, along with opportunities to expand our export facilities, liquids handling and logistics infrastructure within our Midstream platform. These organic investments will position AltaGas to grow our earnings per share and FFO per share at growth rates that are industry leading.

We will also continue to improve our balance sheet through improving our financial metrics. Finally, we will return capital to shareholders through consistent annual dividend increases, which we expect will grow by 5% to 7% over the next five years. We strongly believe that this approach will result in steady capital appreciation and returns of capital to shareholders that will continue to differentiate us from our peers.

Now that we've discussed our approach to capital allocation philosophy, let's take a look at each of these in a little more detail. I will start with growth. In capital-intensive industries like energy infrastructure, value can be created in very short periods of time. Thus, we spent a great deal of time ensuring we are deploying capital effectively and efficiently. We discussed our strong organic growth profile, which is embedded in both platforms. But it is important to note that both organic and inorganic growth opportunities will both face the same framework and scrutiny when it comes to making these investments. Our regulated capital will be focused on ensuring safe, reliable operations that will continue to connect our customers to affordable sources of energy. It will also generate returns equivalent to our allowed ROEs or better.

Our Midstream investments will focus on long-term earnings and cash flow durability with projects that are expected to be undertaken at a 5x to 7x build multiple, and will be focused on expanding our liquids handling, optimizing logistics and expanding our export capacity to continue to provide egress options for our customers to the best markets for their products. Our focus on inorganic investments will be on strategic fit. In effect, how does that investment make us better or operationally excellent, as well as earnings per share accretion and an objective of structuring these investments to be neutral or accretive to debt metrics.

The tuck-in Petrogas acquisition serving as a great recent example of AltaGas achieving these objectives. Finally, we have highlighted ESG-related investments, which will position us to meet our climate goals, but will also have to generate strong returns. Our Harmattan investment discussed as part of the Midstream presentation is a great example of these initiatives, the returns they can generate and how they meaningfully reduce emissions.

We have been very successful since 2018 when it comes to capital recycling and improving our balance sheet. Between 2018 and 2021, we have completed greater than $6 billion in asset sales, while redeploying those funds to debt reduction and funding growth in our two core platforms, by completing key projects like the Marquette Connector, RIPET and expansions at North Pine and Townsend. We also completed the acquisition of a controlling interest in Petrogas on an all-cash basis while improving our leverage metrics. These capital recycling and deleveraging initiatives have taken our leverage from 10x debt to EBITDA to approximately 5.2x at the end of 2021, while EBITDA has grown by 50% since 2018. We also believe we have a path to get below 5x in 2022 with the successful monetization of our nonoperated interest in MVP.

Our long-term target of 4.5x can be achieved through growth and strong returns on our platform with a continued focus on recycling capital from noncore investments into our two core segments. In terms of dividend philosophy, we believe returning capital to shareholders through regular and sustainable dividends is an important component of total shareholder returns and part of our long-term partnership with shareholders. As we execute on our strategic plan, we expect to be positioned to deliver regular sustainable annual dividend increases that compound in the years ahead. We announced a 6% increase for the 2022 dividend two weeks ago, and believe we should be positioned to grow the dividend by a 5% to 7% compounded annual growth rate through 2026.

Philosophically, we view dividends as an output of our business model and not an input. With the base to midpoint of expected dividend growth rate that I referenced over the next five years solely underpinned by the expected earnings growth from our Utilities platform. This will result in a decreasing payout ratio, including Midstream earnings over the long term and a payout ratio that is roughly 57% for 2022, using the midpoint of our EPS range.

Turning to our risk management policy -- risk management philosophy around commodity prices and cash flows. From a hedging perspective, we believe that continuously and systematically derisking our business is paramount to driving predictable returns and creating the greatest long-term value for our shareholders. From a Midstream perspective, we are focused on limiting our commodity exposures through commercial constructs that connect customers and markets in the most efficient manner possible to maximize the value of their commodities. In essence, increasing our tolling revenues where we have seen steady progress between RIPET in service date to where we sit today. Where we continue to have exposure, we look to match financial hedges with physical volumes. We aim to be at least 40% hedged going into any calendar year and increasing those hedges as we have better visibility on our physical supply streams and position accordingly to how we see market dynamics shaping up.

On the utility side, while prices are a pass-through, we do hedge by using our 55 Bcf of storage capacity across our network to purchase physical gas throughout the year. Once storage is full, it provides our customers protection from price hikes for roughly half of our winter demand on the system.

So for 2022, we anticipate growing total volumes to 40% at RIPET, while Ferndale will remain in line with current tolling levels. Over time, we will target global export tolling to approach 50% to 60%. In total, for 2022, we are approximately 80% hedged on frac exposure and 46% hedged on expected global export volumes at an $11 per barrel blended average for propane and butane.

In terms of our liquidity, we continue to be well positioned. We have approximately $3.7 billion of credit facilities across the group, with approximately $3 billion in available capacity. Our strong focus on a properly tenured maturity profile means we have no outsized bullet repayments over the next five years or beyond.

We have roughly $500 million in medium-term note maturities in 2022. Our investment-grade credit ratings and significantly improved financial profile give us access to the debt capital markets to refinance these maturities on very favorable terms. Our ample liquidity on our credit facility also gives us the ability to be opportunistic if credit markets are experiencing volatility.

Finally, as you can see from the 2022 sources and uses, we believe we are in a position to execute on our development plans and potentially exit 2022, achieving our near-term goal of being below 5x net debt to EBITDA post monetizing MVP. If we narrow our focus this year, 2021 has been another banner year for the company, as we've hit a number of milestones across the platform. Before I jump into our 2022 guidance, I wanted to take a moment to review some of these key accomplishments across the entire company.

On the Utility side, we will have closed all but 40 to 50 basis points of the ROE gap to WGL, through updating rates, increased ARP spending, and improved cost control. We have finalized new rates in Maryland and D.C. in 2021, and we'll realize the full year contribution in 2022 from these new rates.

We filed an extension to our Virginia ARP program to increase capital dedicated to replacing aging infrastructure by $900 million, with the program being extended to 2027. This will provide safe and reliable service to all our customers and give us strong visibility to future rate base growth in our largest jurisdiction.

On the Midstream side, we continue to make strong strides in global exports by hitting new volume records for the year. We completed the integration of Petrogas and are on track to realize synergies of $40 million, which is well above our target. We continue to grow volumes at our gathering and processing, fractionation and export facilities by 10%, 36% and 22%, respectively.

Finally, with a focus on advancing our global export strategy, we have filed a new 25-year butane export license, acquired 1,600 acres of land at Ferndale and secured two time-chartered VLGCs to improve our logistics, improve visibility in end markets and drive down our costs. Enterprise-wide, we completed $800 million of refinancing at rates that were lower than maturing MTNs and lower than our bank lines, which continue to derisk the balance sheet.

Finally, we completed the sale of our U.S. Storage and Transportation business, which reduced debt by $485 million in net debt-to-EBITDA by 0.5

turn, while reducing commodity exposure and volatility across the organization.

Now the highlights of our 2022 guidance. We expect to grow our dividend by 6% to $1.06 per common share as we preannounced a few weeks before this Investor Day. We will also move from a monthly to quarterly payment schedule. For normalized EPS guidance, we anticipate landing between $1.80 to $1.95 per share, which represents growth of 9% versus 2021 midpoint and 33% when excluding the contribution of the U.S. Storage and Transportation business.

We expect normalized EBITDA guidance to fall between $1.5 billion to $1.55 billion. And lastly, our planned capital program of $995 million, which will be focused on growth in the Utilities, while Midstream's primary focus will be on optimization initiatives at our export facilities and ESG projects at Harmattan.

This slide up on your screen highlights a number of the key assumptions that went into our guidance for 2022. I won't go through the entire list, but a few of the key items I do want to highlight include: We are not factoring any asset sales into our guidance numbers or funding. While MVP continues to be an asset, we can monetize, we will update the markets when we have clear line of sight to its in-service date and a subsequent sale. As we have stated in the recent past and will continue this year, we will not issue any equity to fund our growth.

On a normalized basis, we expect our effective tax rate to land around 21%, and our budget assumes a Canadian to U.S. dollar exchange rate of $1.26. We expect global export growth of 8% while Northeastern BC liquids handling and fractionation are expected to grow by 25% and 5% year-over-year, respectively.

Finally, we are assuming the Covid-19 moratorium is enlisted in 2022, as these moratoriums resulted in us foregoing $8 million of revenue in both 2020 and 2021. Looking at our guidance a little closer by segment. We're anticipating normalized EBITDA and EPS will grow 2% and 9% year-over-year, respectively, using the midpoints as growth in core operation offsets the

$115 million 2021 contribution from the U.S. Storage and Transportation platform and the outsized performance it had in 2021.

Our business mix will still be weighted towards the Utilities with that segment representing 56% of EBITDA versus 52% in 2021. Looking at this another way, through growth in our two main segments, we will replace the EBITDA related to the Storage and Transportation business, which was volatile and dependent on weather-related price dislocation, with growth in EBITDA of our rate-regulated Utility business and growth in Canadian Midstream, which enjoy more stable pricing and increased take-or-pay revenue.

We anticipate core utilities growth will be approximately 10%. This will be driven by rate base growth of 8% in 2022 and higher retail growth of 4%. Our core Midstream business is expected to grow 8% year-over-year at midpoint guidance, and this will be driven by global export volumes being 8% higher, frac spreads that are currently $23 versus $12 in 2021, and stronger volumes from gathering and processing revenue. Finally, we expect lower LTIP expense in 2022.

Now turning to our capital program. For the third year now, our $995 million capital program will be weighted towards our Utilities business with ARP and system betterment programs taking up the bulk of the spend. We will complete some key transmission projects in 2022 in Maryland and Virginia that will improve reliability and enable future meter growth in our two largest jurisdictions.

We also anticipate spending approximately $140 million in new business opportunities. Within Midstream, we expect to spend approximately $200 million, which includes a deferral of certain maintenance spend from 2021 to 2022. Approximately 60% of this program will go towards facility turnarounds and optimization at our export facilities, while the remaining 40% will go towards growth initiatives, ESG-focused investments and other business development opportunities.

We will also be opportunistic. And if the right growth opportunities in our pipeline of long-term Midstream projects present themselves ahead of schedule, we will ensure that we progress them in a logical fashion.

Finally, similar to what we shared last year and to help on modeling, we've included a range to our anticipated seasonality of the business. As you can see, our Utilities enjoy their strongest quarters in Q1 and Q4, with the shoulder seasons of Q2 and Q3 being the weakest. Our Midstream business is consistent from quarter-to-quarter, although the summer months typically experienced slightly more export volumes at Ferndale, given pipeline connectivity of refineries to that facility.

So just in closing, expect us to exhibit the same discipline that we have over the past few years. We will look to build on that successful track record in 2022. Beyond 2022, our approach will continue to be one anchored in pragmatism, and we're excited about the tremendous organic growth we see in both segments of our business over the next five years and beyond.

And with that, we wanted to quickly share a video that is near and dear to us and encapsulates this company and the values we place around stakeholder inclusion that have been part of our organizational DNA for nearly three decades. After that, we should be ready to join you for a Q&A session.

Randall Crawford:

Thank you, everyone. As you can see, we're excited about the road ahead, and we see significant profitable organic growth opportunities and an enviable value proposition. And we thank you for joining us. At this point, Jon, I'll turn it over to you, we look forward with the Q&A.

Questions and Answers

Jon Morrison:

Perfect. Thanks, Randy. Thanks everyone for taking the time. We do have a lot of questions pouring in on the chat function. (Operator Instructions)

So maybe we'll kick it off with the first one around potential noncore asset sales. It seems like yesterday was a good day for a major permanent announcement on MVP. Does that make a 2022 sale more likely?

Maybe I'll direct that one to you first Randy.

Randall Crawford:

Sure, Jon. Thank you for the question.

Yes. Yesterday, there's good news in terms of the Mountain Valley Pipeline and its water permits in Virginia. As I said consistently throughout that, that pipeline is really essential and we're confident that it will move forward over time.

In terms of our asset selling James mentioned, we do not have that into our plan. But certainly, as we move forward and it becomes more clarity around the pipeline is in-service dates, we'll be looking to take the opportunity to see our availability. As most of the investors know, we have a cost cap in Mountain Pipeline. And so we'll be patient and maybe look for opportunities into the future going forward to monetize that asset.

Jon Morrison:

Perfect. Next one is from Ben Pham of BMO Capital Markets. It's a two-parter. So one, are you interested in adding a new electric utility franchise side to support some of your ESG goals and broadened growth opportunities? And then the second part would be, just how does that 8% to 10% rate base CAGR compared to other LDCs across North America? So again, maybe to you, Randy.

Randall Crawford:

Thank you, Ben. I appreciate the question. So we're always looking at opportunities to enhance our portfolio in terms of our overall strategy going forward. And really, everything that we do is around leveraging our existing assets and bringing value going forward. So -- but we'd always look at opportunities, any acquisition that we do would have to be accretive, and we do look forward to that. But our primary focus right now is around our organic growth opportunities around our export assets, I mean, we talked to that going forward. I guess in terms of the rate base growth question, I believe as I've looked at that we're in the top quartile and certainly in the top part of that. Blue, maybe you want to comment on that as well?

Donald Jenkins:

Yes. That's right, Randy. We're in the top quartile for growth, and we think based on all the fundamentals that we talked about in the presentation on just investment opportunities to upgrade the aging infrastructure we expect it to stay there for a fairly -- for a fairly long time.

Jon Morrison:

Perfect. Next one up is from Rob Catellier from CIBC Capital Markets. How do you ultimately go about achieving a long-term 10% ROE target? Will it be leveraging and investment in utilities? Is there any plan change in business mix? Or how do you think you're going to get there as a functional growth in optimization? So, maybe that one over to you James.

James Harbilas:

Yes. We don't anticipate -- given the growth that we're seeing in our rate base and the visibility that we've got from the ARP programs; we feel that the mix is going to stay fairly steady in terms of being weighted towards utility. So currently, we're about 56% to 57% of our EBITDA coming from Utilities. Given the growth opportunities we see in front of us, we expect that mix to stay in that range over the next five years.

In terms of how we're going to fund that growth and how we're going to continue to execute on that growth, I think we've proven over the last three years that we can effectively recycle capital from noncore investments to core investments as our lowest cost of capital and be able to fund that growth and continue our deleveraging journey, as Rob pointed out.

Looking forward, there's still noncore assets that we can avail ourselves up in NPV, and we've already touched on that. And if we see other opportunities to recycle noncore assets on the Midstream side to fund investments going forward, we would consider that as well.

Jon Morrison:

Perfect. Next one is from Rob Hope, Scotiabank. How is the management team thinking about M&A to increase the Midstream footprint in Western Canada? Are there pieces you feel are missing? And would you like to increase your presence in for discussion? Randy, maybe I'll turn it over to that one to you.

Randall Crawford:

Thanks, Rob. Thanks for the question. Look, I think the team has done an outstanding job, right, going from zero to 100,000 barrels a day in our export capacity. RIPET was a twinkle in our eye, right, when we first started in 2018, '19, we built that, and Randy and his team said we were going to expand that, and we did with our Ferndale acquisition.

So in terms of our positioning, the growth, I think everything we're focused around is any M&A activity to enhance the value of our export capabilities. Does it accelerate our ability to get to our 200,000 barrels? Does it add more control of supply and such? But I believe we have all the tools necessary to process this plan. I think there's clarity of thought on how we're going to do that.

And in terms of the expansion of the port, we already have a presence in port with our acquisition of Petrogas and we would look to expand that for unit trains, so that we can move more products at more efficiently and better going forward. So those are the key drivers, right? Most of our growth is around the organic development. So I don't -- overall, that's the criteria, but we're well positioned to have moved forward on gaining for ex M&A.

Jon Morrison:

Next one is from Dariusz Lozny at Bank of America Merrill Lynch. Can you discuss the drivers that determine whether Utility segment is going to achieve the lower end of that 8% growth rate or the 10%? So maybe we'll turn that over to you, Randy, and then see if there was additional comments you can make.

Randall Crawford:

But I think that -- look, I think the team did an excellent job explaining the value to our customers and how we're executing on that plan. In terms of the tactical piece about 8% to 10%. Recently, we just filed for our Virginia SAVE program, which is the expansion of the program for the next five years. So we have significant backlog of projects on accelerated to that. I think will push us over to the higher end. And in terms of execution and operations, the team has done a great job in terms of with a longer-range plan to manage our workforce and new contract proves is been excellent, but Blue, I'll let you comment as well on the question.

Donald Jenkins:

Yes. Thanks, Randy. You certainly hit the highlights, and that was it's going to be a function of our rate base growth through those accelerated programs. As Randy mentioned, we filed to extend the Virginia program. We will do that in Maryland and D.C. as those programs come up for renewal. Then of course, we're seeing strong meter growth. And so that component as well the -- in many cases, the additional pipelines required to reach that growth. So that whole factor through the regulatory process on rate cases and of course, accelerated programs, will determine what around 8% or 10%, but it looks pretty good from where we sit here today.

Jon Morrison:

Perfect. Next one up is from Pat Kenny, National Bank Financial, and he's directing it on to you, James. Can you define long term with respect to 4.5x leverage target? Do you expect to see a path to get to 4.5x by 2026 or earlier? And without a successful sale of MVP, are there other levers you think you can pull to get there?

James Harbilas:

I mean, when I got here three years ago, and we had a number of monetization processes on the go, we said pretty clearly that we wanted to be able to get to around 5x leverage in medium term, which we define as three years. And we're pretty much at that number right now without having to monetize MVP. Once we get some clarity around MVP, then I think that's another lever that we can pull to be able to get below the 5x. I think that getting to 4.5x by 2026 is very achievable given the fact that you still got MVP as an asset that we can monetize.

We've always identified that there could be other assets as we continue to grow on the retail side of the business or if people start to realize the intrinsic value embedded within the Blythe asset, which has been performing extremely well in the California power market, and we feel that continues to get much more valuable with every passing year, given its importance in the power sector.

So I think that we've got enough levers to pull from a noncore asset sale standpoint, but we've also got our organic growth in the business. And as we invest capital, we -- the incremental EBITDA will help us to naturally delever as well over that period of time.

Jon Morrison:

Next one is anonymous, which relates to gas prices. Obviously, they've been rising recently. Do you believe that there's potentially challenges the ability to grow the Utility at the rates that we put out? So maybe I'll turn that over to you, Randy.

Randy Toone: Look, I think that we've talked a lot about that gas prices have actually come down recently, which is the warmer fall as you move into the winter. And I think we have plentiful supply both in Canada and the U.S. So if you can get the policies correct, I think we'll have prices continued to be stable or lower. And that's a good thing.

In terms of our overall strategy, right, we're managing our cost structure. We continue to drive efficiency. And overall, I don't think that those are going to have an impact as we execute on our operational excellence model. But Blue, please go ahead and comment as well.

Donald Jenkins: Yes. Thanks, Randy. I think the only thing I would add to what we said as a reminder, across our jurisdictions, so gas is a passthrough. One of the things that we do have that helps protect our customers is about 50% of our flowing supply on an average one that comes out of storage.

And of course, that storage wake cog is much, much lower certainly then the stricter the pipeline anywhere where it is today. So that's an added benefit that helps protect our customers. To Randy's point, we're very thoughtful on our cost management, which is also a component of that. So we're trying to balance all those things.

Jon Morrison: Perfect. We've got a follow-up from Rob Catellier at CIBC. What is it about the ammonia market that you find attractive and fits with AltaGas strategy, assets and expertise? So that is to you, Randy.

Randall Crawford:
Good question. I love to expand on that. I mean, but I was -- but our team is moraines, I was talking about the fact that we've added more products over the last few years, right. At Ferndale, we've gone from propane to butane.

So what the attractiveness of ammonia is, is that our customers in Japan are looking for reliable secure supplies and our ports are invaluable to do that. And so we look at ammonia as the opportunity to move that and other products as well to optimizing and to really fill up what's an extremely valuable asset for us.

And so from that standpoint, we're looking out into the future, and we're seeing the opportunity. Also in our Ferndale facilities with the acquisition of our land as well that as we look into the long term, right, the possibility of actually generating Creek green hydrogen and others as well that might give an opportunity we need to ship that from that port.

But the overall premise and is to be able to add additional more products and complete and really optimize the utilization of these valuable ports. So you'll see us over the years, propane and butane and they'll be other products as we continue to more forward into the energy evolution, ammonia being one of those.

Jon Morrison: Okay. Next one is anonymous, and it's probably best for you, James. Do you see any scenario once you go away from the self-funding model in the years ahead if you reach the leverage targets that you'd ultimately like?

James Harbilas: I mean, I think Randy touched on it, we've got a very strong organic growth pipeline, and we feel that we can fund that organic growth pipeline the way we have over the last three years. That's true. Cash flows and where necessary, if the CapEx programs are large enough, recycling capital from noncore investments into core investment.

Ultimately, if we look at something that's strategic and makes us operationally better or helps to advance our export strategy, and it's large enough, we would consider equity, but only if it's accretive to EPS under that scenario. That's the only time we would do strategic M&A.

But that being said, I think that when you look at the organic growth profile that we have in front of us right now in both Utilities and Midstream that we're going to be focused on executing on that. It's second to none in terms of the growth rate that will generate for us, and that's where we'll be focused, and we feel that we can self-fund that from an equity standpoint.

Jon Morrison: Anything you'd add on that side, Randy?

Randall Crawford:
No. I think James, you've covered it well. I mean I think he and his team done a great job in terms of financing our growth, recycling capital, always reducing and driving our cost of capital down.

And so I think that again, when you're looking at a business like ours that went from zero to 100,000 barrels a day with a vision of 200,000 in a clear path for growth of 10%, that is exciting. It's differentiating and it is extremely exciting. And so we're entirely focused there going forward. And I think that's an enviable position for our company.

Jon Morrison: We're probably going to do one more, and then I'll turn it over to phone lines. So next one is from Robert Kwan from RBC Capital Markets. For the road ahead, you highlighted cycling capital linking noncore asset sales to improving your balance sheet. If you ultimately achieve your long-term target of 4.5x? Does this strategy become less prominent, or do you see cycling capital as an ongoing opportunity to create shareholder value and make sure that you maintain a self-funded model? So maybe Randy I'll turn it over to you.

Randall Crawford:

No, I'll let James comment as well, but our focus has been on the things change that do well in a self-funding model. And as we look at our funding of this tremendous organic growth that we have going forward, we're looking at our capital stack, and we're always looking to fund that with the lowest cost of capital.

And I think recycling capital going forward, we have a lot of dry power with our assets, is job one going forward. I think that's really it will position us quite well. And so that will be always an ongoing. Capital discipline, recycling of capital, continuing to invest in the growth company that we are, I think will be just part of our overall process technology.

James Harbilas: I mean the only thing I would add is that, ultimately, once we sell the remaining noncore assets, then the only time we would consider other capital recycling opportunities is that we're looking to monetize maybe smaller assets within our existing footprint to invest in those two core segments in terms of larger projects.

That's the only time I guess we would continue to -- after we completely sold some of the noncore assets that remaining on the power side or the nonoperated interest in MVP. That's just another avenue that we could pursue.

Randall Crawford:

Because I think only because the management team and we've demonstrated this, but as we look at our assets and look at our portfolios, like those assets, they have the commensurate amount of growth. So we're investing in on. And so there'll always be sales things change with those assets that are in better hands and someone out they can fund, future growth we'll look at those types of recycling opportunities. I think those will always be out there.

Jon Morrison: Perfect. Operator, maybe we'll turn it over the lines and just to introduce anyone that happens to be present with the question on the lines.

Operator: You have a first question is from Andrew Kuske with Credit Suisse.

Andrew Kuske: I guess in the category indication is this is serious form of flattery when you think about just the export dynamics on the West Coast. How much capital could you put into that business? Clearly, you've got some expansion plans into the future. But how do you think about the value chain that you could participate in, you're really from wellhead all the way through the shipping facilities to receive facilities? And how do you think about that? And how big could those numbers be?

James Harbilas: Andrew, thank you for the question. Good to hear from you. Look, I think (inaudible) in terms of our business model, right, exports at the center and it's going to by having access to markets, very premium markets and the best markets to product, it's going to allow us the opportunity to handle the product even further upstream. And you see Randy and his team have leveraged that to our Northeast BC expansion and we do continue to look at those opportunities.

I think the main drivers for capital in the short run is going to be building out of our unit train capability, which is quite distinct. If you can't do that unless you have the capability to have a consistent and a high-value market, which we do.

And so I think you'll see us continue to do that. And then there's significant opportunities in the long run, right, as producers move forward. Maybe I'll just let Blue comment in general about what you're seeing in the marketplace?

Donald Jenkins: Yes. I think you saw from our plan is that we're going to invest in our like low capital dollars to optimize our export capacity to open that up for when the supply is available.

And also logistics, we know that if we get our costs down, and we have the capacity on the coast, that's where the incremental barrel is going to go. And so that's going to be our near-term focus. Development in the Montney as LNG Canada comes on, will provide other opportunities to invest in fractionation to gas plants, and we'll look at those opportunities as they come.

Andrew Kuske: Could you perhaps quantify the cost advantage that you'll have from where you are now to where do you think you'll be once you optimize the logistics side of it? And that's just on your own basis and then versus what you think others are doing and the cost that they have, because clearly, you have the greatest volume capability right now?

Randall Crawford:

Andrew, it is, it's about scale, and it's about logistics, right? We're energy exporter and logistics company, and really pointing that out. I mean when you look at the -- our ability to put unit trains and I'll let Randy speak to the specifics as rail costs are significant, and the majority of our competition moves to a manifest train very inefficient largely.

The ability to have -- and that's primarily because they don't have access to a consistent premium market. And so the strategy here is to build out those real capabilities, put those unit trains and put on North East BC as well as our presence in port and that will drive cost down significantly, but also drive increased volume. And you've got some of the stats what that could do in terms of handling.

Randy Toone: Yes. I think we added a slide there where we -- I think it's very conservative that we predict we'll get about a $0.01 per gallon saving on rail if you go to unit train capability. and that is less railcars, less to merge costs, both on rail and shipping.

But even with the time charter that we just put an agreement together, we're going to save potentially $0.01 there or too. So our goal is to get to a couple of cents per gallon savings. And when you're moving the 100,000 barrels a day plus, you can do the math on the savings there.

Randall Crawford:

And I think that's in the short run. And I do believe that as we look at working with our partners and get the logistics don't work out. I mean, the rail cost and beyond on the logistics network, I think, to give you, Andrew, a perspective, is and this is over the long run, right, that we could probably take 20-plus percent out of our cost structure. And they're just significant.

And what you're going to see, right, is that we right now, oversupplied, we'll continue to see that in the basin, and that's where the incremental molecule is going. But at the end of the day, as certain contracts come off and our costs continue to decline, it's going to be clear that anyone that has access will want to be going to the West Coast with their LPG.

We already have the cost advantage, and we'll continue to increase margins and propane is a strategic perspective. From a strategic perspective, that is what we control, right? We control our own cost, our customer from the basin to the ships and even further downstream. And the optimization with scale is going to be I think something we're going to be focused on for the next few years and adding a tremendous amount of value to our customers in the future.

Jon Morrison: Any other questions on the line, operator?

Operator: No further questions, sir.

Jon Morrison: So next one, we'll go -- comes from Gower Ramesh from Picton. What's the difference in assumptions that book in the $1.80 to $1.95 guidance? And what needs to happen to get to the top end of that range? Randy, I don't know if you have real comments.

Randall Crawford:

I mean, James which is not right. I mean, it's really about the...

James Harbilas: I mean, obviously, the midpoint of our EBITDA guidance range is about $1.525 billion. If you look at where that times in terms of earnings per share, we're at about $1.83, $1.84 to be able to get to the top end of the range. We do have -- every year we have a sales of certain R&D tax credit.

I could probably add $0.04 to $0.05 to that if we get to the top end of our guidance range of $1.55 billion or probably closer to $1.90 in EPS. So there are levers that we can pull on the commodity side, the commodity tailwinds happen, and we can get to the top end of the EPS range to some of these R&D tax credit initiatives that we typically undertake every year.

And then we've always proven in the past and said openly that we'll always look at driving down our cost of capital. We've got a couple of series of pref shares that are set for to be reset in 2022. To the extent that we can replace that with other hybrid capital that's more cost effective, that could potentially add $0.03 to $0.04 a share in terms of earnings per share to the bottom line as well. So we do have some levers that we can pull to be able to get to the top end of that range.

Jon Morrison: And if we put a move more volume for logistics?

Randall Crawford:

For volume, all of those things that -- I mean, we clearly have some extremely valuable assets, and the team's demonstrated its great potential to really maximize the value of these assets' day in and day out. And so all of the things that James mentioned a couple which is continued execution in our operational acting model and it's lower cost moving throughput I think is a driver throughout. So we -- we'll do everything we can to maximize it.

Jon Morrison: Next one comes from Jeremy Tonet, JPMorgan. And maybe it's best to start with Randy too. Can you just talk about the customer conversations in terms of terming out LPG exports, what sort of duration do you believe is possible? And how do you think about trading off rate versus turn for any of the longer-term tolling?

Randall Crawford:

Yes. A lot of the consolidation in the basin has made the customers more financially sound and going through Covid they slowed down many drilling plans, but I think they've started picking up, and you can see that in '21 and '22 as people are going to start developing again. And that's when they're more comfortable signing in a long-term export deal.

And those conversations are very positive. And our goal is come 2021, we'll see an uptick of tolling then. And then as we go, we'll see that increase over time. But we need the stronger counterparties to really to do that. And right now, I would say that they're 10-year deals for tolling.

Randy Toone: Jon, if I can just comment. I think that when you look at our overall strategy and working with these larger producers and turn the assets about turn and certainly, the longer term, right, I think it'd be inclined to take that into account in terms of rates.

So longer term, I think the producers are looking at that, but I want to make a strategic point I did in my presentation, and that is -- and I think it's important to understanding that our company has done, and that is that we've legitimized the ability to export these LPGs off the, West Coast of North America.

They've clearly done that. And we're getting a lot of attention to that in terms of the market, right, and we've taken a direct market access with our ships that we're doing to have in a couple of years.

And so I think that we're -- and Jeremy, we'll recall this, but as the Marcellus built out, it was primarily a producer push. And as the basin is more legitimized, there was a market pull that came with that. And when the Montney Basin is unquestionably one of the best resources in the world.

The ability to demonstrate that you can export this product consistently day in and day out. And what Randy and his team have done has legitimize that ability and so the dialogue with the market is really picking up. And I think that's going to be another value add for us in the long run.

Jon Morrison: Perfect. Next one is a follow-up from Robert Kwan at RBC. Whether it'd be items like Utility O&M performance to achieve allowed ROEs or increase in tolling at RIPET. What do you see as the three or four lowest hanging pieces of fruit that can ultimately improve your financial performance? And can you give any sense to timeline?

Randall Crawford: Well, look. I -- if you talk about the export one, I think Randy say that, that we're targeting a 10% growth per year and we'll look to enhance that to do better. So we've got a pretty clear plan. I think that is very achievable, and I'm confident on that, and we could accelerate that more as we work with our customers to build out this unit trains.

So I think we got growth pathway there. And with the Utility and Blue and his team have done excellent job in managing our overall cost structures. And I think that overall, and I'll let Blue comment on specific actions, but our view is to continue to keep perfectly our cost constant as we go revenues, and the challenge ourselves, that we will be continue to be focused on innovation and the way to do things more efficiently and effectively.

And so while I think that overall, there's just tremendous something long line to actually lower those costs and drive O&M for customers into the top quartile. Across that the overall objective is to continue to keep our costs constant across the organization and as revenue increases, which is going to create tremendous value for our shareholders. Blue, anything you'd add to that?

Donald Jenkins: Yes. I would just add, Randy is absolutely right. So we continue to be focused on looking at every process that we executed cross Utility, where can we do it more efficiently? Where can we cut cost? Where can we deploy technology, you heard talk about that a little bit in my presentation.

So from a timeline perspective, we stretch ourselves every year to deliver better O&M performance. That's going to continue over the -- certainly, this 5-year horizon we're talking about. So I would expect to see continual progress and improvement over that entire time horizon, as we continue to deploy more technology to drive some of those down, whether that's a satellite technology I talked about in terms of how we do our leak surveys, whether it's the way we roll our trucks, all of those types of things will continue to drive that, and that's going to be a journey.

James Harbilas: I wouldn't mind weighing in here a little bit too. I think the one thing that has really contributed to ROEs improving significantly over the last few years has been increase throughput through our existing infrastructure and building up that making capacity that exists in the Midstream platform.

I think that, that's low hanging fruit as well over the next few years, we've seen drilling pick up, especially in the Montney, where we've got some very critical assets in the gas processing and fractionation side. We feel that, that bodes well for us to be able to continue that journey of filling up that latent capacity, which we feel will meaningfully continue to move ROEs higher than where they are today.

Jon Morrison: Next one is on the ESG side of things. And just asking about at a high level, how do we ultimately think of setting goals and the Midstream target of 40% emission intensity seems very aggressive and perhaps above some of the peers. Do you have a high level of confidence to get there? So maybe Shaheen you can talk a little bit about.

Randall Crawford: We always exceed our peers.

Shaheen Amirali: Absolutely. I guess I have to go back to my remarks. We look for plan is going to be achievable and ambitious. And that we did when we work through it with the Midstream team.

If you look at the pathway for how we would get there and make sure there is enough ambition in there for us to be able to push ourselves. And what you're looking to do is at that pathway. Looking at it from an intensity perspective, is also taking into account the growth that we've seen in our Midstream portfolio and recognizing the fact that we can grow and reduce our emissions at the same time.

Jon Morrison: Perfect. We've got time for probably a couple of more questions and there's a couple of more in the queue. So maybe we'll start with one from Rob Catellier as a follow-up. You alluded to the opportunity of expanding Midstream capital, depending on certain project advancements. What has to happen for that ultimately to happen? And specifically, there seems to be some delays with the Blueberry River First Nation decisions, do you think that alters kind of the path forward? So maybe I'll turn over to you.

Randall Crawford:

Look, I'm excited about the opportunity in Montney. I think we're starting the consolidation with the larger players and the balance sheet and the commitment to the long term, steady growth is going to be key to that (inaudible) and his team having a lot of discussions with them overall.

But I think that it's something that excites us and it's going to provide even more value. Because at the end of the day, we're increasing the net back for this. We're adding more value over time, and I think that's going to allow them to continue to expand. But certainly, working with the First Nations is going to be critical for them to make this sound decisions to what their growth profile is working on, but we're optimistic about that.

Randy Toone: Yes. With the Blueberry, the Treaty 8 that's definitely had a near-term impact like for '21. What we -- when we talk to Treaty 8 members, we have a very open and strong communication with them and a good relationship with them. And they are not saying they don't want development.

They support development. They just want to make sure there's a good balance between environments and economics. And that's what we've always done at AltaGas. If you look at, we -- how we built North Pine and Townsend in North East BC, we definitely had that balance when you look at RIPET and what we did there.

We showed that we can work with the First Nations on development. And so we also know that the government in -- BC government and the Treaty 8 members are having positive discussions on a new process.

And we -- by fully in 2022, those -- there'll be an interim process to -- for development. But that hasn't slowed down everything. As we know a lot of our customers already have permits in place. They quickly know their growth plans are steady, and we're having active conversations with those players.

Jon Morrison: Perfect. Next one is on the RNG side, which is an industry that has been around for a while, but so in its infancy to some degree. I just wanted to get a little more color on where we'd see a role playing. I mean this one is best for you, Blue. Ultimately, do you see us as just an off-taker of blending RNG into our system or would we get more involved than perhaps just being an off-taker over the long term?

Donald Jenkins: Yes. Thanks, Jon. Good question. So the short answer is, obviously, we're working through the process now to bring RNG onto our system. As I talked about our first project. We've got several more conversations in the works. Those conversations really involve multiple dimensions. One, of course, is procuring the RNG. We think that's an important part of the process.

The other one is whether we participate in the process, which facilities might we invest in and build. But we're focused around our footprint's today. That doesn't mean -- we need to understand that. We need to make sure we capture the opportunity set inside our footprint, but we certainly are looking to deploy some capital in that process, and I believe that opportunity will exist as we work our way through it.

Randall Crawford: I think we continue to learn, I like to Blue strategy in the Utilities is that they're focused around on infrastructure in our system because that's the best economics for our customers, to be able to capture the opportunities around the system.

So I think that we'll continue to learn and evolve and I think that's going to be going to be quite exciting and there's going to be many investment opportunities in my judgment over the coming years around the RNG.

Jon Morrison: Last one is just on energy evolution. Obviously, you guys have put forward a more concrete plan of where you would play in the market. Ultimately, when you think about investing in emission reduction or energy evolution, do you believe it's going to change your return thresholds and ultimately, you'd be willing to take a lower rate of return to advance those initiatives?

Randall Crawford:

I don't believe at the end of the day, but I think this is an opportunity for our company, right, our ports are so well positioned to move the fields in the future. And I think that is just upside around now on reducing our overall emissions, right.

But we have constructive regulatory relations and as we move forward, but I think those are to be incorporated in all of the investments that we're making on behalf of our customers. Because we do that focus entirely on our customers need and they wants the reliable energy. So I think that that's -- we should not expect an erosion in return as a result of that.

Jon Morrison: Perfect. And with that, I think we've officially exhausted the question list. So we really appreciate everyone taking the time to be with us here. Obviously, it's been a number of years that we've gone through this process, and it's been a period of large transformational change.

And hopefully, that's -- that came true in the presentation in the Q&A today. Maybe I'll just turn it over to you, Randy, if you have any final closing comments that you want to speak.

Randall Crawford:

No. I want to thank everybody for joining us. We very much appreciate. We believe we've got some tremendous opportunities and a bright future. Again, thank you to joining us. Thank you, Jon and the team. Appreciate it.

Jon Morrison: Thank you all. Have a nice holiday.

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