FINAL TRANSCRIPT

AltaGas Ltd.

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CORPORATE PARTICIPANTS

Adam McKnight
AltaGas Ltd. — Director, Investor Relations

Randy Crawford
AltaGas Ltd. — President and Chief Executive Officer

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

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

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

CONFERENCE CALL PARTICIPANTS

Dariusz Lozny
Bank of America — Analyst

Linda Ezergailis
TD Securities — Analyst

Robert Hope
Scotiabank — Analyst

Robert Catellier
CIBC Capital Markets — Analyst

Ben Pham
BMO — Analyst

Patrick Kenny
National Bank Financial — Analyst

Robert Kwan
RBC — Analyst

Andrew Kuske
Credit Suisse — Analyst

PRESENTATION

Operator

Good morning, ladies and gentlemen, and thank you for standing by. Welcome to the AltaGas First Quarter 2022 Financial Results Conference Call. My name is Miranda, and I will be your conference Operator today. All lines have been placed on mute to prevent any background noise.

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

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

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

I would now like to turn the conference call over to Adam McKnight, Director, Investor Relations.

Please go ahead, Mr. McKnight.

Adam McKnight — Director, Investor Relations, AltaGas Ltd.

Thanks, Miranda, and good morning, everyone. Thank you for joining us today for AltaGas's first quarter 2022 financial results conference call.

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

We'll proceed on the basis that everyone has taken the opportunity to review the press release and our first quarter results. And similar to previous quarters, we have published an earnings summary presentation that you can find on our website. The presentation walks through the quarter and highlights some of the key variances and nonrecurring items that we would assume would be helpful for the market to understand.

As always, today's prepared remarks will be followed by an analyst question-and-answer period, and I'll remind everyone that we will be available after the call for any follow-up or detailed modelling questions that you might have.

As for the structure of the call, we'll start with Randy Crawford providing some comments on our financial performance and progress on our strategic priorities, followed by James Harbilas providing a more detailed walkthrough of our first quarter financial results, near-term outlook, and 2022 guidance. And then we'll leave plenty of time at the end for Q&A.

Before we begin, I'll also remind everyone that we will refer to forward-looking information on today's call. This information is subject to certain risks and uncertainties as outlined in the forward-looking information disclosure on Slide 2 of our investor presentation, which can be found on our website, and more fully within our public disclosure filings on both SEDAR and EDGAR.

And with that, I'll now turn the call over to Randy.

Randy Crawford — President and Chief Executive Officer, AltaGas Ltd.

Thank you, Adam, and good morning, everyone. I am pleased to be here today to discuss our first quarter results. Once again, our team delivered strong operational and financial results as we continue to execute our strategic plan and near-term priorities, putting us on solid footing to deliver on our 2022 guidance and longer-term growth plans.

Our Utilities and Midstream segments continue to deliver stable and predictable results as we focus on safely and reliably connecting our customers to affordable sources of energy, the importance of which continues to be highlighted during this period of energy insecurity.

The far-reaching geopolitical implications arising from unfortunate events that continue to transpire in Eastern Europe illuminates the importance of energy independence and diversity. The critical role that the energy sector plays in fuelling the global economy and keeping society moving forward in a sustainable way continues to shine a light on the need for ethically produced and secure North American supply growth to meet the rising global demand for affordable energy.

As a result, the macro environment for energy fundamentals continues to strengthen as the tightening supply and demand picture is beginning to drive a supply response. We are fortunate in Canada and the United States to have the access to abundant sources of energy. And it is imperative that investment in critical energy infrastructure continues as we transition to the energy sources of the future in a sustainable way.

AltaGas is well positioned to support the continued development of critical energy resources, such as the Montney and, to a lesser extent, the Marcellus shale to facilitate the best outcome for our customers in Canada, the US, and Asia. The views that have been taken by the opponents of MVP are unfortunate and have caused significant delays to the completion of the pipeline.

The pipeline creates the opportunity for Marcellus producers to accelerate the development of their acreage, introduce significant new quantities of natural gas to East Coast gas utilities and electric generators, the benefits of which will be passed on to consumers, domestically and abroad, with lower prices during this period of high energy prices.

We take great pride that our critical infrastructure and operations, including our leading West Coast export platform and significant gas distribution networks, support better global environmental outcomes that align with lower carbon and lower emissions future that is upon us.

As we look ahead, I'm extremely excited about the position of our company and the increasingly constructive energy demand fundamentals as the global economy continues its recovery. We remain steadfast in our strategies and are firmly committed to leveraging our strategically positioned utilities and midstream assets, both with significant growth opportunities.

And with that backdrop, I would like to touch upon some highlights of AltaGas's first quarter. This quarter, we achieved normalized earnings per share of $1.02 and normalized EBITDA of $574 million, both of which were in line with our expectations. Our results are further evidence that our strategy and diversified business model are working.

Our regulated utilities continue to demonstrate stable and predictable results, delivering the critical energy that our customers need during the peak winter season, while providing stable and predictable financial results for our shareholders.

For the quarter, normalized EBITDA was $408 million, up approximately 10 percent year over year. This strong year-over-year growth is supported by the continued investment in our networks to improve the safety and reliability of our system, reduce long-term operating costs, and deliver improved environmental outcomes, all of which provide better outcomes for our stakeholders.

We continue to advocate for our customers and focus on affordability. Ensuring our customers have access to safe, reliable, and affordable energy remains a top priority, particularly during periods of rising energy prices like we're experiencing today.

On April 4th, Washington Gas filed an application to increase rates in the District of Columbia by $53 million. The rate case also seeks to drive forward a number of initiatives to help our utility in the District achieve our climate goals. These initiatives include a climate progress adjustment, which is designed to promote energy-efficiency measures that reduce customer demand and consumption, and a climate action recovery tariff to fund company-initiated climate measures to reduce emissions. We are also asking the District to expand support for low-income customers to alleviate the impact of rising energy prices and rate increases on our most vulnerable population.

In our integrated Midstream segment, we continue to provide our customers with safe and reliable connectivity to premium markets for North American LPGs, providing the best netbacks for our customers while delivering diversity of supply and supporting energy security in Asia.

Our fractionation and liquids handling volumes increased by 14 percent year over year in the first quarter. And we exported nearly 88,000 barrels a day of LPGs to Asia on 14 VLGCs, despite lingering logistics challenges in the early part of the quarter associated with the devastating floods that took place in late 2021.

With rail operations back to normal and a successfully supply recontracting cycle completed in April, we are well positioned to meet our 2022 export target of 97,000 barrels a day.

We are proud of the role that AltaGas is playing to support global energy security through the supply and export of safe and reliable-sourced LPGs to global markets. We continue to focus on optimizing our platform and existing assets to maximize facility utilization and drive increased returns on our invested capital.

Investments in our Midstream business will continue to be centred around our global export platform to provide North American producers and aggregators with the best markets of propane and butane, while providing diversity of critical LPG supply, which contributes to energy security in Asia.

In summary, with another strong start to the year, we continue to execute our strategic plan and deliver on our near-term priorities, which keeps us right on track with our 2022 guidance ranges.

Looking ahead, we remain very constructive on the path forward for our company and the role we will continue to play in delivering safe, reliable, and affordable energy to various end markets to the benefit of all of our stakeholders as we continue this journey.

And in closing, I'm proud of the growing role that AltaGas plays in supporting North American energy independence; access to affordable, diverse energy sources; and our ability to export affordable butane and propane LPGs to the world.

And with that, I will turn the call over to James to review the financial results in more detail

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

Thank you, Randy, and good morning, everyone. As Randy mentioned, we are very pleased with our first quarter 2022 financial results and the strong start to the year.

During the first quarter, we achieved normalized EPS of $1.02 compared to $1.29 in the same quarter of last year, representing a decrease of 21 percent year over year.

I want to remind everyone on the call that in the first quarter of 2021, the US experienced extreme weather conditions and market volatility, which led to larger than expected profits in our US transportation and storage business, which we subsequently monetized in April 2021.

As such, year-over-year normalized EBITDA for the first quarter of 2022 was impacted negatively by approximately $115 million of lost income associated with the divestiture of this business last year.

Normalized EBITDA for the quarter came in at $574 million compared to $674 million in the same quarter last year. Normalized FFO was $462 million in the quarter compared to $583 million for the same quarter last year.

Turning to our segmented results for the first quarter. Normalized EBITDA in the Midstream business came in at $174 million compared to $304 million in the first quarter of 2021, which included the previously mentioned contribution from the US storage business in the first quarter.

The quarter also included year-over-year growth in our Global Exports platform, albeit at a slightly slower pace than otherwise would have been the case due to some carryover effects of the devastating flooding and rail outages on the West Coast that occurred during the fourth quarter of 2021.

Despite these headwinds, Global Exports generated $81 million in normalized EBITDA during the quarter, representing 16 percent growth year over year driven by strong export volumes of nearly 88,000 barrels of combined propane and butane to Asia.

RIPET exported approximately 53,000 barrels per day of propane in the first quarter on eight ships and Ferndale exported approximately 35,000 barrels per day of combined butane and propane on six ships.

AltaGas's fractionation and liquids handling volumes increased 14 percent year over year, driven mainly by strong throughput at our North Pine and Harmattan facilities.

We continue to have a healthy hedge position at our Midstream platform, with approximately 41 percent of global export volumes tolled or hedged for the balance of the year. This includes an average FEI to North American financial hedge price of just over US$10 per barrel. We also have 77 percent of our frac-exposed volumes hedged for the remainder of 2022 at $34.58 per barrel.

Our hedge position is slightly lower relative to our typical position for this time of year, which we expect will increase over the coming months. And with the NGL recontracting season behind us, we have good visibility on our export volumes for the balance of the year.

Normalized EBITDA for the Utilities business was $408 million in the first quarter of 2022 compared to $371 million in the comparable quarter of last year. The 10 percent year-over-year increase was driven by higher asset optimization in the quarter, ongoing ARP spending, and customer growth, partly offset by higher operating costs.

WGL reported normalized EBITDA of $298 million in the first quarter, up 8 percent year over year, driven mainly by the positive impacts of the Maryland and D.C. rate cases, continued ARP investments, and asset optimization, offset by higher O&M.

SEMCO and ENSTAR's combined normalized EBITDA was $88 million in the first quarter, up $6 million from the same period last year, due to higher customer usage and customer growth, partially offset by higher operating and personnel costs.

And finally, the Retail business generated $21 million in normalized EBITDA, up $8 million year over year due to higher gas prices and favourable margins and the timing impact of swap gains between the first and second quarters of 2022, the latter of which has the effect of pulling profits into the first quarter of 2022 from the second quarter. And as a result, we expect to give some of this benefit back in the coming quarters.

The Corporate and Other segment reported a normalized EBITDA loss of $8 million compared to a $1 million loss in the same quarter of 2021. The $7 million year-over-year decrease in normalized EBITDA was driven by the combination of higher corporate expenses, which were primarily related to employee incentive plans as the result of AltaGas's strong corporate performance and rising share price and costs related to a planned spring outage at the Blythe Energy Center in California.

Looking ahead, we continue to focus on delivering durable and growing EPS and FFO per share while lowering leverage ratios over time. We are maintaining our 2022 guidance ranges, including normalized EPS of $1.80 to $1.95, normalized EBITDA guidance of $1.5 billion to $1.55 billion, and a 2022 capital plan of approximately $995 million.

And with that, I will turn it over to the Operator to open the call for questions.

Q&A

Operator

Thank you. Ladies and gentlemen, we will now conduct a question-and-answer session. If you would like to ask a question, press *, then the number 1 on your telephone keypad. If you would like to withdraw your question, press *, then the number 2. There will be a brief pause while we compile the Q&A roster. One moment, please.

Your first question will come from Dariusz Lozny with Bank of America. Please go ahead.

Dariusz Lozny — Bank of America

Hi. Good morning. Thank you very much for taking my question. Just wanted to touch on the Midstream and the export volume plan for the rest of the year briefly. It sounded like you guys are quite confident in achieving the 97,000 average. Can you maybe just discuss a little bit do you expect there to be any seasonality in that with one quarter perhaps higher than another? Or any flex that there might be in that plan to potentially account for weather or maybe other unforeseen disruptions for the balance of the year?

Randy Toone — Executive Vice President and President, Midstream, AltoGas Ltd.

Hello. It's Randy Toone. Yeah. We have seasonality in our exports. In Q2 and Q3, we do bring in a lot of product via pipeline into Ferndale. So we can move more product out of Ferndale in those two quarters and then less in Q4. So you'll see higher volumes Q2 to Q3 and then a little bit less in Q4.

Dariusz Lozny

Okay. Excellent. And sorry, maybe just if you can briefly touch on I assume there is some degree of flex in that plan because, for instance, in Q1 there was a little bit of, I guess, carryover from severe weather. So in the event that there are other like sort of unforeseen circumstances for the balance of the year, I assume despite that you would still be confident in hitting that 97,000. I just want to confirm that, please.

Randy Toone

Yes. Yeah. We're confident we're going to meet the 97,000 barrels. There's always some sort of potentially weather effects, but those are short lived, so.

Randy Crawford

This is Randy Crawford. Thank you for the question. I'll just add that this has been one of our best years from a supply procurement. And when you look at our core competencies and really the credibility that we've built in the marketplace in Asia and the core competencies that I believe is quite unique, and again we're able to maximize these logistics as we've done and optimize them. And we're going to—we believe that managing these two ports that we have the right competencies in place, built the credibility, and that's going to position us well for continued growth.

So we're very confident in hitting our numbers going forward.

Dariusz Lozny

Okay. Excellent. Thank you very much for that added colour. Sorry, just one more maybe now on the utilities, if I can. Just in brief, could you comment maybe on how you're tracking as far as earned ROEs at WGL specifically? It seemed like maybe in Q4 there was a little bit of a—you guys might have fallen a little bit short of the target of achieving your authorized returns, but then there was this nice step up here in Q1. So I'm curious how you are looking there as far as the authorized returns—or excuse me, the earned returns?

James Harbilas

Yeah. I mean, we said that we've—sorry, it's James here—we said that we've made steady progress relative to those ROEs. And where we were sitting at the end of Q1 on a trailing 12-month basis is probably about 60 to 70 basis points short. If I add in asset optimization, then we're obviously a little closer to those returns.

We said consistently that for us to get to the allowed returns, the one jurisdiction that we're tracking a little bit behind in is D.C. And we've filed a rate case that Randy referred to to take into consideration the considerable rate-based investments we've made in D.C. to improve customer service and, obviously, to have our current cost structure reflected in rates to customers. So that'll help us close the gap to ROE at WGL.

Randy Crawford

Yeah. And I'll just add to James' comments. D.C.'s more of a catchup when I look at that as an anomaly, as James pointed out, with the rate-based growth and cost. But we continue, as I said in my prepared comments, that we continue to drive down leaks and keeping cost under control. And we do this because in the capital plan it's the right thing to do and it's proactive. And the investments are paying off very well for our customers. So thank you for the question.

Dariusz Lozny

Yeah. Absolutely. Thank you, guys. I'll pass it along here.

Operator

Your next question will come from Linda Ezergailis from TD Securities. Please go ahead.

Linda Ezergailis — TD Securities

Thank you. I'm wondering if you could help us understand a little bit how your contracting philosophies are continuing to evolve with Global Exports. You've proven out the facility with your customers and yet there's some evolving geopolitical developments that maybe might accelerate contracting. Can you give us a sense of whether you expect to increase your level of contracting? Or if you're more comfortable leaving it more open? And also, how your thoughts are evolving on the potential for expansions and maybe optimizing the facilities in terms of how you use them?

Randy Crawford

Hi, Linda. This is Randy. Thank you for the question. I'll take the first from a strategic standpoint, and I think everyone knows that our strategy is centred around optimizing, as you mentioned, and maximizing the existing capacity and really positioning the platform for expansion.

And as I mentioned earlier, it's our core competencies to move the product, liquify it, fill up the VLGCs, and really enabling seamless delivery of North American supply to Asian markets. And that's what is positioning us for success in that we've continued to develop those core competencies in how to get product from Alberta, Canada, and British Columbia to Asia.

And I mentioned that—oh, so from the standpoint of the market, right, we're seeing robust demand, both on the demand side and on the supply side. We continue to build that credibility going forward. So I think that we're well positioned to continue to expand. So it's really that unique position in the platform that's going to continue to allow us.

And if you think about this, Linda, and we've talked about it, we've been proactive in arranging the ships. We contractually control our VLGCs, and we view this as a catalyst too to extend AltaGas' reach of its export facilities. And that's going to position us for opportunities to contract longer-term demand and really a catalyst for expansion. So I see it as a virtual direct pipeline from North America to Asia.

And so it's those attributes that are positioning us quite well for that. And we're regularly discussing and looking for opportunities with partners to expand those capabilities and working.

I think, to the other point that you had raised, I think, more on open positions and strategies, and I think James touched on this in his comments, but we've established sort of a floor as we continue to layer in hedges, targets to meet our expectations. And as we see trends, we continue to do so and we optimize those, so hedging a base amount, layering in hedges as the fundamentals continue to change. And overall, our view is that we're bullish at this time.

So that gives you some general view, I hope, as to we're feeling confident in our ability to meet our targets and expand going forward.

Linda Ezergailis

Thank you. And as a follow-up question, maybe if you can help us understand a little bit more about your D.C. utilities application. For the US$40 million revenue increase, if you get everything that you ask for, how much would income go up year over year? And maybe can you help us break down the requested increase into different buckets beyond rate-based investments and capital returns?

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

Hi, Linda. This is Blue. If we got everything we asked for, what you will see in the application is we would get $48 million, I'm rounding, in new revenues. The $5 million that make up the delta between the $48 million and the $53 million we filed is part of an annual rollover of our accelerated pipeline program. So that's already in. We would just codify it as part of the rate case.

Randy Crawford

And, Linda, this is Randy. The majority of the drivers I mentioned in my comments about the investments we've made in driving down operating costs is really driven primarily by rate base sort of the pre-pandemic dollars and such that we've put in and the investments that we have made. And that's the real driver largely in the case.

Linda Ezergailis

Is there any change in depreciation or returns or anything like that?

Randy Crawford

Sure. We didn't change the depreciation rates, I don't believe, but return on equity, Blue do you?

Blue Jenkins

Yeah. We requested a slightly higher rate in the filing than we currently have.

Randy Crawford

We can get to, I believe—

Blue Jenkins

Yeah. We're at 9.2 percent or 9.25 percent in D.C., I don't recall right off the top of my head, 9.25 percent. And we requested, I think 10.3 percent is what's in the case.

Linda Ezergailis

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

Blue Jenkins

You bet.

Operator

Your next question will come from Rob Hope with Scotiabank. Please go ahead.

Robert Hope — Scotiabank

Morning, everyone. Just regarding the comments about having a very successful kind of supply procurement year, how have the conversations with your producer customers kind of changed over the last six months with the stronger commodity price environment, which could kind of increase your utilization at your, we'll call it, like your gas plants, as well as your North Pine facility there? Are we seeing increasing demand for those assets? And kind of how are you looking at expansions there?

Randy Crawford

Yeah. I'll let Randy Toone comment. I'll just make an overall comment. You saw in the results the significant increase that we've had in our fractionation utilizations. And so we're seeing ample supply come to the market and we're seeing increased throughput at these facilities, but. And I think that supply response happens to dovetail perfectly with our core competencies on the export platform.

But, Randy, do you want to add any more colour to that?

Randy Toone

Sure. Yeah. We have seen an increase in our fractionation volumes in Northeast BC, and we're probably at the max capacity at North Pine, so we are evaluating further expansion there. But there had been a slowdown in there with the Blueberry First Nations court case, but we also have seen an increase in frac volumes coming into the Fort. And we have been successful in securing supply for this year out of the Fort. So we do believe that the LPG volumes are going to grow in Western Canada, which supports our export programs.

Robert Hope

All right. Thanks for that. And then maybe just a little bit of a follow-up question. Looking at Q1 2022 versus Q1 2021 on the Midstream side, lower NGL marketing margins were called out as a headwind for the quarter. Can you maybe touch a little bit more on that? Is that just more of a function of the very strong Q1 2021? Or were there some specific dynamics in Alberta that kind of didn't allow you to fully realize the value of the barrel?

James Harbilas

Yeah. Rob, it's James here. It was definitely the former. I mean, if we look at Q1 2021, obviously, our US Storage and Transportation business benefitted significantly from price dislocation. And we had some cheap supply on the NGL domestic marketing side that we were able to move into those markets during some very, very strong pricing. And that contributed significantly. It was roughly about a $30 million to $35 million tailwind in Q1 of 2021 that, obviously, we didn't experience in Q1 of '22.

So it wasn't something specific to the Alberta market, it was just really having product that had a low-cost base in inventory and we were able to take advantage of price dislocation in the market in Q1 of '21.

Robert Hope

Thank you.

Operator

Your next question will come from Robert Catellier from CIBC Capital Markets. Please go ahead.

Robert Catellier — CIBC Capital Markets

Hi. Good morning, everybody. If I'm not mistaken, you received the BC environmental assessment certificate to expand RIPET. So I'm wondering, at this point, what the gating items are there? Is there anything sort of in the conditions of that certificate? Or is it really just dependent on customer demand and securing the appropriate level of contracting?

Randy Toone

Rob, it's Randy Toone. The BC permit is great to see progress on that project, but we still are waiting for the federal approval, which we expect here in the summer. But also still we need to FID the project, so we're still working on de-risking the project in both commercially and looking at capital and that sort of thing.

Robert Catellier

Okay. I just wanted to go back to the RIPET conversation again and the hedging. And it's understandable that your hedging levels are low until you know where you stand on supply for the contract here. But now that you know that, it sounds like you're relatively bullish and might have a view of maybe leaving a little bit more open. But with the high prices being where they are and seemingly it was partly driven by geopolitical tension, wouldn't you be more inclined to take advantage of these high prices and hedge more of the exposure?

James Harbilas

Hi, Rob. It's James here. Yeah. So it's a great question. I mean, if you look at the hedge book now, we're highly hedged for Q2 as we head into Q2. But when we look at the balance of the year and we look at the curve, there is backwardation in the curve. And that's why our hedge position is a lot lower now relative to where it's been historically. We expect that backwardation to flatten out. And when we start to see that trend, we will probably start to layer in hedges at that point.

We have certainty around the supply side. We just like to see the backward-dated end of the curve come up a little bit before we start to lock in some of that profitability.

Robert Catellier

Yeah. Okay. That makes sense. Last question for me, I guess, for Randy Toone here is whether—what outtakes do you have really in feeling with respect to timing for any resolution with the Blueberry River First Nation and what impacts it might have on producer activity?

Randy Toone

Yeah. So we have seen a slowdown in BC with some of the E&P folks that don't have permits in place already. We have heard encouraging messaging coming from the government and the Treaty 8 members that a resolution is coming soon within the next few months. And I think what we've heard is the Treaty 8 members want—they support activity levels. They just want to have more of a say. And we have a very strong relationship with them as well.

So we do think that that's going to—you'll see more on that in the next couple months I believe.

Robert Catellier

Okay. Thank you.

Operator

Your next question will come from Ben Pham with BMO. Please go ahead.

Ben Pham — BMO

Hi. Thanks. Good morning. My first question is on inflation, and I'm wondering really your ability to pass through inflation. You've seen input costs increase on the wage side. Is there anything direct to inflation that has impacted your business?

Blue Jenkins

Yeah. Ben, it's Blue. A couple of comments I'll make. As you note, of course, costs are up across many items. We're fortunate in the sense that last year we were able to extend most of our union contracts and so we fixed most of those in for term. So we had line of sight on what that looked like. We've also had a pretty good term contracting strategy through our contractors that do a lot of work for us. So that's helped us hold the line a bit on cost as well.

And then, of course, in our products, our steel and meters and those type of things, we also have some term contracts. And we took advantage of the opportunities along the way to stock a bit more, if you will, as we go.

So for 2022, while we're certainly seeing the pressures, we don't see a lot of impact there. There are certainly some items in the variable cost type of components. You get into paving and those type of issues, those costs are certainly up. But we're pretty well protected by our term contract strategy to date.

James Harbilas

Ben, it's James here. I wouldn't mind just tackling that question from the organization as a whole as well.

So obviously, on the Midstream side, we've got a high degree of our EBITDA that comes from fee-for-service and take-or-pay contracts, and, obviously, contracts that also have inflation indexing. So we're able to cover inflationary pressures on a large chunk of our revenue that way.

And obviously, from an interest standpoint because, obviously, inflation does have an impact on interest rates, we're in a period here where we don't have a lot of maturities coming due in 2022. We've got a $500 million MTN that comes due at the end of the year, but we have plenty of liquidity where we can take advantage of lower interest rates on the facility that are almost equivalent to the interest rate on the maturing MTN.

And then the last thing I'll say is just on capital, we're in a period of pretty light capital on the Midstream side, which doesn't really come under a lot of inflationary pressure. And on the ARP side of the CapEx program and the utilities, we still get to continue to collect that through rate riders. So we're basically flowing that through to the rate riders.

Ben Pham

Okay. Great. And maybe back to Blue. I'm wondering on the regulatory filing side, you've had a D.C. recently and you're benefitting from some of the other jurisdictions from recent rate bumps. When is your expectation on how often you need to come back? Is it every two years to reduce that regulatory lag?

And then the other question there is what with the ARP programs expiring in 2023, is that more problems in 2023? Or do you need to start thinking ahead of that?

Blue Jenkins

Yeah. Good questions, Ben. Let me take the accelerated programs first. So as you note, so we have a program, so Michigan carries through 2025, so that one's got a bit more runway. The Virginia program, the current program ends in 2022, but we filed for a five-year extension. We're fairly optimistic based on the Commission staff response to the Commission that that's going to turn out very, very well.

Now as a reminder, we filed almost $900 million requests for a five-year program, so that's a very sizable term program. We expect to get a large percentage of that.

The Maryland program ends at the end of 2023. So we will file late this year, or early next in terms of extending that program. And then D.C.'s program ends in 2023. So same schedule. We'll file late this year or early next on extending that program.

We believe that we've shown really good progress, as Randy highlighted earlier, our progress on leaks and our ability to execute those programs and what it's meant for the long-term cost benefit to our customers. We think that's a good story. So we're optimistic those will continue.

To your other point in terms of what's our cadence of filing, it's a function, of course, of what's occurring in the greater marketplace. So I wouldn't tell you we have a preplanned cadence of filing. We look at our capital, we look at our ability to recover those accelerated pipeline projects, and we've done a really good job over the last couple of years of holding our manageable costs fairly flat.

So if we continue to do that that obviously gives us some flexibility in filing. D.C., as Randy mentioned, we've just had such a large capital investment there over the term, it was time for us to file again.

But I would tell you, we're very focused on our cost and ensuring that we balance the needs of meeting the regional commitments to both our customers and other stakeholders, as well as managing the cost to our customers. So we're very thoughtful about that.

Ben Pham

Okay. That's great. Maybe one last one. Maybe this one's for you, James, is how do you deal with the FX rate here? Do you typically hedge out that FX when you see opportunities where the USD is moving up?

James Harbilas

No. I mean, we've looked at this in the past and we don't hedge from a translational standpoint. I mean, we do consider hedging on transactions at certain times to be able to lock in profitability on US dollar-denominated revenue where we've got CAD input costs, but not from a translational standpoint.

And if I look at it in the context of our EPS and our debt ratios, we don't get impacted greatly at that level just because of the fact that we've got a large US dollar revenue base and cost base as well, right? So we do get to translate the numerator and the denominator at the same rate, then we don't have as much of an impact.

And the last point I'll make is that at current FX rates, that's pretty much in line with what we had when we rolled out our guidance. So we wouldn't expect it to be a headwind or a tailwind relative to our guidance ranges that we've provided at the EBITDA level.

Ben Pham

Yeah. All right. Thank you very much.

Operator

Your next question comes from Patrick Kenny with National Bank Financial. Please go ahead.

Patrick Kenny — National Bank Financial

Yeah. Good morning. Just had a couple follow-ups on the potential site fee expansion next to RIPET. Wondering what level of ownership you'd be comfortable taking on at this site. Are you thinking a similar 70/30 JV structure like you have at RIPET? Or perhaps more 50/50 with Vopak on this one?

And also, it sounds like there's a likely update coming with respect to the circa $900 million budget. But curious how you might be inclined to finance your share of the investment balance sheet versus project financing, especially in light of trying to achieve a bump in your credit rating sooner than later.

Randy Crawford

Well, I appreciate the questions. This is Randy. I'll answer the first part and I'll leave James to talk about the second. But I mean, we are proud to work with our partner, Vopak, and we've been partners. And we regularly discuss these opportunities to expand that partnership and its capability.

So as we look forward in this project, we'll ultimately determine whether it's 50/50, or such. And that may be where that goes if we go forward and such. But we're talking and working on a lot of other expansion opportunities as well. And so as these things start to crystalize, we'll have a better idea on how much that will be and the percentages.

James, I'll let you comment on the debt financing.

James Harbilas

Yeah. Patrick, it's James here. From a financing standpoint, look, I mean, at the end of the day we still haven't FID-ed the project, but we would consider on balance sheet financing. We would even consider project financing. I think it's still too early to tell. But at the end of the day, I think we've done a great job recycling capital in the past to be able to fund CapEx programs.

If we look at our platform as it exists today, we've always said that we can dial capital up and down between the two segments depending on needs and returns. So we would expect to be able to fund this the way we've funded our CapEx programs currently, and that's through fund from operations and incremental drawings on our facilities, which would generate incremental EBITDA and maintain or improve our leverage ratios.

Patrick Kenny

Okay. That's great. Thanks for that. And then with respect to this expansion, adding other products such as methanol, refined projects to your exports platform, just wanted to get your thoughts on how you see this diversification potentially influencing commercial discussions with customers as more of an integrated offering with RIPET and Ferndale? And then, also, I guess how adding these new products to your portfolio might impact or fit with your overall ESG strategy?

Randy Crawford

Well, I think it—Patrick, thanks for the question. When we look at what we've done recently in terms of our experience by adding Ferndale and butane to our product mix has obviously added a lot of optionality and a lot of value to our customers, both in Asia, as well as our producers.

So I mean, it's a little early or premature to look at exactly what products because at the same time, we could look at products on the renewable side of the business as well, such as ammonia and other factors in the long run.

So again, we'll evaluate all of those impacts. But overall I think the strong demand for energy and overall being short energy in the world, I think, presents a critical need and opportunity for expansion.

Patrick Kenny

Okay. Perfect. Last one for me. I'm just wondering with respect to your Petrogas footprint at Fort Saskatchewan and your storage JV with ATCO there, now that we're starting to see some progress on the carbon sequestration front whether or not you guys have any direct or indirect plans to participate in the development of the carbon capture network in the industrial Heartland area, or perhaps at any other upstream processing asset within your portfolio?

Randy Toone

Hey. It's Randy Toone. Yeah. We see the partnership with ATCO in the Heartland as a valuable partnership going forward. And those are salt caverns and so they're not necessarily used for carbon. But we do believe that products like hydrogen in the future would be well suited for that. So we are looking for future opportunities there.

At our Harmattan facility, Harmattan's one of our larger emitters. And we are looking at potential carbon capture there and potentially participating in some of the government incentives to work that project, so.

Patrick Kenny

Okay. Appreciate that. I'll leave it there. Thanks, guys.

Operator

Your next question will come from Robert Kwan from RBC. Please go ahead.

Robert Kwan — RBC

Hey. Good morning. Just you've given or you've had some more time now to digest the MVP. So I'm just wondering if you've got some general thoughts on the deleveraging plan? And more specifically, there's been some additional movement on LDC M&A in the US and just wondering whether that or even just rates moving higher has created an additional sense of urgency to look at monetizing to get that leverage down?

James Harbilas

Hey, Robert. It's James here. I'm going defer the LDC M&A question to Randy. But I'll deal with the leverage question.

I think we've been pretty consistent in our approach to deleveraging. And I don't think we can lose sight of the significant strides we've already made and the fact that we've come out of numerous rating cycles where we've had our ratings confirmed and, most recently, by Fitch a BBB and S&P a BBB minus. So we are going to experience some additional deleveraging in Q2. We've closed the sale of our nonoperated interest in Northeastern BC, so that's going to take that down by another $225 million roughly from our Q1 '22 exit rate.

So we continue to think as a result of that, we can be patient in order to maximize value on MVP and, obviously, the partnership is currently contemplating next steps and a revised in-service date. So that could be 2023. We'll wait and see once the consortium has landed on a path forward there.

But absent the asset sale, we still feel confident that we can get to our targets with respect to leverage that we've laid out. And that's through organic investment and organic growth in our EBITDA. It will take a little longer absent that asset sale, but we do feel that we can still get there.

And MVP continues to be one that's going to be noncore for us. We just have to continue to be patient with it to maximize that value. And I feel that the balance sheet is in pretty good shape here for us to be able to continue to make organic investments.

Randy Crawford

And, Robert, and this is Randy. James answered and I'll just add in that context from an asset sales point, we're on track to meet our debt to EBITDA goals. We're continuing, as we have been as a disciplined management team, opportunities to sell noncore, nongrowth assets. So we continue to do, always, to look at that capital recycling overall. But we're approaching it in a very disciplined manner. And we have significant growth opportunities ahead of us.

So I would say when it comes to selling assets, it's not solely for metrics as such as it is that we're targeting, but rather that we're looking more to reinvesting funds into the growth opportunities going forward.

Robert Kwan

Got it. Just on guidance, you touched, I think, James, earlier, on the FX, but are there any incremental headwinds or tailwinds since the fourth quarter call that you wanted to highlight with respect to the guidance range? Or where you be—

James Harbilas

Yeah. Sure. I mean, look, we feel comfortable with the range at $1.5 to $1.550 with the midpoint of $1.525. If I look at some of the headwinds, though, that we've had relative to the guidance that we rolled out, there's two primary ones. One was, obviously, the buyout of our nonoperated investment in Northeastern BC and, obviously, the delay of MVP, we had some small EBITDA in the back half of the year related to MVP. So if I add those two up, that's $20 million of headwinds.

That being said, those headwinds were offset by a strong performance in our retail business and our asset optimization business within the utilities. And that was the result of strong commodity prices. And we'll give some of that back in retail.

But that performance on asset optimization and retail is what helped offset the headwinds on MVP and the buyout of the Northeastern BC 50 percent interest that we had. So when I kind of take a step back and I take all of that into consideration, that's why we feel comfortable with the range.

Robert Kwan

Got it. If I can just mention with a last one here on Petrogas, can you just talk about the performance during the quarter? I don't know if it's a good kind of signal, but non-controlling interest expense was down. So is that indicative of Petrogas being a little weaker in the quarter? Or is there something else to be thinking about?

James Harbilas

Yeah. So I touched on it a little bit in an earlier question. So if I look at Q1 of '21, we had very, very strong results on the NGL domestic marketing side of the business, which was Petrogas predominantly. And it was about $30 million to $35 million. So that's what would've increased the NCI in Q1 of '21 relative to Q1 of '22. That was concentrated within the Petrogas platform in terms of that performance.

Robert Kwan

Okay. So that's the inventory where you put it into different markets with Petrogas pretty much completely?

James Harbilas

You got it.

Robert Kwan

Okay. That's great. Thank you.

James Harbilas

Thank you.

Operator

The last question comes from Andrew Kuske with Credit Suisse. Please go ahead.

Andrew Kuske — Credit Suisse

Thanks. Good morning. Question really is around your capital program. And I think ballpark figures, you're 20 percent Midstream, 80 percent Utilities. Should you proceed on the expansion projects and the expansion potential for your export business, how do you think those numbers land just on the proportionality between the two businesses?

Randy Crawford

Well, I'll tell you, Andrew, I think, as we look forward, right, we've given our guidance on our rate-based growth and Blue and the team are executing well. Therein, we talked a good bit about the accelerated pipeline and the real benefits that were driving the customers. So over time, right, we'll continue to have some flexibility around the spending in the utility as we move forward as we continue to improve the integrity of the system.

So, again, I think James touched on it in terms of our ability to dial down and up in terms of our CapEx. So we take all of those into account as we look at the timing of the projects and such. And again, that's just part of us as a growth company moving forward. So when we get some specifics on the project, we'll be able to give you more detail as we go forward. But at this point, we feel very confident in our flexibility to fund great opportunities we have in the organic growth platform.

Andrew Kuske

Good. I do appreciate that. And then, I guess, maybe conceptually, do you think of the Midstream business as being able to build assets? Let's pick a range of, say, out of 5 to 8 multiple builds, but it's worth north of 10 just for argument's sake and the Utilities business is more stable, but you're rate-base driven with an ROE kind of framework. Is that sort of how you conceptualize the capital allocation to get like a value lift when you bring on a Midstream asset and your Utilities business sort of chugs along in a de-risked fashion?

James Harbilas

Yeah. Andrew, it's James here. I mean, look, the build multiple that you touched on, roughly 5 to 8 times, is very consistent with what we rolled out when we hosted our Investor Day back in December. Those are the type of build multiples we are looking at.

And the only thing I'll add to Randy's comments, and we've said this in the past, is that when we look at the Utilities CapEx program, that's typically much more linear for us and, as you talked about, subject to the regulated returns. And a big chunk of that is collected through rate riders.

And we've always said that Midstream goes through a much lumpier profile, for lack of a better word, just given the fact that we build out capacity and then we fill up that latent capacity and then we see another wave of growth. And that's what I think we're on the precipice of here with some of these projects that could move forward in the coming years.

Andrew Kuske

Appreciate that. Going to sneak one final one in. And how do you think about just some of the LDC trades that we've seen in the market and the valuations they've carried and the potential to monetize a portion of an asset to effectively liberate capital and get a high valuation as a marker versus the complexity that that might bring to the structure?

Randy Crawford

Yeah. I think, Andrew, thank you for the question. Again, as we look forward, and I mentioned this on the last call about the underlying intrinsic value of these assets, which is why we are investing in our utilities going forward. And I think that's something that we've been excited about and people recognizing that intrinsic value on a going-forward basis.

So again, I don't want to comment on any specific. But when we look at capital recycling, we're not so much focused on illuminating that value because I think that's starting to be demonstrated going forward. But it's more from a business standpoint of how we continue to fund what we believe is just significant opportunities for strong organic growth well above our cost of capital.

Andrew Kuske

Okay. That's great. Thank you very much.

Operator

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

Adam McKnight

Thanks, Miranda. And thank you, everyone, once again for joining our call today and for your interest in AltaGas. As a reminder, we will be available after the call for any follow-up questions that you might have.

That concludes our call this morning. I hope everybody enjoys the rest of their day, and you may now disconnect your phone lines.