FINAL TRANSCRIPT

AltaGas Ltd.

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Thank you for standing by. Welcome to the AltaGas Second Quarter 2021 Financial Results Conference Call. My name is Annas, and I'll be your Operator for today's call. All lines have been placed on mute to prevent any background noise.

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

After the speakers' remarks, there will be a question-and-answer session. As a reminder, this conference call is being broadcast live on the internet and recorded.

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

Adam McKnight — Director, Investor Relations, AltaGas Ltd.

Thanks, Annas, and good morning, everyone. Thank you for joining us today for the AltaGas Second Quarter 2021 Financial Results Conference Call.

Speaking on the call this morning will be Randy Crawford, President and Chief Executive Officer; 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, President of our Utilities business; and Jon Morrison, Senior Vice President, Investor Relations and Corporate Development.

Consistent with prior quarters, in addition to the second quarter press release, financial statements, and MD&A that were released earlier today, we've also published a first quarter earnings summary presentation. This presentation walks through the quarter and highlights some of the variances and nonrecurring items that we would assume would be helpful for the market to understand. And it's available on our website under our Events and Presentations tab.

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

We'll proceed on the basis that everyone has taken the opportunity to review the press release and our second quarter results. And for the structure of the call, we'll start with Randy Crawford to provide some comments on our second quarter performance and the progress on our strategic priorities, followed by James Harbilas providing more detailed walk-through of our financial results, near-term outlook, and guidance. And then we'll leave plenty of time at the end for Q&A.

Before we begin, we'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 the EDGAR and the SEDAR systems.

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.

We are pleased to announce that AltaGas delivered strong second quarter results, continued to execute on our strategic plan, and positioned ourselves to meet the Company's 2021 and longer-term growth plans.

Our operating results were in line with our expectations for the quarter and reflect the benefit of operating a diversified set of long-life infrastructure assets that are positioned to provide resilient and durable value for our shareholders. Despite ongoing headwinds associated with the US dollar exchange rate, we delivered normalized earnings-per-share growth at 33 percent normalized, EBITDA growth at 12 percent, and FFO growth of 10 percent year-over-year.

Our U.S. Utility business, underpinned by our continued investment to update our pipeline network to reduce emissions, along with updated rates from our D.C. and Maryland jurisdictions, delivered 35 percent year-over-year EBTIDA growth in local currency. These actions will result in better customer outcomes and provide reduced operating costs.

Providing safe and reliable and affordable service to our customers across all five jurisdictions in which we operate is paramount. The sustainable operational efficiencies that we achieve are driving improved results and better outcomes for our customers.

New customer growth at WGL continues to track ahead of our expectation and is in line with the robust population growth we see in the DMV area over the past decade, which has been higher than the national average by nearly 25 percent since 2010.

On July 1st, we filed a new rate case at one of our Alaska utilities, CINGSA, requesting a US$1.9 million rate increase, and as a continuation of our ongoing plan to remain active in keeping our rates up to date.

We are also pleased to make headway in promoting combined heat and power to larger commercial industrial customers during the quarter, which is advancing our lower carbon focus that is part of our climate business plan.

In the years ahead, we will continue to operate with the high degree of regulatory, capital, and cost discipline that we believe is synonymous with delivering the best customer and stakeholder outcomes, which should also deliver steady normalized EPS and FFO per-share growth. We believe this disciplined approach provides the foundations for AltaGas' long-term strategic plan and will continue to reward all of our stakeholders.

We continue to build a world-class midstream and global export business that delivered another quarter of record volumes across the platform. Our utilities continue to achieve sustainable operational efficiencies and improved financial performance as we prioritize the health and safety of our employees, our customers, and our stakeholders.

Our Midstream business is performing incredibly well, with record volumes in our Global Exports businesses and solid volume growth across our entire platform. Our Global Export business shipped a record 90,106 barrels a day of North American propane and butane to Asia during the second quarter. Gas processing and fractionation volumes through our facilities were up 12 percent and 35 percent year-over-year respectively and continues to demonstrate that our platform is well positioned for future at the Montney.

The outlook for Western Canadian supply growth looks increasingly positive. And we are witnessing strong, well-capitalized producer activity on our Montney-focused platform in northeastern BC. During the quarter, we exported 15 very large gas carriers to Asia, with Ferndale exceeding 50,000 barrels a day in June, a new record for that terminal.

Also during the quarter, we closed the purchase of approximately 1,600 acres of land adjacent to Ferndale LPG export facility. Incremental land will provide Petrogas with enhanced logistic flexibility and optionality to advance our promising future energy development initiatives that are aligned with the larger energy transition.

From a strategic standpoint, AltaGas entered into a seven-year time charter with a three-year optional extension for two new dual-fuel VLGCs that will go into service in late 2023 and early 2024. The contract extends AltaGas' reach into the Asian market for its products and further de-risks AltaGas' long-term export strategy.

The procurement of the dedicated vessels will reduce shipping costs by approximately 25 percent compared to prevailing market rates and reduced pricing volatility. The vessels can carry 15 percent larger cargos than the standard VLGC. As such, the vessels' deployment will drive reduced cost and provide better environmental outcomes.

Heading into the second half of the year, we remain confident we will achieve our increased guidance ranges. And we remain on target to reduce our net debt-to-normalized-EBITDA ratio by up to 0.5x over the course of 2021 and will continue to remain focused on further de-risking of the platform.

Longer term, we will continue to operate long-life infrastructure assets that deliver durable and growing EPS and FFO per share for today and tomorrow, and provide the foundation for steady dividend growth, and provide the opportunity for ongoing capital appreciation.

As we have said in the past, we continue to believe that natural gas will play a critical role in the energy transition as the fuel of the future. Our assets are long-life and provide a great deal of future optionality. These assets provide the critical infrastructure needed to deliver low-carbon natural gas today while providing a foundation for delivery of carbon-free solutions in the years ahead, including renewable gas and hydrogen.

And through this transition, we will tirelessly advocate for the best outcomes for the consumer and ensure that we are focused on delivering long-term sustainability in all forms, including economic, safety, and environmental.

And with that, I will turn the call over to James to dig into the operational and financial results of the quarter in more detail.

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

Thank you, Randy, and good morning, everyone. Overall, the second quarter was a relatively clean quarter for us, and results were right in line with our expectations. Strong performance across all of our core businesses and the significant year-over-year EPS and FFO-per-share growth clearly demonstrates the visibility and growth within our Utilities and Midstream businesses and the continued execution of our strategic priorities.

Petrogas continues to be a strong contributor for our integrated Midstream business, as it provides increased scale and optionality along our Midstream value chain that realize continued volume growth across the entire platform. Our Utilities results were driven by our continued investment across our network, acute cost discipline, and fewer COVID-19 headwinds.

During the second quarter of 2021, we delivered normalized EPS of $0.08, compared to $0.06 in the second quarter of 2020, representing a 33 percent year-over-year increase; normalized FFO per share of $0.56, compared to $0.51 in the second quarter of 2020, representing a 10 percent year-over-year increase; and normalized EBITDA of $230 million, compared to $206 million in the second quarter of 2020, representing a 12 percent year-over-year increase.

Our Utilities results reflected the normal seasonal slowdown in energy demand that is associated with the spring and summer months and recorded normalized EBITDA of $99 million, compared to $80 million in Q2 2020, representing a 24 percent increase year-over-year. Strong operating performance across the segment was somewhat offset by a $9 million unfavourable move in the US-to-Canadian dollar exchange rate. In local currency, EBITDA was up $28 million or 35 percent year-over-year.

Utilities segment growth continues to be underpinned by our disciplined investment in our distribution systems through our previously approved ARP programs. These programs are focused on driving better customer and environmental outcomes through improved safety and reliability, reduced leak rates, and lower operating costs.

WGL had another solid quarter with normalized EBITDA of $56 million compared to $44 million in Q2 2020. Excluding the $5 million negative impact of foreign exchange, WGL's EBITDA increased approximately $17 million or 39 percent year-over-year in local currency. Notable drivers include the rate cases in D.C. and Maryland, which became effective Q2 and late Q1 respectively, the ongoing capital investment across the network, and lower COVID-19-related impacts on usage and late fees. This was partially offset by lower asset optimization revenue.

As Randy mentioned, we continue to make solid progress towards earning our allowed returns at WGL, through a combination of capital, rates and cost discipline, which you continue to see reflected in our quarterly results.

SEMCO and ENSTAR's combined normalized EBITDA was $33 million in the second quarter, down $5 million from the same period last year, entirely as a result of the negative impact of foreign exchange. Stronger customer growth and usage was offset by higher G&A costs associated with higher property taxes and employee benefits.

And finally, normalized EBITDA from Retail Energy Marketing business was $10 million in the quarter, an increase of $11 million year over year, driven by favourable gas and power margins and increased demand from C&I customers.

Within our Midstream segment, we reported $142 million of normalized EBITDA in the second quarter, compared to $111 million in the second quarter of 2020, which represented a 28 percent year-over-year increase. EBITDA from Global Exports was approximately $70 million during the second quarter, reflecting the record shipments of LPGs to Asia, across 15 VLGCs, from the RIPET and Ferndale terminals.

Record export volumes were underpinned by strong operational efficiencies across the two terminals, demonstrating the value of our expanded Midstream operations and the integration of the Petrogas assets, as we continue to optimize our operations and logistics networks and embrace best practices across the AltaGas and Petrogas teams.

Our processing and fractionation business also realized strong volume growth across the Midstream platform, with gas processing up 12 percent year-over-year and fractionation volumes up 35 percent year-over-year, driven by increasing producer activity on the back of improving fundamentals in commodity prices and a number of customers growing into their contractual commitments. We continue to benefit from our strong footprint in the heart of Montney, which we believe will continue to outpace development in other parts of the basin.

Processing and fractionation volumes at our non-Montney facilities were also up year-over-year, driven by increasing drilling activity and the strengthening in commodity prices. We remain focused on actively de-risking the Midstream platform and reducing commodity price exposure and volatility. We had approximately 84 percent of our frac-exposed volumes for the quarter hedged at $25 per barrel.

AltaGas remains well hedged through the balance of 2021, with approximately 79 percent of 2021 total expected global export volumes tolled or collectively hedged. This includes an average FEI-to-North American financial hedge price of approximately US$10.79 per barrel for both propane and butane. We also have 98 percent of our expected frac-exposed volumes hedged at $25.70.

In the Corporate segment, strong contributions from higher generation at Blythe was more than offset by higher G&A costs, largely associated with higher long-term incentive plan costs, due to the significant increase in our share price during the quarter and year to date.

Depreciation and amortization expense for the second quarter of 2021 was $108 million compared to $93 million for the same period in 2020. The increase was mainly due to new assets placed in service and the consolidation of the Petrogas assets.

Interest expense of $69 million was down slightly over last year's at $71 million, as a result of lower average interest rates and a lower US dollar-to-Canadian dollar exchange rate, which were partially offset by higher average debt balances.

We continue to make significant progress towards strengthening our financial position and improving our leverage ratios through 2021, which include reducing net debt by more than $630 million year to date, which was supported by the sale of the noncore U.S. Transportation and Storage business on April 23rd. This was an important milestone, as it reflected the continuation of our strategy and ongoing efforts to de-risk the platform and deleverage the balance sheet.

We are reiterating the increased guidance that we made concurrent with first quarter results, which includes $1.65 to $1.80 for normalized EPS and $1.475 billion to $1.525 billion for 2021 normalized EBITDA. Our 2021 CapEx outlook remains unchanged at approximately $910 million.

As Randy mentioned, our corporate strategy remains unchanged, as we are focused on operating long-life infrastructure assets that provide resilient and durable value for our stakeholders. Our focus continues to be steady returns that compound value over time.

That concludes our prepared remarks, and we would be happy to turn it over to the Operator for Q&A.

Q&A

Operator

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

Your first question comes from Dariusz Lozny with Bank of America. Dariusz, please go ahead.

Dariusz Lozny — Bank of America

Hi. Good morning and thank you for taking my questions. My first one is I wanted to follow up on, you mentioned chartering a couple of vessels for your export strategy. I was just curious how you're thinking about that on a go-forward basis. Are you going to be looking to potentially acquire more capacity to vertically integrate the logistics side of things a little bit? And also, how could you possibly, or how might you do that in terms of transportation of NGL to the Ferndale and RIPET facilities? I know you've mentioned in the past that logistics have been an issue, so just curious how you're thinking about that on a prospective basis.

Randy Crawford

Well, good morning and thanks for the question. When we looked at the value proposition on the two ships, our first driver was the commitment that it's going to reduce our shipping cost by 25 percent. So that's key to improving our being a low-cost shipper for our customers and continuing to improve our gross margin.

But overall, we feel like this is a strategic to control more of the value chain to the markets and, essentially, reaching further into the market on behalf of our customers going forward. So the two ships are a small part of that, and it's the beginning of us creating optionality for ourselves and our customers going forward.

Dariusz Lozny

Okay. Great. Thanks very much for that detail. And one more, if I could. I'm just curious about your Power assets. I know you've clearly said in the past that those are considered noncore. We've been seeing a lot of news in California specifically about resource adequacy and things along those lines. So just curious how you're thinking about plans for those Power assets, either now or in the intermediate term?

James Harbilas

Yeah. It's James here, Dariusz. I mean, obviously, our thinking hasn't changed around Blythe. I mean, the Power segment has been identified as something that's noncore. That being said, though, the asset's performing extremely well. Second year in a row here where it's being dispatched significantly higher than where it has been historically. And it's obviously helping to meet some of the power shortages in California.

We think that the asset has a bright future in terms of it being able to meet California's power needs. So we're not in a rush to sell it. But we've said that if the right value comes along, and it fully reflects the intrinsic value of that asset, and it's accretive to our debt metrics, we would consider it. But nothing in the plans right now.

Dariusz Lozny

Okay. Thanks very much. I'll turn it back.

Operator

Thank you. Your next question comes from Jeremy Tonet with J.P. Morgan. Please go ahead.

Jeremy Tonet — J.P. Morgan

Hi. Good morning.

Randy Crawford

Good morning, Jeremy.

Jeremy Tonet

On the land acquisition that you announced today, the 1,600-acre land, can you speak on the potential energy transition opportunities?

Randy Crawford

Sure. I can give you a little colour on that. Besides the sizeable breadth of the land, it has access to hydropower, and it's in close proximity to a carbon capture opportunity. But in the short run, we plan to use the land to expand our rail system and to handle unit trains, which will increase efficiency and lower our logistics cost.

In the longer term, we're exploring all of the low emissions opportunities, including construction of hydrogen facilities that will enhance our product mix, further position AltaGas as a, really, to become an energy export leader off the West Coast of North America.

And I'm confident that the culture of innovation at AltaGas and our track record of building challenging and complicated projects will position us to succeed. But this is going to take several years, right, and it's going to require some governmental policies to support it. But there's no debate we're heading into a lower-carbon world and, overall, our asset base is well positioned to be at the forefront, in my judgment, as energy transition.

Jeremy Tonet

Got it. Thank you so much. And then one more just on the export side. Seems like you've been able to capitalize on that pretty well. Just wondering how the synergies for the Petrogas integration and the optimization across RIPET and Ferndale have been tracking against your initial expectations?

Randy Crawford

Yeah. I'm going to let Randy Toone comment on that because his team has done just an excellent job, and it's exceeding our expectations, quite frankly. And you can see it in the results that the overall efficiency and flexibility and synergies have been tremendous, and the team's hitting on all cylinders.

So, Randy, can I have—

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

Hi, Jeremy. Yeah. We initially were targeting $30 million worth of synergies for the year, and we are expected to do more than that. The two businesses coming together, we've really identified a lot of great things to do, and you can see it with our export capability through both Ferndale and RIPET. And we think that we're going to do even more in the second half of this year, so.

Jeremy Tonet

All right. Got it. Thank you. I'll leave it there.

Randy Crawford

Thank you.

Operator

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

Rob Hope — Scotiabank

Hey. Good morning, everyone. First question continues on the export theme. With the increasing volumes and activity that we're seeing in Northeast BC, has that driven any incremental conversations on additional contracting or tolling of RIPET that could support an expansion?

Randy Crawford

Hey, Rob. Good morning and thank you for the question. Look, the conversations with producers are constructive, right, and we speak to them regularly. And we are focused on securing additional tolling lines at RIPET and Ferndale.

So we're currently at 35 percent at RIPET, and we're targeting higher percentages. But really, the recent strengthening of fundamentals, improving commodity prices, are starting to support the conversation. And we are seeing increased interest from aggregators who want to participate on the upside of having direct access to the Asian market, so.

In summary, Rob, I'll tell you that the industry consolidation's resulting in stronger counterparties, larger balance sheets, capable of taking long-term commitments. So with our greater scale and the tools in our toolbox around logistics and supply chain, we're optimistic that we'll continue to provide that access and increase tolling volumes into the future.

Rob Hope

All right. Appreciate that. And then just kind of a question on a similar vein. When we take a look at the synergies of having two export terminals on the West Coast, are you able to move barrels in between the two facilities? Like for instance, if we're seeing kind of fires impacting BC Rail, could you ship them down to Ferndale? And the fact that you do have Ferndale, does that push off the need to expand RIPET as you could further optimize your existing capital first?

Randy Crawford

Yeah. I mean, I think that you're spot on. And look, the fact is, it's even, we'll move ships between the two ports and the rail logistics, if we have some challenges, and we have had some with some of the fires. But overall, our ability to reroute those into our facilities and that optionality has created significant benefits and opportunities, and we're just scratching the surface.

So, Randy, did you want to add anything more to that?

Randy Toone

Yeah. I think, as we've talked about before, RIPET can do more than—we're currently doing – 50,000 barrels a day. We think we can get that above, closer to, say, 70,000 barrels a day. And it's all about logistics. And the Petrogas and AltaGas assets combined have made us more efficient on the logistics front. And so we are going to continue to optimize both terminals to increase export volumes.

Randy Crawford

And I'll add that just the two products also provides us another layer of optimization of our assets, right, depending on the availability and the logistics associated with that. So really a lot of value to the scale and optionality. So thank you for the question.

Rob Hope

I appreciate the colour. Thank you.

Operator

Thank you. Your next question comes from Robert Catellier with CIBC. Please go ahead.

Rob Catellier — CIBC

Hi. Rob Catellier from CIBC. I wondered if you could provide your initial thoughts on how the Blueberry River First Nation case can impact both current operations and future development in the Montney, not just for the industry but also for your specific strategy?

Randy Crawford

Yeah. Well, AltaGas has had just excellent stakeholder relationships with all the First Nations and particularly the Blueberry. And so, clearly, our asset position, having existing capacity and to be able to take the growing volumes, is certainly something of value to us, and just it makes us distinct. And so we think it’s somewhat of a competitive advantage. Clearly, as we work with all of our stakeholders going forward, we think that our constructive relationships are not going to impact a lot of our future growth.

But I think it’s important to understand that, from our perspective, when you have access to land and someone’s land, that it’s important to have an excellent relationship with them and to manage the environmental impacts along the way. So I think we have an excellent relationship, and I think that that’s how we are going to progress going forward.

You got any colour, Randy, you want to—

Randy Toone

No. Like Randy said, I think our stakeholder relations group has done a great job in Northeast BC and even around RIPET. And we know that we have to work with the First Nations to do any kind of development, and we’ve always done that. So we don’t think that this ruling is going to have a major impact to our business.

Randy Crawford

And we think we can help our producers and those in the North Montney to continue to develop, and we can leverage those strong relationships going forward.

Rob Catellier

Okay. For the sake of further clarity, the timing of the purchase of the 1,600 acres at Ferndale and the timing of the Blueberry River case, that’s just coincidental? And it doesn’t reflect a pivot of your focus, perhaps putting more emphasis on Ferndale?

Randy Crawford

No. No. Those are just coincidental on the timing. No.

Rob Catellier

Right.

Randy Crawford

We've been focused on optimizing Ferndale and our core competency around our exporting. And we're very bullish on the North Montney and the development there too. So no change in the fact of our integrated strategy overall.

Rob Catellier

Yeah. That's what I thought. And just last question for me, then, is on the retail. That's quite a notable improvement, the results there year-over-year. Can you speak a little bit more to the drivers there? And whether you foresee that as being sustainable over the next 12 months?

Randy Crawford

Blue, I'll let you comment on that if you will.

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

Yeah. Of course. Yeah. Good question, Rob. Notably, the challenge we had in Q2 of last year was related to that was the first full quarter where we were facing the COVID impacts. And so, of course, our usage expectations and profiles didn't match our transportation and purchase profiles.

So as we've gotten more competent in those usage profiles, et cetera, what you see this year is a better management and more reflective of our expectations as we work our way through COVID. So really, the change was just coming into the year with the expectations of COVID and being able to manage around that usage profile.

So yes, we do think we're slightly above budget for the year, and we expect that to look the same as we go throughout the year. So, will it continue? Yes, we think so. We just we weren't surprised by a full quarter of COVID this year.

Rob Catellier

Right. So it’s more to do with COVID effects coming off than it has to do with the winter storm effect, and maybe incentivizing more demand for your retail products?

Blue Jenkins

Correct. So, no. Demand has been good. Yeah. I would characterize there was minimal, if any, impacts on the winter storm activity.

Rob Catellier

Okay. That’s it for me. Thank you.

Blue Jenkins

You bet.

Operator

Thank you. Your next question comes from Ben Pham with BMO. Please go ahead.

Ben Pham — BMO

Hi. Thanks. Good morning. I wanted to go back on some of your comments on the new acreage with hydrogen. Is the thought process—I wanted to clarify that you would not be getting in the production of hydrogen. It’s more to benefit from that market expanding? And it’s more the exportation of hydrogen that you would be looking at?

Randy Crawford

Yeah. This is a longer-term vision, Ben, in terms of all of the attributes in our additional land purchase. And so the fact that, as I mentioned in my previous answers and the comments, some of the attributes associated with our access to ports, hydropower, green power, as well as pipeline access there that we have a vision in the long run. Again, this is a long-term transition. We're looking at that into the future, keeping our eye on the fact that we have a strong track record of building challenging projects.

So again, long term, nothing immediate, no significant dollars to invest. We just wanted to make sure the investor understood the attributes in this and how we're looking at the future energy transitions and serving our customer needs in Asia, to help them transition to cleaner-burning fuels and reduce carbon emissions.

Ben Pham

Okay. So thanks for that, Randy. And there's also mention of Alberta power prices benefitting your results, having been hearing that price impacting for some time. Is that just simply that your cogen plants' output into the market? Are you just moving some of the volumes internally to the external market?

Randy Crawford

Yeah. And I think the answer's yes. But, Randy, I'll let you comment about that specifically.

Randy Toone

Yeah. That's just with our cogen facilities at the Harmattan complex. We've been able to take advantage of the high power price in Alberta.

Ben Pham

And do you usually sell that to the spot market? Are you using that—or do you typically use that internally?

Randy Toone

Well, those cogens are largely to provide power to Harmattan. And then, with the excess volume, we sell into the grid on a spot basis.

Ben Pham

Okay. Okay. And then, maybe, my last question is on the spread. What's been impacting some of the softness in the spread? Do you think it's supply driven? Demand driven? Combination?

Randy Crawford

We continue to see robust demand in from Asia and, certainly, the local domestic prices. But the spread's continued to—it's come in a bit here. But if you can see it in the forward outlook that they continue to be stronger on—we expect. And it's seeing increasing demand going forward, so.

And, Ben, as you know, I mean, our structural advantage around being off the northwest coast of North America provides us significant transportation advantage, and so we continue to optimize that going forward.

Ben Pham

Okay. That's great. Thank you.

Operator

Thank you. Your next question comes from Robert Kwan with RBC Capital Markets. Please go ahead.

Robert Kwan — RBC Capital Markets

Hey. Good morning. I'm just wondering, you've talked a bunch about things, especially the export side exceeding expectations, some of the integration and the synergies. And so I'm just kind of wondering, as you were thinking about your guidance, what are some of the headwinds that you're seeing for the second half of the year? Things that you're cautious about just in terms of maintaining guidance versus either changing it? Or even just a directional guide?

Randy Crawford

Well, Robert, thanks for the question. As you know, we increased our guidance into the first quarter, and we're coming into the second quarter. And I think the team has done an excellent job continuing to execute, as I said in my prepared remarks. And while we have some currency headwinds and such, I would be disappointed if we're not in the high end of our guidance range going forward.

So clearly, we're just in the second half. The team is executing quite clearly and doing a great job. So again, we can revisit that, but overall—as each quarter goes by—but overall, we're well positioned to get in the high end of our guidance range.

James, did you want to give him any of the other headwinds?

James Harbilas

Yeah. Yeah. Just wanted to add, obviously, Randy touched on one of the headwinds that's been creating volatility for us and everyone else that has US dollar-denominated revenues and EBITDA. So that's something that we keep our eye on for the back half of the year.

But right now, propane spreads have been tracking below where they were when we rolled out our guidance. So obviously, as Q3 unfolds and we get into another winter season, we'll see if those rebound and if they create a bit of a tailwind for us. But right now, those are headwinds that we need to take into account with respect to the current guidance range.

Robert Kwan

Got it. But I thought when you redid your guidance range, didn't you remark your FX assumption? And—

James Harbilas

Yes. Yeah. We did.

Robert Kwan

So that's a tailwind, actually, isn't it, at this point? Slight, but still.

James Harbilas

Yeah. So, Robert, I mean, obviously, when we remarked it in the first quarter, we saw it go from what we had in our budget at 1.32 down to 1.26. We've seen a further decline in the five-bank forecast, 1.23, and I think the spot right now is about 1.24, 1.25. So if it stays there in the back half of the year, then I agree with you; it would become a tailwind. But when we set—when we re-forecasted the business in the quarter, the exchange rate between Q1 and Q2 had gone down.

Robert Kwan

Got it. Okay. So maybe just a little bit, with respect to Randy's disappointed if you're not at the high end, just trying to stay conservative, given you just increased guidance a quarter ago?

James Harbilas

Randy? Yep. That's—

Randy Crawford

I think we're trying, look, we want to be clear, and we've reiterated these each quarter. But I stand by my comment, and the team's doing an excellent job hitting on all cylinders, so, yeah.

Robert Kwan

Got it. If I can just quickly come back to the question around vertical integration and chartering the vessels. How far down the value chain would you be willing to go? Would you be willing to get into receiving terminals on the other side?

Randy Crawford

No. I think what we want to be able to is, we're building relationships with our customers, global customers across the world and into Asia. And so our ability to have direct access—think about it as extending your pipeline right into the market areas—I think is where we would be focusing in on our value chain. I think it adds value to our customers as well and de-risks the platform. So not a lot further than that, I don't believe.

Robert Kwan

Got it. If I can just finish with one last question here. We've seen strong asset valuations in private markets. Is that enticing enough for you to look to transact on assets maybe that you wouldn't have considered? Or is your focus pretty squarely at this point on the sale of MVP as it relates to more material dispositions?

Randy Crawford

Sure. I think we've demonstrated as a management team that we are focused on creating shareholder value, and that we will recycle capital, and we will grow our core assets, as we have been saying.

So we have our noncore assets. And to the extent that other assets that don't meet, necessarily, our growth profile or that are better to be monetized and recycled to these tremendous organic growth opportunities we have both in the Midstream and Utility, we'll look at that, right? But we're in a position where we continue to improve the strength of our balance sheet, focus on driving organic growth going forward, and a long, durable, resilient model increasing our dividends all the time.

So I guess the short answer is, Robert, we'll look at all of that, right? But overall, our focus is continuing to invest in these core businesses and demonstrate the growth that we have.

Robert Kwan

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

Operator

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

Patrick Kenny — National Bank

Yeah. Good morning, guys. Just maybe back to your G&P business here and the continued trend of consolidation across the E&P sector, specifically in the Montney region. And given where commodity prices are at these days, I'm just curious how far out we might be in terms of needing to expand capacity at either North Pine, Townsend, or potentially needing to add infrastructure across other assets in your portfolio.

Randy Crawford

Sure. No. Great question. Well, the fortunate part is, as we've said in the past, that we've made significant investments in our Midstream infrastructure, over $2 billion, investing in, actually, our export capabilities as well as our fractionation and processing assets. So our focus has been—and we're in an enviable position, right, because we can move additional products at the capacity that we have already invested in. So that puts us in a really strong position overall.

And while we work with our customers and to stay out in front of this as they develop their world-class resource, we have the opportunity to do module, other expansion opportunities with the facilities that we have. So we'll continue to work with our customers. But right now, I think, given the fact that we have available opportunities, and we can connect our producers to these valued global and domestic markets, bodes well for our growth and our profitability into the future. So there will be a time there will be need for additional assets, and we stand ready to be there.

Patrick Kenny

Okay. Great. Thanks for that. And then within the Utilities, just curious if you might be working on any emerging opportunities on the RNG front, just with respect to connecting into new supplies there. And whether or not this might represent a little bit of upside to that 8 percent rate-based CAGR outlook.

Randy Crawford

Yeah. No. Excellent point. Blue, I'll let you come in. But yeah, but the team is looking at all of those, and we've talked a lot about that. And we're bringing some of our first RNG into the system. So, Blue, I'll let you comment on the activities.

Blue Jenkins

Yeah. You bet. Thanks, Randy. Yeah. Patrick, good question. So we signed a recent small deal with a local RNG facility, building the facilities and pipeline connections to deliver gas to that facility and, of course, take RNG from the facility.

We are scrubbing several others and are working actively across the region for those opportunities. So yes, we're optimistic that we'll have more to come and more announcements as we go. Some of those are in fairly early stages. But yes, we think there's some upside around RNG over time.

Patrick Kenny

Okay. That's great. I'll leave it there. Thank you.

Randy Crawford

Thank you, Patrick.

Operator

Thank you. The last question comes from Linda Ezergailis with TD Securities. Please go ahead.

Linda Ezergailis — TD Securities

Thank you. Just wanted to follow up again on your intriguing extending into vessels opportunity and the optionality around that. You mentioned that it is the beginning of you creating optionality. I'm wondering if there might be the potential to rent additional vessels, and if you can expand on that comment.

And then, as a second part to that question, might your optionality extend a little bit upstream as well? Or into other marketing-type opportunities?

Randy Crawford

Thank you, Linda. Thank you for the question. The first part of your question about the ships and additional opportunities and the optionality is, we're starting here, and we think this makes good sense for the Company. It's a small aspect of our overall volumes that we're moving.

But, if you think about what I mentioned around our structural advantage, a 10-day transportation to the open waters of the Pacific, to the growing markets of Asia, China, and India as well, I mean, this really does highlight and create tremendous optionality for ourselves and for our customers and to be able to give them access to these growing markets. So I think it will ultimately allow us, as you said, even further upstream.

So as we optimize our footprint and focus on our leading export footprint that's extremely valuable to the robust Asian market, I believe it will also provide opportunities further upstream, right, to bring on more product, more investments in the basin as well.

So, yes, it's all a calculated and coordinated strategy and steps that we're taking, and we're excited about those. And Randy and Ken Wentworth and the team are doing an excellent job in looking forward as well to create even more value with maximizing the latent capacity that we have in these tremendous port assets. So, thank you for the question.

Linda Ezergailis

Thank you. And just as a follow-on with respect to creating optionality and accessing end markets, you've done a great job of expanding access to North American markets to global markets. But what about getting a little bit into upgrading, as some of your peers have, and accessing new markets through that, whether it be propane, or butane, or other products being partially upgraded?

Randy Crawford

Yeah. I think that, we certainly, when we are shipping to the global markets, we're getting some of that into upgrading and into the PDH facilities. But our overall focus right now is to maximize the flow of the propane and butane to our customers and such. And so, while we'll look upstream at different types of investments, right now, I think, when I look at our ability to provide almost—well, we have capacity up in excess of 130,000 barrels—to global access markets across the world, right, as opposed to domestic markets alone, I think is really valuable now. And I think that's where our focus is, is more on connecting the growth that's going on in Asia with the basin.

But again, we'll look at those things, Linda. We're early on. And as we look at refining that product, and if we can do upgrades, and the team is extremely nimble and entrepreneurial, and we'll look at that. Right now, our focus is just maximizing the capacity and getting our customers connected with those markets.

Linda Ezergailis

Thank you.

Operator

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

Adam McKnight

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

That concludes our call this morning. I hope everyone enjoys the rest of their day. You may now disconnect your phone lines.