Q1 2018 ALTAGAS LTD. EARNINGS CALL

CORPORATE PARTICIPANTS

David Harris *AltaGas Ltd. – President & CEO*

Tim Watson *AltaGas Ltd. – Executive Vice President & CFO*

Randy Toone *AltaGas Ltd. – Executive Vice President, Gas*

Jess Nieukerk *AltaGas Ltd. – Senior Director Investor Relations*

CONFERENCE CALL PARTICIPANTS

Robert Hope *Scotiabank Global Banking and Markets – Analyst*

Patrick Kenny ***National Bank Financial – Analyst***

Ben Pham *BMO Capital Markets – Analyst*

Robert Catellier *CIBC World Markets – Analyst*

Robert Kwan *RBC Capital Markets – Analyst*

PRESENTATION

Operator

Good morning. My name is Dan, and I will be your conference Operator today. At this time, I would like to welcome everyone to the AltaGas Ltd. First Quarter Results Conference Call. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question at that time, simply press *, followed by the number 1 on your telephone keypad; if you would like to withdraw your question, you may press the # key. Thank you.

I would now like to turn the call over to Jess Nieukerk, Senior Director of Investor Relations. Please go ahead.

Jess Nieukerk – AltaGas Ltd. – *Senior Director Investor Relations*

Thank you, Dan. Good morning, everyone. Welcome to AltaGas' first quarter 2018 conference call. Speaking today are David Harris, President and Chief Executive Officer, and Tim Watson, Executive Vice President and Chief Financial Officer. After some formal comments this morning, we will have a question-and-answer session.

Before we begin, I'd like to remind you that certain information presented today may include forward-looking statements. Such statements reflect the Corporation's current expectations, estimates, projections and assumptions. These forward-looking statements are not guarantees of future performance and they are subject to certain risks, which could cause actual performance and financial results to vary materially from those contemplated in the forward-looking statements.

For additional information on these risks, please take a look at our Annual Information Form under the heading Risk Factors. I'll now turn the call over to David Harris.

David Harris – AltaGas Ltd. – *President & CEO*

Good morning, everyone. We are off to a strong start in 2018. Our base business continues to perform extremely well.

On the financial side, we achieved normalized EBITDA of $223 million compared to $228 million in Q1 2017. And we achieved normalized FFO of $169 million compared to $170 million in Q1 2017.

Unfavourable foreign exchange rates and the impact of US tax reform impacted normalized EBITDA and FFO quarter over quarter by approximately $9 million.

Results in our Gas segment increased compared to the first quarter of 2017. We achieved normalized EBITDA of $71 million compared to $67 million in the first quarter of 2017.

Normalized EBITDA in our Utilities segment was $112 million compared to $115 million in Q1 2017. Strong results were offset by FX and US tax reform and results in our Power segment were lower at $41 million compared to $50 million in Q1 2017, primarily due to planned outages at the Blythe and Craven Facilities and again impacted by foreign exchange.

Our Q1 results kick-start what we expect to be yet another strong year both financially and operationally. Our new agreement with Birchcliff underpins Gordondale for the next 15 years while setting the stage for growth by being able to attract third-party volumes and create opportunities to expand the facility. Our new assets, Townsend 2A and North Pine, are performing well, and construction at our Ridley Island Propane Export Terminal remains on track for Q1 2019.

We are very excited about our future in Northeast B.C. with our energy exports and our unique offerings to producers, producers are starting to see the benefits of having access to new premium markets for their propane.

RIPET supply contracting efforts have been successful so far in 2018 and we now have close to 75 percent of the supply we need for COD. A portion of this is under tolling arrangements and we ultimately expect approximately 40 percent of RIPET's annual expected capacity under tolling arrangements with producers and other suppliers.

While Q1 was successful, clearly all eyes are on the second quarter with the anticipated closing of the WGL acquisition just around the corner and our asset sales processes soon to unfold.

With respect to WGL, the approval from the Maryland Public Service Commission on April 4th was a big step forward in the acquisition and a great vote of confidence as to the benefits AltaGas brings to customers and the region. With Maryland's approval, we have just the Washington, DC Public Service Commission approval remaining.

The DC Commission has completed extensive public hearings and has before it, a full record of the benefits to be delivered through the acquisition. We remain confident the acquisition will be successful for the companies and stakeholders and all of Washington Gas' service territory. We understand the DC Commission will issue a decision in May and our expectation continues to be for a successful mid-year close.

In conjunction with the regulatory process, we are now well down the path of certain asset sales, including active discussions on the sale of minority interest(s) in our Northwest Hydro Facilities. While Tim will talk a bit more about our financial plans, I would like to convey that we continue to have significant breadth and depth in terms of our options for financing the WGL acquisition.

Ultimately, our plans from both an acquisition and financing standpoint is designed to do several things: ensure we optimize value on returns for our shareholders; maintain our conservative business risk profile with minimal overall commodity exposure; strengthen our balance sheet and maintain our key credit metrics; ensure we maintain strong dividend coverage and the ability to continue to grow our dividend; and ensure we have a significant and diversified platform of high-quality, long-lived, low-risk, energy infrastructure assets in each of our business segments, Gas, Power, and Utilities, with a clear path for profitable growth in each well into the future.

There is a lot to look forward to over the next few months. We are very focused on continuing to deliver strong results for our shareholders from our base business, closing the WGL acquisition successfully, and finalizing asset sales that will deliver strong financial returns for our shareholders.

Let me now turn the call over to Tim.

Tim Watson – AltaGas Ltd. – EVP & CFO

Thanks, Dave, and good morning, everyone. We have started off 2018 with a good first quarter, highlighting the full benefits of our diversified business platform.

Q1 normalized EBITDA was $223 million compared to $228 million in the first quarter of 2017 and this was despite the uncontrollable factors that Dave mentioned within the first quarter, including both the unfavourable FX rates year over year and US tax reform, which together impacted EBITDA by $9 million.

Normalized funds from operation, otherwise described as FFO, were $169 million or $0.96 per share, flat to last year's $170 million or $1.01 per share.

Now just too quickly review the Q1 2018 performance for each of the three business segments, first, the Gas segment showed good growth this quarter with EBITDA increasing by 6 percent to $71 million. That represented 32 percent of total normalized Q1 2018 EBITDA. We saw frac-exposed volumes increase by 5 percent and realized frac spreads moved from $10.56 per barrel in Q1 2017 to $19.01 per barrel in Q1 2018, an increase of approximately 80 percent.

Gas processing volumes across our plants increased 26 percent in Q1, in large part due to volumes at the newly constructed Townsend 2A Facility as well as higher incentive volumes at the Gordondale Facility. The North Pine Facility, which commenced operations in the fourth quarter of last year also contributed to Q1. Note that the sale in March 2017 of the EDS and JFP pipelines decreased Gas EBITDA by about $3 million in the first quarter of this year versus Q1 2017. Equity earnings from Petrogas decreased slightly to $10 million versus $11 million in the first quarter of 2017 due to a planned turnaround at the Ferndale Terminal this past quarter.

Turning to Power, this segment saw EBITDA of $41 million in the first quarter of 2018, and this represents about 18 percent of total normalized Q1 2018 EBITDA. Blythe generated increased volumes despite a planned maintenance outage due to greater operational and fuel flexibility, which caused it to be dispatched by its customer, Southern California Edison, for a greater number of hours than in Q1 of last year. Despite the increased dispatch, the planned maintenance outage at Blythe impacted EBITDA by approximately $3 million in the quarter. The San Joaquin Facilities also experienced increased run rates in Q1 due to higher dispatch rates under their PPAs. Renewable volumes were down in the quarter due to lower wind conditions at Bear Mountain and lower river flows at the Northwest Hydro Facilities. There was also a planned outage at the Craven Biomass Facility, a planned outage that was held in Q2, not Q1, last year.

A stronger Canadian dollar in Q1 2018 reduced Power EBITDA by about $2 million versus Q1 2017.

Now finally, the Utilities segment achieved EBITDA of $112 million in the first quarter of 2018, which represented 50 percent of total normalized Q1 2018 EBITDA. US tax reform at SEMCO negatively impacted EBITDA by approximately $3 million in the quarter. Colder weather in Michigan and Alberta was partially offset by warmer weather in Alaska and Nova Scotia. Continued customer growth and rate-based expansion were positives in the quarter.

A stronger Canadian dollar in Q1 2018 reduced Utilities EBITDA by about $4 million versus Q1 2017.

Turning to normalized funds from operation, that remained relatively flat in the first quarter of 2018 at $169 million. On a per share normalized FFO basis it was down $0.05 at $0.96 compared to the same quarter last year.

In the first quarter of 2018, we received $3 million in preferred share dividends and $1 million in common share dividends from Petrogas, which were both unchanged from the same quarter last year.

For the first quarter of 2018, income tax expense was $18 million compared to $21 million in the same quarter of the previous year. Income tax decreased mainly due to the reduction in the US federal tax rate from 35 percent to 21 percent under US tax reform.

Normalized net income in the first quarter of 2018 increased slightly to $70 million, or $0.40 per share, versus $65 million, or $0.39 per share, in Q1 2017. Key drivers were lower interest expense and income tax partially offset by the decrease in normalized EBITDA, higher preferred share dividends, and higher depreciation and amortization.

There were several normalizing adjustments for the quarter, as you typically see, and you can find those in the disclosure that we released this morning.

On a US GAAP basis, net income applicable to common shares for the first quarter of 2018 was $49 million, or $0.28 per share, up from $32 million, or $0.19 per share, for Q1 2017. The increase was mainly due to the factors just discussed along with lower WGL transaction costs.

Invested capital net of dispositions in the first quarter of 2018 was $73 million, up from $18 million in the first quarter of 2017. Last year, as you may recall, the proceeds from the EDS and JFP asset sale resulted in lower net invested capital.

Almost 75 percent of the total capital invested in the quarter was in the Gas business relating to the continued construction of RIPET. Maintenance capital in the quarter was $5 million as expected, split between the Gas and Power segments.

AltaGas' balance sheet is in a strong position and we're well funded for 2018.

At the end of the quarter, debt to total capital was 43 percent, down from 44 percent at year-end 2017. This remains well below our bank and term note covenant levels of approximately 65 to 70 percent.

We have $1.8 billion available on existing bank credit facilities and continue to have very strong access to multiple sources of funding.

So now I'll turn to 2018 for a quick look there. We anticipate closing the WGL transaction by mid-year, which remains consistent with our original guidance from January 2017 when the transaction was announced. As a combined entity, we expect normalized EBITDA to increase approximately 25 to 30 percent and normalized funds from operations to increase approximately 15 to 20 percent.

The addition of WGL is expected to drive growth in all three business segments. The Utilities segment is expected to be approximately 40 to 45 percent of total EBITDA in the first full year followed closely by the Gas and Power segments and this just shows how well-balanced AltaGas will be across all of its key North American energy infrastructure business lines.

Gas EBITDA in 2018 will benefit from WGL's growing pipeline investments in the Marcellus-Utica region as well as the first full year of contributions from the Townsend 2A and North Pine Facilities and from higher frac exposed volumes and pricing.

Extraction volumes exposed to frac spreads prior to hedging have increased to approximately 10,500 barrels per day for 2018 with hedges in place for approximately 7,500 barrels per day at a very attractive level of $33 per barrel, excluding basis differentials.

Pro forma for WGL, approximately 65 percent of 2018 Gas EBITDA is expected to be generated or underpinned by take-or-pay and cost-of-service contracts with no direct volume or price exposure and this percentage should actually increase in 2019.

As noted previously, planned turnarounds at the Harmattan and JEEP Facilities in the second quarter of this year will impact EBITDA by approximately $6 million.

2018 EBITDA from Power will benefit from higher expected earnings from the Northwest Hydro Facilities due to both price increases as well as efficiency improvements and WGL's growing distributed generation assets across 20 US States.

While the PPA for Ripon expires in Q2 this year, it will be partially offset with the two new resource adequacy contracts that it has been awarded.

2018 EBITDA from Utilities will be driven by rate-based and customer growth as well as the addition of WGL's growing utility business.

2018 expectations assume a moderately weaker US dollar relative to 2017. Approximately 65 percent of total expected 2018 EBITDA from AltaGas will come from the US – and I'll just give you at least one quick FX sensitivity – Pro forma for WGL for every $0.05 change in the Canada-US exchange rate, the annual impact to 2018 EBITDA is approximately C$28 million.

As you can see, the currency exposure is not overly material and going forward, we will continue to monitor this and consider hedging if necessary. However, as we noted in the past and continue to note, there are a number of natural hedges in place in terms of US dollar funding as well as capital investment opportunities that we have in the US.

US tax reform is expected to be immaterially negative to normalized EBITDA and funds from operation from AltaGas' US businesses. While on a net income basis, the impact of US tax reform is expected to be immaterially positive. In other words, the impact is not material.

Looking at AltaGas on a stand-alone basis, excluding WGL for 2018, we expect a moderate increase to both normalized EBITDA and FFO as compared to 2017 driven primarily by the factors previously noted.

Now turning to 2018 capital expenditures, we expect to spend on a stand-alone basis $500 million to $600 million. Gas will account for 50 to 55 percent of that total, while Utilities will account for 30 to 35 percent and Power will be the remainder.

Gas and Power maintenance capital is expected to be approximately $25 million to $35 million this year. The majority of capital this year will be allocated towards continued construction of RIPET as well as growth capital associated with the tie-in of incremental third-party volumes in the Gas segment. Capital will also be allocated to maintaining and growing the Utilities rate base as well as for preconstruction design, engineering, and right-of-way procurement for the Marquette Connector Pipeline. The 2018 capital program is expected to be funded through internally-generated cash flow and the Dividend Reinvestment Plan.

On a combined basis, with a mid-year closing of the WGL transaction, we expect capital expenditures in the range of $1.0 billion to $1.3 billion. Similar to AltaGas' stand-alone spending, close to half of this total will be allocated to Gas with the majority of the remaining expected capital directed to Utilities followed by Power.

All of the financing required to close the WGL acquisition is in place currently. We continue to evaluate and advance an asset monetization strategy in a prudent and timely fashion in step with the regulatory process and consistent with AltaGas' long-term strategic vision.

We are conscious of the need to deliver a strong financial outcome for AltaGas. At the same time, we will target the right asset mix for the company on a go-forward basis and ensure a meaningful financial return for our shareholders.

We are confident in our ability to monetize assets in a manner that achieves those results. Discussions are active on several fronts, including the potential sale of appropriate minority interests in the Northwest B.C. Hydro Facilities and we are confident and fully expect to achieve just over $2 billion in proceeds from the sale processes. Offerings of hybrid securities and senior debt also continue to be planned for 2018.

Following the close of the transaction and the various financing steps, we expect to have a strong balance sheet set of metrics starting in the first full year of 2019. We anticipate FFO to debt, calculated based on S&P's definition, to move towards the mid-teens level and net debt to EBITDA to trend down towards near 5 times.

Through all of our funding decisions, we remain committed to maintaining strong access to capital and to our investment-grade credit ratings. The WGL transaction remains a very strong strategic fit for AltaGas. It brings significant opportunities for continued growth in all three business segments, Gas, Power and Utilities. It also adds to our financial strength when we complete this, resulting in a combined asset base of over $20 billion.

On a combined basis, approximately 85 percent of total EBITDA will be underpinned by contracts or regulated assets with no direct commodity price or volume exposure.

The WGL transaction remains highly accretive to both FFO per share and earnings per share beginning in the first full year of 2019. This will support visible dividend growth through 2021 while allowing AltaGas to maintain a sustainable payout ratio of normalized funds from operations.

Finally, as a reminder, we have posted sensitivities for frac spreads, FX rates and natural gas volumes in our current investor presentation located on our website.

And so with that, I'll turn it back to Jess.

Jess Nieukerk – AltaGas Ltd. – *Senior Director Investor Relations*

Thank you, Tim. Operator, we'll now open the call for questions from the investment community.

QUESTIONS AND ANSWERS

Operator

And at this time, if you'd like to ask a question, please press *, followed by the number 1 on your telephone keypad.

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

Robert Hope – Scotiabank Global Banking and Markets – *Analyst*

Good morning, everyone. I was hoping you could provide some additional colour on the asset sale process. The Q4 MD&A spoke of asset sales in the Gas, Power and Utility businesses. The commentary in the Q1 appears more focused on the Northwest Hydro assets.

Does this imply that you have price discovery for your higher assets and that could represent the majority of the $2 billion bogey you're looking for?

Tim Watson – AltaGas Ltd. – *EVP & CFO*

I'm happy to start and I'm sure Dave can chip in as well here for any of these questions. But I think, Robert, we did. You're right, we did signal out really, I think, in response to questions we've had throughout the piece here, Northwest Hydro in the form of a minority interest. And I think that plus other active processes that we have underway are getting us to a point where we're getting clarity and better price visibility. We expect that we'll have more to say in Q2 on that but at this point, as we sit here on April 26th, that's our position.

Robert Hope – Scotiabank Global Banking and Markets – *Analyst*

Okay. That's great. And then just to follow up there because you did mention that you expect some additional information in Q2. So is the assumption that, assuming WGL does proceed, that you could get asset sale announcements in a relatively short order?

Tim Watson – AltaGas Ltd. – *EVP & CFO*

Yes. That is correct. Our expectation is WGL's still trending towards that midpoint of the year. So again, no change on that communication and in conjunction with that, in Q2, which we're in right now, we would expect to see developments on the asset monetization fronts as well.

Robert Hope – Scotiabank Global Banking and Markets – *Analyst*

All right, that's great. Thank you. I'll hop back in the queue.

Operator

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

Patrick Kenny – National Bank Financial – *Analyst*

Good morning. On the dividend growth guidance, I noticed the 8 to 10 percent range was taken out of the press release today. I believe it's still in your corporate presentation. So just wondering if anything is changed on your outlook for dividend growth on a combined basis?

David Harris – AltaGas Ltd. – *President & CEO*

Yeah. This is Dave Harris. I'll start and Tim can certainly chime in. Nothing really has changed. I wouldn't read anything into that whatsoever. It's just as the strength of this deal and the strength of the combined companies is still very compelling and certainly supports our strong dividend if we so desire. We've certainly been listening and picking up with respect to our investor community, is that always necessarily just a prudent thing, or do you hold some of that powder back in reserve and use that on a more capital basis because we also have a very strong growth and capital program that comes with the combined companies.

So nothing has changed with the expectations of the value of the deal and the amount of value it brings to us to turn around and if we want to hit that accelerator on the dividend side, it's just more of an issue of what is the appropriate thing to do once we get the deal closed and get into the deal of what's the best way to just create value for the shareholders. So don't read anything into that whatsoever. If there's any concern whatsoever, there's a falloff in being able to support dividend, that's not the issue.

Patrick Kenny – National Bank Financial – *Analyst*

Got it. And then, David, maybe perhaps you could provide an update just on any discussions you might be having with stakeholders in DC with respect to a potential settlement prior to the commission making a decision here in May? I guess similar to how things played out in Maryland.

David Harris – AltaGas Ltd. – *President & CEO*

Sure. Be glad to. Matter of fact, I'm actually, myself and John O'Brien -- are making this call -- I'm actually sitting in Washington, DC right now. So we are into settlement discussions with the stakeholders. We're certainly very mindful of the clock and pacing accordingly and I'd just like to have everybody reflect back, the settlement discussions we had in Maryland were pacing about at the same time frame that we're doing here in DC.

So we're into those settlement discussions. I really don't want to say too much further on that and we're certainly mindful of the clock and sequencing where we're pretty much on the same path where we were in Maryland.

Patrick Kenny – National Bank Financial – *Analyst*

Okay. Great. And last question I'd like here. Just with the buzz around West Coast LNG coming back recently, wondering if you guys have dusted off some of the work you've already done on your floating LNG project at Kitimat and if you might be pursuing commercial offtake contracts at some point again here soon? And perhaps what that might mean for keeping the PNG pipeline out of your disposition program to fund the acquisition?

David Harris – AltaGas Ltd. – *President & CEO*

Sure. We certainly are always very focused with respect to what's going on in the LNG market and not only just because of the recent activity. I think LNG Canada just announced who their EPC firms going to be. They're certainly tracking strong to probably an FID towards the end of the year.

But we, for some time, always keep an eye on this. And our joint venture relationship with Idemitsu gives us a great conduit into what's going on in Asia and what the needs are there and not only just within kind of the Pacific in general from an LNG perspective. So we are staying right on top of that. We're viewing the market as starting to turn to be more optimistic with respect to LNG and egress off of Western Canada and we're poised with timing to take advantage of it.

I'd just like to point out is when we kind of halted our project, we certainly, when we go to revitalize it, can turn around and move relatively quickly on it because of the nimbleness and the simplicity of that design. So we'll certainly be there as one of the first movers as we have the opportunity to land contracts and the LNG market turns.

Patrick Kenny – National Bank Financial – *Analyst*

All right. That's great. Thank you very much.

Operator

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

Ben Pham – BMO Capital Markets – *Analyst*

Okay. Thanks. Good morning. I had a question on the Northwest Hydro assets and I'm more curious how you came to the decision of potentially selling minority interests versus a full 100 percent?

Tim Watson – AltaGas Ltd. – *EVP & CFO*

Happy to start. I think the fundamental premise for that asset is it's an asset we're very proud of as a company. We built it from scratch, as you know, Ben. It's a core part of the company. It's also a very unique asset, which arguably doesn't get full market recognition for us but notwithstanding that, it's a core part of our portfolio.

So really, you start with the fundamental premise of how we view the asset and how we view it as a fit within our overall company and then you work from that point. So while a minority interest could potentially make sense—should it surface the value that we expect it will—we will continue to operate the asset and it will continue to be a meaningful part of AltaGas.

Ben Pham – BMO Capital Markets – *Analyst*

There's still a possibility of you off-loading all of it, though. Is that still in the cards?

Tim Watson – AltaGas Ltd. – *EVP & CFO*

No—

David Harris – AltaGas Ltd. – *President & CEO*

Yeah. I'll jump in. Sorry, Tim, I may have over-walked you. But, yeah, it's not in the cards for us to unload the entire asset or a majority interest.

Ben Pham – BMO Capital Markets – *Analyst*

Okay. All right. Thanks for clarifying that. And then beyond the $2 billion asset sales, can you refresh us on what's left on the pref and debt side of things and maybe just general commentary on the hybrid markets in general?

Tim Watson – AltaGas Ltd. – *EVP & CFO*

I'll start I guess on that one. There's been no change in terms of our expectations and really this goes right back to January 2017. In rough terms, we'd be looking at—and I think there is a chart that we've shown in our investor slides over the past year that would indicate hybrid proceeds could be logically in the—I'll just use a round number—let's just say US$700, could be plus or minus, but something in that range that's consistent with what we have said. And that's probably the right size and fit as we structure our balance sheet on a pro forma basis.

We do like that product. We, in effect, use that product in a Canadian market, as you know right now, through our strong access to Canadian dollar preferred shares. But we would like to ultimately continue to diversify our funding forces and I think US dollar hybrids are a very viable market. It remains a viable market.

And notwithstanding a move in interest rates, that market is still wide open and that's the view of a number of banks that we speak to. So that would be part of our plans through Q2 and Q3 here.

Ben Pham – BMO Capital Markets – *Analyst*

Okay. All right. That's very helpful. Thanks, everybody.

Operator

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

Robert Catellier – CIBC World Markets – *Analyst*

Hi. Good morning, everyone. I just wanted to follow up on that last question. I know there was some currency hedging done at the time of the WGL transaction but none of the hybrid or fixed income requirements to fund and repay the bridge loan have been hedged, have they?

Tim Watson – AltaGas Ltd. – *EVP & CFO*

The hybrids would be our primary target is the US dollar hybrids market so to define that better, it's not preferred shares we would be looking at. It would be long-term, 60-year-type subordinated money, which is usually recognized about 50 percent equity, 50 percent debt on the balance sheet. And so that's what we would be talking about—US dollar funding for that component.

Robert Catellier – CIBC World Markets – *Analyst*

Right but there's no rate hedge? I know that there was some FX hedging, there was no interest rate hedging was there?

Tim Watson – AltaGas Ltd. – *EVP & CFO*

There's not at this time. We historically haven't felt a strong need to do that. There's a different view in the market in terms of whether rate hedges make sense or whether they're basically priced into the market, Robert. But certainly, we continue to watch the market. That's certainly an option for us as we go through this quarter but at this moment in time, there's no rate hedges.

Robert Catellier – CIBC World Markets – *Analyst*

Okay, and just a couple questions here on RIPET. It looks like you've taken up the propane supply to about 75 percent, so an increase from previous disclosures. And I'm wondering how much of that comes from Birchcliff as a result of the Gordondale re-contracting or if there are other customers involved there? And then I'll have a follow-up.

Tim Watson – AltaGas Ltd. – *EVP & CFO*

Yeah. Robert—

Jess Nieukerk – AltaGas Ltd. – *Senior Director Investor Relations*

Yeah. Rob, sorry. It's Jess here. I'm just going to cut in. We can't actually provide any specifics around the customers on RIPET right now.

Robert Catellier – CIBC World Markets – *Analyst*

Okay. And then finally, how do you view hedging of frac spread post commissioning of RIPET? Would you have an appetite to take on more frac spread knowing you have that overseas outlet? Or is your philosophy there going to be the same?

David Harris – AltaGas Ltd. – *President & CEO*

That turnaround, Robert, certainly there'll be a look at because of the outlook we have and the added flexibility it creates. So there could be. And then I'll just—I think, Randy, you're in the room—if you want to turn around and jump in and finish up the question?

Randy Toone – AltaGas Ltd. – *EVP, Gas*

Yeah. Hey, Rob. Yeah. We'll continue to look at our hedging strategy and then when RIPET comes on, it definitely opens up the doors to different types of hedging strategy, even Far East index hedging. But we're still evaluating that and like Dave said, it just opens up more doors for us.

Robert Catellier – CIBC World Markets – *Analyst*

Okay. That's all my questions. Thanks.

Operator

And again, if you would like to ask a question today, please press *, followed by the number 1 on your telephone keypad. Your next question comes from the line of Robert Kwan with RBC Capital Markets. Please go ahead.

Robert Kwan – RBC World Markets – *Analyst*

Hi. Good morning. Maybe I'll just start on the dividend and your earlier answer, Dave, just to make sure it's crystal clear. Sounds like you're very confident in the underlying fundamentals and what WGL does and the ability to support that 8 to 10 percent. But it also sounds like you are contemplating what to actually do with the dividend and, like you said, talking to shareholders. So are you contemplating how to play around with the growth rate? I guess, what's on the table? Are you playing around with the growth rate? Is it potentially leaving it flat? And I only ask this because it was strategically done with the company in the past with board members that are still there. Would you actually contemplate a strategic cut in the dividend?

David Harris – AltaGas Ltd. – *President & CEO*

No. There is not a contemplation, to be crystal clear, of strategic cut in the dividend at all. And going back, just to clarify and to pick up on your comment is, certainly the fundamentals are very strong, so there's no issue with the cash stream coming in with respect to the deal and combined companies to support the dividend.

It really just comes down to the strength of the deal and the cash that comes on it is what's the appropriate way to dispense that; whether it's through pushing the dividend or holding some of that back in reserve and using it more for the capital program that is a healthy amount of that. $4.5-$5 billion of that roughly is in the queue with another I think $2-$2.5 billion on top of that, pacing relatively well to be certain. So it just comes down to where do you want to place the chips on the table that creates the overall maximum value for the shareholder? That's really what it comes down to, Robert, just what we decide to do with the power of the cash flows that come off the combined companies.

Robert Kwan – RBC World Markets – *Analyst*

Understood. And then coming back to the hydro asset sales in B.C.—sounds like you're pretty far down the road—so I'm just wondering, there was kind of some wording around the use of appropriate minority interest. I'm just wondering if you can elaborate on what that meant? And are you also just looking at a straightforward minority interest sale, i.e. X percent sale for X percent of the cash flow, or are you looking at something a little more complicated in structuring?

David Harris – AltaGas Ltd. – *President & CEO*

Tim, you want to start, or?

Tim Watson – AltaGas Ltd. – *EVP & CFO*

Sure. I think I wouldn't read too much into the word "appropriate", it's just at the end of the day, we just want to—we wanted the appropriate deal—and it would be a minority interest or interests. And there's different scenarios that could fall out of that so I mean, I think just the—I mean, I wouldn't parse it too carefully on that particular word, I guess, Robert. The key point is what I've indicated in terms of the economic intent here. Sorry, what was the second part of the question?

Robert Kwan – RBC World Markets – *Analyst*

Just are you contemplating a straightforward minority interest sale? Or is there potentially some more complicated structuring? And straightforward just being sell X percent to get X percent of the cash flow?

Tim Watson – AltaGas Ltd. – *EVP & CFO*

Yeah. No, that's right. That's—it's as simple as that. As you know, we don't have debt on asset at this moment. It's just an asset that speaks for itself. So straight-up minority disposition at the right price.

Robert Kwan – RBC World Markets – *Analyst*

Sounds good. And I may just finish on asset sales as well. You've got the kind of the over $2 billion target tied to WGL. I'm just wondering, is there an amount that you are thinking about going forward with on asset sales absent of WGL?

Tim Watson – AltaGas Ltd. – *EVP & CFO*

Again, I think it's an interesting interplay which you've seen over the past several quarters here as we both advance WGL to the finish line. We're obviously getting close to there and prep ourselves for transaction-specific financing steps. I would say that some of the steps that we have underway are steps that we could quite comfortably proceed with irrespective or independently of what's happening with WGL. In other words, that they can make sense on their own but having said that, I think we are geared generally to fund the transaction in a timely way upon closure of it so that we're coming out of the gate with a strong balance sheet. So that's again how I think about it.

At the end of the day, we want to be in three business lines, grow three business lines. We don't favour one over the other as we've said continuously here. We've got good balance today as well as coming out of the gate with WGL and that'll be the case as things unfold.

Robert Kwan – RBC World Markets – *Analyst*

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

Operator

And we have no further questions in the queue at this time. I would now like to turn the call back to the presenters.

Jess Nieukerk – AltaGas Ltd. – *Senior Director Investor Relations*

I'd like to thank everyone for joining our Q1 2018 conference call. Ashley and I are available for any follow-up questions you may have.

Operator

Thank you to everyone for attending today. This will conclude today's call and you may now disconnect.